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DETERMINANTS OF INTEREST SPREADS IN COMMERCIAL BANKS – A CASE OF CRDB BANK TANZANIA

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ABSTRACT

A trend analysis of CRDB Banks' interest rate spreads over the period from 2006 to 2010 has been strong and persistently showing little signs of narrowing. This study employs panel data techniques to measure the relevance of factors in determining commercial banks' interest rate spreads over the period. The results indicate that the observed spreads can be attributed basically to the, high operating costs, liquid assets and net worth even though the influence of the latter is not as large as that of operating costs. The variables Loan Loss Reserve and statutory Reserves bear negative relationship with interest spreads indicating they are not contributors for increasing spread. The results also showed that there is comparatively highest positive relationship between interest and non-interest income. This may be due to high market share of the bank in the total banking operations of Tanzania.

KEYWORDS

Decomposition of spreads, Determinants, Interest spreads, Loan loss reserve, Non-interest income.

INTRODUCTION

The stability, integrity, longevity and prosperity in the development of any society originates from effective play of roles imbued with out detrimental to the universally accepted virtues like serve and survive, self help through mutual help, fair dealings in transactions with out vested interests, service is for oneness not for disintegration through making divisions and live let others live. Practice of this knowledge is not just for human beings but also preferably to public institutions which are run by group effort of human beings for providing en-mass service to the society. Banking institutions are no exception to this. They assumed the role of serving as an intermediary in financial transactions by way of raising resources encouraging savings of the customers and channelising those funds to productive activities like agriculture, industry, service sector so that the different sectors prosper by providing earning and livelihood to the public at large. In doing so, the banks have to give opportunities to the borrowers to get some margin in their activity which is possible when lending rate is lower then the earning rate. Charging Higher interest rates on lending may lead to not only financial non-viability of the borrowers, but also increase in the general price level, disintegration of society into haves and have nots ,dilution in the value system and social unrest. For the role of financial intermediary, the returns received by banks should cover their administrative expenditure including staff costs, interest paid on deposits and borrowings and some reasonable return to the share holders. Cross subsidization, administration inefficiency should not penalize the customers and the society. In the competitive economy effective service and efficiency in utilization of human and technological resources by developing customer tailored products, alone make the banks to survive failing which they need to exit from the market.

The high interest rate spreads of the commercial banking industry in Tanzania have emerged as one of the key issues for the customers and policy setters. Commercial banks, being one of the prime sources of financing for industry, agriculture and service activities in Tanzania, therefore, the level of activity development are associated with interest rate spreads. Interest rate spreads signals the efficiency of banks in performing their intermediation role of savings mobilization and allocation. Large interest rate spreads may act as a disincentive to private investment and may come as one of the bottle neck for development of the country. Inefficiencies in intermediation may emerge from problems like lack of adequate competition, scale diseconomies due to small market size or high fixed operating costs, the existence of regulatory controls, perceived market risks and the unsoundness of banks.

The purpose of this study is to provide an econometric account of some of the main Determinants of the ex-post interest rate spread of CRDB Bank in Tanzania between 2006 and 2010 employing quarterly data. The paper deals with presentation of an overview of banking sector in Tanzania and the role of CRDB Bank in the banking industry including its operational performance, review of the empirical literature, describing the data ,estimation techniques, empirical results, and discusses the policy implications of the results.

AN OVERVIEW OF BANKING SECTOR AND THE ROLE OF CRDB BANK IN TANZANIA

The Banking sector in Tanzania is experiencing progressive trends in many fronts over previous five years in terms of number of banks, new product lines, technological innovations, increasing focus on retail lending, prospects for corporate lending, agricultural loans and mortgage finance. Out of 23 banks 10 are foreign subsidiaries and 3 banks are listed including CRDB in June 2009 and few other banks have Initial public offers (IPO) in the pipeline. The performance of the Banking sector during the period from 2006 to 2010 can be understood from its increase in Total Assets from Tshs 5,294 Billions to Tshs.12,214 Billions , Loans from Tshs 2,214 Billions to Tshs.5,386 Billions, Deposits from Tshs 4,240 Billions to Tshs.9,655 Billions, Shareholder Capital from Tshs. 525 Billions to Tshs.1,492 Billions, and Net Income from Tshs 131 Billions to Tshs.192 Billions, signifying a CAGR of 18.2%, 19.46%,17.8%,23.2%, 7.95% respectively. During the same period the net interest income went up from Tshs.332 Billions to Tshs.611 Billions (CAGR 12.97%) and Capital /Assets went up from 9.9% to 12.2%. With The total number of 23 banks, the branch net work has gone up from 285 to 430 and employees from 6,167 to 10,137 by the end of 2010.

In spite of remarkable progress the depth of financial intermediation empirically which is measured as total assets/GDP is still quite low in Tanzania at 44.5% in December 2010 due to low level of household savings and lending, much more developed corporate lending but still underdeveloped compared to other peer emerging countries. Further the loans and deposits to GDP ratios at 19.6% & 35.2% respectively are below other peer emerging countries.

ROLE OF CRDB BANK IN THE INDUSTRY

CRDB Bank, a former government bank, formed as a public limited company in 1996 spreading its banking intermediary service activities all over Tanzania with a net work of 162 Branches and 72 ATMs. It recorded as the largest Bank in Tanzania for the last five years in terms of assets, deposits, loans, shareholders capital. At the end of December 2010 the CRDB bank market share consists of 19% of total assets, 16.7% of total capital, 20.9% of total loans and advances,14.2% of total branches and 25.85% of total net profits of the banking sector of the country. It has 1437 employees, 32000 share holders. Among top five banks in

Tanzania the CRDB banks assets consistently stood first over last five years from 2006-2010 increasing from 25% (898/3548) to 33%.(2318/7041). The advances of the bank spread over across Agriculture 28%,Manufacturing 5%,Real Estate 6%,Personal14%,Trade 14%, Utilities 11%, Financials 6%, Communications 6%, Other 1% and Mining 1%. High interest margin, high administrative expenditure and high non-interest income and low returns on investment signals threat to the role of financial intermediary.

A preliminary study of income statements of CRDB Bank which is the largest bank in the Tanzanian economy reveal that the net interest income which is the difference between interest income and interest expense and non interest income received in the form of fees and commission and foreign exchange income grew significantly showing more than double over a period of five years. The details are presented here under.

TABLE-1: FINANCIAL DATA-INCOME DETAILS ABSTRACT (Tshs. millions)

Item	2006	2007	2008	2009	2010
Net interest income	52,612	72,167	91,295	109,967	125,005
Net non interest income	26,172	37,117	44,184	54,760	69,143
Total income	78,784	109,284	145,479	164,727	194,148
Non interest expenditure	39,347	54,969	71,128	85,755	110,214
Net operating income	39,443	54,315	74,351	78,972	83,934
-Net interest income on assets	5.86%	6.32	6.30	5.93	5.33
-Net interest income to advances	12.96	12.26	10.90	11.58	10.94
-Non interest expense on advances	9.71	9.34	8.50	9.03	9.81
-total income to advances	19.41	18.57	17.39	17.42	17.28
-total income to total assets	8.77	9.56	10.03	8.88	8.42
-non operating expenses to total assets	4.38	4.81	4.91	4.62	4.78
EPS	12.2	17.2	19.0	21.0	22.2
Total gross income per employee	79.10	95.28	116.48	125.65	135.01
Non interest expenditure per employee	39.51	47.92	56.94	65.41	76.64
Net income per employee	39.59	47.36	59.54	60.24	58.37
Deposits per employee	794.71	883.46	1019.28	1236.80	2005.42
Advances per employee.	407.40	512.94	699.97	724.26	781.19

Source: Financial statements of the CRDB Bank, Tanzania from 2006-2010

TABLE-2: INTEREST SPREAD OF CRDB BANK FOR THE PERIOD 2006-2010 (Tshs in millions)

year	Interest Income (Tshs)	Total loans and advances Tshs.	Interest expenditure Tshs.	Total deposits Tshs.	Average interest rate on loans Col.1/col.2 5 (%)	Average interest rate on borrowings Col.3/col.4 6 (%)	Interest rate spread Col.5-col.6 7 (%)
	1	2	3	4			
2006	66,451	577,354	13,839	785,456	11.51	1.75	9.76
2007	89,145	715,148	17,007	1,013,331	12.47	1.68	10.79
2008	112,233	1046,226	21,070	1,273,601	10.73	1.65	9.08
2009	145,644	1203,495	35,676	1,603,942	12.10	2.22	9.88
2010	160,039	1550,492	35,034	2,019,393	10.32	1.73	8.59

Source: Financial statements of the CRDB Bank, Tanzania from 2006-2010

The foregoing tables show that the interest spread (ex-poste) during the study period ranged between 8.59 percent to 10.79 which is higher than average interest spread of African countries (7.52) and East African countries (5.05). When, income from other sources is taken into account, the net income on advances and total assets is ranging from 7.47% to 9.7%, and 3.64 % to 5.12 respectively. During the study period the deposits grown three fold per employee where as advances were only doubled. Based on this data, it can be inferred that though the size of transactions compared to other banks grew significantly the efficiency in intermediary function needs consideration and proper direction.

LITERATURE REVIEW

In their study Hanson and Rocha (1986) investigated the factors determining large spreads using aggregate data of 29 countries over the period 1975 – 1983 and attributed high operating costs, financial repression, lack of competition and high inflation rates as the main causes of the high spread. Chirwa et al (2004) used panel data techniques to investigate the causes of interest rate spreads in the commercial banking system of Malawi over the liberalized period of the 1990s and concluded that high interest rate spreads were attributable to monopoly power, high reserve requirements, high central bank discount rate and high inflation. Demircuc-Kunt et al (1999) using bank level data for 80 industrial and developing countries over the period 1988-1995 show that differences in interest margins reflect a variety of determinants such as bank characteristics, macroeconomic conditions, explicit and implicit bank taxes and the overall financial structure. Barajas et al (1998), examine the sources of high intermediation spreads observed in the Colombian banking sector over the pre liberalization period (1974-1988) and the post liberalization period (1991-1996) and found mixed results. Liberalization increased banking sector competitiveness, lowered market power and reduced financial taxation from its high 1970s level. The results also show bank spreads to be more responsive to non-financial costs (wages) and changes in loan quality. Afanassieff et al (2000), using panel data techniques to uncover the main determinants of bank spreads in Brazil, found that macroeconomic factors are the most relevant in explaining the spreads. Ramful (2001) in his study of the Mauritian banking sector found that interest rate spread was used not only to cover the cost of operating expenses and required reserves but also reflected the high degree of market power among banks and the poor quality of loans. For the wider Caribbean, Moore and Craigwell (2000), using panel data techniques, empirically assessed some of the major determinants of commercial banks' spreads over the financially liberalized period of the 1990s and found that market power, provision for loan losses and real gross domestic product to be significant factors influencing bank spreads. As it specifically relates to the ECCU, Randall (1998) devised two approaches to explain various determinants of interest rate spreads using 24 quarterly observations for each of the countries over the period 1991-96, and found that operating costs were a key determinant of interest rate spreads accounting for 23 per cent of the estimated spread. Mahamudu Bawumia (PhD), Franklin Belye and Martin Enoch Ofori in their paper examines the determination of interest rate spreads in Ghana using two approaches based on an income statement and balance sheet analysis and an econometric model. It concludes that the existence of major structural impediments, such as the market concentration, and the degree of contestability among banking institutions, among others, prevent the financial system from reaching its full level of efficiency. The market share variable is very influential in explaining spreads in Ghana and reflects the lack price competition in the banking industry. The results also show the effect of cross subsidization between interest and non-interest income. High operating cost, non-performing loans and the existence of liquidity reserves, also contribute to the wide spreads, even though the influence of the latter is not as large as that of operating costs and market share.

There has been very little empirical study done in the Tanzania investigating the causes of large bank spreads. These studies reveal that high operating cost, market share, high reserve requirements, provision of loan losses, real GDP, inflation are some of the determinants of the Interest spread in different countries. All these studies are country specific but not bank specific. This study, which is confined to a major bank in Tanzania, attempts to reduce this gap.

DATA

This study employs 21 quarters data relating to selected variables of CRDB Bank, Tanzania. The period covers starting from 31st March 2006 to 31st March 2011. All data were sourced from Bank's websites and annual and other periodical reports.

METHODOLOGY

The determinants of interest spread of CRDB Bank are identified using multiple regression. Interest spread is taken as dependent variable and six variables such as operating costs, loan loss provision; liquid assets, non-interest bearing income, statutory reserves and net worth are taken as independent variables which influence the interest spread. The empirical estimation of equation is carried out using absolute variables in millions of Tshs. The econometric estimation is made using SPSS 17. All regressions are estimated using backward method.

INTEREST SPREAD FOR THE STUDY

Among two approaches to measure interest rate spreads viz; ex- ante approach and the ex- post approach, many researchers favored ex-post spread approach since it represents weighted average interest rate on both deposits and lending. Demirguc-Kunt et al (1999), argue that the ex-post spread is a more encompassing and useful measure because it controls for the fact that banks with high yields and risky credits are likely to face more defaults. It is the difference between the average rate charged on loans and the average rate paid on deposits. The average rate charged on loans is calculated by dividing total interest income received on loans and advances by the average stock of loans and advances, while the average rate paid on deposits is calculated by dividing total interest expense by the average stock of total deposits. This study used exp-post interest spread approach in absolute figures which is the difference between interest income and interest expense.

KEY VARIABLES THAT DETERMINE INTEREST SPREAD

The following table shows the proxies of the hypothesized determinants of commercial banks ex-post interest spreads:

KEY VARIABLES AND THE EXPECTED IMPACT ON INTEREST RATE MARGIN

	Proxy	Predicted coefficient Sign	Rationale
Opportunity cost of non- interest bearing reserves/ statutory reserves	SR: non-interest bearing reserves	Positive	SR \uparrow \Rightarrow Opportunity cost \uparrow \Rightarrow Margins \uparrow
Liquidity	LIQ: Liquid assets as shown in cash flow statement.	Positive	LIQ \uparrow \Rightarrow Liquidity risk \downarrow \Rightarrow Margins \uparrow
Operating Efficiency	OC: Non-Interest expenses	Positive	OC \uparrow \Rightarrow Operating efficiency \downarrow \Rightarrow Margins \uparrow
Provision for loan losses	PL: Provision for loan losses as per income statement	Positive	PL \uparrow \Rightarrow Cost of bad debts write offs \uparrow \Rightarrow Margins \uparrow
Non interest income	NII: Non interest income	Negative	NII \uparrow \Rightarrow Earning capability \uparrow \Rightarrow Margins \downarrow
Net-worth	NW: -share holders funds	Positive	NW \uparrow \Rightarrow Earning capability \downarrow \Rightarrow Margins \uparrow
Market power	Share of the bank in total assets, deposits, advances , profits of the banking sector	Positive	MP \uparrow \Rightarrow Competition \downarrow \Rightarrow Margins \uparrow

I) REGULATORY VARIABLE- THE RESERVE REQUIREMENT

Commercial banks are required to maintain a certain percentage of total deposits and other similar liabilities to which reserve ratios are made applicable, as the Monetary Council may determine from time to time. Whereas reserve requirements are used as monetary policy instruments to ensure the safety and soundness of the banking system, these non-interest bearing reserves in essence impose an implicit financial tax on banks thereby reducing commercial banks revenues. Banks can either pass on this loss of revenue to depositors, who will receive lower interest rates on deposits, or they can pass it on to borrowers who will face higher interest rates on loans, thereby increasing the spread between the two rates. Over the study period, the reserve requirement ratio remained unchanged at ten per cent. However, because the reserve ratio is applied to total deposits at a point in time, the TShs. amount that each bank holds with the Central Bank would be different, thus allowing for some variation in the empirical estimations. A positive correlation between such reserves and Interest Spreads is expected, as high liquidity reserve requirements act as an implicit financial tax by keeping interest rates high. Chirwa and Mlachila (2004) explain by noting that, 'the opportunity cost of holding reserves at the central bank, where they earn no or little interest, increases the economic cost of funds above the recorded interest expenses that banks tend to shift to customers.' They further argue that the large pool of resources created by high reserve requirements allow for the financing of high fiscal deficits, and thereby creates an environment of high inflation and persistently high intermediation margins. Because data on required reserves are not widely available, actual reserves of commercial banks are used as a proxy.

II) LIQUIDITY

Where there is excess liquidity in the banking system, banks' exposures to liquidity risks is low and this should contribute to increase in interest spread. Hence banks may tend to increase the spread to cover such risk. Liquidity risk is proxied by the total liquid assets kept in the bank to meet contingency of payments. Such assets normally earn no income as they are balance kept in the bank. The expected sign is positive. Brock and Franken (2002) found that bank liquidity was associated with higher spreads in Chile.

III) OPERATING COSTS

Operating costs arise in processing loans and the servicing of deposits. For the aggregate banking system, on average, the operating cost as a proportion of total earning assets ranged from 3.0 per cent in St Kitts and Nevis to 4.7 per cent in Antigua and Barbuda. International standards normally identify 3.6 per cent as an average. In this study this variable is taken as total non- interest expenditure as reported in quarterly financial statements of the bank. A positive relationship between this variable and bank spreads is expected.

IV) LOAN LOSS PROVISIONING

For the aggregate banking system, on average, the ratio of provision for loan losses to total earning assets is below 2 percent. Higher percentage may be attributed to the elevated provision for loan losses following the en-mass crop failures and business losses and natural calamities. A positive relationship is expected between this variable and bank spreads reflecting the notion that banks tend to push the cost of nonperforming loans to customers. For this study the provision for loan losses is used as the proxy for quality of loans.

V) MARKET POWER VARIABLE

The structure of the market in which banks operate plays an important role in influencing bank spreads. Economic theory posits that competitive pressures that result from conditions of free entry and competitive pricing will raise the efficiency of intermediation by decreasing the spreads between deposits and lending rates. Recent empirical studies, Chirwa et al (2004), tend to support the hypothesis that interest rate spreads are positively related to market power. That is, the more concentrated the banking industry (i.e. the less competitive) the higher the banks' spreads. Due to non availability of market share for thirty periods this variable is not used in the model.

VI) NON-INTEREST INCOME

After economic liberalization banks are increasingly resorting to provide intermediary functions like transfer of funds in different forms, electronic based services by charging fees and commission, leading to substantial increase in non-interest income. This should help bank for cross subsidization and in turn reduce the interest spreads. A negative relationship is expected between non-interest income and interest spread. In this study non interest income derived from foreign exchange, fees and commission etc are taken as proxy.

VII) NET WORTH OF THE BANK

The positive sign of this coefficient suggests that regulatory capital, which provides banks with a cushion to assume broader spectra of risks, is more expensive than debt because of tax. Hence banks with higher Net worth tend to pass this cost on to customers in the form of wider interest margins. For this study the proxy is taken as share holders funds of the bank for 21 quarters.

ESTIMATION TECHNIQUES

The following multiple regression equation is used for identifying the determinants of interest rate spread.

$$Ist = \beta_0 + \beta_1SRt + \beta_4 LIQt + \beta_2OCt + \beta_3 PLt + \beta_5NIIt + \beta_6 NWt + Et$$

Where:

Ist is the ex-post spread OF CRDB BANK at time t.

Srt Statutory reserve provision as per BOT guidelines

OCt is the operating cost of the bank

LIQt is the liquidity position of the bank

PLt is the provision for loan losses of the bank

NIIt is the non interest income earned by the bank

NWt is the net worth of the bank

Et is the error term.

EMPIRICAL RESULTS

The results from the panel regression analysis on the factors that influence bank spreads in the CRDB Bank are reported in the following table.

TABLE 3: COEFFICIENTS

VARIABLE	COEFFICIENT	'T' STATISTICS	PROBABILITY	VIF
Constant	8004.108	4.024	0.001	
SR	- 0.111	-0.286	0.779	6.574
LIQ	0.031	1.298	0.217	20.960
OC	0.052	2.017	0.065	2.044
PL	-0.015	-2.911	0.012	6.499
NII	0.219	0.696	0.499	11.166
NW	0.093	2.579	0.023	39.296
Weighted statistics:	Adjusted R square	0.996	Durbin Watts test	2.308

Source: results of the panel data run on SPSS

The following observations can be made from the table:

1. The adjusted coefficient of determination (R square adjusted) is high at 99.6%. The parameter estimates are also significant at 5 percent significance level as can be seen from the t statistics. The performance of specific variables is sensitive to the definition of interest rate spreads. Further the Durbin Watts test critical value indicate no presence of positive relationship between residuals.
2. The results show that a percentage increase in the operational cost variable induces 0.052 percent increase in interest margins at time t with a 5% significance level. This implies that, interest margin has a positive response to the administrative and other overhead costs. This confirms theoretical expectations about the sign and significance that an increase in the administrative costs implies a higher bank interest margin. This relationship was most pronounced in St Kitts and Nevis. This result speaks to the size and diseconomies of scale in the operations of commercial banks. Enhancing operational efficiencies to exploit scale and scope economies must become an urgent priority of banks. Most studies tend to support a positive and significant relationship between bank spreads and operating costs.
3. With respect to the inverse indicator of loan quality and statutory reserves, the coefficients were negative showing - 0.015 and -0.111 respectively statistically significant at the 5 percent. The negative relationship implies that this bank is no tending to shift the risks associated with non-performing loans and statutory reserves to customers by factoring lagged loan loss provision and statutory reserves into loan asset pricing.
4. The coefficient of the Net worth variable of +0.093 indicates that a percentage increase in the net worth of the bank leads to a corresponding 0.093 percentage increase in interest margins.
5. The coefficient of the liquidity reserve requirement (LIQ), is positive at 0.031 percent and statistically significant at the 5 percent level. This implies a percentage increases in liquidity leads to a 0.03 rise in interest margins. Reserve requirements are a form of financial taxation on the commercial banking system, and commercial banks respond to increases in reserve requirements by increasing the margin between lending and deposit rates.
6. The non-interest income (fees and commissions) variable, FEES, has a significant and positive impact on net interest margin. This could be explained as due to the existence of market power, where banks potentially use monopoly power in setting their lending and deposit rates. Alternatively, it could be due to diseconomies of scale within the sector, where, for instance, due to incompatibility of banks' technology or lack of appropriate linkages among banks, each bank has to originate its own financial/ technological infrastructure restricting operational efficiency.

CONCLUSIONS

Intermediation spreads remain generally high in CRDB Bank compared with other countries. The study about determinants of interest rate spreads concludes that as expected there is a positive relationship between interest rate spread and change in non interest expense (OC), liquidity position, non-interest bearing income (NII) and net worth. In addition there was inverse relationship between interest spread and loan loss provision and statutory reserves position. Thus it can be inferred that, non-interest expense, net worth, non- interest income and liquidity position are the determinants of interest rate spread.

As against expected, the relationship between net interest spread and loan loss reserve and statutory reserves is negative and between interest spread and non-interest income is positive .As was outlined in the profile, the CRDB Bank is the premier bank in terms of its market share consistently for past five years. The market share variable is very influential in explaining spreads in CRDB Bank Tanzania as the non interest income and spread are moving in positive manner with significant change. In informal discussions, customers endorsed the view that the interest rates as well as fees and commission for other services are high which needs reconsideration.

One of the reasons advocated by the bank officials defending higher interest spread was increasing Loan Loss provision due to funds exposed to agriculture sector (risk sector). But the study indicates that it is not a determinant for higher spread as the relationship between the coefficient of loan loss provision and interest spread was negative instead of positive.

All these effects can be cross subsidized with increasing non interest income so as to bring down the interest spread. Further the assets structure need structural change shifting investments from government sector to industrial sector and service sector so as to improve the efficiency of bank and also the economy of the country consequently reducing the interest spreads. It can also achieve cost savings by offering a broader array of deposit and investment products such as money market accounts, mutual funds and securities underwriting. By producing a more heterogeneous output mix, this bank might be able to capture scope economies. Though the results signals policy implications, it require further study taking into panel date expressed in terms of relationship between total deposits, total advances etc.

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CORPORATE SOCIAL RESPONSIBILITY CSR OF BUSINESS ORGANIZATIONS IN NIGER STATE, NIGERIA: AN ISLAMIC PERSPECTIVE

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ABSTRACT

This paper examined an Islamic perspective of corporate social responsibility (CSR) of business organizations in Niger State, Nigeria. The study was conducted in Minna, Suleja, Kontagora and Bida towns of Niger State, Nigeria. Multi-stage and random sampling techniques were used in selecting 1,600 respondents of the study using staff of business organizations, investors, consumers and some people in the society. Information was gathered using primary and secondary data. Questionnaires were used to elicit information and were validated by experts. The data generated from the survey were subjected to descriptive analyses. The findings revealed that Islamic socio-economic rules and regulations have influence on corporate social responsibility to investors = $96.1/100 \times 400/1 = 384$; to customers = $96.5/100 \times 400/1 = 386$, to employees = $96.8/100 \times 400/1 = 387$; and to society = $94.7/100 \times 400/1 = 379$. The study concluded that Islamic socio-economic system has influence on corporate social responsibility in Niger State, Nigeria.

KEYWORDS

Corporate Social Responsibility, Customers, Investors, Employees, Society, Islamic, Nigeria, Niger State.

INTRODUCTION

Islamic Corporate Social Responsibility refers to the obligations that a small, medium and large business organization has to protect and contribute to the society in which it functions. A business organization exercises social responsibility in three domains: Its stakeholders such as employees, firm, suppliers, buyers, debtors, general public, stockholders owners, partners, the needy and competitors, the natural environment, and the general social welfare on the issues of hiring and firing, wages and working condition, privacy, conflicts of interest, secrecy, honesty, skills training and qualifications, cost of inputs, hoarding and price strategy, use of *riba* (interest) in financing sales, repayment terms, hoarding, abuse of environment, distribution of losses and gains, *sadaqah* (the voluntary aims), fair competition, and *zakat* (the obligatory aims).

Islamic corporate social responsibility includes everything from hiring minority workers to making safe products, minimizing air, water and waste pollution, using energy wisely, and providing a safe work environment that is, everything that has to do with acting responsibility with society in conformity with *Shari'ah*. It would be easier to understand corporate social responsibility in Niger State, Nigeria if we looked at the concept through the eyes of the people who stand to gain or lose by the policies and activities of small, medium and large business organization. Stakeholders include customers, employees, stockholders, surrounding community, environmentalists, dealers, government leaders, suppliers and bankers. All of these groups are affected by the products, services, policies and practices of the firm, and their concerns need to be addressed.

The statement of the problem of this paper is to find out the influence of Islami on corporate social responsibility in Niger State, Nigeria. Islam has existed for a long time as a way of life of the majority people of Niger State, Nigeria. One is therefore not surprised at the attempt made for expansion the *Shari'ah* legal code in the state. It is observed that a Muslim must be guided naturally by Islam. He or she has a duty to obey Allah's laws, which are also supreme. For a Muslim to be seen as one, he or she must live according to the dictates of Islam. On the other hand, however, it is unlawful for a Muslim to deliberately break or disrespect Allah's laws. In a Muslim community, religion plays a vital role in shaping the conduct of the behaviour of the people within that particular society. Islam as a sub-culture exerts a broad influence on corporate social responsibility on customers, investors, employees and society. The general guideline for Muslims businessmen and women on corporate social responsibility is that Muslims businessmen and women are required to behave in Islamic way on their responsibility to customers, responsibility to investors, responsibility to employees and responsibility to society because Islam is a complete way of life of a Muslim.

In order to achieve the objectives of this study, this paper will attempt to provide answers to the following research questions:

1. What are the socio-economic rules and regulations of Islam that relate to corporate social responsibility?
2. Can the socio-economic rules and regulations of Islam have any influence on corporate social responsibility?
3. To what extent do the socio-economic rules and regulations of Islam affect corporate social responsibility?

OBJECTIVE OF THE STUDY

The primary objective of this research is to identify an Islamic perspective of the corporate social responsibility CSR of business organizations in Niger State of Nigeria. Specifically, the purposes of this research are to:

- (a) identify the socio-economic rules and regulations of Islam that relate to corporate social responsibility;
- (b) ascertain the socio-economic rules and regulations of Islam on social responsibility to customers and investors.
- (c) examine the extent to which the socio-economic rules and regulations of Islam affect social responsibility to employees and society.

THE STUDY AREA

Power state as it is popularly called because of the hydro-electric power plant cited at Kainji and Shiroro dams. Niger State was created on 3rd February 1976 and currently has twenty five local government areas with a population of 4,082,558 ranking it the 18th in the country out of 36 states in Nigeria. In land mass it is the largest in the country with 76,362 square kilometers. The state capital is Minna while other major towns are Bida, Suleja and Kontagora. The major tribes is Nupe and majority people of Niger State are Muslim. On January 30th 2000, the state introduced the *Shari'ah* law code. Zungeru town was the first political capital of Nigeria, the birth place of Nigeria's first president, late Dr. Nnamdi Azikiwe. It is also known to house about one hundred tombs of Lord Lugard's aides. This state has the history of producing two former Head of State for Nigeria. These are General Ibrahim Babangida and General Abdul-Salami Abubakar.

THEORETICAL FRAMEWORK

The four premises underlying this paper theoretical framework are: corporate social responsibility to customers, corporate social responsibility to investors (stockholders), corporate social responsibility to employees and corporate social responsibility to society.

LITERATURE REVIEW

One of responsibility of business is to satisfy customers by offering them goods and service of real value. Business organizational stakeholders represent the people and or organizations that are affected by the actions of an organization. However, Islamic business ethics can influence how business organization relates to customers, how business organization relates to employees, how business organization relates to stockholders and how business organization relates to society. On hiring, promotion and other employee-related decisions, Islam wishes us to treat all equally well. Where a manager is evaluating one person's performance against another's, fairness and justice are a must *Qur'an* 4:58. Ibn Taymiyah suggests that a business organization is under obligation to pay a fair remuneration to employees. Some business organization may take advantage of employees and underpay them because of their need for income. Islam is against such exploitation. If the wage level is too low, employees may not feel motivated to put in an adequate amount of effort. Similarly if the wage level is too high, a business organization may not be able to make profit and keep the business going. On the Day of Judgment, the Prophet (PBUH) will be a witness against "one who employs a labourer and gets the full work done by him but does not pay him his/her wages" (*Sahih al Bukhari, Hadith No. 3,430*).

Islamic general principle of *tawhid* or unity applies to all aspects of the relationship between business organization and its employees. Muslim businessmen or women should not treat their employees as through Islam is inconsequential during business hours. For example, Muslim employees should be given time off for prayers, should not be coerced into acting against the Islamic moral code, should be given respite if they are sick and cannot perform, and should not be harassed sexually or otherwise. To foster equity and balance, non-Muslim employees' beliefs should be similarly respected (*Qur'an* 60:8). Business has several responsibilities to employees. First, they have a responsibility to create jobs. It's been said that the best social programme in the world is a job. Once a company creates jobs, it has an obligation to see to it that hard work and talent are fairly rewarded. However, if an employee has a physical problem which prevents him or her from performing certain tasks or if an employee has committed a blunder in the past, the employer must not publicize it. This would breach the privacy of the employee (*Qur'an* 4:149).

When a business organization dealing with suppliers, Islamic business ethics suggests that one should negotiate a fair price, and not take advantage of one's bigger size or clout. To avoid any future misunderstanding, Allah has enjoined us to put contractual obligations in writing (*Qur'an* 2:282). Bala (2008), says that brokerage is generally permissible except when there is interference in the free market system. There is nothing wrong with the broker's charging a fee for his or her services. This fee may be a fixed amount or proportional to the volume of sales or whatever is agreed among the parties involved. Bala (2009) also says according to Islamic business ethics customers should expect to receive products that are in good conditions and priced fairly. Businessmen or women should also notified customers of any deficiencies. Islamic business ethics forbids the following marketing practices when dealing with customers:

- Product incorrect weight and measures

Give just measure and cause no loss to others by fraud. And weigh with scales true and upright. And withhold not things justly due to men Qur'an 26:181-183.

- Product hoarding

He who hoards is a sinner

Sahih Muslim, Hadith 3910

- Product Adulterated or spoiled products

The messenger of Allah (peace be upon him) happened to pass by a heap of eatables corn. He thrust his hand in that heap and his fingers were moistened. He said to the owner of the heap of eatables corn, what is this? Messenger of Allah, these have been drenched by rainfall. He the Prophet remarked, why did you not place this the drenched part of the heap over other eatables so that the people could see it? He who deceives is not of me (is not my follower).

Abu Hurayrah, Sahih Muslim

Hadith No. 183

One of the business's responsibilities to society is to create new wealth. If businesses don't do it, who will? Business are also responsible for promoting social justice. Business responsibility to society according to Islamic business ethics are; a businessman or women has a special obligation if he/she provides essential products to the public. For example, the public has a need for farming produce, clothes, dwellings to inhabit. Since these are essential commodities, the businessman or woman needs to price fairly. Islam is against the idea of price controls (Bala, 2008). Islamic also encourages partnerships. Any such project which aims at benefiting the individual or society or which removes some evil is righteous, especially if the intention of the investors is righteous a priori (Bala, 2010). Business responsibility to needy is part of Islamic business ethics. Muslim businessmen or women should give to the poor from what is wholesome and earned in a lawful manner.

O you who believe! Give of the good things which you have honorably earned. And of the fruits of the earth which we have produced for you, and do not even aim at getting anything which is bad, in order that out of it you may give away something, when you yourselves would not receive it except with closed eyes.

Qur'an 2:267

Businesses are clearly responsible for helping to make their own environment a better place. Environmental efforts may increase the company's cost but they also may allow the company to charge higher prices, to increase market share, or both. Environmental quality is a public good; that is, everyone gets to enjoy it regardless of who pays for it. Another key domain of corporate social responsibility in Islam is the natural environment. Muslim businessmen and women are encouraged to appreciate the beauty of the natural environment.

Sees thou not that Allah sends down rain from the sky? With it we then bring out produce of various colors. And in the mountains are tracts white and red, of various shades of color and black intense in hue. And so amongst men and crawling creatures and cattle are they of various colors. Those truly fear Allah, among His servants who have knowledge.

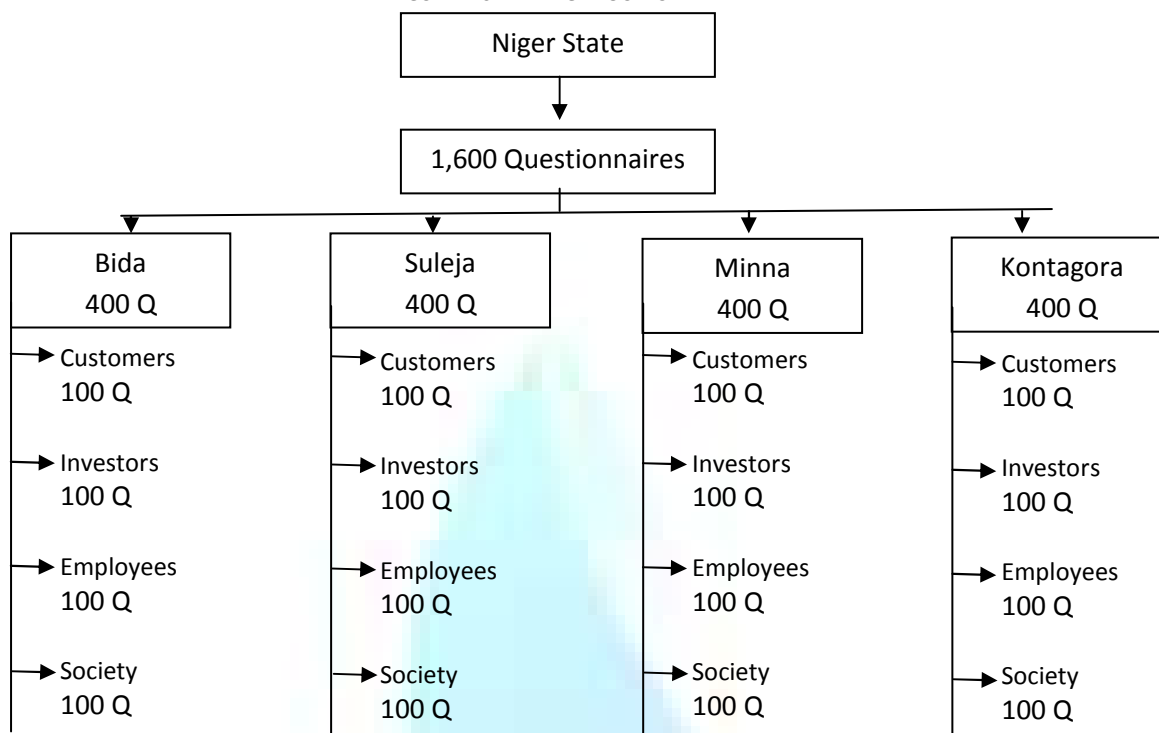
Qur'an 35:27 – 28.

For many years, business organizations got rid of their waste products by discharging them in the air, into rivers and on land. Acid rain, global warming via depletion of the ozone layer, and poisoning of the food chain resulted from this irresponsible behavior. Islam emphasized businessman's role and woman's towards the natural environment by making him or her responsible of his/her surroundings and Allah's vicegerent. In his or her role as vicegerent, the Muslim businessman or woman is expected to take care of his or her natural environment.

METHODS**RESEARCH DESIGN**

The data were collected through a survey conducted in four towns, namely; Suleja, Minna, Kontagora and Bida towns of Niger State, Nigeria. Survey research affords the opportunity of obtaining information from a representative sample of the population in an attempt to describe the prevailing situation about the variables under examination.

FIGURE 1: SAMPLING PROCEDURE



Source: Bala (2011)

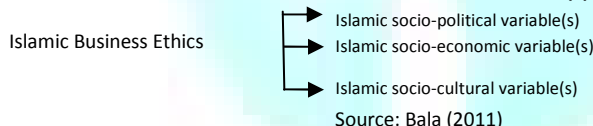
INSTRUMENT

The questionnaire used was subjected to validation process. Copies of the questionnaires were given to a panel of experts for validation. The comments and suggestions made were utilized in restructuring the research instrument. The validation exercise ensured not only the face validity of the questionnaire but also its constant validity. Yes or no questionnaire method was used for both independent and dependent variable(s). The major research instrument used for the collection of primary data was 1,600 questionnaires.

MEASUREMENT OF VARIABLES

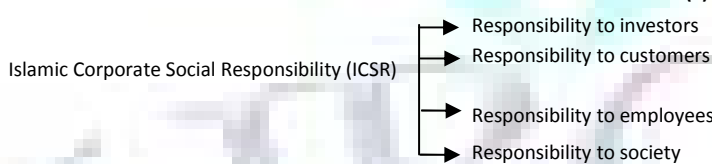
Two groups of variables, independent and dependent variables were measured through the application of yes or no scale. The questionnaires comprised mostly structure closed-ended items and were comprised of three sections for independent variable(s) four sections for dependent variable(s). Each section has ten questions making the total of seventy questions.

FIGURE 2: INDEPENDENT VARIABLE (S)



Source: Bala (2011)

FIGURE 3: DEPENDENT VARIABLE (S)



Source: Bala (2011)

FINDINGS AND DISCUSS

The data for study were collected from a sample of 1,600 respondents which included investors, customers, employees and society from Bida, Kontagora, Suleja and Minna towns of Niger State, Nigeria were requested to indicate their levels of agreement (yes) or disagreement (No) scale. Table 1 shows the distribution of respondents on Islamic socio-political variables. The responses followed the same patterns for all the ten items. There is positive favourable affirmation to the issues as the level of agreement (yes) ranges from (92% to 98%). This makes response from Bida, Kontagora, Suleja and Minna towns of Niger State highly positive. In most cases disagree (no) had less than (02% - 08%) pooled together. Respondents strongly agree (yes) that government should work towards creating a conducive atmosphere for business management (92%). There is also overwhelming agreement that government should eradicate businessmen and women ignorance of business ethics (95%) of 1,600, and that government should avoid unnecessary expenditure (95%). There is common agreement that government should educated people on lawful and unlawful business activities (94%) and also monitored and control the establishment of business enterprises (97%). It is well known that government should see that all goods and services are weighed and standardized in conformity with *Shari'ah* 96%. More than (97%) of the respondents agree that government should punished those businessmen and women who produce or sell unlawful products (96%). Majority also agree that government should ensure sanctions on unlawful advertising (98%).

Table 1 also presents the result of the descriptive analysis on respondents' Islamic socio-economic variables. As reported for the Islamic socio-political variables followed the same trend. Respondents indicated their opinion mostly on strongly agreed (yes) of the 1,600 questionnaires. The responses for yes category ranged between (91% - 99%) of 1,600 for the ten items from Bida, Suleja, Minna and Kintagora towns of Niger State, Nigeria. On Islamic socio-economic variables, it is agreed that state should ensure that every member of society is well utilized (98%). There is agreement that all possible market imperfection must

be adequately dealt with (96%). The respondents agreed that businessmen and women should ensure a fair price to consumers 99%. There is also overwhelming agreement that social security system needs to be put in place (97%). Respondents also believed that adequate revenue generation is a fundamental issue (95%) of respondents. There is a common agreement that it is unlawful for businessmen and women to hoard products (94%). The participants are also fully aware that there should be need for customers and businessmen and women to establish friendliness and goodwill (96%) of questionnaires.

Table 1 also shows the distribution of respondents on the Islamic socio-cultural variables. The responses followed the same patterns for all the ten items. There is positive favourable affirmation to the issues as the level of agreement (yes) ranges from (91% - 99%). Respondents strongly agree that Islam has emphasizes and urges producers and consumers to socialize (99%). There is agreement that business and consumption of certain products are prohibited because of societal value of Islamic law (97%). The respondents agreed that *Zakkat* bridges the gap between rich and the poor in the society (99%). Almost all participants (98%) agreed that Islamic economy system creates a conducive atmosphere for peace to both businessmen and women, consumers and the society in general.

The result of cross-tabulation of respondents from Bida, Kontagora, Suleja and Minna towns of Niger State, Nigeria and Islamic corporate social responsibility to investors revealed no significant differences among the four (4) towns for the ten items on dependent variables. These items include; when dealing with suppliers, investors should negotiate a fair price (96%), to avoid any future misunderstanding, Islam has enjoined investors to put contractual obligations in writing (98%), despite the permissibility of agency in general, merchants are prohibited from interfering with the free market system through a specific type of brokering and this type of brokering may lead to price inflation (97%), a Muslim businessman or woman should not demand honesty from others while being himself or herself dishonest (98%), Islamic socio-economic system has prohibits any kind of fraudulent transaction whether during a purchase or a sale (99%), and a Muslim businessman or woman must not knowingly purchase stolen property either for himself/herself or for future resale (93%).

The result in table 2 on Islamic corporate social responsibility to customers reveals that most of the responses were skewed towards total agreement with the ten items for the four towns. These variables include; customers should expect to receive products that are in good conditions and priced fairly (98%), customers should be notified of any product deficiencies (97%), Muslim businessman or woman cannot run any trade which imports or exports alcoholic beverages to customers (96%), businesses that involve drugs in any aspect of its trade not permissible to customers (95%), trading of sculptors and artists to customers as objects of worship or as objects to be likened to Allah's creations are clearly forbidden in Islamic socio-economic system (96%), Islam prohibits prostitution 98%, Islam forbade any kind of trade involving uncertainty, regarding an unspecified quality to be exchanged or delivered to customers (94%), Islam forbids the use of incorrect weights and measures to customers (99%) and Islamic socio-economic system forbids price manipulation to customers (98%).

The result in table 2 on Islamic corporate social responsibility to employees revealed no significant differences among the four (4) towns of Niger State, Nigeria, for the ten items on dependent variables such as; in hiring employee fairness is a must in Islam (96%), in business employer is under obligation to pay a fair remuneration to his or her employees (95%), in an Islamic business organizations, wages must be set in an equitable manner both with respect to employees and the employer (98%), if an employee has a physical problem which prevents him or her from performing certain tasks, the employer must not publicize it: right to privacy (96%), employees should be given respite if they are sick and cannot perform (98%), to foster equity and balance, non-Muslim employees' beliefs should be respected (97%) and employees should not be coerced into acting against the Islamic moral code (94%).

However, the result in table 2 on Islamic corporate social responsibility to society revealed no significant differences among the towns of Bida, Suleja, Minna, Kontagora for the ten items on dependents variables such as; as part of the community, Muslim businessman and woman need to watch over the welfare of its weak and destitute members (97%), Islamic socio-economic rules and regulations does not tolerate interferences in the market system by hoarding product in the society (96%), a businessman or woman has a special obligation if he or she provides essential supplied to the public (91%), Muslim businessmen are encouraged to appreciate the beauty of the natural environment (98%), and once a Muslim businessman or woman polluted the environment, he or she is expected to clean it up or remove what is causing the pollution (95%).

TABLE 1: CROSS TABULATION OF RESPONDENTS FROM BIDA, KONTAGORA, SULEJA AND MINNA TOWNS OF NIGER STATE, NIGERIA AND INDEPENDENT VARIABLES

Independent Variable(s) = Islamic Business Ethics							
Islamic Socio-Political Variables				Islamic Socio-Economic Variables			
S/N	Variable(s)	Yes (%)	No (%)	S/N	Variables	Yes (%)	No (%)
1	Conducive atmosphere	92	08	1	Members well utilized	98	02
2	Eradicate ignorance	95	05	2	Market imperfection	96	04
3	Punish unlawful	96	04	3	Fair price to consumers	99	01
4	Unnecessary expenditure	95	05	4	Social security system	97	03
5	Educating people	94	06	5	Adequate revenue	95	05
6	Monitoring & controlling	97	03	6	Defective or harmful goods	94	06
7	Weighed & standardized	96	04	7	Expenditure well controlled	95	05
8	Forbidding unlawful	97	03	8	Hoard products	94	06
9	Punishment producers	96	04	9	Friendliness & goodwill	96	04
10	Unlawful advertising	98	02	10	Adulterated transaction	91	09
Islamic Socio-Cultural Variables				Islamic Socio-Cultural Variables			
S/N	Variable(s)	Yes (%)	No (%)	S/N	Variables	Yes (%)	No (%)
1	Emphasizes socialization	99	01	6	Family role	92	08
2	Societal value	97	03	7	Learn respective roles	91	09
3	Against human greed	96	04	8	Hoarding is against norms	95	05
4	Unethical behavior	94	06	9	Creates peace	98	02
5	Zakkat bridges gap	93	07	10	Health citizenry	93	07

Source: Field Survey (2011)

% of 1,600 Respondents

TABLE 2: CROSS-TABULATION OF RESPONDENTS FROM BIDA, KONTAGORA, SULEJA AND MINNA TOWNS OF NIGER STATE, NIGERIA AND DEPENDENT VARIABLES

Dependent Variable(s) = Islamic Corporate Social Responsibility							
Islamic Corporate Social Responsibility to Investors				Islamic Corporate Social Responsibility to Customers			
S/N	Variable(s)	Yes (%)	No (%)	S/N	Variables	Yes (%)	No (%)
1	Negotiate fair price	96	04	1	Received good products	98	02
2	Obligations in writing	98	02	2	Notified product deficiencies	97	03
3	Interfering with brokering	97	03	3	Trade on alcoholic beverages	96	04
4	Free market system	94	06	4	Drugs not permissible	95	05
5	Broker's charging fee	95	05	5	Trading on sculptors	96	04
6	Demand honesty	98	02	6	Pornography and Idol	94	06
7	Fraudulent transaction	99	01	7	Prohibits prostitution	98	02
8	Honest at all time	97	03	8	Forbade uncertainty	94	06
9	Purchase stolen property	93	07	9	Incorrect weights & measures	99	01
10	Lending on interest	94	06	10	Price manipulation	98	02
Islamic Corporate Social Responsibility to Employees				Islamic Corporate Social Responsibility to Society			
S/N	Variable(s)	Yes (%)	No (%)	S/N	Variables	Yes (%)	No (%)
1	Fairness to employees	96	04	1	Welfare to weak members	97	03
2	Justice to employees	98	02	2	Hoarding in the society	96	04
3	Fair remuneration	95	05	3	Society and price manipulation	92	08
4	Respect employees	98	02	4	Protection against greed	95	05
5	Treatment to employees	97	03	5	Provides essential supplies	91	09
6	Right to privacy	96	04	6	Encourages partnerships	94	06
7	Accountability	99	01	7	Natural environment	98	02
8	Respite to employees	98	02	8	Kindness to animals	95	05
9	Non-muslim beliefs	97	03	9	Engage animal fights	94	06
10	Islamic moral code	94	06	10	Polluted the environment	95	05

Source: Field Survey (2011)

% of 400 Respondents

CONCLUSION

From the analysis of the data collected and the interpretation of the various descriptive analyses, this paper concludes that Islamic socio-economic rules and regulations have influence on corporate social responsibility to society, responsibility to investors, responsibility to customers, and responsibility to employees. In order to validate the findings of this study, there is the need to replicate the study in other parts of Nigeria and cover a larger sample.

RECOMMENDATIONS

In line with the findings of this study both small and large business organizations in Nigeria should consider the following socially responsible business activities as a must:

- Consumer-related activities such as ensuring product safety, creating truthful advertising, handling complaints promptly, setting fair prices, and conducting extensive consumer education programmes in Nigeria;
- Employee-related activities such as establishing equal opportunity programmes, offering flex time and other benefits, promoting job enrichment, ensuring job safety, and conducting employee development programmes;
- Community-related activities such as participating in local fund-raising campaigns, donating executive time to various non-profit organizations and participating in urban planning and development;
- Political-related activities such as taking a position on pollution control and consumer protection issues; and
- Social-related activities such as educational support, health etc.

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CHALLENGES OF GOOD GOVERNANCE IN LOCAL GOVERNMENT: THE CASE OF SAESIETSAEDAMBA WOREDA, TIGRAY REGION, ETHIOPIA

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ABSTRACT

The concept of good governance has gained significant attention in developing countries and Ethiopia is no exception. It is widely recognized that as a precondition/prerequisite for sustainable development particularly for developing countries like Ethiopia. Since there are few academic studies on this issue in Ethiopia, this paper assesses the challenges of good governance via selecting of a case study woreda. Hence fore, in this paper transparency and responsiveness which are the core dimensions of good governance had selected to assess prevailing conditions in woreda court, social court and land administration offices. Capacity, discrimination, corruption, accessibility of information, delay, openness and satisfaction are considered the major determinants of good governance in the woreda in general and the selected public institutions in particular. To know the perception of service users on transparency and responsiveness of the selected public institutions a descriptive study had used that enriched through oral and written interview, discussion and personal observation. Hereafter, small and incapacitated human power had observed and identified in the selected public institutions and in the woreda at large. Moreover, due to lack of capacity in the service providers disseminating information, accessibility of their institutions information, delivering a timely service and providing decision based on reasonable evidence had rarely practiced. Hence, transparency and responsiveness had discredited in the woreda which are the most significant indicators of good governance. Therefore, there should be more and deeper inquiry related to the transparency, and responsiveness of local government actions and decisions.

KEYWORDS

Good Governance, Local Governance, Responsiveness, Sasea Tsaedamba Woreda, Transparency.

INTRODUCTION

Since the 1990s, development investigators and policy developers have been given a due attention on good governance as both intrinsic and extrinsic value. They conceived it as an instrument to achieve sustainable development and or an end in itself (Thomas, 2008). Moreover, Aktan (2008) contend that good governance bring results which raise human need to attain productive function in a fair way which sustain the marginalized ones or by making every one at least to have an equal opportunity. Dinissa (2008) also states that, good governance is the special virtue since it is widely recognized that to bring secure economic growth and responsive and transparent public institutions.

In Africa, NEPAD have been made a significant effort to change bad governance, and to create a favorable governance environment (Kempe, 2003). According to the author the main intention of NEPAD is therefore to implement good governance dimension because they are the necessary components for securing of economic growth and prosperity of the continent. Ethiopia is one among African countries that have made the indispensable effort for the consolidation and promotion of good governance environment at both the local, regional and national level especially after the incumbent government comes to power.

The inauguration of the decentralization governance in Ethiopia since 1990s indicates one of the most imperative in the history of the nation, as it has shifted a highly centralized authority to the regional and local units to develop a decentralized system of governance (Helvetas Ethiopia, 2008). FDRE constitution (1995) stipulates that:

"State governments shall be established at state and other administrative levels that they find necessary and adequate power shall be granted to the lowest units of government to enable the people to participate directly in the administration of such units. "The constitution has therefore allowed substantial autonomy and autonomous decision-making power to the regional and local governments.

Unfortunately, this wide reaching and internationally vital statement have not been sufficiently proved empirically in Ethiopia. To fill this gap in the literature, this study aims to analyze the challenges of good governance in lower lever administration in Ethiopia.

For the reason that many weredas/lower level administrations have been witnessing a deficiency in attaining a viable local development and providing an efficient and effective service for their grass root people (Helvetas Ethiopia, 2008).

"Lack of capacities (knowledge and skills) and concrete tools and procedures for planning and implementing development projects, ineffectiveness of trainings, and lack of administrative and coordinative skills are the major causes identified by the local stakeholders for hampering Woreda performance (ibid:4-5)".

Moreover Serdar and Varsha (2008) in their study underlined that many woreda administrations are simply overwhelmed with the high amounts of responsibilities and tasks they should implement, weak access to quality capacity building programs and general lack of practical tools and procedures such as related to participatory planning, monitoring and evaluation and in-existent coordination and management, that lead to inefficient structures and procedures. Zemelak (2009) asserts "The most serious challenge for Ethiopian local government is capacity and local government institutions of the country have acute shortage of qualified man power."

STATEMENT OF THE PROBLEM

People around the world are demanding good governance for the advancement of their life. Because it is the result of interactions, relationships and networks between or among the different sectors (public sector, private sector and civil society) and involves decisions, negotiation, and different power relations between stakeholders to determine who gets what, when and how (Alexandra, et al., 2009). For Abdalla (2010), recently there is an agreement that good governance is important to secure countries long term development and progress even though it is not sufficient in its own.

Even if good governance consists of well-groomed ideas that can give value to society at large, there is a difference between developing and developed countries to achieve it in practice. According to Werline (2003) cited in Kuotsai (2007) on the course towards development the main disparity between developing and developed countries is not a resource base rather the governance challenges. Therefore, there is a gap in the realization and sustaining of good governance principles although many of them are clearly stipulated in the constitution of different countries.

The woreda selected for research have challenges that can deter for the promotion of governance. A grievance of citizens observed on land administration, equal distribution of recourses, access to public services and information's and non-transparent and non-responsive leaders, less capable institutions in resolving possible conflicts and ensuring equity and equality of all citizens before the law and individual liberty and equal opportunity for all. Besides, there is rampant corruption, discrimination, and gender inequality in areas of land administration, woreda court and social court etc. In addition there had a delay of decisions and justice from the part of the administration and the social and legal courts to the public problems of the woreda.

OBJECTIVE OF THE STUDY

This research has both General and specific Objective.

GENERAL OBJECTIVE OF THE STUDY

The general objective of the study was to assess the challenges for the enforcement of good governance in SaseaTsada Amba wereda.

SPECIFIC OBJECTIVES

The specific objectives were:

1. To explore perception of the stakeholders towards Responsiveness and Transparency.
2. To explore accessibility of institutions information to community members and the general public.
3. To identify the main factors that determines Transparency and Responsiveness.
4. To examine the Transparency and Responsiveness of the public institutions to the local people.

RESEARCH QUESTIONS

Thus, the central research question of the paper was formulated as follows: what are the challenges of good governance in Tsases'aTsaedamba Woreda? Accordingly, the research sub-questions are subsequently developed as:

1. What is the view of the service users regarding transparency and responsiveness of selected public institutions?
2. How accessible are institutions information to community members and the general public?
3. What is the status of responsiveness and transparency in the public institutions?
4. What are the underlying factors that influence the degree of transparency and responsiveness in the woreda?

SIGNIFICANCE OF THE STUDY

It will provide insights to the extent to which good governance has developed in Sasea'aTsaeda AmbaWoreda as well as on the challenges that the wereda faces in the path towards promoting of good governance. The investigation of these challenges may provide a direction to other researchers to conduct further investigation and later they can suggest remedial measures to be taken by policy planners, practioners and implementers to address the issue. Thus, it encourages academicians and practioners with the similar field of study to conduct different related research activities. Because as far as the information that the researcher has there is little research activity related to governance that had been carried out with in the woreda and even within the country.

CONCEPTUAL FRAMEWORK

Governance ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision-making over the allocation of development resources (Adel, 2003). By generating and defending broad commitment to the public welfare, a high-quality democracy with good governance increases the likelihood that public resources will be used to generate public goods that stimulate investment and commerce and raise the quality of life (Larry, 2005).

Furthermore, it is a greatly necessary term because it is believed to bring better economic achievement, acceptability of political systems, and quality of life (Dinissa, 2008). Imran (2009) also asserts that starting 1990s the idea of "good governance" as a means to bring a secure development and to alleviate the abject poverty has been gained a wide acceptance from different global organizations. Kanak (2007) also argues absence of good governance acts as a formidable barrier to the achievement of good economics of good governance. Furthermore, according to Werline (2003) cited in Kuotsai (2007) on the course towards development the main disparity between developing and developed countries is not a resource base rather the governance challenges.

A different litterateur indicates that good governance and development as intrinsic goals in their own and they mutually reinforce each other (Gita and Zahra, 2006). A strong consensus than the other continent of the world has been reached in Africa by New Partnership for Africa's Development (NEPAD), on the critical importance of good governance as a precondition for Africa to meet the Millennium Development Goals (MDGs) in which African leaders promise to be accountable to one another and to their own people and is predicated on Africa's ownership of the development process (Fourth African Development Forum, 2004). Moreover, better governance is recognized as one of the targets of the Millennium Development Goals, an agenda for alleviating poverty and bringing sustainable development that world leaders agreed on at the Millennium Summit in September 2000 (Oksana, 2008).

LITERATURE OF GOOD GOVERNANCE

In terms of government effectiveness and control of corruption, which are two of six governance dimensions analyzed by Kaufmann et al. (2007), cited in David, et al (2008) Ethiopia ranks globally in the 31st and 37th percentiles, respectively (where the country in the highest, i.e., 100th percentile, performs best). In contrast, Ethiopia's relative status in terms of voice/accountability, and in terms of political stability, is relatively weak (17th and 5th percentiles, respectively) which is very low even compared to countries with similar incomes.

Moreover, many weredas have been a deficiency in attaining a viable local development and providing an efficient and effective service for their grass root people. Lack of capacities (knowledge and skills) and concrete tools and procedures for planning and implementing development projects, ineffectiveness of trainings, and lack of administrative and coordinative skills are the major causes identified by the local stakeholders for hampering Woreda performance (Helvetas Ethiopia, 2010). Serdar and Varsha (2008) also describe in their study that many Woreda administrations are simply overwhelmed with the high amounts of responsibilities and tasks they should implement. These are topped by weak access to quality capacity building programs and a general lack of practical tools and procedures such as related to participatory planning, monitoring and evaluation. Furthermore according to Zemelak (2009) as in many jurisdictions, the most difficult challenge for Ethiopian local government is capacity. The local government institutions of the country, as was pointed out, have acute shortage of qualified man power. According to government policy documents, woreda administrations are supposed to be autonomous administrative units.

Local governments also seem to lack the power to control and manage their workforce as all hiring and firing have to go through zonal or regional offices (the degree of say these upper tiers of government have is different across regions)(Serdar and Varsha, 2008). Each regional state government must formally devolve adequate decision-making authority and control over resources to zonal, woreda and kebele administrations in order to promote democratic decentralization and get government closer to the people. However, the stark reality in Ethiopia's decentralization process is that woredas and kebeles have been given too much responsibility and functions without the necessary financial and resource capacity to undertake development at the local level. This situation has to change in favor of devolving responsibilities and functions to woredas and kebeles accompanied by sufficient financial and human resource strength to undertake development at the local level (UN-HABITAT, 2002)

METHODOLOGY OF THE STUDY

The aim of this chapter is to present the research method used in the thesis in order to give answers to research questions as well as describe the process of data collection and analysis.

SITE SELECTION AND DESCRIPTION OF THE STUDY AREA

The study was conducted in SaesiaTsadambaWereda. The woreda is located in eastern zone of Tigray region, in the Northern Ethiopia. The study area is bounded by Afar in the east, Irob in the North East, Gulomekeda in the North, GantaAfeshum in the North West, Hawzen in the West, Kiite-Awlaelo in the South East and Atsebi in the South. It is located in north Eastern part of the region between 130 55'0" North and 140 23'0" North latitude and 390 28'30" east and 390 53'0" east longitude. According to CSA (2007) the total population of the woreda is estimated to 139,191. From this population 35,404 are households. The total area of the woreda is 2511.47 km² (ibid).

Administratively the woreda is divided in to 27 tabias and 110 kebeles in which the 25 are rural tabias and two are towns. Each tabia is divided in to kebele or "kushet" which are the lowest unit in administrative hierarchy. The delineation is made based on natural boundaries like rivers, escarpments, and mountain peaks, settlement, population size, agroecology, and convenience and proximity to administrative centers.

Concerning the selection of the woreda by the researcher was, as the researcher grew up in this region and he had not faced communication barrier between him and the local people to interact and deal with all matters related to the research activities.

With regard to the selection of the sample tabias four tabias were selected purposefully. In selection of these tabias things that were taken in to consideration was frequency of conflicts forwarded to the woreda court especially on land related cases and rent seeking activities in each tabias. Therefore, document analysis in the woreda court and key informants opinion has the greatest value in selection of these sample tabias.

DATA TYPE AND SOURCE

Both qualitative and quantitative were given due attention. When used along with quantitative data, qualitative research had supported the researcher to interpret and better understand the complex reality of a situation and the implications of quantitative data.

The available source of data was grouped in to two categories. Primary source or firsthand data/information was collected. Secondary sources were also explored from respected secondary hand information.

RESEARCH STRATEGY AND DESIGN

The research strategy undertaken depends on how the problem looks, what questions the problem leads to and what end result is desirable. Qualitative research was typically used to answer questions about the complex nature of a phenomenon, often with a purpose of describing and understanding the phenomenon from the participant's point of view. It seeks a better understanding of complex situations and often exploratory and descriptive in nature (Oksana, 2008). If a concept or phenomenon needs to be understood because of little research has been done on it, and then qualitative approach is necessarily important. Qualitative and quantitative research approaches, however, had not been viewed as polar opposites or dichotomies and therefore, the researcher used quantitative approach on describing results through percentage and frequencies.

The research deals with a particular case study as the unit of analysis from which information is collected. That is, Wereda Sasea Taeda Emba. Based on the time dimension the study was cross sectional. Because, data can be collected from respondents of different geographical locations in a single point of time. Therefore, individuals from different geographical areas were entertained to questionnaire, interview and focus group discussion to express their view regarding of challenges of good governance that are going in the woreda.

Hence, the study had a qualitative and quantitative research, descriptive, and explanatory in nature. Simultaneously, it explored inherent traits, characteristics, and challenges of the good governance or it provide a deeper understanding of the subject under study, it is also interpretive.

SAMPLING DESIGN AND PROCEDURES

The researcher predominantly used non-probabilistic sampling techniques. Accordingly, the study used purposive and convenience sampling to select the study woreda, sample kebeles, the farmers, office workers, administrators, service providers etc.

Sasea'aTsaeda Amba Woreda was purposely selected. Because the woreda is more convenient for the researcher and no research was conducted relating to governance issues. Four "tabias" of the woreda were also being purposely selected and households were selected through convenience sampling technique. Because these "tabias" were selected purposively by considering the geographical proximity, frequency of conflicts recorded in woreda and social court and rent seeking activities. The main reason for using of convenience sampling was because of time constraints and cost reasons. The other reason was due to the absence of the available list of the population. Even if there were total number of households for each tabia in the woreda, but there were no lists of the population especially in the rural areas. Moreover, offices such as woreda court, social court, and land administration were purposely selected from both the "tabia" and woreda administration for the study. Because these public institutions were selected by giving a due consideration to the availability of the large number of users in this public institutions.

Purposeful sampling for interview and focus group discussion were employed. During selection of individuals for an interview age, educational status, social status and gender etc. were taken in to consideration relevant to a particular research question.

To sum up respondents for interview and focus group discussion were purposely selected and respondents to fulfill the questionnaire were selected through convenience sampling techniques. Further, the researcher had made an informal discussion with experts, administrators, local elders, teachers and community development workers. Firstly, he distributed a questionnaire to sample respondents. After that, focus group discussions and interviews were made in that order.

TABLE 1: SAMPLING FRAME

No. of tabias (kebeles)	Name of tabias	Number of house holds	Number of sample respondents
1	Asmena	1506	29
2	Hadushiwet	1786	32
3	Edagahamus	2920	54
4	Freweyni	1806	35

Source: sample survey, Nov 2009

The researcher interviewed about 150 respondents for his study. In selecting of respondents from each "tabia", he used a proportionate sampling technique. The number of interviewees participated in this study was determined by researcher's budget and time.

DATA COLLECTION

The target populations of this study were farmers, administrative workers, teachers, rural and town dwellers of the sample kebeles. Besides, office workers of service, trade and industry, court, and capacity building in the woreda were included.

The researcher undertook the study by gathering primary and secondary data. The primary data was gathered by using of semi structured questionnaires, interviews and focus group discussions. Therefore, these techniques (interviews, questionnaires, focus group discussions and practical observations) supported to consolidate the value of secondary data.

QUESTIONNAIRES: The researcher predominantly used semi structured questionnaires. By using this type of questionnaires respondents were able to provided their perception, feeling, attitudes etc. Questionnaires were also administered in local languages for the sake of clarity and to easily understand by the respondents. The data was collected by four enumerators and one supervisor who were senior Mekelle university students and unemployed university graduate students.

INTERVIEW: The researcher applied semi structured interview. In this type of interview, the researcher wants to know specific information which can be compared and contrasted with information gained in other interviews. To do this, the same questions were asked in each interview. On the other hand, the researcher made the interview to remain flexible so that other important information was arising from the conversation. The researcher had made an interview for about ten individuals. This was mainly made with key informants of tabia, woreda and municipal administrators and officers.

FOCUS GROUP DISCUSSION: The focus group discussion primarily arranged with issues that were not included and answered through questionnaire and interview. And it was mainly used even with questions that were included in questionnaire but that need further information. The number of individuals that were reached through focus group discussions ranged from five up to six. Sometimes the discussion was made flexible when important ideas for the study was raised. By doing this the researcher received a wide range of responses during a meeting and the problem were clearly identified, articulated and analyzed. In selecting individuals for group discussions all sex, age groups, educational background and social status were taken in to consideration. The first round of focus

group participants consists of five individuals from key informants, former social court judges and land administrators and traders. The second round also comprised six participants from woreda women’s affair, experts and youth association.

The data collection process had been the following components of activities in order to obtain a quality data within the available resources.

1. Four data collectors and one supervisor were employed for data collection. Some are senior mekelle university students and others were unemployed graduated students with some experience of data collections.
2. Provision of the necessary trainings for data collectors and one day training was conducted.

SECONDARY DATA: It is important to notice that the research conducted was partly on respected secondary hand information, such as government reports at the national and regional level, UN agencies and other international organization reports, research papers, and journal articles.

Hence, Secondary source were consulted on document analysis; such as survey of related literatures, electronic data-bases, and analysis of reports and discussions, on quality and challenges of good governance were used to gather the appropriate information. Besides to the literature on challenges of governance in local governance institutional sources such as crime reports, regional and woreda statistics, administrative and service reports was taken into consideration. Document analysis was significantly important to assess the land related challenges of the society. Hence, land related cases supported the researcher to evaluate service delivery of the social court and woreda court in terms of responsiveness.

DATA PROCESSING AND ANALYSIS

After the data were collected, it was processed and analyzed by using of descriptive techniques such as averages, percentage, figures, and tables. The researcher mainly used SPSS (statistical package for social science) version 16 and Microsoft excel. On the top of that, stata 10 particularly chi-square test had used to measure the significance of the variables. Most of the collected data were quantified for simplicity and others such as open ended, interview, and focus group questions were qualitatively analyzed. A descriptive analysis method were used in the process of renovating the raw data in to a form that would make them easy to understand, interpret, and manipulate the data to provide descriptive information. Tabulation and cross tabulation was also widely used to analyze the quantitative data. Besides, to analyze the qualitative data, the researcher produces an interview summary form or a focus group summary form as soon as possible after each interview or focus group had been taken place.

RESULTS AND DISCUSSIONS

The analysis part includes five components. The first part deals with back ground information of the respondents. The study was all inclusive in which respondent’s from both sexes, educational level and age level were entertained from the sample “tabias”. The second part deals with the perception of respondents on transparency and responsiveness of the selected public institutions. These were woreda court, land administration and social court. Hence, the perception of the respondents towards responsiveness and transparency of each selected public institution is well presented. The third part also deals with the accessibility of these institutions information. The fourth part also deals with transparency and responsiveness of these public institutions to the local people. The last part also deals with the main factors that determine responsiveness and transparency of these public institutions. A descriptive analysis method were used in the process of reducing the raw data in to a form that would make them easy to understand, interpret, and manipulate the data to provide descriptive information. Hence; tables, figures, average and percentages were widely employed. 150 questionnaires from the 162 questionnaires were found eligible for analysis and the rest 12 were excluded because of errors in filling the questionnaire and questioned respondents were outside of the sample tabias.

GENERAL DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

The demographic characteristics of the respondents such as their ages, sex and educational level have direct or indirect relations with the way they understand concerning challenges of good governance in the woreda. The study was conducted in four tabias. Out of the four tabias two were rural (Asmena and Hadushhiwet) tabias and the remaining were urban (Edaghamus and freweyni). Estimate of 86 (57%) were from urban whereas about 64 (43%) were rural respondents.

TABLE 2: SEX OF RESPONDENTS WITH THEIR RESPECTIVE RESIDENCE

		Place of residences of respondents		
		urban	Rural	Total
Sex	Male	50	38	88
	Female	36	26	62
Total		86	64	150

Source: Survey result, 2011

Concerning sex of the respondents 88 (59%) were males of both urban and rural residents while 62(41%) were female respondents of both urban and rural areas.

TABLE 3: AGE AND EDUCATIONAL LEVEL OF RESPONDENTS

The table mainly consists of age, sex and educational level of respondents.

Age			Educational level					Total	
			Non-literate	1 up to 4	5 up to 8	9 up to 12	Diploma		Degree and Above
18-25	Sex	Male	3	-	6	8	0	4	21
		Female	1	-	2	2	2	0	7
	Total		4	-	8	10	2	4	28
26-40	Sex	male	9	8	14	7	1	5	44
		Female	22	3	8	3	1	3	40
	Total		31	11	22	10	2	8	84
41-70	Sex	Male	10	9	1	2	1	-	23
		Female	8	4	3	0	0	-	15
	Total		18	13	4	2	1	-	38

Source: Survey result, 2011

About 84 (56%) of respondents were in the age of 26-40 and around 38 (25%) were in the age of 41-70, whereas, the remaining 28 (19%) were in between the age of 18-25. From the total respondents female respondents consisted of 62 (41%) and 88 (59%) were male respondents. Around 53 (35.3%) of the sample respondents were non-literate and around 95 (63%) of the respondents were literate even if there was a difference in their educational level

PERCEPTION OF RESPONDENTS ON TRANSPARENCY AND RESPONSIVENESS OF LOCAL COURT AND LAND ADMINISTRATION

Respondents (service users) were suggested their perception on responsiveness and transparency of the selected institutions for the study.

TRANSPARENCY

Transparency and responsiveness are the core principles of good governance. Transparency can be important decision making to be open and clear for stake holders and it encourages stake holder’s involvement in decision making. Generally, transparency here is important to assess openness and clarity of information’s, processes, institutional rules and decisions to community members and the general public in land administration and the local courts. Moreover, it is also important to minimize corruption.

The following table shows the perception of rural and urban respondents on the openness of the court to the people.

TABLE 4: COURT PROCESSES ARE OPEN TO THE PUBLIC

court processes are open to the public				
	agree	uncertain	disagree	total
urban	48	21	17	86
rural	41	7	16	64
total	89	28	33	150

Source: Survey result, 2011

About 48 (55%) of urban sample respondents' responses were agreed to the view that court process are open. Similarly around 41 (64%) of rural respondents were agreed on the openness of the court to its decisions. But around 17 (20%) and 16 (25%) urban and rural respondents disagree to the view that court processes are open.

Besides openness, clarity is an important variable to measure transparency in court service. Hence, around 91 (60.6%) of the respondents responded agree on the clarity of rules and regulations of the court. But an estimate of 31 (20.7%) respondents had disagreed on the clarity of rules and procedures of the court. There is no significant difference on the data obtained from the sample respondents concerning the openness and clarity variables on the court service as the finding indicates.

Service users can provide feed backs and complains for their service providers. Therefore, respondents were asked whether their complaints were solved in a clear way or not.

TABLE 5: PUBLIC COMPLAINTS ARE SOLVED ACCORDING TO THE LAW IN A CLEAR WAY

		Public complaints are solved according to the law in a clear way.					
		strongly agree	Agree	uncertain	disagree	strongly disagree	total
sex	tabia						
Male	urban	10	20	10	7	3	50
	rural	6	14	3	9	6	38
	total	16	34	13	16	9	88
Female	urban	7	12	11	5	1	36
	rural	0	14	4	8	0	26
	total	7	36	15	13	1	62

Source: Survey result, 2011

About 30 (60%) of the urban male respondents were reported that public complaints were solved according to the law in a clear way. Concurrently, about 19 (52%) female urban respondents were supported it. Whereas, 10 (22%) male respondents and 6 (16%) female respondents disagree on the solution mechanism of the court to public complaints. About 20 (31%) male and 14 (22%) female rural respondents were reported that public complaints were solved according to the law in a clear way. But around 15 (40%) male and 8 (31%) female rural respondents disagreed on complaint solving mechanisms of the court.

Besides, the respondents were replied about the equal treatment of the service users in the court. Therefore, an estimate of 55 (36.7%) of respondents agreed that the court performs discrimination. But 47 (31.4%) disagreed about discrimination in the court. Data that were obtained through interview also indicates that proportional punishments were not issued to different levels of offenses; In addition cases lack transparency according to the interviews.

In the following table 6, number of staffs and their qualification is clearly delineated. Because many respondents of interviewees and focus group discussion suggested that lack of competence and insufficient number of qualified judges caused low level of transparency and responsiveness.

TABLE 6: NUMBER AND QUALIFICATION OF STAFFS IN JUSTICE ADMINISTRATION, JUSTICE, POLICE, AND COURT SECTORS

Number of staffs					
		Justice administration	Justice	Police	Court
Educational level	Degree		1		6
	Diploma	5	8	13	8
	Certificate		1	1	1
	10 up to 12	1	3	36	11
	Below 10	1	1	5	3
	Total	7	14	55	29

Source: Woreda Administration office (2011)

Hence, concerning the number of staffs and their qualification, around 7 (7%) are degree holders. From all sectors, around 34 (32%) are diploma holders and around 51 (59%) are at 10-12 educational level. The largest percentage of staffs therefore lies in between diploma and grade 10-12. Around 6 (28%) are degree holders in the court that is relatively better than the other sectors.

Vibhute (2009), in his study of justice system in Ethiopia reported that there were insufficient number of qualified judges and public prosecutors, outdated and inefficient methods and procedures of the justice delivery system, lack of clarity and coherence in the existing laws, lack of access to justice information, and lack of sufficient number of institutions of legal education and their inability to produce the required number of professionals.

Social court is quasi-judicial organs that are established to maintain peace and order in lower level administration. In Tigray region there are many social courts that are involved in conflict resolution. Hence, respondents were asked to provide their suggestion concerning the transparency of decision of the social court.

TABLE 7: TRANSPARENCY OF DECISIONS OF SOCIAL COURTS

		Is the decision of the social court transparent			
		never	sometimes	Always	Total
Sex	male	18	39	31	88
	female	12	33	17	62
Total		30	72	48	150

Source: Survey result, 2011

Pearson chi2 = 1.8964 Pr = 0.049

The result of the study in table 7 shows that an estimate of 18 (20%) male and 12 (19%) female respondents responded that the decision of the social is never transparent. Around 39 (44%) and 33 (53%) male and female respondents respectively, were also reported sometimes the decision of the social court is transparent. Whereas, the rest 48 (30%) female and male responses reported that decision of social court is always transparent. Therefore, the association of male and female in the study was at least 5% significant.

In an interview and open ended question the participants of the study had interviewed to compare corruption in the two types of courts. Most of them agreed that it is high in social court. When they provide their justification for corruption at the social court, it was:

- Social court judges are not paid. The participants said “their salary is their corruption”. They did not get any salary they work for free because they can earn money from their customers through corruption.
- Lack of knowledge or knowledge gap. They are not willing for their customers when they want to file appeal because of lack of knowledge and confidence
- Low awareness of law and consequently mislead the people.
- Intervenes beyond their jurisdiction. No boundary in entertaining a family case whether the case is highly complex or not. So this is a fundamental problem to the judges at large to the customers because of lack of procedural as well as substantive law and their implementation.

There were also participants who said corruption is high in woreda court. Their justifications were:

- Since the people have low awareness about law and they can mislead the people
- Takes time in solving of an issue
- Since many causes are served in woreda court corruption also high at the area in which a large amount of service is entertained.
- They ask grand corruption. Social court judges can be get or commit a petty corruption when it is compared with woreda court judges. But this does not mean social court judges do not commit grand corruption. The possibility of getting it is less.

Openness is important to all institutions to be trustworthy on the sense of the service users. Openness of rural land administration office therefore evaluated by the respondents.

TABLE 8: OPENNESS OF THE RURAL LAND ADMINISTRATION OFFICE TO ITS DECISIONS

tabia			Never	Sometimes	Always	Total	
	Hadush Hiwet	sex	male	5	13	1	19
	Asmena			6	9	4	19
tabia		total	11	22	5	38	
	Hadush Hiwet	sex	Female	4	10	2	16
	Asmena			3	5	2	10
		total	7	15	4	26	

Source: Survey result, 2011

About 11(29%) of male respondents of Hadush Hiwet and Asmena were reported each, rural land administration office is never open to its decisions. Around 22 (58%) male and female respondents of the two tabias reported that rural land administration office is sometimes open to its decisions. Female respondents had also provided their opinion on this from the two rural tabias. Thus, about 7 (27%) female respondents reported never. While about 15 (58%) female respondents also reported sometimes. Hence, the largest percentage of the respondents’ response lies within sometimes and never regarding the openness of the office to its decisions.

RESPONSIVENESS

Responsiveness is important component of good governance. As a principle it advocates public feed backs and complaints to be solved with in a given time and cost. Not only the timely response to the complainants and feed backs but also the importance of these decisions in satisfying the public demands and interests has involved in responsiveness.

Respondents were asked concerning the service delivery of the courts and to suggest their satisfaction level.

TABLE 9: SATISFACTION OF THE PEOPLE FROM THE WOREDA COURT SERVICE

		How do you perceive the satisfaction of the people from woreda court service?				
tabia	sex	satisfied	somehow satisfied	somehow dissatisfied	dissatisfied	Total
urban	male	14	20	7	9	50
		7	19	3	3	36
	TOTAL	42	78	10	12	86
tabia	sex					
urban	Female	13	13	3	9	38
		8	8	7	3	26
	total	11	21	10	12	64

Source: Survey result, 2011

Concerning service of the court about 27 (62%) male and female respondents from the urban area had reported satisfied. Whereas, about 29 (66%) male and female respondents from the same area were dissatisfied about the court service. The rural area respondents had also asked to express their view concerning the court service. Henceforth, about 15 (50%) male and female rural respondents were satisfied. While, about 6 (19%) male and female from the same residence reported dissatisfied.

Respondents of the study had expressed their satisfaction on the service of the social court. Thus, about 76 (50.7%) were dissatisfied. Whereas, about 74 (49.3 %), of the respondents satisfied with different degree of satisfaction. Therefore, when respondents dissatisfaction on woreda and social court was compared about 35 (23%) of rural and urban respondents dissatisfied on the woreda court service. Whereas, about 76 (50.7%) respondents of rural and urban areas had dissatisfied on the social court service. Hence, dissatisfaction level of respondents is high in social court service. When the respondents were also interviewed about the value that has been given by the society to the social court, most of the respondents responded very low.

In this table respondents asked the appropriateness of response of urban land administration to public complaints.

TABLE 10: THE TIMELINESS OF RESPONSES PROVIDED BY THE URBAN LAND ADMINISTRATION TO COMPLAINANTS

Tabia	Is a public complaint on land issue solved on the specified time frame?			Total
	never	sometimes	Always	
Edagahamus	21	23	8	52
Freweyni	5	25	4	34
Total	26	48	12	86

Source: Survey result, 2011

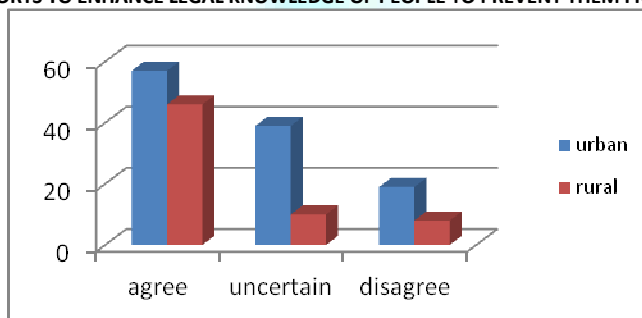
Edagahamus and Freweyni are the two urban areas of the woreda. Respondents from these tabias had asked about the timely response of land administration office to people identified problems. Thus, About 21 (40%) respondents from Edagahamus and 5 (15%) from Freweyni reported that public complaint on land issue never solved with in a given time frame. Whereas, about 23 (52%) respondents from Edagahamus and 25 (74%) from Freweyni also said that sometimes, public complaint on land issue solved with in a given time frame. According the interview made with judges of social and woreda court most difficult land related conflicts has been border conflict, ownership/inheritance conflict, land redistribution and land rental conflict. Social court judges and land administrators from the rural tabias in focus group discussion also repeatedly pinpointed the above land related conflicts. Moreover, they also differentiate the most difficult land conflict and it was border conflict according to them. The second types of difficult conflict were ownership/inheritance conflict. Moreover, respondents were also asked about responsiveness of the office to public problems. Hence, about 22 (25.6%) were positive and 33 (38.4%) were negative. On the other hand sample respondents also asked on timely distribution of land for investment. About 43 (50%) said sometimes on timely distribution of land for investment. About 34 (40%) also responded never.

ACCESSIBILITY OF THE SELECTED INSTITUTIONS INFORMATION TO COMMUNITY MEMBERS AND THE GENERAL PUBLIC

Accessibility in this paper refers to the communication between service users and providers, participation of people either in articulating problem or in decision making or both, free flow of information to the public and capacity of the selected offices in disseminating information to the public. More importantly, it emphasized service provider’s receptiveness to public appeal, view, comments and recommendations by changing or introducing the best service delivering strategies.

Educating people to develop awareness on crimes and other illegal actions can help them not to commit a wrong action unintentionally.

FIGURE 1: EXTENT OF EFFORTS TO ENHANCE LEGAL KNOWLEDGE OF PEOPLE TO PREVENT THEM FROM COMMITTING A CRIME



Source: Survey result, 2011

About 57 (66%) of urban respondents agree on the education concerning crime and other wrong actions that was provided by the court. Around 46 (72%) of rural respondents also agree on education provided by the court. The remaining 19 (22%) of urban and about 8 (13%) of rural respondents, however replied disagree.

The opinion obtained through interview and focus group discussion also strongly supports the idea that was gained through questionnaire. Most participants of the study in an interview from different tabias agree that public legal education programs were given to them by the court not to commit a crime. This was one among the strong side of the woreda court from the point of view of the participants. But there were many respondents who reported uncertain and disagree on Public legal education programs as we observed from the figure 1 above.

According the Canadian International Development Agency (2008) report Public legal education programs exist in most of the countries studied. According the organization report in India specific bodies have been established to make the public and especially disadvantaged members of the public more aware of its rights and of the law generally through websites, the printed media, radio and television broadcast.

Training communities about land use, management and administration can minimize actual and potential conflicts. Because the training can empower the capacity and knowhow of farmers in using of their land and solving a conflicts raised by land. Respondents therefore asked whether they were get training or not, concerning land administration activities.

TABLE 12: TRAINING COMMUNITY (SUB-KEBELE) MEMBERS IN INFORMATION THAT SUPPORT LAND ADMINISTRATION ACTIVITIES

Your Woreda train community (sub-kebele) members in information that support land administration activities.						
Tabia	sex		Never	Sometimes	Always	Total
			HadushHiwet	male	5	
	female	4	12	0	16	
	Total		9	18	8	35
Asmena	Sex of respondent	male	8	7	4	19
		female	3	6	1	10
	Total		11	13	5	29

Source: survey result, 2011

Around 9 (51%) of male and female respondents from Hadush hiwet reported never concerning training about rural land administration. And estimates of 11 (72%) male and female respondents from Asmena tabia also responded never. Relatively fair number of respondents from both tabias had reported sometimes concerning a train given to community (sub-kebele) members by the woreda in information that support land administration activities as it is shown in table 15 above.

ADR (2005) research finding similar to this research indicates, there is little current capacity in Ethiopia for the dissemination of information to the public about land rights and land administration generally since insufficient effort has been made to inform the public about land policy, regulations, and land administration systems already in place. Even if programs are needed that inform the public of the land administration proclamation and registration to the acceptance and ultimate success of the programs, few resources are currently being made available to undertake this public information campaign as the finding of the research indicates.

From public hearing service users can be get a little knowledge that helps them to know their rights and responsibilities. Hence, respondents were asked the information they have on it.

TABLE16: DO YOU KNOW THAT COURT ALLOWS PUBLIC HEARING?

Do You Know that Court Allows Public Hearing					
sex			yes	no	total
	Male		47	35	82
	Female		40	27	67
	Total		87	62	149

Source: survey result, 2011

About 83 (54.7%) responded **Yes** and about 67 (44.7%) responded **No** concerning the information they have whether court allows public hearing or not. From those who provide the yes answer about 48% participated sometimes in public hearing. When it computed it in terms of sex 47 (54%) males responded yes and 40 (46%) also said no. Around 35 (56%) female respondents also said yes and 27 (44%) said No. Those who provided No answer offer the main factors for not participating in public hearing: These were distance location of the court. They said that the location of the woreda court is far away from our residence area. Therefore we cannot capable enough to participate by crossing many kilometers. The other factor is, it mismatch's with their job.

EPSCAP, (2008) declares that Courts have become more accessible to the public through the provision of information to the public about the courts and how they function and their outline is becoming more client-friendly.

Sometimes since local people have low knowledge of law, those who have a power mislead them from using of their constitutional rights. Therefore, the table discusses about condition of appeal right in social court.

TABLE 13: SOCIAL COURT ALLOWS THE RIGHT OF APPEAL TO THE COMPETENT COURT AGAINST AN ORDER OR JUDGMENT MADE BY IT

		Social court allows the right of appeal to the competent court against an order or judgment made by it.			
		Never	Sometimes	Always	
Educational level	never enrolled in school	11	26	16	53
	1 up to 4	4	5	15	24
	5 up to 8	4	14	16	34
	9 up to 12	3	9	10	22
	diploma	3	0	2	5
	degree and above	2	9	1	12
Total		26	63	60	150

Source: survey result, 2011

Moreover, concerning the result of the study that evaluates an appeal right in social court, about 63 (42%) responded sometimes, around 60 (40%) reported always alternative and about 26 (17%) responded never. About 10 (18%), of the non-literate and 8 (13%) between an educational level of one up to four and five up to eight and 5 (30%) of diploma and degree agreed social courts do not allow the right of appeal.

According to focus group and interview participants a decision should be in a written form so as to be trustworthy. Because when one of the parties aggrieved by the very decision of the court they will instituted or frame an appeal to the other competent court who have a power to adjudicate the case. Whence, as per the information obtained from the focus group discussion of former judges of social courts and other key informants the tabia, appeal right were not known as the constitutional right of the citizens. And they lose a confidence to allow appeal right. Except interview respondents from Edagahamus and Freweyni tabia, the other tabia respondents were condemned the idea Social court allows the right of appeal to the competent court against an order or judgment made by it. Accessibility of laws, regulations and policies is simply important for developing of an awareness or know how for the stakeholders.

TABLE 14: ACCESSIBILITY OF RULES AND REGULATIONS OF THE LAND ADMINISTRATION

		Can you obtain easily the rules and regulations of the land administration?		Total
		yes	No	
Sex of respondent	male	15	23	38
	female	4	22	26
Total		19	45	64

Source: survey result, 2011

The respondents had been asked about the accessibility of rules and regulations of the land administration. The result of this study as shown in table 14 above indicates around 45(70.3%) were agreed that they were unable to obtain easily the rules and regulations of the land administration. About 19 (29.7%) agree on the accessibility of rules and regulations of the land administration to them.

The respondents were also asked about the awareness that they have in the land proclamation. Thus, about 50% had been said that they had been learned sometimes. Around 27 (40%) also said they had been never learned about it.

Developing an effective land administration system implies an informed public that not only knows their rights, but also understands the administrative structure to manage those rights (ARD, 2004). Therefore, the result shows that there was no adequate open discussion between the people and the concerned office for land administration.

Not only accessibility of rules and regulations but also accessibility of important information/decision about land administration is important for those who will be affected by that decision.

TABLE 15: ACCESSIBILITY OF INFORMATION/DECISION TO THE STAKE HOLDERS

		Is information flow free or directly accessible to those who will be affected by such decisions or enforcement?			
		Never	Sometimes	Always	Total
Sex of respondent	male	13	15	10	38
	female	9	14	3	26
total		22	29	13	64

Source: survey result, 2011

Regarding the accessibility of important information on land administration about 13 (34%) male and 9 (35%) female rural area respondents replied never. That is, accessibility of information to them was never existed. While, around 10 (26%) male and 3 (12%) female also responded always.

FACTORS THAT DETERMINE TRANSPARENCY AND RESPONSIVENESS IN THE SELECTED PUBLIC INSTITUTIONS

In this paper the main factors that are presumed to affect transparency and responsiveness effectiveness are capacity, commitment, corruption and discrimination etc. Hence, the capacity of service providers of rural and urban tabias, extent of corruption and discrimination were evaluated by the service users.

Discriminating users based on religion, sex, economic status and others can cause for lack of transparency and responsiveness.

TABLE 16: DISCRIMINATION IN TABIA

Educational level	Discrimination in tabia administration			
	Never	Sometimes	Always	Total
Non literate	6	18	29	53
1 up to 4	1	7	16	24
5-up to 8	3	11	20	34
9 up to 12	1	10	11	22
Diploma	0	1	4	5
Degree and above	0	3	9	12
Total	11	50	89	150

Source: survey result, 2011

About 89 (34 %) of the respondents responded always in which leaders of their tabia conduct discrimination and about 50 (33.3%) sometimes. The result in terms of educational level had been also 29(38%) from the non-literate, 13 (23%) from educational level one up to eight, 5 (22%) from grade 9-12 and 2 (12%) from degree and above reported that discrimination never existed in tabia administration. Whereas around 16 (30%) from the non-literate section, 30 (53%) from grade1 up to 8 educational level, around 7 (32%) from grade nine up to 12, around 11 (68%) diploma and above had been also contended discrimination have been performed in “tabia” administration always.

Furthermore, around 43 (28.7%) of the respondents react that leaders of their “tabia” carried out corruption sometimes, estimates of 64 (42.6%) replied always. Even if most respondents agree that there is corruption in both woreda and tabia administration when they had been asked to compare the extent of corruption, 77 (51.3%) reported it is high in “tabia” and 60 (40%) also in woreda and 13 (8.7%) were with no response.

In addition to the above idea those who agreed the level of corruption in tabia administration is high, they justify their reason as follows.

- Lack of strong system of administration
- Tabia leaders lack knowledge, competence and skill - policies and strategies that flows from above are good but change can never exist in the absence of knowledgeable and skilled individuals.
- Since they are unpaid workers they can try to get some benefit through corruption.
- There is no strong controlling mechanism by the woreda leaders –Even if the kebele administrators are entrusted to Prepare detailed implementation programs for social and economic programs issued by higher-level authorities and Carry out plans and directives issued by the Wereda council and its executive committee but weak controlling mechanism from the woreda.
- Even tabia leaders themselves gave corruption to the woreda leaders. When the woreda leaders go to the tabias concerning of some issue very much selected food varieties like honey, butter and meat are prepared in one of the tabia administrators.

The respondents were also discriminating the main areas of corruption in tabia administration. These were:

- Social court and development agents
- Safety net and land administration(in allocation of social services)

Those who said corruption is high in woreda also brought their own justifications. Their main reasons were

- It consumes so many times to complete a single case. So this leads to unnecessary cost and wastage of time.
- Woreda leaders can commit a grand corruption - The scope of corruption varies from the other end of the continuum of “petty corruption” to “grand corruption”. The latter is systematic in nature, it is embedded in all institutions and processes dealing with governance (The North-South Local Government Co-operation Programme, / 2005-2007).
- A government also supports them. Because when a leader of a woreda distrusted of corruption and lose an acceptance from the people he/she can only change to the other woreda. But he/she cannot resign from his position.
- The main reason why tabia leaders are being corruptors is because of the high level of corruption in the woreda.
- Parochialism- They said tabias and towns have not been treated equally. Even the leaders have been favor to the area they had been grown up were the idea of the respondents of Edagahamus tabia.

The respondents were also discriminating the main areas of corruption in woreda administration. These were:

- Capacity building and police force
- Municipality and trade and industry
- Land and cement administration and distribution
- Urban development

A study conducted by Rashida, and Uzma, (2009) in Pakistan indicates that local governments are weak with little organizational and economic authority. Hence, the economic poverty, rising corruption and the manhandling of civil society multiplies Pakistan’s governance crisis.

Rules and regulations are formulated in line with the stakeholder’s interest and needs and to minimize ambiguities in administration.

TABLE 17: IS THE EXISTING RULES AND REGULATIONS OF THE URBAN LAND ADMINISTRATION MINIMIZES RENT SEEKING?

		Is the existing rules and regulations of the urban land administration minimizes rent seeking?					Total
		strongly Agree	Agree	Uncertain	disagree	Strongly Disagree	
tabia							
	Edagahamus	2	14	13	8	15	52
	Freweyni	5	8	15	5	1	34
Total		7	22	28	13	16	86

Source: survey result, 2011

The sample the respondents were also asked to pinpoint the level of corruption and an estimate of 45(30%) respondents replied high. Whereas, 51 (34%) also replied low. And 54 (36%) also responded uncertain. Discrimination based on wealth, race and position, absence of self-confidence, inappropriate punishment for corruptors was mostly raised by the interviewee. The interview finding of Canadian International Development Agency (2008) in Ethiopia to judges indicates that many had been offered bribes or heard of attempts, especially at the Woreda level and the bribes are rarely offered directly to a judge but through friends and relatives acting as go-betweens.

Around 28 (24%) of the total respondents responded uncertain on the contribution of existing rules and regulations of the urban land administration in minimizing rent seeking. About 29 (25%) also positively agree on contribution of existing rules and regulations in minimizing biases or discriminations, but around 28 (24%) refuted it. While around 16 (31%) Edagahamus respondents positively view on the effectiveness of the rules and regulations, the other 23 (44%) respondents from that tabia also disagreed on it.

Respondents of focus group discussion and interview agreed that in both rural and urban areas, land was the main cause of corruption. This was in line with the questioned respondents.

Respondents were also asked the extent of rent seekers in their town. About 41 (47.7%) respondents replied high on the extent of rent seekers in relation to land. But about 17 (19.8%) replied low. Hence most respondents agree on the high level of rent seekers on their town. Focus group discussions and key informants interviews also corroborate the above Survey findings.

The focus group and interview participants bitterly argued that the service that has been given by the land administration committee was not satisfactory. Because the committee lacks commitment and knowledge. They have problem of interpreting the land proclamation and land administration staffs had not been working cooperatively.

Moreover, they had said that rent seeking activities had been the main disease of the development of their town. Especially in the towns the major areas of corruption were in tax collection and land distribution. Land was exchanged and traded. More than ever a land around the town had the main source of income for the rent seekers. Moreover rent seekers take land legally and immediately sell it. And later they reclaim a land and get by different means were their argument.

A similar study in Ethiopia by Deininger (2010) indicates that given Ethiopia's severe land scarcity, it is possible to find out how far rent-seeking and 'land grabbing' by local elites may undermine the scope for drawing on elected local structures to clarify land tenure at large scale. Second, land policy in Ethiopia is far from ideal: institutional responsibilities are unclear and often overlap; there is a considerable threat of expropriation that is unlikely to be entirely eliminated by certification. According to FAO cited in Palmer (2007) Weak governance may promote inequality as the rich are able to benefit from the opportunities for self-enrichment while the poor may lose their rights to land and common property resources such as communal grazing areas and forests. The poor who cannot afford the formal legal services are doomed to rely on informal and extralegal arrangements, becoming effectively excluded from the protection and reach of the law.

TRANSPARENCY AND RESPONSIVENESS OF THE PUBLIC INSTITUTIONS TO THE LOCAL PEOPLE

Respondents had provided their perception pertaining transparency and responsiveness of the public institutions such as woreda court, social court and land administration. The major emphasis in this part is the appropriateness of court decisions to the local people, discussion between service users and service providers about service provision and delay of justice were mirrored via the respondents understanding.

TRANSPARENCY

Transparency allows people (including deprived) to gather information critical to reveal abuses and defend their interests; to take advantage of opportunity, access services, exercise their rights.

Decisions need evidence which is logical for all stake holders. Court decision should be on logical evidence to get trust from the users. Hence, respondents were providing their view in table 18 below.

TABLE 18: COURT DECISIONS ARE MADE BASED ON CONVINCING EVIDENCE

		Do you think court decisions are made based on convincing evidence?					Total
		Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	
Sex	male	15	25	24	17	7	88
	female	6	21	20	13	2	62
Total		21	46	44	30	9	150

Source: survey result, 2011

An estimate of 67 (44.7%) respondents perceived that court decisions were made based on convincing evidence. But about 39 (26%) of the participants of the study also reported court decisions were not made based on convincing evidence. When this question was evaluated in terms of gender mainstream about 40 (45%) male respondents support that court decisions were made based on convincing evidence. But around 24 (27%) male respondents disagree on it. An estimate of 27 (43%) female respondents was also support to the 45% of male's idea. About 15 (24%) female respondents also support to estimates of 27% male respondents who disagree on the decision of the court on convincing evidence.

Discussion between service providers and users is important to bring solution or alternative for people identified problems and to suggest other problems that need the greatest attention from the service providers.

TABLE 19: DISCUSSION/CONFERENCE CONCERNING GOOD GOVERNANCE IN THE WOREDA

Tabia	Does your woreda administration carryout an open discussion with the people on the issue of good governance?				Total
	Never	sometimes	Always		
Urban	13	59	14		86
Rural	5	40	19		64
Total	18	99	33		150

Source: survey result, 2011

From the shown Table 19 above most respondents were having the similar opinion i.e. Sometimes the discussion/conference made for promoting of good governance in the woreda. An estimate of 59 (68%) respondents from urban had responded sometimes. Moreover, 40 (46%) from rural area said conferences concerning good governance in the woreda were held sometimes. The interview respondents also said that a discussion on good governance issue had been held one up to two times per year. But the major public problems that were discussed in the meeting were not solved. According the service providers idea there was an interesting discussion with the people in approving of semiannual and annual plan of their tabia, in selecting of patriots of development and in developing awareness on growth and transformation plan and business processing reengineering. Service users had not negated the service provider's idea. But the discussions were not in line with service user's expectations and crucial problems raised in the discussion were also handled for formality only.

Similar to this, the Survey results of MoFED (2009) declares that majority of respondents feel that it is important for citizens to be involved, but do not feel they have available opportunities. Furthermore, those that are active and engaged do so mostly through meetings and tend to have a more favorable and 'empowered' view of citizens' ability to effect change.

Focus group respondents also agree on the wide range prevalence of corruption, parochialism, discrimination and disagreement among the woreda cabinet themselves. The leaders are self-interested and they always run for corruption. The solution of the focus group participants were formulating a smart policy cannot be an end in itself and serves for a short run only. The only thing is practicing it in the ground. For this to happen an intensive and extensive effort should make to dried out the rent seekers. Lines of Transparency and accountability should be also strong.

Furthermore, the result that was obtained from the unstructured questionnaire shows a direction in evaluating the condition of governance in the woreda. They had been elaborating their view regarding to any exemplary effort that was made by the woreda administration to enhance sound governance. Henceforth,

most of the respondents that is more than 69.5% responded negatively to the effort of the woreda for good governance. When they explain their view they said that:

- Weak interaction between people and leaders.
- Long distance between users and concerned public institutions - According to the participants of an interview view the rational principle of the government is delivering service in close proximity to users. That is way elementary schools, high schools and health center service were delivered to the society relatively with a small walking distance was repeatedly raised by the respondents. But what strongly disagree with the government was on the remoteness of their woreda administration. There were many respondents who viewed on behalf of others who have been very far away from the woreda administration. They said that any individual who had been an issue from Sewne, Geblen, and Messahul tabias can be complete his/her task at the expense of three days without taking in to consideration the administrative delay in the woreda institutions.
- Discrimination between rich and poor- whenever you want to get something, you have to commit an illegal action that is corruption. Therefore, the rich can afford to pay it not the poor. Therefore, justice is unable to reach at the door of the poor. Only the affluent or the well to do individuals have been getting their need by giving of corruption was their idea.
- Absence of checking and controlling mechanisms.
- Lack of speedy response- many youngsters had been form cooperatives to actively participate in alleviating of their poverty in particular and their country in general. But still they did not get the favorable environment to pursue their plan. According to the grouped youngsters view on the side of them everything had been completed to start. But the concerned woreda administrators were not encouraging us to practice it. These cooperatives had been getting training in the region pertaining of their project. But they viewed the encouragement that was made by the region was so satisfactory but it becomes a hopeless in the woreda and tabias. According to them the woreda and tabia wrongly interpreted to the instruction disseminated from above.
- Policy implementers do not understand what they are going to implement. Administrators and development agents have not been consonant among each other. The development agents have been served as messengers of the administrators without knowing the message of their task.

RESPONSIVENESS

This focuses on speediness of the court in making of investigation for appropriate decision.

TABLE 20: TRIAL PROCESS OF THE COURT IN TERMS OF TIME

tabia			How can you rate the trial process of the court in terms of time?					Total
			very long	long	moderate	short	very short	
urban	Sex	Male	6	13	22	6	3	50
		Female	1	3	17	5	8	36
	Total		7	18	39	11	11	86
rural	Sex	Male	3	6	15	1	13	38
		Female	2	4	15	3	2	26
	Total		5	10	30	4	15	64

Source: survey result, 2011

Relating to the trial process of the court about 19 (38%) male and 4 (11%) female replied the trial process of the court stays for a long period of time. Hence, the study result shows about 69 (46%) responded moderate, 28 (18.7%) long, 12 (8%) very long. In line to this question the sample respondents were asked the decisiveness of response when a request to appeal was requested. The result of this study also shows about 85 (56.7%) responded that the court give a decisive response when a request to appeal is raised. But 43 (28.7%) opposed it.

In table 21 below, there are criminal and civil cases which are recorded in the court. There are civil and criminal related cases starting from 1996-2002.

TABLE 21: CIVIL AND CRIMINAL CASES FROM 1996-2002 IN THE WOREDA COURT

year	Type of case	Pending cases	Newly opened files	Total	Dead cases	Pending cases
	Criminal case	445	1214	1659	1283	376
1996	Civil case	190	642	832	648	184
1997	Criminal case	376	1016	1392	1048	34
	Civil case	184	1248	1432	1267	347
1998	Criminal case	344	681	1025	839	198
	Civil case	347	2191	2538	2295	241
1999	Criminal cases	198	1254	1452	1383	67
	Civil cases	241	913	1154	1086	70
2000	Criminal case	67	668	735	707	28
	Civil case	70	1138	1208	1203	5
	Criminal case	28	993	1021	1008	8
2001	Civil case	5	1092	1097	479	14
2002	Criminal case	8	870	878	868	12
	Civil case	14	1702	1716	1809	23

Source: Taken from the woreda court documents

There were many pending cases as already stated in the table 21 above. This is due to administrative delay. The main reason for the administrative delay as far as the researcher explores from the suggestion box and interview of the participants of the study were due to shortage of human power, resources, and negligence of judges. supporting this the Canadian International Development Agency (2008) stated that the loss of many experienced judges, combined with the creation of new courts in all the regional self-governments, resulted in a severe shortage of judges.

In 1996 there were 560 cases from total of 1931 cases which were pending cases in that year and transferred to next year. Therefore speedy service delivery of the court accounts for about of 71% in 1996 Ethiopian year. When it compared with recent happenings i.e. 2002 E.C about 2594 criminal and civil cases were recorded and only 35 cases were pending and transferred to 2003 E.C. Therefore, prompt response reaches around 99%. This indicates that there is a radical change in speedy service delivery of the court when one goes from 1996 to 2003 E.C. But within a year there were many cases which were delayed for many months. Consequently it is impossible to boldly conclude that the court service delivery reaches 99%.

"Justice delayed is justice denied" is a good proverb that directly reflects responsiveness. Therefore, no one can feel comfort when decisions are not on the given time frame.

TABLE 22: DELAY OF JUSTICE AND DURATION OF DELAY IN SOCIAL COURT

		Duration of delay					
		Above two week	Above month	Above three month	Above six month	Above year	Others
Do you think there is a delay of justice in social court?	yes	20	17	28	31	17	10
	No	0	0	1	0	0	0
total		20	17	29	31	17	10

Source: survey result, 2011

Concerning delay of justice in social court around 123 (82%) respondents replied **yes** on the prevalence of delay of justice in social court. When those who responded “yes” answer, rate the duration of delay, around 87 (58%) view above three months. Around 37 (24.6%) also rate from 2 up to 5 months.

Focus group participants also agreed that there is a delay of justice. They reported that a case can be delayed on average for about five months. Abera, (2002), findings concerning social courts informs that social court judges commit mistakes related to hearing evidence, delaying decisions beyond 45 days set forth in the proclamation to adjudicate a case, failure to give copies of decisions for the appellant, imposing sentence of imprisonment exceeding their jurisdiction and denying the rights to cross examine witnesses. He had been recognized the problems of the judges of the social court as:

- Lack of knowledge of substantive and procedural laws
- Lack of awareness of human rights, federal and regional constitution
- Lack of skill of conducting trial, writing decisions, and keeping proper records/files

Much like a machine might be expected to do, courts receive information, process it according to agreed and consistently applied rules and then announce the outcome (Barry, 2010). According to this author the first step in a typical court case is the formal filing of documents. The next step is that oral evidence and submissions are made during a court hearing. And finally a court is meant to produce a written judgment that publicly announces the outcome to the disputants. But is social courts judge in Tigray produce a written judgment that publicly announces the outcome to the disputants? Because article 9 sub alina (c) proclamation No.93/1997 of social court in Tigray declares “if possible social court judges can be able to read and write”. This article therefore allows judges of social court can be either literate or non-literate. According to Abera, (2002) also social court are grassroots organs operating both in urban and rural areas which run mostly by laypersons that have little or no knowledge about the law in general.

SUMMARY, CONCLUSION AND RECOMMENDATION

SUMMARY AND CONCLUSION

Respondents were asked to provide their understanding on the main challenges of governance in their woreda in general and on the selected public institutions such as woreda court, social court and land administration offices.

Hence, questions were forwarded to the respondents to determine citizens’ perception of the following issues:

- ❖ Their perception on responsiveness and transparency of the selected public institutions
- ❖ Their satisfaction on the service of these institutions
- ❖ Accessibility of information from these public institutions
- ❖ Responsiveness and transparency of the selected public institutions to the local people
- ❖ The daunting challenges that undermine transparency of these selected institutions

The respondents had brought their perception on the responsiveness and transparency of the processes, decisions, information flow, timeliness and actions and performances of the local court and land administration offices. As majority of the respondent’s point of view the legal court actions and decisions have been relatively open to the public and the rules and regulations of court are also relatively clear and precise as compared with social court and land administration office. In line with openness, providing solutions to the public complaints in a clear way is the most important. In urban areas of the study woreda, land allocation and distribution is not clear and transparent as findings of the study indicate. Furthermore, a communication concerning land allocation and distribution is rarely made. Urban land administration is the main ground of rent seeking activities and land has been sold like a commodity. Misuse of land by the local elites and Chiefs has been practiced. Rural land administration has been also share the problem what has been discussed in urban land administration and the problems are more pervasive in it. The decision of the office authorized for land administration lacks transparency. The office is incapable and incapacitated to disseminate information concerning effective land administration.

According to MoFED (2009) the perceived responsiveness to complaints was highly correlated with satisfaction levels. Service users had been in a relative sense satisfied on the handling and responding mechanisms of the public complaints by the service providers of the legal court even if they did disagree on the remaining offices. But what had been strongly condemned was the discrimination and corruption made by the court. Justice is on the side of the rich and the poor are very vulnerable to lack of justice. This is what makes common the three types of institutions. For instance in the local court it had ever seen a non-proportionate and inadequate decision to the stake holders. In these two types of courts and more pervasively in social court judges lack knowledge on criminal and civil laws and this lead to inappropriate decision. Consequently; Crime committed and the punishments for a crime are unbalanced. More to the point, discrimination and corruption had also compared in the two types of courts. Hence, the finding indicates that corruption is more frequent and difficult in social court because of Social court judges are not paid and consequently encouraged to conduct corruption. Moreover, lack of knowledge and confidence, low awareness of law and intervention beyond their jurisdiction and delay in taking of action has been the major problems in social court that causes corruption.

Abera, (2002), findings concerning social courts asserts that social court judges lacks knowledge of substantive and procedural laws, awareness of human rights, federal and regional constitution and skill of conducting trial, writing decisions, and keeping proper records/files.

The view of the respondents fairly positive on the timely service of and the response of the public problems and complaints in woreda court. After BPR service delivery of the court is moderately improved. Consequently, the service users had been moderately satisfied pertaining the service delivery of the legal court. Besides this the delay of service has been moderately good and a good progress has been seen in the court that can be served as a model to the other offices of the woreda. The data obtained from the office also relatively in line with the service users response. Whereas, a large section of respondents had pessimistic about the service of social court. Because their service is on and off. Their working day is two days per week.

Land management concerned office had been made little effort in solving of land caused conflicts and allocation of it equally to the society. The communication between the office and the stakeholders is low and as the result land caused conflict is frequent due to administrative problems. The residents lack knowledge of the land administration proclamation, and land policy. The administrators also lack the required knowledge of the proclamation, rules and regulations and other land policies. Hence, this leads the society to consume their valuable time for a minor case in the court. But that case can easily solve by land administrators, mediators and other more informed arbitrators if they are clear and more considerate about the land proclamations and policies.

According to ADR(2004) Regional and local level governments have not enough capacity to sufficiently execute land administration reform programs because these offices lacks capacity and the staffs have neither adequately trained staff for the programs being developed nor the resources (e.g., offices or equipment) to carry out these programs

A discussion pertaining good governance issue had been held in the tabias and woreda. But it was made sometimes and issues or complaints raised in the conference were left without effect and they had been handled for formality only. An important issue that needs a speedy response is not addressed from the part of the administrators. This can lead service users to give a lesser value for any woreda or tabia initiated discussion.

The main challenges of responsiveness and transparency have been capacity or competence, skill and knowledge, corruption, and discrimination. Respondents at the highest educational level had lack a confidence on the capacity, knowledge and skill of both the woreda and tabia leaders than the illiterate and those at the lower educational level.

Marito and Andrew (2008), in their study argued that many woredas lack skilled personnel since administrative and technical posts created to handle administrative responsibilities have not been fully filled or have been filled by untrained personnel with limited capacity. Similar to this, Zemelak(2009) asserted that the most difficult challenge for Ethiopian local government is capacity since the local government institutions of the country have acute shortage of qualified man power.

The other factors that impede good governance in the woreda that commonly shared among the selected institutions were:

- ▶ Lack of speedy response to the society articulated problems
- ▶ Leaders have political competence but not have administrative skill and knowledge.
- ▶ Weredas are not fully implementing policies directed from the regional government
- ▶ Absence of strong controlling mechanism to the actions and decisions of the tabia leaders.
- ▶ High level of corruption and discrimination. Particularly discrimination between rich and poor
- ▶ Weak interaction and relationship between people and leaders.
- ▶ Long distance between users and concerned public institutions and lack of strong system of administration

RECOMMENDATIONS

The selected public institutions (woreda court, social court and land administration office) have challenges that precludes from becoming transparent and responsive to their stake holders. Most of the challenges commonly shared by these institutions.

The researcher had provided possible solutions based on the findings of the study. Hence, each office has its own recommendation based on the challenges that it had been faced.

In spite of the fact that a fairly positive governance had been observed in the woreda court when it is compared with the other selected institutions the researcher suggested the following points by making a constant reference the participants view.

- ▶ Empowering the capacity of judges by giving of long and short term training that helps them for providing consistent, transparent and proportional decision. Moreover, lack of human power has been observed in the court. This was the main thing for the delay of justice in the woreda. Henceforth, adequate and outfitted human power should be assigned.
- ▶ The court should be equipped with necessary materials that can facilitate the speedy, convincing and open service delivery. For instance, computer, video camera, woreda net service.
- ▶ Empowering the knowhow of the people through public legal education. People should be informed about laws and any other important issues that lead to conflict. This should reduce the number of complains and crimes that taken to the court.

The respondents who were included in interview, questionnaire and focus group discussion do not have an opinion to give up the function of the social court. Because they differentiate the main advantages and disadvantages of the social court and they evaluated them. In terms of the importance they have reported that getting justice at nearby cannot be taken easy since it minimizes a cost. Especially for women's getting a service at their proximity had been highly supported.

Whence, the researcher had been emphasized on the pressing problems of the social court and suggesting possible solutions .The possible solutions were:

- **Recruiting judge of social court:** The clients and especially those who nominate a judge should be informed to carefully suggest an informed and morality bounded judge. They must compare with the past experience and contribution of the nominated individuals for a judge. Moreover, the judges of social court should be able to read and write.
- **Organization:** social courts judges should be given task equipment's that facilitate their task. Moreover, they should be given continuous and consistent training to develop a full awareness about law or their concerned task. Besides, there should exist a clear cut mechanism in which social court judges must get a reward for their service.
- **Chain of accountability and transparency:** There should be exist a mechanism that shows to whom judges of social court are accountable for their decisions and actions. Moreover, presence of evaluation methods directly or indirectly by the public should be vital to know the conduct of the judges. The researcher also recommends that the accountability of the social courts should be to the woreda court. Because, social court judges are not functioning cases that are not known in a legal court. In rational thinking the duties of social court judges are the duties of legal courts.

According to the opinion of the respondent's difficulties had been also observed in rural and urban land administration. The top cases that were recorded in the court had land related conflicts. Hence, the researcher recommended feasible solutions that can minimize the daunting challenges that have been going on in land administration in the study woreda. These are:

- ▶ Maintaining skilled and knowledgeable staff through leadership, training, development and commitment to continuous improvement in the delivery of services. That is, empowering the capacity of the land administration staffs by providing short and long term trainings. Moreover the land administrators should be able to read and write. That means, the members who are appointed to become part of the land tribunal must have relatively adequate qualifications and receive special training as required. The procedures and decisions of the land tribunal have to be transparent, and every staff member should bound to a strict code of conduct. The procedures and decisions of the land tribunal need to be monitored, evaluated and made accessible to the public.
- ▶ Land administration must be give emphasis on the allocation of the land to the right person and checking whether the land is employed according the first assumption of the person or not. That is establishment of local control mechanisms and the introduction of sanctions for rent seekers misusing their authority by irregularly allocating land for their own profit
- ▶ Moreover, ownership right or land certification should be made transparent to the land owners and it should be supported by map.
- ▶ Decision-making over access to and use of land as well as its enforcement and the reconciliation of conflicting interests is done in a fair and transparent way, allowing everyone to equitably participate and to receive an adequate share. Because good land governance requires the honest, participatory and serious application of certain principles to land policy, land related legislation, land administration, land management, land reforms, land conflict resolution etc.
- ▶ Active involvement of citizens in land use planning –especially at village level can reduce land use conflicts, as the land use plan can then be adapted to the needs of the local population who will feel more bound to it as a consequence. And land use and building standards have to be realistic and adapted to local conditions, as otherwise they will be widely violated and result in unnecessary conflicts.

Finally, the researcher has provided a general recommendation. That is:

- Limited research had been done on the area of good governance at the national level more specifically on the dimensions of good governance such as transparency and responsiveness. The researcher had made a little progress in assessing of local governance challenges in selected offices such as woreda court, social court and land administration. The researcher therefore, advices for other researchers who have an interest to conduct their research in lower level administration to give an attention on social court and land administration offices. Because in these offices a great number of service users had observed and at the same time major challenges for service provision had comparatively explored by the researcher. But it needs a further investigation to clearly identify and minimize the challenges of these offices. Hence, this paper can be used for other researchers as a spring board to conduct a further research on a similar field of study.

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TOTAL COST OF SMALL ENTREPRENEURIAL CREDIT: AN ANALYSIS ON SELECTED PRIVATE COMMERCIAL BANKS IN BANGLADESH

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ABSTRACT

The small enterprises can act as a major force in furthering the process of economic development in Bangladesh through promoting employment, reducing poverty and ensuring sustainable growth. However, there are many problems in nourishing small scale industries in Bangladesh where as financing emerges as a significant one. Generally, working capital is sought from banks. However, the interest rate is high. Furthermore, other non-price financial cost of credit significantly enhances the total cost. This paper has revealed the cost of different activities at different phases of loan undertaking process such as cost regarding security, insurance, bank formalities, pleasing bank officers and so on. Further, this paper has pointed out that the cost of borrowing for the entrepreneurs is much higher than the declared interest rate. Therefore, this research can play a significant role to develop policy recommendations to trim down the total cost of credit so that the small enterprises can thrive.

KEYWORDS

Continuous Loan, Cost, Collateral, Documentation, Mortgage etc.

INTRODUCTION

In Bangladesh, considering the country's level of economic growth, composition of resources, level of global integration, urbanization and so on, there is ample scope for development of diversified and non-traditional small and medium enterprises (SMEs) (Moazzem, 2006). Small businesses provide immense economic opportunities of employment and income generation activities to middle-income and poor people by tapping local resources. It also plays a complementary role to the large industries for their sustainable growth in this developing country. Therefore, considering the promising role of small and medium enterprises, this sector has been declared as a priority sector in the government's Industrial Policy 2005.

Though a number of steps have been undertaken by the different organizations and institutions for the promotion and development of small entrepreneurship, expected development in the small entrepreneurship did not take place. Various surveys and studies (Hossain, 1998; Daniels, 2003; Minto, 2004) have identified access to finance as the main problems facing the SMEs whereas credit is an important development tool for the development of small industries and bank and other structured financial institutions can play the role to gear up the task of extending credit facilities to the small business entrepreneurs. Moreover, it has been revealed that commercial banks are reluctant to extend loans to this sector because SMEs are regarded as high-risk borrowers (Sia, 2003). It is already well recognized that in this country the interest rate of the small enterprise credit of private banks (generally 15%) is high ("Interest Burden," 2007) which needs to be reduced. Moreover, total cost of credit comprises not only interest but also the cost involved in the process of getting loan from banks. With the above background, the main aim of the study was to analyze total cost of credit of small entrepreneurs delivered by the private banks and suggest some policy recommendations so that this cost can be reduce for ensuring the sustainable growth of the sector.

RESEARCH OBJECTIVES

The mission of the study is to analyze total cost of credit of small entrepreneurs delivered by the private banks and suggest some policy recommendations so that this cost can be reduce for ensuring the sustainable growth of the sector. To achieve this mission the following specific objectives are outlined. These are:

- To identify and explore the elements of cost of small loan undertaking to withdrawal
- To determine total cost of credit on the utilized amount of loan for a year
- To determine total cost of credit on net loan (utilized amount excluding the non-price cost) utilized for a year
- To synthesize the findings and draw recommendations

RESEARCH METHODOLOGY

Considering the geographical and demographical profile, the study area selected for this study was Mymensingh Pourashabha of Bangladesh. For the purpose of this research, branch officers of all the private banks located in this *Pourashabha* are interviewed to know the process of undertaking small entrepreneurial loan. These banks are Pubali Bank Ltd., Uttara Bank Ltd., United Commercial Bank Ltd., National Bank Ltd., City Bank Ltd., Arab Bangladesh Bank Ltd. However, some banks (National Bank Ltd., City Bank Ltd., Arab Bangladesh Bank Ltd.) have just started providing loan in this segment. Therefore, considering the small enterprise lending experience and the number of loanee (loan undertaker), three private commercial banks - Uttara Bank Ltd., United Commercial Bank Ltd., Pubali Bank Ltd., have been taken into consideration. As the cost is calculated for one year, to select the loanees, this research has considered only those entrepreneurs who had more than one year experiences of taking loan from the selected banks. All these loanees have undertaken Continuous Loan (CC Loan), the widely undertaken loan, within the time frame of January, 2004 to June, 2006 as the research was conducted at the mid of 2007. The reason of selecting the time frame of two and half years is to maintain the consistency of cost of the loanees, who have taken loan in different periods. Considering all these criteria total 54 loanees are found in the area among whom 48 loanees were undertaken as sample through random selection.

Data were collected from both primary and secondary data. Through the face to face interview, primary data has been collected from the bank's Relationship Officers of Mymensingh. Besides, using a structured questionnaire, direct interview has also been conducted to collect data from the small entrepreneurs. Most of the questions were close-ended while only some were open-ended. As secondary sources bank documents regarding the information of the loanees have been used. Further, secondary data further have been collected from the Internet, different publications, newspapers, relevant journals etc. To make the study more broad-based and informative, materials of this paper have been presented systematically for analytical purposes and also to draw inference there from.

ANALYZING TOTAL COST OF CREDIT

UTILIZING AMOUNT OF LOAN: BASIS FOR DETERMINING COST OF CREDIT

For working capital, banks provide two types of loan – Term Loan and Continuous Loan (CC Loan). CC loan is widely used one and this study is only on the cost of this type of loan. First of all, CC loan is sanctioned for one year and it can be continued year after year with the provision of renewal in each year. The client not necessarily supposed to undertake entire amount of the loan sanctioned. Rather the loan can be held for any amount within the limit of sanctioned amount for any duration of period within one year. For example, a client may have the sanctioned amount of Tk. 15 lac for a year, out of which on the first month, he takes Tk. 10 lac and holds it for three months. Afterwards, he repays Tk. 5 lac to the bank and holds the rest Tk. 5 lac for next two months. Then he again takes loan of Tk. 7 lac from the bank and holds the total Tk. 12 lac for about three months. Therefore, the interest is charged not on the entire amount of loan sanctioned. It is

charged on the amount of the loan that is withdrawn from the account for a specific period by the loanee. This is why, it is not viable to determine the total cost of credit (in percentage) based on the sanctioned amount. Rather, it would be more justified to determine cost of credit on the basis of the average amount utilized (the average amount of loan that is held by the loanees in a year). Moreover, the total interest paid for the last year is considered to determine the average utilized amount of loan. Average amount utilized against average amount sanctioned within different ranges is presented in Annexure.

COST OF DIFFERENT ELEMENTS OF LOAN IN DIFFERENT PHASES

There are basically four phases for undertaking CC loan – Pre-Application Phase, Loan Sanctioning Phase, Loan Maintenance Phase and Loan Withdrawal Phase (Jaim and Arefin, 2007). It would be convenient and easily comprehensible to identify the cost elements of loan undertaking in different phases and then calculate the total cost.

COST OF DIFFERENT ELEMENTS OF PRE-APPLICATION PHASE

Cost of pre-application phase includes the cost for the activities in order to be prepared for undertaking loan before application to the bank. One major elements of cost of this phase is document preparation cost. To prepare documents, it requires collection of some new documents basically regarding collateral and also photocopy of some of the documents. Table-2 in Annexure reveals that this cost is, in general, higher for the borrowers applying for larger amount of loan. Another important cost of this phase is the cost of entertaining or pleasing bank officers. The cost of entertaining the bank officer includes the cost of providing snacks or traveling cost when the officers have visited the business premise or have gone for assessing the security valuation. And the cost of pleasing indicates bribe in cash. It has been clearly demonstrated in Table-2 that in general, this type of cost is comparatively higher for the loanees having small amount of loan. Pre-application phase also includes the cost of account opening, legal advisor fees, cost of traveling to legal advisor and bank and other pre-application cost. The table demonstrates that generally the total cost per loanee is high for the larger amount of loan. However, the cost in terms of percentage declined with the increase of the loan size which varied from 0.86 percent for the largest size of loan to 4.43 percent for smallest size of loan.

COST OF DIFFERENT ELEMENTS OF LOAN SANCTIONING PHASE

Cost of loan sanctioning phase comprises the cost of activities that will have to be incurred from applying for loan to obtaining the loan in the account. One major elements of cost of this phase is mortgage formalities cost that includes cost of photograph of loan applicant, legal advisor's fees, mortgage fees to government, stamp, transportation for this purpose and so on. Table-3 in Annexure reveals that for higher amount of loan this cost is increasing.

Cost of insurance of inventory is another important cost. To secure the loan amount the loanees will have to insure his or her inventory. The insured amount is 1.1% of the loan sanctioned. As this cost is directly related to the amount of loan sanctioned, with the increase of loan, this cost is also increased.

In this phase cost is also incurred for purchasing stamp for agreement with the bank, transportation and communication with bank. Cost of pleasing for loan sanctioning is another issue that can be considered for some clients. During this period, some loanees go to Dhaka Head Office to pursue officers there for sanctioning the amount of loan as desired by them within short period.

In general, most of the costs in this phase such as insurance cost are directly related with the amount of loan. This is why, with the increase of amount of loan, the total cost of the items included in this phase is also increased. But the percentage of total cost on utilized amount does not show such increasing trend. However, the highest percentage (3.75%) is found to be for the least sanctioned amount of Tk. 1,93,812 while the lowest percentage (2.67%) was found for the highest sanctioned amount of Tk. 16,00,000.

COST OF DIFFERENT ELEMENTS OF LOAN MAINTENANCE PHASE

In this phase, to receive and repay loan as well as to pay interest, the loanees have to go to bank many times. Therefore, here the cost of transportation and communication to bank for a year has been considered for calculating total cost. The loanees have to pay the interest during this period but as maintenance cost only other non-price financial costs are considered. Table-4 shows that the cost involved in this stage though it is a very scanty amount. The highest cost is only 0.23% for the sanctioned amount of Tk. 1,93,812.

COST OF DIFFERENT ELEMENTS OF LOAN WITHDRAWAL PHASE

In the phase of withdrawal, the loanees have to incur cost for taking away documents, for doing some formalities with bank and so on. According to banks this cost is negligible. But in this study, none of the loanees have withdrawn the loan. Therefore, this cost has been ignored in the analysis.

NON-PRICE FINANCIAL COST AND ILLEGAL BURDEN FOR A YEAR

In general, non-price financial cost for a year comprises the cost of pre-application phase, loan sanctioning phase, loan maintenance phase and also the withdrawal phase except the interest cost and cost of entertaining and pleasing the bank officers. On the other hand, the illegal burden includes the cost of entertaining and pleasing the bank officers. However, the withdrawal cost has been excluded here.

Non-price financial cost and illegal burden vary from Tk. 16,304 to Tk. 57,955 depending on the loan size. The highest percentage of the cost (8.41%) was for the sanctioned amount of Tk. 2,50,000 and the percentages decreased gradually. On the other hand, the lowest cost (3.62%) is for the highest sanctioned amount of Tk. 25,00,000.

Considering the types of cost regardless of phases, from the Table-5 it has been found that the cost regarding security is one of the major costs. For the small loanees this cost is almost half of the entire cost. Cost of insurance also incurs huge cost. Besides, although cost of entertaining or pleasing bank officers is a small amount of cost it is an illegal burden cost.

TOTAL COST OF CREDIT FOR A YEAR

Though the official interest rate is 15%, considering the entire process, the total cost of credit has been found much higher than the official rate. Total cost comprises interest as well as non-price financial cost and illegal burden. Table-6 demonstrates that with the increase of amount of loan total cost of credit has gradually increased. But as in percentage of total utilized amount, the highest cost of credit is 23.41% for the smallest amount of loan (Tk. 2,50,000) and the lowest is 18.62% for the largest amount of loan (Tk. 25,00,000). However, in a study (Chanda, 2006) on the SME loan lending by BRAC Bank Ltd. in Mymensingh district it has also been revealed that the average cost to obtain loan (including four components of loan cost - namely processing fee, VAT, insurance and stamps) is gradually higher for higher amount of loan.

Along with the percentage of total cost of credit on utilized amount, it is quite reasonable to look into the loan amount actually enjoyed by the sample loanees that is on the net loan utilized from the view point of loanee. After deducting non-price financial cost and illegal burden from the loan utilized, the net loan utilized is derived and the total cost of credit is calculated based on this net loan amount utilized. In such a context, it has been found from Table-6 that this cost of credit enjoyed varies from 19.32% (for loan of Tk. 25,00,000) to 25.56% (for loan of Tk. 2,50,000). This cost of credit shows the actual burden borne by the loanees. From the analysis it can be concluded that the total cost of credit on utilized amount or net loan is much higher than the official interest rate.

One important issue may be considered in this regard. The CC Loan or the Continuous Loan is operated year after year with the renewal of the loan. As because, some costs are incurred initially such as pre-application cost and loan sanctioning cost, these costs are spread out year after year as fixed cost. However, there are some variable costs which need to be incurred in each year. This is why, with the continuation of loan, there will be cost that comprises the interest and other variable cost (insurance cost and the maintenance cost). This cost can be considered as the least feasible cost because cost cannot be below that amount.

CONCLUSIONS

Development of small enterprises may contribute significantly to the overall economic development of the country. However, Acquisition of credit from the banks with easy terms and conditions is a pre-condition for the development of this sector. However, existing loan acquisition process is cumbersome, time consuming as well as costly. Considering all the formal and informal costs related to acquisition of loan the actual interest rate of loan was found to be considerably higher than what the bank charges. Therefore, to mitigate the problems related to loan acquisition for the small entrepreneurs from commercial banks, some recommendations for the policy makers have been made based on the findings from this study.

In the traditional banking system it is not possible to get loan facilities without collateral or guarantee. In order to minimize a major cost of managing collateral – cost of security and also cost of insurance, the collateral free loan should be offered. Finance Advisor ("Finance Advisor", 2007) urged the Bangladesh Bank and commercial banks to take initiative to provide collateral-free loans for the development of small and medium enterprises (SMEs) in the country. He also

requested to take initiative to provide loans considering the project viability and payback capacity of the entrepreneurs. Only through the collateral free loan the total cost can be reduced drastically by half. It would also reduce the harassment for preparing documents, visiting the legal advisor, mortgage formalities and so on.

Before thoroughly introducing the scheme, few steps can lend a hand to reduce cost of the existing process. Through eliminating some documents to prove the validity of the property which requires bribing in many steps, can reduce the cost to a great extent. Besides, undertaking responsibility of the bank to scrutinize documents by legal advisor and having the specific amount as the legal advisor fees can also trim down cost. In addition, the easiness of the process of collateral or to provide provision of collateral free loan will eventually reduce the cost of transportation.

This study has revealed that lack of easy access and adequate finance are the prevailing constraints for the growth and expansion of small enterprise sector. Therefore, the banking norms, procedure and attitude regarding investing in this promising sector should be changed. The policymakers of banks should take a positive action to provide credit with lower cost, more convenience and flexibility.

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ANNEXURE

TABLE - 1: AMOUNT OF LOAN SANCTIONED AND THE AMOUNT OF UTILIZATION

Range of Sanctioned Amount (In Lac Tk.)	Average Amount Sanctioned (In Tk.)	Average Amount Utilized (In Tk.)	Sample Loanees	
			Number	Percentage
Below 3.5	2,50,000	1,93,812	12	25.00
3.5-7	5,19,000	3,16,874	21	43.75
7-10.5	10,00,000	6,69,425	5	10.42
10.5-14*	-	-	-	-
14-17.5	15,00,000	8,07,112	4	8.33
17.5-21	19,60,000	8,90,326	5	10.42
21-24.5*	-	-	-	-
24.5-28	25,00,000	16,00,000	1	2.08
Total			48	100

Source: Data collected from Bank Documents and Field Survey; calculation is done by the author

*Note: No loanee is found in this range.

TABLE - 2: ELEMENTS OF PRE-APPLICATION COST OF CREDIT AND THE QUANTUM THEREOF

Elements of Cost	1,93,812 (2,50,000)*	3,16,874 (5,19,000)*	6,69,425 (10,00,000)*	8,07,112 (15,00,000)*	8,90,326 (19,60,000)*	16,00,000 (25,00,000)*
Account Opening Cost	35	35	35	35	35	35
Document Preparation Cost	5,596	7,420	11,080	8,375	12,680	12,000
Legal Advisor's Fees	1,250	1,319	2,900	3,325	1,600	1,600
Cost of Traveling to Legal Advisor	158	87	124	73	290	20
Cost of Traveling to Bank	90	83	28	38	60	100
Cost of Entertaining and/or Pleasing Bank Officer	630	265	130	25	20	0
Other Pre-application Cost	833	0	0	0	0	0
Total Pre-application Cost	8,592	9,209	14,297	11,871	14,685	13,755
Percentage of Pre-application Cost on Utilized Amount	4.43	2.91	2.13	1.47	1.65	0.86

Source: Field Survey

*Note: The figures in parenthesis show the average amount sanctioned

TABLE - 3: ELEMENTS OF LOAN SANCTIONING COST OF CREDIT AND THE QUANTUM THEREOF

Elements of Cost	1,93,812 (2,50,000)*	3,16,874 (5,19,000)*	6,69,425 (10,00,000)*	8,07,112 (15,00,000)*	8,90,326 (19,60,000)*	16,00,000 (25,00,000)*
Stamp for Agreement	150	150	150	150	150	150
Mortgage Formalities Cost	4,301	5,006	7,863	7,500	10,313	15,000
Insurance of Inventory	2,758	5,038	11,200	15,625	17,440	27,500
Transportation and Communication of Bank	53	50	14	20	37	50
Pleasing for Loan Sanctioning	0	95	0	0	200	0
Cost of Loan Sanctioning	7,262	10,339	19,227	23,295	28,140	42,700
Percentage of Cost on Utilized Amount	3.75	3.26	2.87	2.89	3.16	2.67

Source: Field Survey

*Note: The figures in parenthesis show the average amount sanctioned.

TABLE - 4: ELEMENTS OF LOAN MAINTAINING COST OF CREDIT FOR A YEAR AND THE QUANTUM THEREOF

Elements of Cost	1,93,812 (2,50,000)*	3,16,874 (5,19,000)*	6,69,425 (10,00,000)*	8,07,112 (15,00,000)*	8,90,326 (19,60,000)*	16,00,000 (25,00,000)*
Transportation and Communication to Bank	450	343	220	175	1,220	1,500
Cost of Loan Maintenance	450	343	220	175	1,220	1,500
Percentage of Cost on Utilized Amount	0.23	0.11	0.03	0.02	0.14	0.09

Source: Field Survey

*Note: The figures in parenthesis show the average amount sanctioned.

TABLE - 5: ELEMENTS OF OTHER NON-PRICE FINANCIAL COST AND ILLEGAL BURDEN OF CREDIT FOR A YEAR AND THE QUANTUM THEREOF

Elements of Cost	1,93,812 (2,50,000)*	3,16,874 (5,19,000)*	6,69,425 (10,00,000)*	8,07,112 (15,00,000)*	8,90,326 (19,60,000)*	16,00,000 (25,00,000)*
Bank Formalities	185	185	185	185	185	185
Cost regarding Security	11,305	13,832	21,967	19,273	24,883	28,620
Cost of Insurance	2,758	5,038	11,200	15,625	17,440	27,500
Cost of Entertaining/ Pleasing Bank Officers	630	360	130	25	220	0
Other Cost	1,426	476	262	233	1,317	1,650
Total Non-Price Financial Cost and Illegal Burden	16,304	19,891	33,744	35,341	44,045	57,955
Percentage of Cost on Utilized Amount	8.41	6.28	5.04	4.38	4.95	3.62

Source: Field Survey *Note: The figures in parenthesis show the average amount sanctioned.

**Note: Bank formalities includes cost of account opening, stamp for agreement etc., cost regarding security includes cost of documentation, mortgage and cost of legal advisor fees, other cost includes cost of transportation to bank and so on.

TABLE - 6: TOTAL COST OF CREDIT FOR A YEAR

Average Loan Sanctioned	Average Amount Utilized	Interest @ 15% per annum	Non-Price Financial Cost and Illegal Burden *	Total Cost of Credit	Total Cost of Credit on Amount Utilized in %	Net Loan Utilized	Total Cost of Credit on Net Loan Utilized in %
1	2	3	4	5(3+4)	6(5/2)	7(2-4)	8(5/7)
2,50,000	1,93,812	29,072	16,304	45,376	23.41	1,77,508	25.56
5,19,000	3,16,874	47,531	19,891	67,421	21.28	2,96,983	22.70
10,00,000	6,69,425	1,00,414	33,744	1,34,158	20.04	6,35,681	21.10
15,00,000	8,07,112	1,21,067	35,341	1,56,408	19.38	7,71,771	20.27
19,60,000	8,90,326	1,33,549	44,045	1,77,594	19.95	8,46,281	20.99
25,00,000	16,00,000	2,40,000	57,955	2,97,955	18.62	15,42,045	19.32

Source: Field Survey

*Note: Non-Price Financial Cost and Illegal Burden includes the total cost of pre-application phase, loan sanctioning phase and loan maintenance phase.

FACTORS INFLUENCING TOTAL HOUSEHOLD INCOME OF FARMERS IN UTTAR PRADESH

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ABSTRACT

During last one decade there has been significant transformation in Indian agriculture. Farm size has declined but access to irrigation and credit has increased. Now large number of farmers has access to new technology due to strong network of technology dissemination system like KVVKs, and KGKs, etc. There has been diversification of cropping system and income diversification in the state. The study highlights the resource base, level of education, and cropping system of farmers in two contrasting regions namely Western and Eastern regions of Uttar Pradesh. The income of farmers in western region is considerably higher than in eastern region mainly because of sharp difference in the average size of holdings, access to irrigation, cropping system and earning members, etc. However, the study shows that many of the factors such as crop diversification, entrepreneurial ability, diversified sources of income and family size significantly affect the level of income. Caste, level of education, age as proxy of farming experience and number of milch animals, and farm size were not significant in explaining the level of income of the farmers.

KEYWORDS

Agripreneurs, income, technology.

INTRODUCTION

During last four decades, Indian agriculture witnessed significant change in the production pattern and new technological advancements but in the last decade it could not sustain its pace of development due to several institutional and non-farm price factors. Farming in India has been basically subsistence-oriented but due to increased commercialisation and advent of WTO farmers have started transforming their agriculture into a business proposition. However, there are several constraints that inhibit the growth of agriculture as a business enterprise. Besides, general constraints facing agricultural development such as preponderance of marginal and small land holding, low income and purchasing power of the farmers, stagnating agricultural productivity, lack of credit, lack of capital formation, insufficient infrastructure, and lack of well developed marketing network, etc., entrepreneurial ability and behaviour of farmers substantially affect the adoption of new farm enterprises as well as technologies. Rapid changes in the society and policies have forced farmers to be more flexible and able to develop market oriented strategies, diversify their product portfolio, enhance their networks, develop effective partnerships, upgrade their knowledge systems, and improve their personal skills and competences to the changing external conditions. In this age of modern agriculture, the farmers need to search new ways to increase their incomes through diversifying their cropping system and adding new enterprises that allow them greater value creation.

The nature of Indian agriculture indicates that resource base, especially land and water, for an average farmer has declined considerably mainly due to inappropriate and unscientific use of land and irrigation water. The prime land is being transferred to non-agricultural and industrial uses. Increasing demographic pressure has resulted into excessive exploitation of land and additional poor and degraded lands have been brought under cultivation resulting into low production. Besides, the agricultural productivity has stagnated and cost of inputs increased more than the prices of agricultural products. All these factors adversely affected the productivity and overall income of the farming community.

Moreover, a few of the studies also have shown that the quality of human capital is an important factor in explaining rural household income (Solow 1957) and Nelson (1964). In general, investment in education allows people to adapt more easily to both social and technical changes in the economy. Okurut et al. (2002) analysed data in Uganda and found that the higher the educational attainment of the household head the wealthier the household, while the larger the household size the poorer the household. Smith (2007) in a study on the determinants of Soviet household income found that human capital and demographic factors were the main determinants of income. The well-educated, middle-aged and self-employed people had relatively comfortable incomes. The study also concluded that location had strong influence on household incomes. Similarly, in Mozambique, Bruck (2001) analysed the determinants of rural income and poverty and the coping strategies during the post-war period. Using a reduced form linear welfare function to estimate the impact of hypothesised variables – including land, assets, social capital, war-effects, and village level endowments or characteristics – on indicators of household well-being, such as household consumption, the study indicated that a poverty trap existed in certain areas of the country. Nevertheless, households in the land-abundant northern parts of the country as well as those supplied with better social services were relatively richer (Bruck 2001).

In Tanzania, studies have found that because agriculture is mainly labour intensive expansion in rural smallholder agricultural production depends upon a bigger labour force (Kamuzora & Gwalema, 1998; Kamuzora & Mkanta, 2000; Kamuzora, 2001). Inadequate infrastructure has also featured prominently in rural poverty studies. In Argentina, a study on the rural poor found that the principal causes of income and poverty were low education, poor health facilities and inadequate infrastructure (Verner, 2006). Combined together, these factors severely constrained household income. A few of the studies have found that the availability of financial services is also as important explanatory variables affecting the income of the households. Kessy and Urjo (2006) have shown that the provision of loans by micro-finance institutions boosted the livelihoods of poor Tanzanian households. The study also found that the lack of infrastructure, especially rural roads, was the main reason why micro-finance institutions failed to operate in rural areas.

OBJECTIVE OF THE PAPER

The paper examines the profile of various types of households and identifies the factors influencing his total income in two contrasting regions of Uttar Pradesh. It is to be mentioned here that farmers in these two regions have different type of resources and earn income from varied sources depending upon his personal characteristics, resource base, agroclimatic condition, infrastructure development, access to institutional credit as well as marketing network, etc. The income of a farmer is the outcome of all the efforts he/she makes in farming.

RESEARCH METHODS

This paper is based on the farm level data collected from more than 600 sample households (farmers) representing different categories of farmers in two contrasting agroclimatic regions of Uttar Pradesh namely Eastern and Western Uttar Pradesh. In the present study, the net income of a farmer has been estimated as gross receipt net of total cost incurred in various farm as well as non-farm activities. The major source of income of farmers include, crops, livestock, horticulture, wage earning, small trade, remittances, etc.

PROFILE OF SELECTED FARMERS**CASTE STRUCTURE**

It is clear from Table 1 that there was no significant difference in the caste structure of the two regions namely Eastern and Western Uttar Pradesh. Almost 40 percent of the sample households belong to backward caste (38 percent in Eastern Region and 43 percent in western region) followed by upper case (28

percent), scheduled caste (25 percent) and scheduled tribe (6.5 percent). Proportion of upper caste and backward caste was marginally higher in western Uttar Pradesh compared to eastern Uttar Pradesh while proportion of scheduled caste and scheduled tribe was relatively more in eastern region compared to western region (Table 1).

The average family size in both the regions was about 7 to 8 members of which about 38 percent were earning members. Though there was no much difference in the average family size in two regions but there was sharp difference in the proportion of earning members. In eastern region, the family size was about 8 members but the proportions of earning members were only 32.2 percent while in western region the family size was relatively small (about 7 members) but the proportion of earning members was 46.6 percent. This shows that dependency ratio in eastern region was considerably high compared to western region. This higher dependency ratio has a strong bearing on the income level of farmers (Table 1).

TABLE 1: DISTRIBUTION OF SAMPLE HOUSEHOLDS ACCORDING TO CASTE GROUP IN BOTH THE REGIONS OF UTTAR PRADESH (% of total households)

Particular	Eastern region	Western region	Both regions
Upper caste	26.3	30.0	28.0
Backward caste	38.1	42.7	40.3
Scheduled caste	27.7	22.3	25.2
Scheduled tribe	7.9	5.0	6.5
Family size (No.)	7.75	7.20	7.45
Proportion of earning members in the family (%)	32.2	46.4	38.3

AGE OF THE HEAD

The age structure of the sample shows that nearly half (48 percent) of the sample households were middle aged person between the age group of 30 to 50 years. About 36 percent of households were in the age group of 50 to 70 years of age. But, about 8 percent of the households were young with less than 30 years of age and equal number of households were more than 70 years old (Table 2). There was no sharp difference in the age structure of the head of households in the two regions. Age of the households plays a very important role in explaining the income of the households as has been observed that young head of households are able to adopt improved/new technologies more easily compared to old age heads who are apply more traditional approach their farming and are reluctant to accept change their method of farming or cultivation practices soon and easily.

TABLE 2: DISTRIBUTION OF SAMPLE HOUSEHOLDS ACCORDING TO AGE GROUP (YEARS) IN BOTH THE REGIONS OF UTTAR PRADESH (% of total households)

Particular	Eastern region	Western region	Both regions
Less than 30 years	6.9	9.0	8.0
31-40 years	22.5	19.3	21.0
41-50 years	26.6	26.7	26.6
51-60 years	19.4	22.8	21.1
61-70 years	17.0	13.2	15.0
Above 70 years	7.6	9.0	8.3

EDUCATION LEVEL OF THE HEAD

Table 3 indicates that literacy rate in both the regions was quite low as about 35 percent of the household heads were illiterate while 21.5 percent are able to read and write. However, the proportion of illiterate were high in eastern region (37.3 percent) compared to western region (33.3 percent). The proportion of household heads, who can read and write, was more (23.3 percent) in eastern region than in the western region (19.5 percent). In general, proportion of household heads having more than primary level education was higher in western region compared to eastern region. However, there were about 9.4 percent household heads were graduate and even about 3 percent household heads had education more than graduate level. But there were sharp difference between the levels of education in these two regions. Household heads were more educated in western region compared to eastern region (Table 3).

TABLE 3: DISTRIBUTION OF SAMPLE HOUSEHOLDS (PERCENTAGE) ACCORDING TO LEVEL OF EDUCATION IN BOTH THE REGIONS OF UTTAR PRADESH (% of total households)

Level of education	Eastern region	Western region	Both regions
Illiterate	37.3	33.3	35.3
Read and write	23.5	19.5	21.5
Upto primary level	16.4	18.5	17.5
High school	12.5	14.6	13.5
Graduate	8.4	10.4	9.4
More than graduate	1.9	3.7	2.8

SIZE OF FARMS AND LAND HOLDING DETAILS

The average holding size of sample households indicates that more than 67 percent of holdings were either marginal or small holdings in these two regions. However, proportion of marginal holdings in eastern region was quite high (40 percent) than in western region (27 percent). While proportion of smaller holdings (1 to 2 ha) accounted for nearly 29 percent in eastern region compared 37 percent in the western region. Proportion of medium farmers (2-4 ha) was almost same in both the regions. But, proportion of large holdings was higher (20 percent) in western region than in eastern region (15 percent). This shows that land holdings were more inequitably distributed in eastern region compared to western region (Table 4).

TABLE 4: DISTRIBUTION OF SAMPLE HOUSEHOLDS ACCORDING TO FARM SIZE IN BOTH THE REGIONS OF UTTAR PRADESH

Particular	Eastern region	Western region	Both regions
Size of farm	Percentage of total farms (%)		
Marginal farmers	40	27	33
Small farmers	29	37	34
Medium Farmers	16	16	16
Large farmers	15	20	17
Land Holding Details			
Cultivated area (Ha)	1.16	2.15	1.65
Proportion of gross cropped area irrigated (%)	60	90	75
Cropping intensity (%)	150	220	185

The average size of holding in the two regions was about 1.65 hectares being higher (2.15 ha) in western region compared to eastern region (1.16 ha). Similarly, proportion of irrigated area to total cropped area was about 75 percent but higher (90 percent) in western region than in eastern region (60 percent). This shows that farmers in western region had not only larger holdings but also higher access to irrigation also. This has impact on intensive use of land. The cropping

intensity (times net cultivated area is cropped in whole year) was 2.2 times in western region compared to 1.5 times only in eastern region. Farmers in western region not only cultivate land more intensively but also grow more crops (Table 4).

CROPPING PATTERN

The cropping pattern of farmers in both the regions is quite different. Farmers in western region have more diversified cropping system than in eastern region as is clearly reflected by the crop diversification index. Farmers in eastern region grow more cereals and pulses while farmers in western region devote relatively more area for sugarcane, horticultural crops and many other crops such as groundnut, oilseeds crops, and fodder, etc. (Table 5).

TABLE 5: CROPPING PATTERN (PERCENTAGE OF GROSS CROPPED AREA) OF SAMPLE HOUSEHOLDS IN BOTH REGIONS OF UTTAR PRADESH (% of total cropped area)

Crops	Eastern region	Western region	Both regions
Cereal	57.8	50.8	54.3
Pulses	12.3	5.2	8.8
Oilseeds	4.9	3.9	4.4
Sugarcane	13.3	18.2	15.8
Horticulture	5.3	12.2	8.8
Medicinal and aromatic plants	3.2	2.4	2.7
Others*	3.2	7.3	5.2
Crop diversification index**	0.3471	0.5482	0.4476

* includes crop such as fruits, vegetables, floriculture, etc.

**Crop Diversification Index has been calculated as: $1 - \text{Sum of squared ratio of (area under a particular crop divided by Gross cropped area)}$. For example, Area under paddy is 2 ha and area under Wheat is 2 ha. The gross cropped area comes to 4 ha. Hence, Crop Diversification Index = $1 - (\text{square of } (2/4) + \text{square of } (2/4))$. i.e. $1 - (.25 + .25)$. Hence, Crop Diversification Index = $1 - 0.5 = 0.5$

ACCESS TO CREDIT

It is evident from Table 6 that on average sample farmers had about 2 milch animals (cows and buffalo). Farmers in western region had more milch animals (2.6) compared to eastern region (1.5). On average, little more than half (about 54.4 percent) Sample farmers were able to avail credit of average amount of about Rs 35,000. However, there was sharp difference in the access to credit and amount of credit availed by the farmers in these two regions. In western region about 66 percent of the farmers had access to credit and availed credit of Rs 38,000 against about 43 percent farmers in eastern region availed credit of Rs 16,500. This shows that not only more number of farmers had access to credit in western region but availed more amount of credit also (Table 6).

TABLE 6: ACCESS TO CREDIT TO SAMPLE HOUSEHOLDS IN BOTH REGIONS OF UTTAR PRADESH

Particular	Eastern region	Western region	Both regions
Milch animals (cows and buffaloes) (No.)	1.50	2.60	2.10
Proportion of sample households availing credit (%)	42.6	66.2	54.4
Amount of loan (Rs/household actually availing credit)	16,500	38,000	27,250

INCOME PROFILE

On average, per household annual net income in western region was about Rs 93,000 compared to Rs 69,250 in eastern region. This comes to Rs 10,035 per capita in eastern region and Rs 12,560 in western region. There was sharp difference in the major sources of income of farmers in these two regions. Contribution of crops in total income was almost same in both the regions but in case of other sources of income there were sharp differences. In eastern region, wage earnings contributed about 4.6 percent of total income compared to 1.8 percent in western region. Farmers in western region received more income from livestock and horticulture compared to farmers of eastern region who received higher income from other miscellaneous sources such as remittances, and petty trade activities, etc. Farmers have more diversified source of income in eastern region than in western region. Farmers in western region focused more on farming and livestock while farmers in eastern region tried to have income from various sources (Table 7).

TABLE 7: INCOME PROFILE OF SAMPLE HOUSEHOLDS IN BOTH REGIONS OF UTTAR PRADESH

Particular	Eastern region	Western region	Both regions
Per household total income (Rs)	69250	92950	83090
Per capita income (Rs)	10035	12560	11540
Proportion of total income by source (%)			
Crops	61.4	62.5	64.2
Horticulture	27.7	30.1	27.3
Wage earnings	4.6	1.8	2.9
Livestock	1.7	2.8	2.3
Others	4.6	2.7	3.3
Income diversification index*	0.4256	0.2916	0.3586

Source: Field survey data

*Income Diversification Index can be calculated as: $1 - \text{Squared sum of ratio of each source of income to total income}$. For example, if total income is Rs 5000 and income from crops is Rs 3000, from livestock Rs 1000 and from wages Rs 1000, then Income Diversification Index is calculated as: $1 - (\text{square of } (3000/5000) \text{ i.e. } 0.6 \times 0.6 = 0.36) + (\text{square of } (1000/5000) \text{ i.e. } 0.2 \times 0.2 = 0.04) + (\text{square of } (1000/5000) \text{ i.e. } 0.2 \times 0.2 = 0.04)$. Thus total comes to $0.36 + 0.04 + 0.04 = 0.44$. Hence, Income Diversification Index = $1 - 0.44 = 0.56$.

FACTORS INFLUENCING INCOME

The foregoing tabular analysis indicates that the farmers in these two regions have different resource base and have diversified source of income, hence an attempt was made to estimate the contribution of various important factors that influence total income of farmers in these two regions. Two separate regressions using least square method were used to examine determinants of total net income and also per capita net income (adjusted for the size of family).

SELECTION OF VARIABLES/DETERMINANTS

Before using the regression analysis, an attempt was made to select the important variables that clearly explain the income of the farmers. The variables having multi co-linearity were dropped from the model. In the present analysis, simple linear model of regression was used to see the effect of different variables. However, before selecting the linear model an attempt was made to examine the pattern of response of variables through scatter diagram. After a careful scrutiny and based on the field experience, a number of variables were selected which directly and indirectly influence the income of the farmers. However, a few of the variables, which were purely endogenous and not relevant, were dropped from the regression, while a few of the important variables, though were not significant in all situations were included in the regression.

LIST OF EXPLANATORY VARIABLES/DETERMINANTS

The description of variables/determinants of the total and per capita income is given in the following Table 8.

TABLE 8: DESCRIPTION OF VARIABLE USED FOR REGRESSION ANALYSIS

Name of the variable	Description
AGE	Age of the head of household in years
CASTED1	Caste dummy for
CASTD2	Caste dummy as reference
CASTD3	Caste dummy 1
EDU1	Education dummy as reference (Illiterate as zero)
EDU2	Read and write=1
EDU3	Education up to primary=2
TYPED1	Farm type dummy (Traditional farms) as reference=0
TYPED2	Farm type dummy (Beginner/Early adopter)=1
TYPED3	Farm type dummy (Innovators as adopter of new technologies and farm practices) =2
TYPED4	Farm type dummy (Trendsetters as adopter of new technologies and farm practices)0=3
CDI	Crop diversification index
INCDIV	Income diversification index
TOTFAM	Total family size (in number)
EARNER	Number of male and female earning members in the family
MILCH	Number of milking animals (buffalo and cows)
PCINC	Per capita total income of a household from all the sources
AGINCHA	Per hectare agricultural income (in rupees) from crops and horticulture

Age of the head of household was used as proxy of experience which can explain the process of adoption of new technologies and improved farm practices. Besides, it may also explain the risk behaviour of the farmers in dealing with various types of risks associated with agriculture. Similarly, the caste of the farmers was expected to play an important role in adoption of new farm technologies and improved farm practices. Besides, many farmers of a particular caste largely practice specialized commercial farming of high value crops such as vegetables and have developed expertise in this field over time. These are very much specific to their caste. However, farmers have been grouped in three major traditional caste categories prevalent in the village. They have been given a score of 1 to 3 for different caste group. Instead of using caste code as a continuous variable, it was felt that use of a caste dummy would be more helpful in indicating the clear effect of different caste groups. The schedule caste has been used as a reference caste dummy.

It is known fact that literacy in these villages is quite low and most of the farmers are illiterate and while other can hardly read and write. There are a very few household heads who can read and write and the proportion of literate farmers up to high school or graduation is very small. Instead of using the simple code of a household head as illiterate and educated, they have been assigned three dummies for different level of education, illiterate as reference dummy.

The farmers have been divided into four categories, depending upon the level of per capita total income from all sources (as a proxy for the degree and level of entrepreneurship). Traditional farmers were assigned the value of one; the late adopter or beginners as 2; early adopters or innovators as 3; and trendsetters as 4. To examine the pure effect of each class, a farm type dummy was also used and traditional farmers were used as reference for making comparison with other categories of farmers.

CDI and INCDIV are the two other variables used as indices, indicates the degree of diversification of cropping system and income. The values of these two variables vary between zero to one; Zero value indicates no diversification while one indicates perfect diversification. It was assumed that farmers diversify their cropping system and practice different enterprises to gain income from different crops as well livestock and other income generating activities. They can also minimize the risk by spreading the risk to other enterprises.

TOTFAM indicates the total number of family members of sample households. However, this was not adjusted for the sex and age, etc. This variable also indicates that larger the family, there is more availability of family labour but at the same time more number of people in the family, especially children and females also increases the dependency ratio. Besides, another variable such as **EARNER** was used to examine the effect of total earning male and female members in the family. It was assumed that higher the number of earning members in the family would increase the income the household.

Similarly **MILCH** animal (both cows and buffaloes) was included in the regression. It was assumed that higher the number of milch animals will significantly contribute to the income of the farmers. **AGINCHA** refers to agricultural income (income from crops and horticulture) per hectare of gross cropped area. This was used as a determinant and also as a dependent variable in some regression to examine the effect of land productivity. It was assumed that the cropping is the major activity of a farmers and agricultural productivity would greatly influence the per capita total income of a farmer. However, this was used a dependent variable also and several important variables mentioned earlier were used to explain the level and variability in agricultural income/productivity per hectare.

TOTINC and PCINC were used as dependent variable and a proxy indicator for entrepreneurship. This indicates the total income of a household from all the sources/enterprises and also on per capita basis, adjusted for the size of family.

RESULTS

The results of regression analysis is presented in Table 9 shows all the variables were not equally important in explaining the income of the farmers in both the regions while the effect of a few of the variables was quite strong in explaining the variability in income across groups of farmers in both the agro-climatic regions. Age as a proxy to years of experience was not all important variable in explaining the size of income of farmers. In fact, this variable has negative sign in both the regions indicating that young farmers were more entrepreneurs compared to old-aged household heads, who had more experience of farming but practice more traditional method of cultivation. Similarly, caste was an important variable in explaining income of the farmers in eastern region, where a particular group of farmers, especially "Kurmi" as traditional vegetable growers had significantly higher level of income than other caste people.

Education as a dummy variable shows that compared to illiterate farmers, literate farmers who can read and write or have education up to primary level had no significant impact on the income of the farmers. This is not unexpected as most of the head of households had very low level of education. The education of the head of the family *per se* was not very important in explaining the level of income of the households but education and exposure to outside world of other family members had better effect on improving their income level. This has already been experienced in several development projects like DASP and NATP, implemented by the World Bank in Uttar Pradesh and other seven states of India.

The type of farms was also used an important determinant of income and shows that compared to traditional farmers, agripreneurs have considerably higher income. However, there was consistently significant increase in the income of different types of farms compared to traditional farmers. The effect was quite strong and might have depressed the effect of other important variables.

TABLE 9: DETERMINANTS OF HOUSEHOLD TOTAL INCOME IN BOTH THE REGIONS OF UTTAR PRADESH

Determinants	Both Regions	Eastern region	Western region
Constant	53143.84***	17208.06	83809.88***
	(4.80)	(1.18)	(4.80)
ZONE2	-2243.50		
	(-0.63)		
AGE	-44.34	18.53	-42.34
	(-0.43)	(0.14)	(-0.26)
CASTD2	-4515.33	-8673.79**	-719.59
	(-1.54)	(-2.16)	(-0.17)
CASTD3	-8364.66	-9709.23	-11111.91
	(-1.37)	(-1.37)	(-1.02)
EDU2	-3536.96	-5576.91	-7003.43
	(-0.78)	(-0.96)	(-0.99)
EDU3	2692.65	2432.60	868.70
	(0.77)	(0.53)	(0.16)
TYPED2	35965.56***	38701.86***	32553.65***
	(10.58)	(8.98)	(6.19)
TYPED3	82646.12***	86352.13***	74907.72***
	(19.00)	(16.31)	(10.61)
TYPED4	180683.36***	181683.71***	173532.28***
	(39.90)	(30.32)	(24.17)
AGINCHA	0.05	0.18	0.04
	(0.60)	(1.90)	(0.34)
INCDIV	7864.41	15703.77	25131.40**
	(0.92)	(1.26)	(2.02)
CDI	28963.11***	7681.53	52859.06***
	(3.51)	(0.69)	(4.02)
TOTFAM	1131.43	613.98	1598.18
	(1.91)	(0.77)	(1.75)
EARNER	-65.65	1405.51	-1364.73
	(-0.06)	(1.11)	(-0.72)
MILCH	283.78	857.71	-669.51
	(0.37)	(0.91)	(-0.54)
2 Adjusted R	0.81	0.84	0.78
Number of observations	289	311	600

Figures in parentheses are "t" values. *, **, *** indicate the level of significance at 0.05, 0.10 and 0.01 level of significance.

Agricultural productivity, measured as agricultural income per hectare, was not very important variable in explaining the total income of the farmers because agripreneurs concentrated not only on agricultural activities but tried several other activities, both agricultural and non-agricultural activities, to increase their income. This is clearly reflected by income diversification index, which has positive impact. However, it was not significant in eastern region but in western region, farmers had more diversified sources of income and adopt various micro-enterprises compared to farmers in eastern region. This is expected result and shows that farmers in western region are more enterprising than the farmers of eastern region.

Similarly, crop diversification index also shows that those farmers who had more diversified cropping system had higher income. Again, the results show that farmers in western region adopt more diversified cropping system than the farmers in eastern region. In western region, crop diversification index significantly affects the income of the farmers compared to the farmers' income in eastern region. Size of family of farmers and number of livestock (milk animals) in both the regions had positive effect on income but was not significant. While number of earners (both male and female workers) does not significantly add to the total income of households (Table 9).

DETERMINANTS OF PER CAPITA INCOME

Table 10 shows that there was significant difference in the per capita income of farm households across regions. Farmers in western region had significantly higher income than the farmers in the eastern region. This is not unexpected as the development of infrastructure such as markets, roads, supply of electricity, access to credit was well developed in western region compared to eastern region. Effect of age as a proxy of experience, caste group and level of education was positive but not significant variable in determining level of per capita income.

Type of farms was an important determinant of per capita income as compared to traditional farmers, trendsetters had significantly higher income. This shows that entrepreneurial ability of farmers strongly influence the level of income of the farmers. Moreover, this was an important determinant in both the regions but the effect of this variable was stronger in western region than in eastern region (Table 10).

Agricultural productivity alone was most significant factor in determining the per capita income in both the regions. However, income diversification overall significantly affects the per capita income of farmers, but more specifically in western region compared to eastern region. But, crop diversification strategy was more important in determining per capita income in western region than in eastern region.

TABLE 10: DETERMINANTS OF PER CAPITA TOTAL INCOME OF FARMERS IN BOTH THE REGIONS OF UTTAR PRADESH

Determinants	Both regions	Eastern region	Western region
Constant	21477.40***	12993.97***	30365.80***
	(9.48)	(4.98)	(8.09)
ZONE2	1642.21**		
	(2.26)		
AGE	6.17	9.90	19.79
	(0.29)	(0.42)	(0.57)
CASTD2	-1010.14	-1772.69	-246.84
	(-1.69)	(-2.48)	(-0.27)
CASTD3	-1571.86	-1651.88	-2110.09
	(-1.26)	(-1.31)	(-0.90)
EDU2	324.10	-455.47	-474.66
	(0.35)	(-0.44)	(-0.31)
EDU3	529.44	821.61	-32.43
	(0.74)	(1.00)	(-0.03)
TYPED2	6164.29***	6490.54***	5406.24***
	(8.87)	(8.44)	(4.78)
TYPED3	13599.31***	14306.48***	11969.19***
	(15.29)	(15.14)	(7.88)
TYPED4	27318.27***	26191.31***	26231.43***
	(29.50)	(24.50)	(16.99)
AGINCHA	0.02	0.03	0.04
	(1.03)	(1.65)	(1.49)
INCDIV	3983.19**	2013.42	7952.55**
	(2.27)	(0.91)	(2.97)
CDI	2500.57	370.46	7729.66**
	(1.48)	(0.19)	(2.73)
TOTFAM	-1898.35***	-1504.81***	-2168.41***
	(-15.64)	(-10.54)	(-11.07)
EARNER	1.25	245.01	-27.42
	(0.01)	(1.08)	(-0.07)
MILCH	133.76	100.78	153.45
	(0.85)	(0.60)	(0.57)
2 Adjusted R	0.72	0.79	0.69
No. of observations	289	311	600

Figures in parentheses are "t" values. *, **, *** indicate the level of significance at 0.05, 0.10 and 0.01 level of significance.

Family size was the most significant determinants of per capita income as farmers with larger families had significantly lower income than those with smaller families. This shows that higher dependency ratio in larger family was much more than those with smaller families. Many other variables though are very important but do not indicate significant effect on per capita income because the effect of crop and income diversification and entrepreneurial behaviour of the farmers. It is to be noted that farmers in western region are more enterprising than the farmers in eastern region (Table 10).

CONCLUSION

The study shows that farmers in western region had relatively larger holdings and grow more high value crops. They have well developed infrastructure like roads, electricity and markets, better and assured irrigation facility and smaller family size. The head of family is relatively more educated and have access to credit facilities from the commercial banks. They have more diversified cropping system and varied sources of income. However, the results of regression analysis indicate that all the variables are not equally important in explaining the total income of the households. Age as a proxy to years of experience was not an important variable. In fact, this variable has negative sign in both the regions indicating that young farmers were more entrepreneurs compared to old-aged household heads, who had more experience of farming but follow traditional method of cultivation. Similarly, caste was an important variable in explaining income of the farmers in eastern region, where a particular group of farmers, especially "Kurmi" as traditional vegetable growers.

Education of the head of the family also shows no significant impact on the income of the farmers. This is not unexpected as most of the head of households had very low level of education. However, other educated members in the family and exposure to outside world had better effect on level of income. The type of farms shows that compared to traditional farmers, agripreneurs have considerably higher income. However, there was consistently significant increase in the income of different types of farms compared to traditional farmers. The effect was quite strong and might have depressed the effect of other important variables.

Income diversification index has strong influence on the total income of the farmers of western region compared to eastern region. In western region farmers have more diversified sources of income and adopt various micro-enterprises. This is not unexpected result and conforms the general observation that farmers in western region or more enterprising than the farmers of eastern region. Similarly, crop diversification index also shows that those farmers who had more diversified cropping system had higher income. Size of family of farmers and number of livestock (milch animals) in both the regions had positive effect on income but was not significant. While number of earners (both male and female workers) does not significantly add to the total income of households. Entrepreneurial ability of farmers strongly influences the level of income of the farmers, having stronger and significant effect in western region than in eastern region. Family size was also the most significant determinants of per capita income as farmers with larger families had significantly lower income than those with smaller families. This shows that higher dependency ratio in larger family was much more than those with smaller families.

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CUSTOMER AWARENESS AND SATISFACTION IN COMMERCIAL BANKS WITH REFERENCE TO COIMBATORE DISTRICT

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ABSTRACT

In order to survive in the fierce competition faced by the domestic banks due to the entry of international players, rapid innovation and introduction of new financial instruments, understanding of changing needs of customers' and extensive use of information technology have all become essential. However, with the availability of similar technology in almost all the banks, it is felt that it is only through the provision of better services to their customers' banks can survive in the market. Hence, there is an imperative need for identifying their ability to satisfy the service quality requirements as per their customers' expectations. Segmenting the industry into different strategic groups and positioning themselves according to the customers' mindset can help the banks to restructure their policy choices to compete in this dynamic business environment. This necessitated the banks to utilize the existing resources, process of delivering quality services to their customers' and transforming the superior service to generate better financial performance.

INTRODUCTION

The banking industry like many other financial service industries faced with rapidly changing market, new technologies, economic uncertainties, fierce competition and more demanding customers. The changing climate has presented an unprecedented set of challenges. Banking being a customer oriented services industry, the customer is the focus and customer service is the differentiating factor.

PRESENT PROBLEM SCENERIO

The perception and expectation of the customers' have undergone a vast change with the availability of banking services at their door steps through the help of technology. Sometimes customers face many problems in services through unauthorized access within the network, inaccurate processing and transactions, data privacy and confidentiality, more hidden cost and so on. To cater the needs of the customers by introducing various services and products for a minimum charge, they also manage the funds of their clients in an effective and productive way. Though all the commercial banks are providing services, enquiries on banks customers have been made on the following.

1. How far do the services cater to the needs of the customers?
2. To what extent the services are interrelated on the selected variables of Scheduled Commercial Banks?

REVIEW OF LITERATURE

Srinivasa Katuri and Monica Lam reports how a credit union applied knowledge from the literature to solve a marketing problem. **Rhett H.Walker, Lester W. Johnson** has tried to study the customer satisfaction and loyalty towards a firm from value added services provided. **Schoeffler, Buzzel, and Heany** attempted to identify the factors influencing the profits of the bank. **Ronald L. Hess Jr. SHankat Ganesan and Noreen M.Kpein** presented an article on, "Service Failure recovery: The impact of Relationship factors on Customer satisfaction". **Koushiki Choudhary, Arvindan Mukherjee and Ashish Baner** made a study on "Relationship Marketing Strategies and Customer perceived service quality- A study of Indian Banks". **Robert Hall** stated that the workforce is the primary factor in influencing the customer's behavior. **Janet Bigham Bernste** viewed that there is a need to develop a system of holistic banking with a customer focus, through customer centric relationship. **Mookerji.et.al.** found that value added services like Internet banking is fast becoming popular in India. **Parasuraman, Valarie A.Zeithamal and Leonard L. Berry** in the study on "A Conceptual model of service quality and its implications for future research", outlined the several propositions on consumers perceptions of service quality. According to **Rodney F. Ganey** there is a high correlation between the overall satisfaction of the customers and handling the problems efficiently by the management.

OBJECTIVES OF THE STUDY

Based on the above mentioned issues, the main objectives of the study are to identify the best bank group and to find out the crucial factors responsible to meet the threat of competition and retain customer base of the Indian scheduled commercial banks in India. The following objectives were framed for the present study:

- i) To assess the extent of utilization of banks' services by their customers.
- ii) To present the customer satisfaction model through Structural Equation Model (SEM).

FRAME WORK OF THE ANALYSIS

METHODOLOGY

The researcher has adopted **Stratified Random Sampling Method** for the purpose of data collection. Indian commercial banks are 96 in number all over India. Of these, 8 are State Bank of India groups, 21 are Nationalised Banks group, and 31 are Private Banks group. Based on the average ratio of Net Profit to Working Fund over a period of 10 years i.e.1996-97 to 2005-06, the banks were divided into two segments viz., Highly Profitable Segment and Lowest Profitable Segment. Of these, top 4 banks were selected from the highly profitable segment and least 4 banks were selected under lowest profitable segment, which lead to 8 banks in State Bank group, 8 banks in Nationalised Bank group, and 8 banks in Private Bank group for data collection.

DATA COLLECTION

For the purpose of studying the objectives of the study, a well framed closed ended questionnaire was framed separately for deposit holders and loan holders. In addition to that, the Coimbatore district was further subdivided into Taluks (Totally Nine division) and it has been further categorised into Rural, Semi-urban and Urban areas.

Types	Areas	No. of Respondents			
		State Banks Group	Nationalised Banks Group	Private Banks Group	Total
Deposit Holders	Rural	40	40	40	}360
	Semi-urban	40	40	40	
	Urban	40	40	40	
Loan Holders	Rural	40	40	40	}360
	Semi-urban	40	40	40	
	Urban	40	40	40	

The researcher has collected information from 360 deposit holders and 360 loan holders by giving equal importance to rural, semi-urban and urban areas.

TOOLS AND TECHNIQUES

To analyse the collected primary data, various statistical tools were applied. The application of these tools and techniques were identified on the basis of the objectives framed for the study. The following tools and techniques were applied for both deposit holders and loan holders.

- Inter- Correlation analysis
- Path analysis
- Structural Equation Model (SEM)

RESULTS AND DISCUSSION

In the present section, it is attempted to estimate the influence of the individual dimension of service quality on the total service quality for the selected banks of State Bank group, Nationalised Bank group and Private Bank group.

INTER-CORRELATION

TABLE -1: INTER-CORRELATION BETWEEN DEPOSIT HOLDERS AND LEVEL OF SATISFACTION RELATING TO SERVICES ABOUT PROCEDURE OF DEPOSIT - DEPOSIT HOLDERS OF STATE BANK GROUP

S.No	FACTORS	1	2	3	4	5	6	7	8	
	Deposit Holders	1.000	.310***	-.048	.218***	-.047	.223***	.432***	.569***	.432***
1	Interest provided on deposits		1.000	-.074	.711***	-.010	-.035	.013	.064	.013
2	Period of deposits			1.000	.400***	.315***	-.122	.563***	-.330***	.563***
3	Maturity procedures				1.000	.300***	-.149	.269***	.135	.269***
4	Type of deposits					1.000	.500	.473***	.347***	.473***
5	Loans based on deposits						1.000	.308***	.369***	.308***
6	Security aspect of deposits							1.000	.290***	1.000***
7	Pre – closure charges of deposits								1.000	.290***
8	Customer relationship									1.000

Method Applied: Enter

Source: Primary Data

***p <0.01, **p<0.05, *p<0.10

The Table-1 reveals that correlation analysis that has been done on all the data that has been collected through the survey. This analysis is done to show the existing relation among the study variables namely Interest provided on deposits, Period of deposits, Maturity procedures, Type of deposits, Security aspect of deposits, Pre-closure charges of deposits and Customer Relationship. Deposit holders are significantly correlated with the services of Interest provided on deposits (r = .310, p<0.01), Maturity procedures (r = 0.218, p <0.01), Loans based on deposits (r = 0.223, p< 0.01), Security aspect of deposits (r = 0.432, p< 0.01), Pre – closure charges of deposits(r = 0.569, p<0.01) and Period of deposits (r = 0.432, p< 0.01). Here all of our predictor variables were entered simultaneously. Because the predictor variables and the enter method used.

TABLE – 2: INTER-CORRELATION BETWEEN DEPOSIT HOLDERS AND LEVEL OF SATISFACTION RELATING TO SERVICES ABOUT PROCEDURE OF DEPOSIT - DEPOSIT HOLDERS OF NATIONALISED BANK GROUP

S.No.	FACTORS	1	2	3	4	5	6	7	8	
	Deposit Holders	1.000	.381***	-.062	.279***	-.105	.243**	.508***	.659***	.508***
1	Interest provided on deposits		1.000	-.074	.711***	-.010	-.035	.013	.064	.013
2	Period of deposits			1.000	.400***	.315***	-.122	.563***	.330***	.563***
3	Maturity procedures				1.000	.300***	.248***	.269***	.135	.269***
4	Type of deposits					1.000	.500***	.473***	.347***	.473***
5	Loans based on deposits						1.000	.308***	.369***	.308***
6	Security aspect of deposits							1.000	.290***	1.000***
7	Pre – closure charges of deposits								1.000	.290***
8	Customer relationship									1.000

Method Applied: Enter

Source: Primary Data

***p <0.01, **p<0.05, *p<0.10

From Table – 2, it is revealed that correlation analysis that has been done on all the data that has been collected through the survey. This analysis is done to show the existing relation among the study variables namely Interest provided on deposits, Period of deposits, Maturity procedures, Type of deposits, Security aspect of deposits, Pre – closure charges of deposits and Customer relationship. Deposit holders are significantly correlated with the services of Interest provided on deposits (r = .38, p<0.01), Maturity procedures (r = 0.279, p <0.01), Loans based on deposits (r = 0.197, p< 0.05), Security aspect of deposits (r = 0.508, p< 0.01), Pre – closure charges of deposits(r = 0.659, p<0.01) and Period of deposits (r = 0.508, p< 0.01) and So on. Here all of our predictor variables were entered simultaneously. Because the predictor variables and the enter method used.

TABLE – 3: INTER-CORRELATION BETWEEN DEPOSIT HOLDERS AND LEVEL OF SATISFACTION RELATING TO LOAN SERVICES ABOVE PROCEDURE OF DEPOSIT - DEPOSIT HOLDERS OF PRIVATE BANK GROUP

S.No	FACTORS		1	2	3	4	5	6	7	8
	Deposit Holders	1.000	.307***	-.088	.214*	-.109	.210***	.440***	.608***	.440***
1	Interest provided on deposits		1.000	-.074	.711***	-.010	-.035	.013	.064	.013
2	Period of deposits			1.000	.400***	.315***	-.122	.563***	.330***	.563***
3	Maturity procedures				1.000	.300***	-.149	.269***	.135	.269***
4	Type of deposits					1.000	.500***	.473***	.347***	.473***
5	Loans based on deposits						1.000	.308***	.369***	.308***
6	Security aspect of deposits							1.000	.290***	1.000***
7	Pre – closure charges of deposits								1.000	.290***
8	Customer relationship									1.000

Method Applied: Enter

Source: Primary Data

***p <0.01, **p<0.05, *p<0.10

From Table – 3, it reveals that correlation analysis that has been done on all the data that has been collected through the survey. This analysis is done to show the existing relation among the study variables namely Interest provided on deposits, Period of deposits, Maturity procedures, Type of deposits, Security aspect of deposits, Pre – closure charges of deposits and Customer relationship. Deposit holders are significantly correlated with the services of Interest provided on deposits (r = .307, p<0.01), Maturity procedures (r = 0.214, p <0.10), Loans based on deposits (r = 0.21, p<0.01), Security aspect of deposits (r = 0.440, p< 0.01), Pre – closure charges of deposits(r = 0.608, p<0.01) and Customer relationship (r = 0.44, p< 0.01). Here all of our predictor variables were entered simultaneously. Because the predictor variables and the enter method used.

TABLE – 4: INTER-CORRELATION BETWEEN LOAN HOLDERS AND LEVEL OF SATISFACTION RELATING TO SERVICES ABOVE PROCEDURE OF LOAN - LOAN HOLDERS OF STATE BANK GROUP

S.No	FACTORS		1	2	3	4	5	6	7	8
	Loan Holders	1.000	.305***	-.088	.210**	-.172**	.210**	.440***	.608***	.440***
1	Procedure of sanctioning loan		1.000	-.089	.647***	-.058	.039	.046	.077	.046
2	Processing fee on loan			1.000	.403***	.257***	-.130	.563***	-.330***	.563***
3	Period of processing loan				1.000	.197**	-.172**	.258***	.129	.258***
4	Interest charged on loan					1.000	.454***	.384***	.275***	.384***
5	Period of loan						1.000	.321***	.367***	.321***
6	Repayment procedure of loan							1.000	.290***	1.000***
7	Customer relationship								1.000	.290***
8	Pre – closure procedures									1.000

Method Applied: Enter

Source: Primary Data

***p <0.01, **p<0.05, *p<0.10

Table - 4 reveals that correlation analysis that has been done on all the data that has been collected through the survey. This analysis is done to show the existing relation among the study variables namely Procedure of sanctioning loan, processing fee on loan, Period of processing loan, Interest charged on loan, Period of loan, Repayment procedure of loan, Customer relationship and Pre – closure procedures. Loan holders are significantly correlated with the services of Procedure of sanctioning loan (r =0.305, p<0.01), Period of processing loan (r = 0.210, p <0.05), Interest charged on loan (r = -.172, p< 0.05), Period of loan (r = 0.210, p<0.01) and Repayment procedure of loan (r = 0.440, p< 0.01), Customer relationship(r =0.608, p<0.01) and Pre – closure procedures (r = 0.440, p<0.01). Here all of our predictor variables were entered simultaneously. Because the predictor variables and the enter method used.

TABLE – 5: INTER-CORRELATION BETWEEN LOAN HOLDERS AND LEVEL OF SATISFACTION RELATING TO SERVICES ABOVE PROCEDURE OF LOAN - LOAN HOLDERS OF NATIONALISED BANK GROUP

S.No	FACTORS		1	2	3	4	5	6	7	8
	Loan Holders	1.000	.327***	-.062	.203**	-.171**	.202**	.436***	.659***	.436***
1	Procedure of sanctioning loan		1.000	-.097	.676***	-.123	.041	-.075	.028	-.075
2	Processing fee on loan			1.000	.346***	.252**	-.137	.505***	-.330***	.505***
3	Period of processing loan				1.000	.238*	-.098	.271***	.074	.271***
4	Interest charged on loan					1.000	.404***	.463***	.268***	.463***
5	Period of loan						1.000	.236***	.328***	.236***
6	Repayment procedure of loan							1.000	.238***	1.000***
7	Customer relationship								1.000	.238***
8	Pre – closure procedures									1.000

Method Applied: Enter

Source: Primary Data

***p <0.01, **p<0.05, *p<0.10

Table - 5 reveals that correlation analysis that has been done on all the data that has been collected through the survey. This analysis is done to show the existing relation among the study variables namely Procedure of sanctioning loan, processing fee on loan, Period of processing loan, Interest charged on loan, Period of loan, Repayment procedure of loan, Customer relationship and Pre – closure procedures. Loan holders are significantly correlated with the services of Procedure of sanctioning loan (r =0.327, p<0.01), Period of processing loan (r = 0.203, p <0.05), Interest charged on loan (r = .171, p< 0.05), Period of loan (r = 0.202, p<0.05) and Repayment procedure of loan (r = 0.436, p< 0.01), Customer relationship(r =0.659, p<0.01) and Pre – closure procedures (r = 0.436, p<0.01). Here all of our predictor variables were entered simultaneously. Because the predictor variables and the enter method used.

TABLE – 6: INTER-CORRELATION BETWEEN LOAN HOLDERS AND LEVEL OF SATISFACTION RELATING TO SERVICES ABOVE PROCEDURE OF LOAN - LOAN HOLDERS OF PRIVATE BANK GROUP

S.No	FACTORS		1	2	3	4	5	6	7	8
	Loan Holders	1.000	.327***	-.048	.210**	-.171**	.252***	.404***	.614***	.404***
1	Procedure of sanctioning loan		1.000	-.099	.661***	-.123	.064	-.045	.061	-.045
2	Processing fee on loan			1.000	.303***	.218**	-.159**	.479***	-.243	.479***
3	Period of processing loan				1.000	.251***	-.067	.340***	.162	.340***
4	Interest Charged on loan					1.000	.360***	.435***	.249	.435***
5	Period of loan						1.000	.207**	.262	.207**
6	Repayment procedure of loan							1.000	.317	1.000***
7	Customer relationship								1.000	.317***
8	Pre – closure procedures									1.000

Method Applied: Enter

Source: Primary Data

***p < 0.01, **p < 0.05, *p < 0.10

Table - 6 reveals that correlation analysis that has been done on all the data that has been collected through the survey. This analysis is done to show the existing relation among the study variables namely Procedure of sanctioning loan, processing fee on loan, Period of processing loan, Interest charged on loan, Period of loan, Repayment procedure of loan, Customer relationship and Pre – closure procedures. Loan holders are significantly correlated with the services of Procedure of sanctioning loan (r = 0.327, p < 0.01), Period of processing loan (r = 0.210, p < 0.05), Interest charged on loan (r = -.171, p < 0.05), Period of loan (r = 0.252, p < 0.01) and Repayment procedure of loan (r = 0.404, p < 0.01), Customer relationship (r = 0.614, p < 0.01) and Pre – closure procedures (r = 0.404, p < 0.01). Here all of our predictor variables were entered simultaneously. Because the predictor variables and the enter method used.

PATH ANALYSIS

TABLE – 7: PATH ANALYSIS - DEPOSIT HOLDERS

S.No.	MODEL	STANDARDIZED COEFFICIENTS		
		Beta		
		STATE BANK GROUP	NATIONALISED BANK GROUP	PRIVATE BANK GROUP
1	Interest provided on deposits	0.436	0.418	0.337
2	Period of deposits	0.343	0.320	0.247
3	Maturity procedures	-0.212	-0.098	-0.089
4	Type of deposits	-0.563	-0.762	-0.684
5	Loans based on deposits	0.172	0.242	0.195
6	Security aspect of deposits	0.730	0.810	0.738
7	Pre – closure charges of deposits	0.292	0.399	0.370
8	Customer relationship	-0.561	0.252	-0.561

Source: Primary Data

From Table – 7 of the Deposit Holders of State Bank group, the Path Co-efficient of State Bank group leading to intention are: .436 from Interest provided on deposits, .343 from period of deposits, -.212 from Maturity procedures, -.563 from Type of deposits, .172 from loans based on deposits, .730 from security aspect of deposit, .292 from Pre-closure charges of deposits and -.561 from Customer relationship.

In Nationalised bank, the Path Co-efficient of Nationalised Bank group leading to intention are: .418 from Interest provided on deposits, .320 from period of deposits, -.098 from Maturity procedures, -.762 from Type of deposits, .242 from loans based on deposits, .810 from security aspect of deposit, .399 from Pre-closure charges of deposits and .252 from customer relationship.

The Path Co-efficient of Private bank leading to intention are: .337 from Interest provided on deposits, .247 from period of deposits, -.089 from Maturity procedures, -.684 from Type of deposits, .195 from loans based on deposits, .738 from security aspect of deposit, .370 from Pre-closure charges of deposits and -.561 from customer relationship.

TABLE – 8: PATH ANALYSIS - LOAN HOLDERS

S.No.	MODEL	STANDARDIZED COEFFICIENTS		
		Beta		
		STATE BANK GROUP	NATIONALISED BANK GROUP	PRIVATE BANK GROUP
1	Procedure of sanctioning loan	0.236	0.420	0.347
2	Processing fee on loan	0.090	0.194	0.121
3	Period of processing loan	-0.035	-0.194	-0.152
4	Interest charged on loan	-0.537	-0.578	-0.507
5	Period of loan	0.346	0.065	0.180
6	Repayment procedure of loan	0.098	0.741	-0.578
7	Customer relationship	0.625	0.498	0.596
8	Pre – closure procedures	0.380	0.407	0.407

Source: Primary Data

From Table – 8 of the Loan Holders, the Path Co-efficients of State Bank group leading to intention are: .236 from Procedure of sanctioning loan, .090 from Processing fee on loan, -.035 from Period of processing loan, -.537 from Interest charged on loan, .346 from period of loan, .098 from Repayment procedure of loan, .625 from Customer relationship and .380 from Pre-closure procedures.

The Path Co-efficients of Nationalised Bank group leading to intention are: .420 from Procedure of sanctioning loan, .194 from Processing fee on loan, -.194 from Period of processing loan, -.578 from Interest charged on loan, .065 from period of loan, .741 from Repayment procedure of loan, .498 from Customer relationship and .407 from Pre-closure procedures.

The path Co-efficients of Private bank group leading to intention are: .347 from Procedure of sanctioning loan, .121 from Processing fee on loan, -.152 from Period of processing loan, -.507 from Interest charged on loan, .180 from period of loan, -.578 from Repayment procedure of loan, .596 from Customer relationship and .407 from Pre-closure procedures.

STRUCTURAL EQUATION MODEL

TABLE – 9: MODEL ESTIMATES OF DEPOSIT HOLDERS AND LOAN HOLDERS USING STRUCTURAL EQUATION MODEL

CATEGORY	MODEL ESTIMATES	Parameter - Estimate	Standard - Error	T - Statistic	Probability - Level
DEPOSIT HOLDERS	(SO)-->[CS]	0.575	0.062	9.214	0.000*
	(BP)-->[RI]	0.446	0.052	8.588	0.000*
	(CRM)-->[BP]	0.493	0.055	8.904	0.000*
	(RI)-->[CRM]	0.022	0.134	0.165	0.869*
	(CS)-->[SO]	0.813	0.079	10.247	0.000*
LOAN HOLDERS	(SO)-1->[CS]	0.585	0.062	9.377	0.000*
	(BP)-2->[RI]	0.323	0.063	5.110	0.000*
	(CRM)-3->[BP]	0.492	0.055	8.884	0.000*
	(RI)-4->[CRM]	1.237	0.111	11.145	0.000*
	(CS)-5->[SO]	0.271	0.079	3.416	0.001*

*Path coefficients t- significant level at 5%

In deposit holders, the above paths p-value is statistically significant for the model estimates like service oriented (SO) and customer services [CS] (t 9.214, p 0.00), Bank performance (BP) and radical innovation [RI] (t 8.588, p 0.00), Customer relationship management (CRM) and Bank performance [BP] (t 8.904, p 0.00), Radical innovation (RI) and customer relationship management [CRM] (t 0.165, p 0.869) and customer service (CS) and service oriented [SO] (t 10.247, p 0.00) and other paths p-value are not significant like Customer relationship management (CRM) and Bank performance [BP] (t 8.904, p 0.00). In loan holders, the above paths p-value is statistically significant for the model estimates like service oriented (SO) and customer services [CS] (t 9.377, p 0.00), Bank performance (BP) and radical innovation [RI] (t 5.110, p 0.00), Customer relationship management (CRM) and Bank performance [BP] (t 8.884, p 0.00), Radical innovation (RI) and customer relationship management [CRM] (t 11.145, p 0.869) and customer service (CS) and service oriented [SO] (t 3.416, p 0.01) and Customer relationship management (CRM) and Bank performance [BP] (t 8.904, p 0.00).

FINDINGS

INTER-CORRELATION: DEPOSIT HOLDERS

STATE BANK GROUP

The Deposit holders of State bank group are significantly correlated with the services of Interest provided on deposits, Maturity procedures, Loans based on deposits, Security aspect of deposits, Pre – closure charges of deposits and customer relationship and So on.

NATIONALISED BANK GROUP

This analysis shows that Deposit holders of Nationalized bank group are significantly correlated with the existing relationship among the study variables namely Interest provided on deposits, Period of deposits, Maturity procedures, Type of deposits, Security aspect of deposits, Pre – closure charges of deposits and customer relationship.

PRIVATE BANK GROUP

Deposit holders of Private bank group are significantly correlated with the services of Interest provided on deposits, Maturity procedures, Loans based on deposits, Security aspect of deposits, Pre – closure charges of deposits and customer relationship.

INTER-CORRELATION: LOAN HOLDERS

STATE BANK GROUP

Loan holders of State bank group are significantly correlated with the services of Procedure of sanctioning loan, Period of processing loan, Interest charged on loan, Period of loan and Repayment procedure of loan, Customer relationship and Pre – closure procedures.

NATIONALISED BANK GROUP

Loan holders of Nationalized bank group are significantly correlated with the services of Procedure of sanctioning loan, Period of processing loan, Interest charged on loan, Period of loan and Repayment procedure of loan, Customer relationship and Pre – closure procedures.

PRIVATE BANK GROUP

Loan holders of Private bank group are significantly correlated with the existing relationship among the study variables namely Procedure of sanctioning loan, Period of processing loan, Interest charged on loan, Period of loan and Repayment procedure of loan, Customer relationship and Pre – closure procedures.

PATH ANALYSIS: DEPOSIT HOLDERS

The Path Co-efficients of State Bank group, Nationalised Bank group and Private Bank groups are correlated with the intentions of Deposit holders on Interest provided on deposits, period of deposits, Maturity procedures, Type of deposits, loans based on deposits, security aspect of deposit, Pre-closure charges of deposits and customer relationship.

PATH ANALYSIS: LOAN HOLDERS

The Path Co-efficients of State Bank group, Nationalised Bank group and Private Bank groups are correlated with the intentions of Loan holders on Procedure of sanctioning loan, Processing fee on loan, Period of processing loan, Interest charged on loan, period of loan, Repayment procedure of loan, Customer relationship and Pre-closure procedures.

STRUCTURAL EQUATION MODEL

In deposit holders, the p-values are statistically significant for model estimates like service oriented (SO) and customer services [CS], Bank performance (BP) and radical innovation [RI], Customer relationship management (CRM) and Bank performance [BP], Radical innovation (RI) and customer relationship management [CRM], customer service (CS) and service oriented [SO] and other paths p-values are not significant for Customer relationship management (CRM) and Bank performance [BP].

In loan holders, the p-value are statistically significant for model estimates like service oriented (SO) and customer services [CS], Bank performance (BP) and radical innovation [RI], Customer relationship management (CRM) and Bank performance [BP], Radical innovation (RI) and customer relationship management [CRM] and customer service (CS) and service oriented [SO] and Customer relationship management (CRM) and Bank performance [BP].

SUGGESTIONS

A value-added service is a new concept in the banking sector and is fast growing and demanding. Here are some suggestions to make it more attractive.

GREATER CUSTOMER ORIENTATION

In today's competitive environment, Banks will have to strive to attract and retain customers by introducing innovative products, enhancing the quality of customer service and marketing a variety of products through diverse channels targeted at specific customer groups. They have to meet the customer expectations on service and various Value-added services provided.

CUSTOMER GRIEVANCES

Customers appreciate not only consistencies in services but also hassle free interface with technology. The level of frustration and dissatisfaction escalates when customer encounters problems due to technology either while transacting business on site or off site. When customers file complaint, it must be resolved immediately. If not, a proper feedback must be provided to the customer regarding the status of the problem. Nowadays customers can directly approach the grievances cell, Banking Ombudsman, Consumer Forum for Redressal of their complaints.

CUSTOMIZING THE RELATIONSHIP

The banks do not have any database on customers' lifestyle, information and specific preferences and characteristics. Banks have to come up with a scheme where they ask the customers to give certain information while opening their account. There is a proper database available about the lifestyle information and personal information. The banks have to use the database as personal messages such as birthday and anniversary can be sent. Bank also must send greeting cards on certain occasions with advertisement of Value-added services and various products.

RETENTION OF CUSTOMERS

According to the bank management there is no special set up or policy for encouraging the customers. Bank management thinks that because of their reliability, existence and facilities customers automatically are lured so, there is no need to make retention program and policy. Banks believe in the old adage that "old is gold" and banks keep track of all accounts on a regular basis. There is no proper check to know the status of various accounts. If the customer wants to close the account, concerned employee asks the question to know the valid reason for closure, hence maintaining and retaining the existing customers.

CONCLUSION

Value-added services are undeniably a central service provided by Banks in today's fast Changing and global scenario. Thus Banks no longer stay glued to their chairs waiting for customers, but engage in personal selling and aggressive advertising to woo and retain their customers.

The study reveals that there are vast opportunities as well as challenges for Value-added services provided by banks in India. It is found that due to technological innovations and significant change in demographic profile of customers, there is huge market potential lying ahead.

This study recommends among others that Banks should design new products as well as Improve on the existing Value-added services provided. They should make the packages more attractive and if possible unique. They should ensure that the 4Ps (products, place, promotion, Price) of Value-added services are customer oriented.

The study reveals that the awareness level of Value-added services is restricted to only a certain section of the society. Hence, Banks must concentrate on the needs and demands of various customers depending on their requirements. Various small modifications in the products marketed must be ensured so that all sections of the society will be benefited from it.

The Banks need to equip themselves with internal capabilities and build efficient and viable Business models to create advantage of new opportunities available into a long term sustainable competitive advantage. Implementation of Information technology to enhance customer service, calls for training and change in the mindset and attitude of employees of the organization. Technology planning should be integrated well with the organizations marketing strategy.

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MEASUREMENT OF CONSUMER'S PERCEPTION ON SERVICE QUALITY IN LIFE INSURANCE

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ABSTRACT

In the current scenario of globalization, Insurance services need to introspect sensitivity towards the quality of services offered. In this context, this study examined the consumers' perception on service quality offered by the Insurance companies in and around Srinagar city. The SERVQUAL scale is administered to measure the commuter's perception on service quality. A survey was conducted among the commuters who were regularly availing insurance services. A random sample of 534 respondents were taken for data collection, among them 512 were finalized for final analysis. The study concluded that the service quality delivery meets the perception of commuters. In general, people of cities of Jammu and Kashmir are benefited with the service quality delivery by Insurance company. This paper brings out a service quality image which can be adopted by other cities whose population depends on services.

KEYWORDS

Commuter's perception, insurance, services, Service quality, SERVQUAL.

INTRODUCTION

Service quality is generally visualized as the sum of customer perceptions of the service experience (Johns, 1992). The difference between service quality and satisfaction is perceived service quality is a global judgment, or attitude, relating to the superiority of the service. Whereas satisfaction is related to the specific transaction (Parasuraman, Valarie, Zeithaml & Berry, 1988). Customers form service expectations from many sources, such as past experiences, word of mouth, and advertising. In general, customers compare the perceived services with the expected service (Voss, Parasuraman & Grewal, 1998). If the perceived service falls below the expected service, customers are dissatisfied and if the perceived service quality is above the expected level, it creates satisfied customers (Andreassen, 1995). Marketers need to understand that customers are more than mere consumers of service quality output; they are co-producers of the quality process (Gronroos & Ojasalo, 2004). According to Berry, Parasuraman and Zeithaml (1988) service quality has become a significant differentiator and the most powerful competitive weapon (Clow & Vorhies, 1993), which many service organizations possess. Successful companies add benefits to their offering that not only satisfy customers but surprise and delight. Delighting the customers is a matter of exceeding expectations (Rust & Oliver, 2002). Insurance is defined as a cooperative device to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to ensure themselves against that risk. Risk is uncertainty of a financial loss. The insurance is also defined as a social device to accumulate funds to meet the uncertain losses arising through a certain risk to a person injured against the risk.

According to the U.S. Life Office Management Inc. (LOMC), "Life Insurance provides a sum of money if the person who is insured dies whilst the policy is in effect.". Insurance includes various types such life insurance, general insurance, health insurance etc. Public companies such as LIC of India and private companies such as bajaj Allianz Life Insurance Company, Metlife India, ICICI Prudential, Birla Life Insurance etc. Provide insurance services with an intention not to compete in the open market, rather their objective is to fulfill the needs of common public. As Insurance companies grow older and matured, the quality of service dwindles down with public being left with no option but to accept what is offered. To help this situation the concept of quality need to be introduced into these companies for meeting the quality expectations of the public (Ancarani & Capaldo, 2001). Management of insurance companies have to take focused initiatives such as carrot and stick policy for the managerial cadre to perform better and encourage them with autonomy to act (Bryland & Curry, 2001). Competitive advantage benefits customers and service quality is one of the mechanisms to achieve this (Clow & Vorhies, 1993). Service quality is recognized as one of the important areas on which public organizations including insurance services are focusing in present times (Ancarani & Capaldo, 2001). Hood (1995) in his research has revealed dimensions which lead to better quality in public services such as better experience management, adopting corporate style of functioning, bench marking activities, competitive based work environment, optimization and better planning of organizational resources, more focus on service quality output generation. Though service quality is an important aspect in insurance companies, there is very less research being done to explore this issue (Friman, Edvardsson, and Garling, 2001). Hence to a large extent it's a virgin area to investigate. Today people from across India and other parts of the world have formed a major potential work force in J and K state. In such a scenario, systematic research aimed at measuring the consumers' perception on service quality offered by the insurance companies will be beneficial to consumers and service producers.

OBJECTIVE

The present study focused on the following objective.

1. To measure and assess the level and significance of service quality perception of the consumers.

LITERATURE REVIEW

Research on service quality has been done from various aspects from a very long time, sufficient research has been contributed by (Gronroos, 1982; Berry, Zeithaml, & Parasuraman, 1985; Parasuraman, Zeithaml, & Berry, 1985; Zeithaml, Parasuraman, & Berry, 1985; Brady & Cronin, 2001) in developing the service quality concept. There is a need for conceptual changes to be built as the present concept of service quality does not fit the multidimensional situations across nations. (Cronin and Taylor, 1992; Brady and Cronin, 2001) in their study argued that there is a need to address multidimensional aspect of service quality. The issue of measuring service quality across several service sectors has been explored by researchers like (Parasuraman et al, 1985; Parasuraman, Berry, & Zeithaml, 1991; Koelemeijer, 1991; Cronin & Taylor, 1992; Vandamme & Leunis, 1993; Parasuraman, Zeithaml, & Malhotra, 2005). Though SERVQUAL as a measurement tool used in numerous studies, it was tailored to fit a particular sector and context, like E-S-QUAL for electronic sector and SERVPERF for service preference. Hence there is a scope for SERVQUAL to be further modified for universal standardization (Parasuraman et al, 1991). The issue of improving service quality whereby organization can derive competitive advantage has been investigated by (Reicheld and Sasser, 1990; Berry, Zeithaml, & Parasuraman, 1990; Hensel, 1990; Berry, Parasuraman, & Zeithaml, 1994; Berry & Parasuraman, 1997; Glynn & Brannick, 1998; Johnston & Heineke, 1998; Harvey, 1998). Service quality has

been used as an ingredient in understanding consumer behaviour. A positive consumer behaviour on service quality will lead to higher returns (Zahorik & Rust 1992; Boulding, Kalra, Staelin, & Zeithaml, 1993;). The framework for measuring service quality in insurance ref figure 1, envisages the generic dimensions tangibility, reliability, responsiveness, assurance and empathy given by (Parasuraman et al, 1988) model for measuring service quality. Population specific characteristics and insurance specific determinants influence the generic dimensions. Hence the construct of service quality measurement is modified to suit the present study context; Svensson (2004) in his study has laid the importance of customizing a particular model to match the study context.

Service quality in insurance constitutes of internal and external factors which affect the commuter's perception towards the services (Middleton, 1998a). Internal factors such as strategic issues (Lee, Lee, & Lee, 2006), top management commitment, service quality standards (Middleton, 1998b), monitoring systems (Deegan, 2002; Gray, 2002; Alexandre & Short, Dec 1995/Jan 1996), customer complaints handling system (Kotler & Kavin, 2008) (Evans & Shaw, 2001; Michel, 1999), convenience and comfort (Regis, 1996), climate, ego, social status, professions (Sanchez, 1999). The possibility of demographic character based customer ratings of service performance can also be measured. Lim, Bennett, and Dagger, (2008) have identified the importance of demographic characteristics in measuring service quality. Demographic characteristics such as age, income, education etc can be taken into consideration to measure the service quality and can receive different service performance ratings. However, the bias seems to diminish when service fairness is considered. It appears that customer perceptions with regard to demographic characteristics are more powerful and important determinants of overall satisfaction. Customers expect justice in regards to fair service delivery. Interestingly, significance appears to exist between the opinions of customers across various demographical characteristics for service fairness (Snipes, Thomson, & Oswald, 2006). Service quality is also influenced by local or national culture of a particular country. Karen and Boo (2007) in their research have appealed to the researchers to add cultural dimension to service quality studies as the traditional SERVQUAL dimensions may not be meaningful in all situations and contexts. Culture is the epicentre of a society. It guides the way people live, think, behave, perceive things, and build attitudes. Plethora of research has been done on culture being a dimension having a significant effect on consumer behaviour with regards to service consumption. Winsted (1997) had investigated dimensions related to behaviour of American and Japanese service consumption. In comparison to these both countries, Americans preferred quality, delivery and cooperativeness, Japanese preferred coordination and customization. Cross-cultural consumer behaviour shows exhibition of different attitudes, countries which are developing like India, where consumers are low on registering complain, since they are not exposed to higher quality in any walk of their life. Countries which are developed like USA, where high quality is the order of life, consumers won't compromise on quality issues, they tend fast towards complaining. Liu and McClure (2001) focused their research in studying cultural differences in consumer behaviour and found similar outcomes. Malhotra, Ulgado, Agarwal, and Baalbaki, (1994) has proved that there is a difference of perception on service quality among customers in developing and developed nations, they have identified ten factors related to social, cultural and economic environment which play role on customers assessment of service quality perception. The pioneering study done by Hofstede (1991) in which he had studied about national cultures in line with four service quality dimensions of competence, communication, credibility and courtesy. The study also took into consideration two cultural dimensions as power distance among organizations and presence of individualism or collectivism in the society. Data was collected from a large sample of above one hundred thousand employees of IBM across seventy two countries, twenty languages and duration was from 1967 to 1973. Paul and Alain (1996) have tried to explore the culture issue of service quality. They assessed the service quality using SERVQUAL on ten variables: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/knowing the customer, and tangibles. The study was conducted to compare the service quality among customers of border areas of Mexico and America. They have found significant differences existing among customers of Mexico and America in relation to service quality. Five dimensions as suggested by the researchers were taken for the study as tangibility, reliability, responsiveness, assurance and empathy. In a particular study Kang and James (2004) have identified that the five dimensions of SERVQUAL are important for measuring the service quality delivery. Using these generic dimensions the service quality scale developed by (Parasuraman et al., 1988) was modified to suit to the present study subject by adding sixth dimension as "culture". Collectivism identified by (Hofstede, 1991) was considered as a cultural aspect for this study, collectivism highlights the importance and respect of overall group behaviour rather than individual. The group exhibits integrity in collectivistic values which influence the service design and service delivery. A study done by Rugimbana (2007) in Malaysia on youth revealed that young population (collective) has three individual groups Chinese (Confucius), Indian and local Malya. He found that there was significant influence of collective values in the adoption banking services. The potential application of SERVQUAL scale is, it can help a wide range of service organizations in assessing perceptions of service quality (Buttle, 1996). It can also help in identifying areas requiring managerial attention and action to improve service quality (Kettinger & Lee, 1997). Managerial implication given by Kang, James, and Alexandris, (2002) reveals that SERVQUAL will enable managers to measure the internal service quality and external service quality, so as employees understand their role in delivering quality to customers. In addition, the availability of this instrument will stimulate much-needed empirical research focusing on service quality and its antecedents and consequences.

RESEARCH METHODOLOGY

Initial instrument was developed by generating 28 items after a thorough understanding of conceptualization and operationalization of the service quality construct in insurance companies of Jammu and Kashmir state. The SERVQUAL developed by (Parasuraman et al., 1988) was adopted to prepare the initial instrument. The first part of the questionnaire was left with four items relating to tangibility factor, second part with five items relating to reliability factor, third part with four items relating to responsiveness factor, fourth part with four items relating to assurance factor, fifth part with five items relating to empathy factor and sixth, the last factor with six items relating to cultural factor. All the closed-ended questions were designed to generate responses on a five point Likert scale to measure the perception of service quality indicated as 1 strongly disagree, 2 disagree, 3 neither or nor, 4 agree and 5 strongly agree. Cui, Lewis, and Park, (2003) in a study measuring service quality using SERVQUAL with five dimensions have achieved successful results using likert scale with seven point scale, however for the present study five point likert scale is used since respondents are intercepted at insurance offices, hence to reduce the time of response and make respondent more comfortable The measurement scale was developed, as suggested by (Stafford, 1999) that SERVQUAL need to be modified to suit to a particular industry context. Hence in the present study culture as sixth dimension has been added ref figure 2. Quantum of research in SERVQUAL is done, and in many research studies it is established that the generic SERVQUAL scale has to be extended with new dimensions, (Boulding et al., 1993; Cronin & Taylor, 1992). Majorly the SERVQUAL model has been used tested and enhanced within the United States. In India few studies have been conducted by (Malhotra et al., 2005; Satyabhusan, Ed, & Kalyan, 2009). For the present study a pilot study was initiated with a sample of 45 respondents which resulted in the elimination of two items leaving 26 items spread across five service quality dimensions : tangibility three items, reliability three items, responsiveness five items, assurance five items, empathy five items and culture five items. A sample size of 534 was taken to meets the sample adequacy, for conducting factor analysis number of statements multiplied by ten (26 statements * 10 = 260) is minimum required sample size, this study had considered double the minimum required size. The sample respondents for the study were selected from the population by convenient sampling method because of easy accessibility and affordability. Yu, Hong, Gu, and Wang, (2008) has used this method of sampling in a study relating to people opinion on public library system. This study is limited to a particular public operation service provider and none of the private players were taken into consideration. Survey method was used for collecting primary data at select insurance offices from the consumers who deposit their premium instalment. 512 completely filled in questionnaires were finalized, non response rate was negligible. Adequate care has been taken to avoid redundancy in data collection from the sample elements

SCOPE OF RESEARCH

This study largely focused on SERVQUAL being the measurement tool for measuring the service quality. Its scope is confined to life insurance of Srinagar city only. As such life insurance is an essential service in a large number of nations; hence a custom made scale measuring service quality can be developed. Culture was taken as part of this study and was not fully explored, since there can be other variables like values, ethos, individualism, language etc which tend to influence service quality, further research can be extended to fully exploit the cultural and related aspects. Further longitudinal studies can be done at regular time intervals over the years to reinforce the arguments. A comparative study can be aimed between public and private companies' services. Further it can be extended to semi-urban and rural area to obtain their perception too.

DATA ANALYSIS**RESPONDENTS PROFILE**

Out of the complete questionnaires filled in 53.5% were males and 46.5% females. The percentage difference between male and female respondents is less; this is due to male-female population ratio in the state being almost close. 37.2% of the respondents were in less than 25 age group, 34.6% were between 26-35 age groups, 17.4% were between 36-45 age group and 10.8% were above 45 age group. The percentage of first group, that is less than 25 age and second group between 26-35 age amounts to 71.8%, which is due to higher percentage of younger population in city. 65.8% have responded that they were unmarried and 34.2% were married. The high percentage of unmarried respondents is due to the average marriage age in urban the state is between 30-32, since it takes longer years for a male and females to economically settle down. With regards to educational qualifications 64.5% reported to be post-graduates, 28.3% to be graduates and 7.2% being other qualification. In Kashmir, the education of children is financially and morally supported by their respective parents, added to it, the social stigma is higher education-higher social status; hence finding more post-graduates in urban India is the deal. In terms of employment status 44.3% were professionals, 39.7% were students, 9.1% were wage employees, 4.6% were self-employed and 2.3% were others.

FACTOR ANALYSIS

Factor analysis was identified as tool to identify suitable dimensions and related items. Data was analyzed using principal component extraction with an orthogonal (varimax) rotation; a factor loading benchmark of 0.4 was used for validity. This criterion has eliminated tangibility ref figure 2 and retained other five factors with 23 items. Ten items have relocated in this study ref table 1, it shows that the item employees in insurance companies area consistently courteous with you relocated from dimension assurance to reliability. Similarly, the behaviour of employees in these companies instils confidence in you, employees in insurance companies have the knowledge to answer your questions and company insists on error free records were relocated from assurance and reliability to responsiveness and respectively; employees in there tell you exactly when services will be performed and employees give you prompt service, insurance companies have operating hours convenient to all its customers have relocated from reliability, responsiveness and empathy to assurance. Company employees are neat appearing and when you have a problem they show a sincere interest in solving it relocated from tangibility and reliability in the situation

The alpha coefficients of these five factors are 0.9332, 0.9012, 0.9142, 0.8994 and 0.9630 respectively (ref table 1). These results indicate that the four factors are reliable (Nunnally, 1978). This supports the internal cohesiveness of the items forming each dimension.

VALIDITY

The validity of the instrument was tested using correlation and regression analysis. The Pearson correlation coefficient between the overall service quality (OSQ) and the five dimensions of the instrument are shown in table 2. Table 2 shows that all coefficients are significant at the 0.001 level. This supports the validity of the instrument. Regression analysis was also conducted for the purpose of validity. The regression model has the following form: Totality (Reliability; responsiveness; assurance; empathy; culture): The summary of the regression results are shown in table 3 It can be seen from the results provided in table 3 that the R-square is 0.716. This indicates that the five independent variables explain 71.6 percent of the variations in overall service quality. This R-square is significant at the 0.001 level. The resulting regression model is: Totality (0.102 + 0.241(reliability) + 0.202(responsiveness) + 0.247 (assurance) + 0.227(empathy) + 0.298(culture). Table 3 shows that the coefficients of the dimensions of reliability, responsiveness, assurance, empathy are significant at the 0.01 level, while the coefficient for culture is significant at the 0.05 level. This supports the validity of the questionnaire (Webb et al. 2000). This also stresses the importance of customizing measures of service quality to different contexts and countries. Students, 9.1% were wage employees, 4.6% were self-employed and 2.3% were others. This indicates that majority of the respondents are engaged in professional work, India is one of the countries producing more number of Engineers, Doctors, MBA's, MCA's, and other Masters programs. 62.7% of the respondents reported they were using from last 2 to 5 years, 21.4% were using for more than 5 years and 15.9% where using from less than 2 years

FACTOR ANALYSIS

Factor analysis was identified as tool to identify suitable dimensions and related items. Data was analyzed using principal component extraction with an orthogonal (varimax) rotation; a factor loading benchmark of 0.4 was used for validity. This criterion has eliminated tangibility ref figure 2 and retained other five factors with 23 items. Ten items have relocated in this study ref table 1, it shows that the item employees in offices consistently courteous with you relocated from dimension assurance to reliability. Similarly, the behaviour of employees in there instils confidence in you, employees in offices have the knowledge to answer your questions and they insists on error free records were relocated from assurance and reliability to responsiveness and respectively; Insurance services are punctual, employees in there tell you exactly when services will be performed and employees in there give you prompt service, Companies have operating hours convenient to all its customers have relocated from reliability, responsiveness and empathy to assurance. Company's employees are neat appearing and when you have a problem they shows a sincere interest in solving it relocated from tangibility and reliability to in the Indian situation. In a similar study by (Pe'rez et al., 2007) the results of factor analysis has relocated items among dimensions. The alpha coefficients of these five factors are 0.9332, 0.9012, 0.9142, 0.8994 and 0.9630 respectively (ref table1). These results indicate that the four factors are reliable (Nunnally, 1978). This supports the internal cohesiveness of the items forming each dimension. PTS gives attention to women, children and handicapped had relocated from empathy to culture. Hence the items prescribed in the SERVQUAL scale under each dimension developed by (Parasuraman et al., 1988) are not directly applicable

VALIDITY

The validity of the instrument was tested using correlation and regression analysis. The Pearson correlation coefficient between the overall service quality (OSQ) and the five dimensions of the instrument are shown in table 2. Table 2 shows that all coefficients are significant at the 0.001 level. This supports the validity of the instrument. Regression analysis was also conducted for the purpose of validity. The regression model has the following form: Totality (Reliability; responsiveness; assurance; empathy; culture): The summary of the regression results are shown in table 3. It can be seen from the results provided in table 3 that the R-square is 0.716. This indicates that the five independent variables explain 71.6 percent of the variations in overall service quality. This R-square is significant at the 0.001 level. The resulting regression model is: Totality f(0.102 + 0.241(reliability) + 0.202(responsiveness) + 0.247 (assurance) + 0.227(empathy) + 0.298(culture). Table 3 shows that the coefficients of the dimensions of reliability, responsiveness, assurance, empathy are significant at the 0.01 level, while the coefficient for culture is significant at the 0.05 level. This supports the validity of the questionnaire (Webb et al. 2000). This also stresses the importance of customizing measures of service quality to different contexts and countries.

TABLE 1: RELIABILITY COEFFICIENTS WITH RETAINED DIMENSIONS AND ITEM RELOCATION

	Initial dimension to which these item belong	Factor loading	Mean value of individual items and dimensions
Reliability(alpha = 0.9332)			
When company promises to do something by a certain time, it does so.	Reliability	0.639	(1.734) 1.844
Company performs the service right the first time.	Reliability	0.662	1.746
Employees in company consistently courteous with you.	Assurance	0.535	1.612
Responsiveness(alpha = 0.9012)			
Employees in company are always willing to help you.	Responsiveness	0.761	(1.816) 1.931
Employees in company are never too busy to respond to your request.	Responsiveness	0.797	1.745
Company insists on error free records.	Responsiveness	0.849	1.741
The behaviour of employees in company instils confidence in you.	Reliability	0.612	1.917
Employees in company have the knowledge to answer your questions.	Assurance	0.664	1.750
Assurance(alpha = 0.9142)			
You feel safe in your transactions with your company.	Assurance		
Services of your company are punctual.	Assurance		(1.764)
Employees in company tell you exactly when services will be performed.	Assurance	0.797	1.712
Employees in company give you prompt service.	Reliability	0.770	1.704
Company has operating hours convenient to all its customers.	Responsiveness	0.694	1.771
Empathy(alpha = 0.8994)			
Employees give you personal attention.	Responsiveness	0.661	1.790
Company has your best interest at heart.	Empathy	0.549	1.846
The employees of company understand your specific needs.	Empathy		
Companies's employees are neat appearing.	Empathy	0.691	(1.332)
When you have a problem, they show a sincere interest in solving it.	Empathy	0.531	1.299
	Empathy	0.762	1.477
Culture (alpha = 0.9630)			
Company respects the local culture	Tangibility	0.774	1.001 1.345
Company works for the welfare of society	Reliability	0.894	1.541
Company is in line with local values	Culture	0.786	(1.689)
Company has the good image among local population	Culture	0.616	1.612
Company gives attention to women, children and handicapped.	Culture	0.733	1.750
	Culture	0.961	1.801
	Empathy	0.747	1.745
			1.841

TABLE 2: CORRELATION COEFFICIENT VALUES

Dimension	Overall service quality (OSQ)
Reliability	0.822*
Responsiveness	0.877*
Assurance	0.784*
Empathy	0.819*
Culture	0.865*
Note: * Significant at the 0.01 level	

TABLE 3: RESULTS OF REGRESSION MODEL

Model	Beta	t	Sig.
(constant)	0.102	0.663	0.651
Reliability	0.241	5.014	0.001
Responsiveness	0.202	4.004	0.000
Assurance	0.247	3.115	0.000
Empathy	0.227	3.008	0.000
Culture	0.298	3.472	0.004
Notes: R square = 0.716, F = 108.371, sig. level = 0.000			

CONCLUSION

The aim of this study is measuring the commuter perception on service quality in insurance companies using SERVQUAL, at the same time it also insists on the extension of generic SERVQUAL dimensions with additional dimension representing the study context. Culture as a new dimension was added (Paul and Alain, 1996; Malhotra, Agarwal, & Peterson, 1996; Malhotra et al., 1994; Malhotra et al., 2005; Mattila, 1999; Liu and McClure, 2001; Karen and Boo, 2007; Satyabhusan et al., 2009) have identified culture to be an important aspect in measuring service quality context. Insurance services are no exception, (Pérez et al., 2007). In the initial phase of understanding the operational and strategic issues involved in insurance companies, researchers had taken the help of marketing managers of various companies, the session has thrown light on culture being a part of service design, hence its inclusion into the study was established. The thought process on the instrument development resulted in six dimensions and twenty eight items, a pilot study with forty five respondents resulted in the elimination of two items, bringing the item count to twenty six. Data is finalized from five hundred twelve questionnaires. Factor analysis was used to analyze the data resulting in the elimination of one dimension. Tangibility and three items, further bringing down the item count to twenty three; this revealed that the remaining dimensions are reliable and valid. In several service quality measurement studies done by (Parasuraman et al., 1988; Parasuraman et al., 1991; Parasuraman et al., 2005; Sahu, 2006; Snipes et al., 2006; Stafford, 1999; Vandamme & Leunis, 1993) the scale refinement was done resulting in elimination of some items and dimensions. Based on the regression model, it was assessed that culture is one of the important dimension of service quality in this sector. This exposes that measuring service quality using SERVQUAL need to be modified under different study contexts.

The personal and demographic profile of the consumers indicate that majority of the service users are professionals belonging to the middle aged; monthly income is reasonably well and insurance potential is enough. Most of the commuters are using the service over a considerable number of years. As we compare the individual statements, employee's willingness to help and behaviour instilled confidence are given the highest preference, which is true in the Srinagar city. consumers often want to know more about their policy benefits, most of the times s also expect insurance services at convenient places so as they can get easily information about their policy. The next set of statements receiving higher scores are timely promised services and convenient operating hours, as Srinagar city is densely populated, huge employee and business population is interested in these services

Buttle, 1996; Cui et al., 2003; Parasuraman et al., 1988) tangibility was found to be the most important dimension, but this study reported it in reverse. Comparison of means of dimensions indicates that responsiveness assurance, reliability, culture and empathy form the order. The research reveals that the expectations of the commuters in terms of service quality are delivered by companies. In this competitive global business environment, the consumer expectations are ever increasing, the service providers can meet the expectations only if they are sensitive to customer issues. Thus, the insurance companies must understand the core responsibility of providing reliable services to the consumers consistently, which will yield better results in terms of service quality.

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GROWTH AND PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN INDIA: AN OVERVIEW

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ABSTRACT

The aim of this paper is to study the performance of the SME sector of India. The paper outlines year-wise growth trends in SMEs in terms of the number of units, employment generation, fixed investment, production and exports. The paper also shows a comparison of the SME sector with the total industrial sector of India. The new SME unit registration trends and industry sector wise distribution of units have also been highlighted here. The micro, small and medium enterprises (MSME) sector contributes significantly to the manufacturing output, employment and exports of the country. The Indian market is growing rapidly and Indian industry is making remarkable progress in various Industries like Manufacturing, Precision Engineering, Food Processing, Pharmaceuticals, Textile & Garments, Retail, IT, Agro and Service sectors. SMEs are finding increasing opportunities to enhance their business activities in core sectors. The paper uses descriptive research methodology based on secondary data collected from various government journals and Annual Reports. Broadly this paper is based on extracts taken from MSME Annual Report 2010-11, Ministry of Micro, Small and Medium Enterprises, with intention of providing a quick overview of the SME sector of India in simple format. The paper concludes that the position of the SME sector has strategic position in Indian economy. There is much scope of research in this topic to formulate various new policies and also for evaluation of existing policies.

KEYWORDS

Contribution of SME, Growth of SME, Performance of SME, SME sector of India.

INTRODUCTION

The government of the country has been pushing for achieving economic growth and development in all the sectors. SMEs have been one of the major planks of India's economic development strategy since independence. Today, the SME sector occupies a position of strategic importance in the Indian economic structure due to its significant contribution in terms of output, exports and employment (Subrahmanya, 2004). SMEs in India have always remained high on the priority of government. The basic policy towards SMEs in India has been protective (Nag, 2000). Small and Medium Enterprises (SMEs) play a vital role for the growth of Indian economy by contributing 45% of industrial output, 40% of exports, employing 59 million people, create 1.3 million jobs every year and produce more than 6000 quality products for the Indian and international markets. SME's Contribution towards GDP in 2011 was 17% which is expected to increase to 22% by 2012. There are approximately 29 million MSME Units in India and 12 million persons are expected to join the workforce in the next 3 years. SMEs are the fountain head of several innovations in manufacturing and service sectors, the major link in the supply chain to corporate and the PSUs. By promoting SMEs, the rural areas of India will be developed. SMEs are now exposed to greater opportunities than ever for expansion and diversification across the sectors. Indian market is growing rapidly and Indian entrepreneurs are making remarkable progress in various Industries like Manufacturing, Precision Engineering Design, Food Processing, Pharmaceutical, Textile & Garments, Retail, IT and ITES, Agro and Service sector. (Annual Report 2010, Small and Medium Business Development Chamber of India). Hence the SME sector is one of the most vibrant, dynamic and vital sectors of the Indian economy. This sector is significantly contributing to the gross domestic product and employment generation, providing a strong entrepreneurial base (Jayasheela and Hans, 2006).

DEFINITION OF MSMEs IN INDIA

Manufacturing Enterprises – Investment in Plant & Machinery		
Description	INR	USD(\$)
Micro Enterprises	upto Rs. 25Lakhs	upto \$ 62,500
Small Enterprises	above Rs. 25 Lakhs & upto Rs. 5 Crores	above \$ 62,500 & upto \$ 1.25 million
Medium Enterprises	above Rs. 5 Crores & upto Rs. 10 Crores	above \$ 1.25 million & upto \$ 2.5 million

Service Enterprises – Investment in Equipments		
Description	INR	USD(\$)
Micro Enterprises	upto Rs. 10Lakhs	upto \$ 25,000
Small Enterprises	above Rs. 10 Lakhs & upto Rs. 2 Crores	above \$ 25,000 & upto \$ 0.5 million
Medium Enterprises	above Rs. 2 Crores & upto Rs. 5 Crores	above \$ 0.5 million & upto \$ 1.5 million

METHODOLOGY

The paper uses descriptive research methodology based on secondary data collected from various government journals and Annual Reports. Broadly this paper is based on extracts taken from MSME Annual Report 2010-11, Ministry of Micro, Small and Medium Enterprises, with intention of providing a quick overview of the SME sector of India in simple format.

DATA COLLECTION AND ANALYSIS

(A) MSMEs PERFORMANCE

The Office of the DC (MSME) provides estimates in respect of various performance parameters relating to the Sector. The time series data in respect of the Sector on various economic parameters is incorporated in the following Table 1.1. It may be mentioned that data with respect to MSMEs have been

collected/compiled for the first time in 2006-07 and hence include both the industry and service sectors. Till the year 2005-06, data in the Table 1.1 refer to micro and small scale industry only.

TABLE 1.1: MSMEs PERFORMANCE: UNITS, INVESTMENT, PRODUCTION, EMPLOYMENT & EXPORTS

Sr. No.	Year	Total MSMEs (Lakh Numbers)	Fixed Investment (Rs. Crore)	Production (Rs. Crore)	Employment (Lakh person)	Export (Rs Crore)
				Current Prices		
1	1992-93	73.51 (4.07)	109623 (9.24)	84413 (4.71)	174.84 (5.33)	17784 (28.10)
2	1993-94	76.49 (4.07)	115795 (5.63)	98796 (17.04)	182.64 (4.46)	25307 (42.30)
3	1994-95	79.60 (4.07)	123790 (6.9)	122154 (23.64)	191.40 (4.79)	29068 (14.86)
4	1995-96	82.84 (4.07)	125750 (1.58)	147712 (20.92)	197.93 (3.42)	36470 (25.46)
5	1996-97	86.21 (4.07)	130560 (3.82)	167805 (13.60)	205.86 (4.00)	39248 (7.62)
6	1997-98	89.71 (4.07)	133242 (2.05)	187217 (11.57)	213.16 (3.55)	44442 (13.23)
7	1998-99	93.36 (4.07)	135482 (1.68)	210454 (12.41)	220.55 (3.46)	48979 (10.21)
8	1999-00	97.15 (4.07)	139982 (3.32)	233760 (11.07)	229.10 (3.88)	54200 (10.66)
9	2000-01	101.1 (4.07)	146845 (4.90)	261297 (11.78)	238.73 (4.21)	69797 (28.78)
10	2001-02	105.21 (4.07)	154349 (5.11)	282270 (8.03)	249.33 (4.44)	71244 (2.07)
11	2002-03	109.49 (4.07)	162317 (5.16)	314850 (11.54)	260.21 (4.36)	86013 (2.07)
12	2003-04	113.95 (4.07)	170219 (4.87)	364547 (15.78)	271.42 (4.31)	86013 (20.73)
13	2004-05	118.59 (4.07)	178699 (4.98)	429796 (17.90)	282.57 (4.11)	97644 (13.52)
14	2005-06	123.42 (4.07)	188113 (5.27)	497842 (15.83)	294.91 (4.37)	124417 (27.42)
15	2006-07	261.01 (111.48)	500758 (166.20)	709398 (42.49)	594.61 (101.62)	150242 (21.50)
16**	2007-08	272.79 (4.51)	5858190 (11.47)	790759 (11.47)	626.34 (5.34)	202017 (10.67)
17**	2008-09	285.16 (4.53)	621753 (11.39)	880805 (11.39)	659.35 (5.35)	NA
18**	2009-10	298.08 (4.53)	693835 (11.59)	982919 (11.59)	695.38 (5.47)	NA

The figures in brackets show the percentage growth over the previous year. The data for the period up to 2005-06 is of small scale industries (SSI). Subsequent to 2005-06, data with reference to micro, small and medium enterprises (MSMEs) are being compiled.

** Projected (Source: S & D Division-office of the DC (MSME))

(B) COMPARISON OF THE MICRO AND SMALL ENTERPRISES (MSES) SECTOR WITH THE OVERALL INDUSTRIAL SECTOR

The MSE sector has maintained a higher rate of growth (and consistent increase) vis-à-vis the overall industrial sector as would be clear from the comparative growth rates of production for both the sectors during last five years as incorporated in the Table 1.2.

TABLE 1.2: COMPARATIVE DATA ON GROWTH RATES OF MSE SECTOR

Year	Growth rates of 2001-02 base IIP (percentage)	Overall Industrial Growth rates of Sector (percentage) #
2002-03	8.68	5.70
2003-04	9.64	7.00
2004-05	10.88	8.40
2005-06	12.32	8.20
2006-07	12.60	11.60
2007-08	13.00*	8.50
2008-09	NA	2.80
2009-10	NA	10.40

*: Projected, IIP – Index of Industrial Production

#: Source – M/O Statistics and PI website – www.mospi.gov.in

(C) CONTRIBUTION OF MSES IN GROSS DOMESTIC PRODUCT

The contribution of MSES in GDP is not consistent till 2004 but we can observe consistent growth in contribution of MSES in GDP after 2005. The same is not the case with contribution of total industrial production in GDP. It can be seen from data presented in Table 1.3.

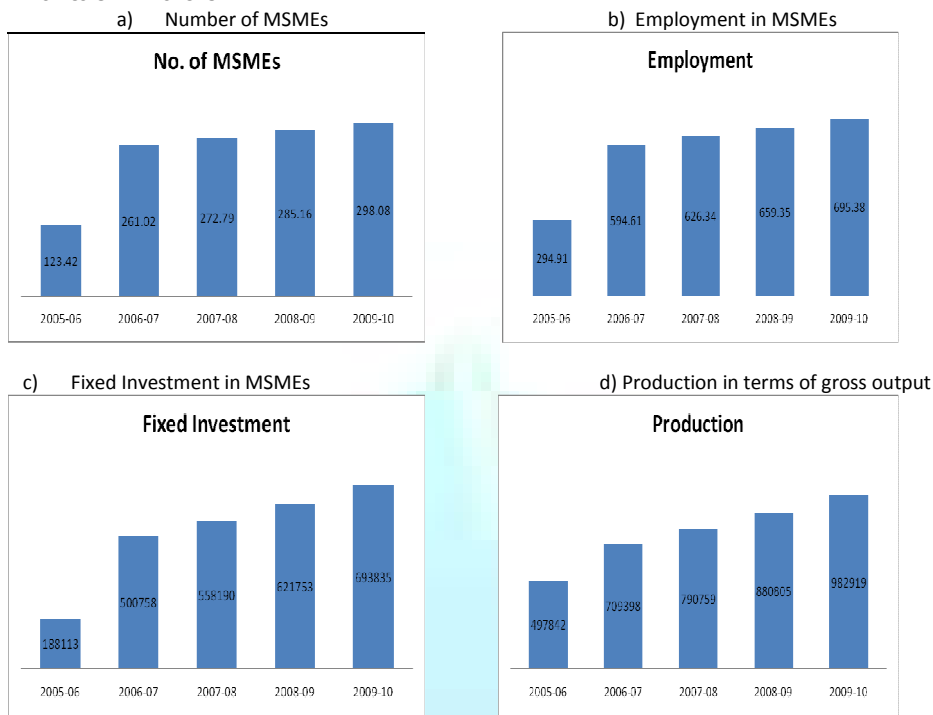
TABLE 1.3: CONTRIBUTION OF MSES IN GDP

Year	Contribution of MSES at 1999-2000 prices in	
	Total Industrial Production	GDP
1999-00	39.74	5.86
2000-01	39.71	6.04
2001-02	39.12	5.77
2002-03	38.89	5.91
2003-04	38.74	5.79
2004-05	38.62	5.84
2005-06	38.56	5.83
2006-07	45.62	7.20
2007-08	45.24	8.00
2008-09	44.86	8.72

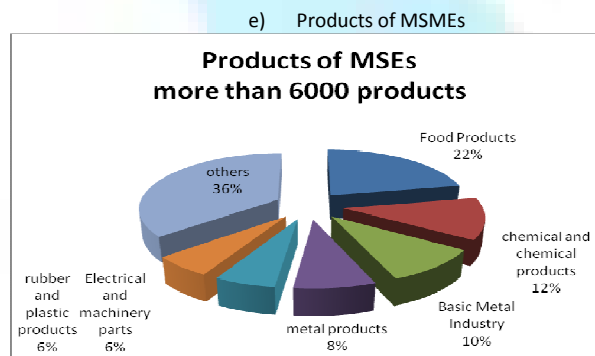
(D) EMPLOYMENT IN MSME SECTOR

The total employment from the MSE sector (including SSSBEs) in the country as per the Fourth Census of MSES with Reference Year 2006-07 was 594.61 lakh numbers. As per the estimates compiled for the year 2009-10, the employment was 695.38 lakh persons in the sector.

CHARTS SHOWING OTHER STATISTICS OF THE SECTOR



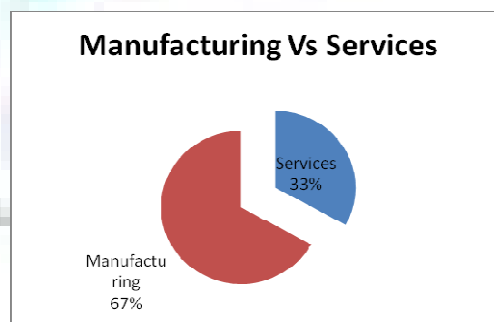
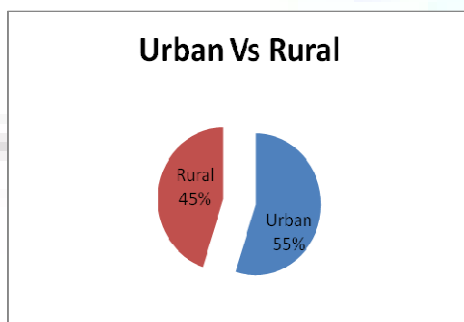
* Projected data for the year 2007-08 to 2009-10. ** Data for 2005-06 pertain to small scale Industries (SSI) only



(E) Estimates obtained from Registered MSMEs

(I) SIZE OF THE REGISTERED MSME SECTOR

The size of the registered MSME sector is estimated to be 15, 63,974. Of the total working enterprises, the proportion of micro, small and medium enterprises were 94.94%, 4.89% and 0.17% respectively. This comprises of 67.10% manufacturing enterprises and 32.90% services enterprises. About 45.23% (7.07 lakh) of the units were located in rural areas.



(II) NATURE OF ACTIVITY

67.10 % of the enterprises in the registered MSME sector were engaged in manufacturing/ Assembling / processing, whereas 16.78 % of the units were engaged in services activities as may be seen from the Table given below. The remaining 16.13 % of the enterprises were engaged in the repair and maintenance. It is presented in Table 1.4.

TABLE 1.4: DISTRIBUTION BY NATURE OF ACTIVITY

Distribution by nature of activity	No in Lakh
Manufacturing / Assembling / Processing	10.49 (67.10%)
Services	2.62 (16.78%)
Repairing & Maintenance	2.52 (16.13%)
Total	15.64 (100%)

(III) TYPE OF ORGANIZATION

The table given below shows that 90.08 % of the enterprises in the registered MSME sector was proprietary concerns. About 4.01 % of the enterprises were run by partnerships and 2.78 % of the enterprises were run by private companies. The rest were owned by public limited companies, cooperatives/trusts or others. It is presented in Table 1.5.

TABLE 1.5: DISTRIBUTION BY TYPE OF ORGANIZATION

Distribution by type of Organization	No in Lakh
Proprietary	14.09 (90.08%)
Partnership	0.63 (4.01%)
Pvt. Company	0.43 (2.78%)
Pub. Ltd. Company	0.08 (0.54%)
Cooperatives	0.05 (0.30%)
Others	0.36 (2.30%)

(IV) TYPE OF MANAGEMENT/ OWNERSHIP

An enterprise (Manufacturing or Services) managed by one or more women entrepreneurs in proprietary concerns, or in which she/ they individually or jointly have a share capital of not less than 51% as partners/ share holders/ Directors of Private Limited Company/ Members of Co-operative Society is called a 'Woman Enterprise'. It was found that 13.72% (2.15 lakh) of the units in the registered MSME sector were women enterprises, whereas the share of enterprises actually managed by females was also 13.72%. It is presented in Table 1.6.

TABLE 1.6: DISTRIBUTION BY GENDER OF OWNERS OF THE ENTERPRISES

No of enterprises managed by	No in lakh
Male	13.49 (86.26%)
Female	2.15 (13.72%)
Total	15.64 (100%)
No of women enterprises	2.15 (13.72%)

(V) COMMUNITY STATUS

From the angle of community status, 7.60% of the enterprises were owned by Scheduled Caste (SC) entrepreneurs, 2.87% by Scheduled Tribe (ST) entrepreneurs and 38.28% by entrepreneurs of Other Backward Classes (OBCs). Thus, 48.75% of the working units in the registered MSME sector were being owned by socially backward classes. It is presented in Table 1.7.

TABLE 1.7: DISTRIBUTION BY SOCIAL CATEGORY OF OWNERS

Ownership by type of social category	No in Lakh
Scheduled Caste (SCs)	1.19 (7.60%)
Scheduled Tribe (ST)	0.45 (2.87%)
OBCs	5.99 (38.28%)
Others	8.02 (51.26%)

(VI) RELIGION

In terms of religion, 81.22% units were owned by Hindu whereas domination of Muslim, Sikh and Christian was 9.11%, 3.31% and 4.12% respectively. It is presented in Table 1.8.

TABLE 1.8: DISTRIBUTION BY TYPE OF RELIGION OF OWNERS

Ownership by type of religion	No in Lakh
Hindu	12.70 (81.22%)
Muslim	1.43 (9.11%)
Sikh	0.52 (3.31%)
Christian	0.64 (4.12%)
Jain	0.08 (0.52%)
Buddhist	0.01 (0.07%)
Others	0.26 (1.64%)

(VII) INDUSTRY SECTOR-WISE DISTRIBUTION OF MICRO, SMALL AND MEDIUM ENTERPRISES BASED ON NUMBER OF ENTERPRISES

TABLE 1.9

Industry Sector-Wise (At 2-Digit Level of NIC-2004) Distribution of Micro, Small and Medium Enterprises as per Fourth All India Census 2006-07					
Sr. No.	NIC Code	Description of Activities	No of Enterprises		
			Regd.	Unregd.	Total
1	01	Service activities related to agriculture and hunting	11871	34933	46804
2	02	Service activities related to forestry and logging	1025	15751	16776
3	05	Service activities incidental to fishing	124	3826	3950
4	10	Service activities incidental to mining	71	23	94
5	11	Service activities incidental to extraction of Oil and Gas	42	3847	3889
6	13	Mining of metal ores	464	2861	3325
7	14	Other mining and quarrying	12943	8866	21809
8	15	Food products and beverages	212559	1317070	1529629
9	16	Tobacco products	4461	923693	928154
10	17	Textiles	106616	939018	1045634
11	18	Wearing apparel	214861	1092501	1307362
12	19	Leather products	26741	62549	89290
13	20	Wood and wood products	53939	494471	548410
14	21	Paper and paper products	12888	20111	32999
15	22	Publishing, printing and reproduction of recorded media	40464	102649	143113
16	23	Coke and refined petroleum products	2166	3016	5182
17	24	Chemicals and chemical products	50065	89687	139752
18	25	Rubber and plastic products	35894	25212	61106
19	26	Non-metallic mineral products	56692	220060	276752
20	27	Basic metals	19274	55610	74884
21	28	Fabricated metal products	137957	181766	319723
22	29	Machinery and equipments	72400	49845	122245
23	30	Office, accounting and computing machinery	4750	1909	6659
24	31	Electrical machinery and apparatus N.E.C	34326	43030	77356
25	32	Radio, T.V. and communication equipment and apparatus	8784	25987	34771
26	33	Medical, precision, optical instruments, watches and clocks	10488	10004	20492
27	34	Motor vehicles, trailers and semi-trailers	5773	9391	15164
28	35	Other transport equipments	15579	5877	21456
29	36	Furniture	99920	565569	665489
30	37	Recycling	183	15502	15685
31	40	Electricity, gas, steam and hot water supply	645	15362	16007
32	41	Collection, purification and distribution of water	101	11358	11459
33	45	Construction	184	53904	54088
34	50	Repair & maintenance of motor vehicles & motor cycles, sale of automotive fuels	58021	609843	667864
35	51	Wholesale trade commission trade	1255	655973	657228
36	52	Repair & maintenance of personal and household goods and retail trade	141050	11968341	12109391
37	55	Hotels and restaurants	1256	1322994	1324250
38	63	Supporting and auxiliary transport activities, travel agencies	2709	149174	151883
39	64	Post and telecommunications	17127	610214	627341
40	70	Real estate activities	312	54284	54596
41	71	Renting of machinery and equipment without operator and household goods	458	265671	266129
42	72	Computer and related activities	21357	41752	63109
43	73	Research and development	4	1450	1454
44	74	Other business activities	25855	421327	447182
45	80	Education	801	213418	214219
46	85	Health and social welfare activities	1371	569017	570388
47	90	Sewage and refuse disposal, sanitation and similar activities	34	0	34
48	92	Recreational, cultural and sporting activities	2560	161523	164083
49	93	Other service activities	8622	1092632	1101254
50	99	Not reported	15449	5440	20889
		Total	1552491	24548311	26100802

One can observe that top three industry sectors in terms of total number of enterprises (registered as well as unregistered) are Repair & maintenance of personal and household goods and retail trade, Food products and beverages, Hotels and restaurants. Also bottom three industry sectors in terms of number of enterprises (registered as well as unregistered) are Sewage and refuse disposal, sanitation and similar activities, Service activities incidental to mining, Research and development.

(VIII) INDUSTRY SECTOR-WISE DISTRIBUTION OF MICRO, SMALL AND MEDIUM ENTERPRISES BASED ON EMPLOYMENT

TABLE 2.0

Industry Sector-Wise (At 2-Digit Level of NIC-2004) Distribution of Micro, Small and Medium Enterprises as per Fourth All India Census 2006-07					
Sr. No.	NIC Code	Description of Activities	Employment		
			Regd.	Unregd.	Total
1	01	Service activities related to agriculture and hunting	214962	0	214962
2	02	Service activities related to forestry and logging	8554	0	8554
3	05	Service activities incidental to fishing	1319	0	1319
4	10	Service activities incidental to mining	962	0	962
5	11	Service activities incidental to extraction of Oil and Gas	605	11189	11794
6	13	Mining of metal ores	6893	9154	16047
7	14	Other mining and quarrying	124598	63252	187850
8	15	Food products and beverages	1255412	2588948	3844360
9	16	Tobacco products	168221	1852146	2020367
10	17	Textiles	1064230	2862348	3926578
11	18	Wearing apparel	911539	1830196	2741735
12	19	Leather products	165153	174311	339464
13	20	Wood and wood products	217677	1027039	1244716
14	21	Paper and paper products	144622	44120	188742
15	22	Publishing, printing and reproduction of recorded media	208265	305752	514017
16	23	Coke and refined petroleum products	30048	26079	56127
17	24	Chemicals and chemical products	489738	225042	714780
18	25	Rubber and plastic products	293879	129517	423396
19	26	Non-metallic mineral products	577778	822380	1400158
20	27	Basic metals	315125	178757	493882
21	28	Fabricated metal products	738821	356519	1095340
22	29	Machinery and equipments	507253	108752	616005
23	30	Office, accounting and computing machinery	26538	16795	43333
24	31	Electrical machinery and apparatus N.E.C	172738	144701	317439
25	32	Radio, T.V. and communication equipment and apparatus	59637	61134	120771
26	33	Medical, precision, optical instruments, watches and clocks	89468	29466	118934
27	34	Motor vehicles, trailers and semi-trailers	69913	114190	184103
28	35	Other transport equipments	179377	20159	199536
29	36	Furniture	361710	1478822	1840532
30	37	Recycling	1534	42246	43780
31	40	Electricity, gas, steam and hot water supply	4579	92219	96798
32	41	Collection, purification and distribution of water	361	31856	32217
33	45	Construction	1005	121203	122208
34	50	Repair & maintenance of motor vehicles & motor cycles, sale of automotive fuels	169705	1563655	1733360
35	51	Wholesale trade commission trade	5369	1772013	1777382
36	52	Repair & maintenance of personal and household goods and retail trade	259934	26625218	26885152
37	55	Hotels and restaurants	7116	3378098	3385214
38	63	Supporting and auxiliary transport activities, travel agencies	29117	459283	488400
39	64	Post and telecommunications	40746	1022714	1063460
40	70	Real estate activities	1324	119530	120854
41	71	Renting of machinery and equipment without operator and household goods	1273	526531	527804
42	72	Computer and related activities	78349	268817	347166
43	73	Research and development	105	9109	9214
44	74	Other business activities	82371	1138399	1220770
45	80	Education	2545	580745	583290
46	85	Health and social welfare activities	4425	1597303	1601728
47	90	Sewage and refuse disposal, sanitation and similar activities	286	0	286
48	92	Recreational, cultural and sporting activities	6844	491002	497846
49	93	Other service activities	22048	1936330	1958378
50	99	Not reported	79593	0	79593
		Total	9203664	50257039	59449352

One can observe that top three largest employers industry sectors (registered as well as unregistered) are Repair & maintenance of personal and household goods and retail trade, Textiles, Food products and beverages. Also bottom three employers industry sectors (registered as well as unregistered) are Sewage and refuse disposal, sanitation and similar activities, Service activities incidental to mining, Service activities incidental to fishing.

(IX) REGISTERED MSME SECTOR – ALL INDIA

TABLE 2.1

Sr. No.	Characteristics	Registered	% Share
1	Number of working enterprises	1552492	70.19%
	Number of enterprises found permanently closed	480946	21.74%
	Number of enterprises found non traceable	178522	8.07%
	Total number of enterprises surveyed	2211960	100%
2	Number of Working Enterprises		
	Manufacturing	1035102	66.67%
	Services	517390	33.33%
	Total	1552492	100%
3	Employment (Person)		
	Manufacturing	7984321	86.75%
	Services	1219343	13.25%
	Total	9203664	100%
4	Per unit employment (Person)		
	Manufacturing	7.71	
	Services	2.36	
	Total	5.93	
5	Original value of Plant & Machinery / Equipment (Rs. Crore)		
	Manufacturing	110310.31	90.94%
	Services	10987.97	9.06%
	Total	121298.28	100%
6	Per unit original value of Plant & Machinery / Equipment (Rs Lakh)		
	Manufacturing	10.66	
	Services	2.12	
	Total	7.81	
7	Market Value of Fixed Investment (Rs Crore)		
	Manufacturing	440493.68	87.97%
	Services	60264.68	12.03%
	Total	500758.36	100%
8	Per unit market value of Fixed Investment (Rs Lakh)		
	Manufacturing	42.56	
	Services	11.65	
	Total	32.26	
9	Value of Net Worth (Rs Crore)		
	Manufacturing	415554.75	93.06%
	Services	30996.47	6.94%
	Total	446551.22	100%
10	Per unit value of Value of Net Worth (Rs Lakh)		
	Manufacturing	40.15	
	Services	5.99	
	Total	28.76	
11	Total Gross Output (Rs Crore)		
	Manufacturing	668866.63	94.29%
	Services	40531.00	5.71%
	Total	709397.63	100%
12	Per unit Gross Output (Rs Lakh)		
	Manufacturing	64.62	
	Services	7.83	
	Total	45.69	
13	Number of units taken loan from Institutional sources or others	185378	
14	Amount of Loan taken (Rs Crore)	66125.47	
15	Number of Units having Loan Outstanding	108238	
16	Amount of loan outstanding (Rs Crore)	43606.11	

CONCLUSION

The MSE sector has maintained a higher rate of growth (and consistent increase) vis-à-vis the overall industrial sector as would be clear from the comparative growth rates of production for both the sectors during last five years. The share of manufacturing enterprises in terms of total numbers and in terms of total employees is more than the share of service enterprises. There are 70.19% registered units of MSMEs in India against 29.81% unregistered units. There are almost equal numbers of registered units in urban and rural part of India. 11.9% registered units have taken loan from institutional sources or others. One can see male domination in ownership of enterprises. And maximum enterprises are proprietary in their type. There is much scope of research in this topic to formulate various new policies and also for evaluation of existing policies.

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A STUDY ON THE POSITION OF SMALL AND MEDIUM ENTERPRISES IN KERALA VIS A VIS THE NATIONAL SCENARIO

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ABSTRACT

Small and medium enterprises sector constitute an important segment of the Indian Economy. Results of Third All India Censuses of SSI units show a declining growth trend at the All India Level and in Kerala growth in this sector shows an increasing trend. Except in the Fourth census, growth of employment in the SME sector of Kerala has shown a rising trend. Growth of SSI Sector can do a lot for solving Kerala's acute problem of unemployment. Sickness among the SME units of Kerala is a major problem. Lack demand is the major cause of sickness. Prevention of sickness and rehabilitation of sick SSI Units requires more attention while framing the future programs of SME development.

KEYWORDS

All India Census of Small Scale Industries, Kerala, MSMEs, Growth Rate, Sickness.

INTRODUCTION

 MEs play a vital role in the economic growth of developing nations. They have proved to be a primary source of job/employment creation and output growth, especially in Asian countries (Tampunan, 2009). In the industrial sector, small firms play a prominent role in the developed nations also. SME sector enterprises constitute fifty percent in China and twenty nine percent in USA (Bala, 2007). In Japan, fifty two percent of manufacturing output is from SMEs (Prasad, 2004).

In India SME's, occupy a dominant place in the economy. They contribute substantially to the nation in diverse fields like industrial production, export, employment creation, entrepreneurial base, etc. (Govt. of India, Ministry of MSME – Annual Report 2006 –07). Since independence, the Central and State Governments have been implementing various programmes and schemes for the development of SME's. During the last six decades, this sector has emerged as an important vehicle for attaining inclusive growth in the country (Malla, 2010). As per the fourth All India Census of Micro Small and Medium Enterprises (MSMEs) with reference to the year 2006-2007, the number of working MSMEs in the country is 26100797. These units provide employment to over 594.41 lakhs people. The contribution of the state of Kerala to this is 14, 68,104 MSMEs. The employment generation of these units is 30, 31,272 (Leghu Udyog Samachar, 2010). In the present study investigates the position of MSMEs in Kerala Vis a Vis the national scenario.

RELEVANCE OF THE STUDY

Development Economists refer Kerala as a state 'characterized by high social achievement with weak economic base' (Grass root Development 2007; Murali, Brody and Antony, 2007). Though the human development index is high in Kerala (first in India), as against the other Southern States, the industrial sector is not developed. Kerala's position is 12th in the industrial ranking among the major sixteen states in India (Envis Centre Kerala 2009). Further, majority of the contribution to the industrial sector in Kerala comes from MSMEs. Since SME sector is a major constituent of the economy a study of the SME sector of India as against that of Kerala is relevant. Such a study will be helpful for the policy makers to identify the major problems of this sector. It would also enable them in framing future programmes for the development of MSMEs.

OBJECTIVES OF THE STUDY

The objectives identified for the present study are:

1. To investigate the position of the MSME sector of Kerala as against that of India.
2. Analyze the demographics of the MSMEs at the State and National level.
3. Analyze the gravity and causes of sickness among MSME's.

METHOD

The present study attempts to analyze the data of the All India Census of Small Scale Industries, Reports of SIDBI, etc. The data helps in knowing about the position of Kerala in the overall national MSME scenario.

THE TRENDS OF MSMEs

Prior to 2006, the small-scale sector included Tiny and Small Scale Industries (SSIs). Thereafter, the scope of the sector has broadened to include Medium Scale Industries and Enterprises too. Presently it is named as as Micro, Small and Medium Enterprises (MSMEs). MSMEs can be registered or unregistered. Registered MSMEs are those units registered with the Directorate of Industries and Commerce, and those not registered with the Directorate is know as unregistered MSME.

REGISTERED SSI/MSME UNITS

In India, census of SSI units has initiated in the year 1972-73. The census showed that nationally there was 1,39,577 registered working units. In the corresponding period those present in the state of Kerala was a mere 6205 (4.4 per cent). The second All India census of SSI units conducted in the year 1987-88 presented a figure of 5, 82,368 working units in India as against 25,717 in Kerala. This figures showed a growth of 317.23 per cent at the national level and 314.45 percent in Kerala. The third census conducted in the year 2001-2002 showed that the total number of working SSI units grew to 13, 74,974 at the national level and 1, 46,988 at the state level. It is found that Kerala has about 10.69 per cent of the total working units. A comparison of the second and third census revealed a growth of 136.10 per at the National level and 471.55 percent in Kerala.

As per the latest statistics published, based on the Fourth All India Census of MSME's there are 15, 28,347 registered working MSMEs in India. In Kerala, the figure stands at 149013. The latest figures show that Kerala has 9.74 per cent of the total units. It is significant to note that the growth rate of working MSMEs

at the all India level is 11.15 percent, while that of Kerala is a mere 1.37 per cent. Further, it can be seen that, there is a decline from 317.23 per cent to 136.10 per cent in the Second and Third census. However, in the same period Kerala showed an increase from 314.45 percent to 471.55 percent. The Fourth census report showed a decline in growth rate both at the national and state level. Comparative data of four-census period has shown in Table 1.

TABLE 1: WORKING SSIs/MSMEs IN KERALA AND INDIA IN THE REGISTERED SECTOR

Name of census	SSIs/MSMEs in Kerala (nos.)	% change	SSIs/MSMEs in India (nos.)	% change	% of SSIs / MSMEs in Kerala to SSIs/ MSMEs in India
First Census	6205		139577		4.44
Second Census	25717	314.45	582368	317.23	4.41
Third Census	146988	471.55	1374974	136.10	10.69
Fourth Census	149013	1.37	1528347	11.15	9.74

(Source SIDBI report on MSME, 2010)

The phenomenal rise in the number of registered units in the third census can be attributed to the implementation of Prime Ministers Rozgar Yojana (PMRY), launching of various infrastructure development schemes such as Industrial Estates, Development Areas/Development plots, etc. The decline in the number of SSI units at the fourth census period occurred due to a change in the policy. With the enactment of the MSMED Act, 2006 which came into force on 2nd October 2006, the system of SSI registration has been done away with and the new system of filing of Entrepreneurs Memorandum (EM) has been introduced. The Government of India implements this as part of new Liberalization policies.

UNREGISTERED SSI/ MSMEs

Unregistered SSI's constitute a major component of this sector. Only registered SSI units have been covered until the second census. From the third census onwards unregistered SSI units were also included. This practice has continued in the fourth census also. The growth of unregistered units depicted in Table 2

TABLE 2: WORKING SSI/MSME UNITS IN THE UNREGISTERED SECTOR

Name of census	SSIs/MSMEs in Kerala (nos.)	% change	SSIs/MSMEs in India (nos.)	% change	% of SSIs / MSMEs in Kerala to SSIs/ MSMEs in India
Third census	305838		9146216		3.34
Fourth Census	1319091	331.30	24572450	168.66	5.36

(Source: SIDBI Report on MSME Sector 2010)

As per the result of Third census, 86.93 percent of the total units at All India level are in the un-registered sector and it is 95.14 in the Fourth Census Report. In Kerala it is 67.54 and 89.95 percent in the Third and Fourth census respectively. Fourth census results show compared with third census growth in unregistered sector was 331.30 percent in Kerala and 168.66 percent at the national level. Percentage of unregistered SSI/MSME units in Kerala to SSI/MSMEs in India was 3.34 and 5.36 respectively.

EMPLOYMENT GENERATED

One of the major advantages of SSI/MSME sector is its ability to create more employment with less investment compared to large-scale sector. Considering the problems of large scale Unemployment, Underemployment and scarcity of capital, Central and state Governments have always provided special priority through different programmes for the growth of this sector (Mathur 1999). In terms of employment generation, this sector comes next to agriculture. It provides employment to sixty million persons.

As per the fourth census 94.72 lakh persons employed in the registered working MSMEs. In Kerala, this is 6.3 lakhs. Out of the total employment generated Kerala's share as per the First census is 7.65 percent, 4.62 percent in Second census, 8.76 percent in the Third census and in the Fourth census this is 6.66 percent. Comparing the figures of First and Second census the growth in employment at the National level is 121.74 percent and in Kerala it is 33.82 percent. According to the Third census results, the growth is 68.13 percent at All India level and 219.09 percent in Kerala. In the Fourth census, the growth rate declined to 53.66 percent at National level and 16.62 percent in Kerala (Table 3).

TABLE 3: EMPLOYMENT GENERATED IN THE REGISTERED SSI/MSME SECTOR

Name of census	Kerala (in numbers)	% change	India (Nos.)	% change	% employment in Kerala to total employment in the SSIs/ MSMEs in India
First Census	126514		1653178		7.65
Second Census	169309	33.82	3665810	121.74	4.62
Third Census	540260	219.09	6163479	68.13	8.76
Fourth Census	630088	16.62	9471186	53.66	6.65

(Source: SIDBI Report on MSME Sector 2010)

When the Fourth census has compared to the Third one, the growth of employment in the unregistered sector is 168.83 percent at national level and 318.03 percent at state level. As per the Third and Fourth census Kerala's contribution to employment, generation in the unregistered sector is 3.07 and 4.78 percent respectively (Table 4).

TABLE 4: EMPLOYMENT GENERATED IN THE UNREGISTERED SSI/MSME SECTOR

Name of census	Kerala (in numbers)	% change	India (Nos.)	% change	% employment in Kerala to total employment in the SSIs/ MSMEs in India
Third Census	574401		18694433		3.07
Fourth Census	2401184	318.03	50257035	168.83	4.78

(Source: SIDBI report on MSME Sector 2010)

Comparing the employment generated in the registered and unregistered segments it has been found that at the National level unregistered units create three times more employment than the registered segment as per Third census results. It was five times more as per fourth census. In Kerala, also unregistered units generate more employment than the registered ones. It was five times more than the registered segments as per fourth census.

WOMEN ENTERPRISES

Women constitute nearly half of India's population. In this respect, Kerala has another distinction of always maintaining sex ratio in favor of women (census reports 1901 to 2011). Central and State governments are given much attention for integrating women into development process through various programmes. Women status can be elevated only when they participate equally with men in the public world of work and they have economic control over production.

Women participation in business has considered as a major indicator of gender development. Table 5 shows that in the Third census, with reference to the year 2001-2002, women enterprises constituted only 10.11 percent at National level. However, in Kerala the figure was as high as 30.38, which is a positive sign. The remarkable growth of women enterprises in Kerala is largely due to the implementation of women Industries programme that offers various types of financial incentives offered to SSI units started by women.

TABLE 5: WOMEN ENTERPRISES

Segment	Kerala		India	
		%		%
Registered	28960	19.70	137534	10.00
Unregistered	108601	35.51	926187	10.13
Total Unit	137561	30.38	1063721	10.11

Source: Final Results: Third All India Census of Small Scale Industries (2001-2002), Results of 3rd census of small scale industries kerala-2001-2002

At the National level while, the registered sector women enterprises have found to be only 10 per cent, in Kerala it is 19.70 percent. In the unregistered sector, also there is phenomenal difference. While it is 10.13 at the National level, in Kerala it stood at 35.51percent. This is a welcome sign as it denotes that Kerala has more women enterprises than the National level, which augments well in the direction of women empowerment.

TYPE OF ORGANIZATION

Ownership pattern of SSI units are broadly proprietary concerns in nature. (SIDBI Report on SSI 2001). Proprietary firms, which stood at 61 per cent in the first census, reached 80.48 percent in the second census. The Third All India Census showed a marked increase in this direction as 88.85 per cent units at the National level and 92.87 per cent of the units in Kerala in the registered segments have found to be Proprietary concerns in the registered segment. In the unregistered segment, proprietary concerns formed 96.9 per cent at the national level and at the state level; it was marginally low at 95.35 per cent. It has found that partnership concerns at the national and state levels stood at 7.21per cent and 4.73 percent respectively in the registered sector. In Kerala SSIs in the registered segment managed by single person is higher than the All India average. The data is in Table 6.

TABLE 6: TYPE OF ORGANIZATION

	Registered Units				Unregistered Units			
	India	%	Kerala	%	India	%	Kerala	%
Proprietary	1221702	88.85	136511	92.87	8862548	96.9	291617	95.35
Partnership	99190	7.21	6953	4.73	103662	1.13	8545	2.80
Private company	33284	2.42	1034	0.71	38153	0.42	824	0.27
Co-operatives	4715	0.34	1313	0.89	9854	0.11	2516	0.82
Others	16083	1.17	1177	0.80	131999	1.44	2336	0.76

Source: Final Results: Third All India Census of Small Scale Industries (2001-2002), Results of 3rd census of small scale industries Kerala-2001-2002.

The ownership pattern also revealed a peculiar pattern. It is well know that the state of Kerala has achieved much progress than other Indian states with respect to the growth of Co-operative institutions but in the SSI sector of Kerala SSI units managed by co-operatives is only less than one percent, which is more or less at par with the national figures.

NATURE OF ACTIVITY

Analysis of the activities engaged by the unit's shows that, at the All India level 63.45 percent of Registered SSI Units are engaged in Manufacturing / processing activity while it is 77.98 percent in Kerala. In the unregistered sector, this is 36.12 percent at the National level and 32.41 percent in Kerala. Units engaged in repairing and maintenance at the national was only 2.10 in the registered sector and 18.50percent in the unregistered sector. It is 0.23 and 7.27 percent respectively in the registered and unregistered sectors of Kerala. Second major activity is service sector. 34.45 percent of the units at the National level and 21.79 percent in Kerala are doing service activity in the registered segment. In the unregistered sector 60.32 percent of the units at the national level and 45.78 percent units in Kerala are engaged in service activities (Table 7).At the national and state level majority of the units are engaged in manufacturing activity.

TABLE 7: NATURE OF ACTIVITY

	Registered Units				Unregistered Units			
	India	%	Kerala	%	India	%	Kerala	%
Manufacturing/And Processing	872449	63.45	127762	77.98	3303366	36.12	23896	32.41
Repair and Maintenance	28843	2.10	377	0.23	1692663	18.50	5360	7.27
Service	473682	34.45	35704	21.79	4150187	45.78	44475	60.32

Source: Final Results: Third All India Census of Small Scale Industries (2001-2002), Results of 3rd census of small scale industries Kerala 2001-2002.

It can be seen that Small Scale industries have a dominant place in the manufacturing sector of India.

SICKNESS IN THE SSI SECTOR

Sickness in the SSI sector is a serious concern of policy makers. The definition of sick units has been undergoing changes. The Reserve Bank of India(RBI) has appointing committees from time to time to assess the sickness in the SSI sector .Third census adopted the definition of sick units given by Kohile Committee – the working group on rehabilitation of sick units appointed by RBI. Central and State governments are introduced several programmes for the revival of sick SSI units. RBI has issuing detailed guidelines to Banks and Government agencies regarding the steps to follow for rehabilitation of sick units. Figures arrived through the Third All India census of SSI units, in the registered segment sick units at the National level was 13.98 percent where as this is 37.32 percent in Kerala. In the unregistered segment, this is 6.89 percent at the National level and 29.80 percent in Kerala (Table 8).

TABLE 8: SICKNESS IN THE SSI UNITS

	Registered Units				Unregistered Units			
	India	%	Kerala	%	India	%	Kerala	%
Number of Sick units #	192328	13.98	54853	37.32	630568	6.89	91143	29.80

Source: Results: Third All India census of SSI unit (2001-02), Results of 3rd census of small scale industries Kerala -2001-2002.

#with erosion of net-worth by more than 50% or delay in repayment of institutional loan by more than 12 months or decline in gross output over three consecutive year's

From the above analysis, it has inferred that sickness among the SSI units is a major problem in the SSI sector of Kerala. In the registered and unregistered SSI segments of Kerala percentage of sick units are more than the the national level. It is being concluded that sickness and closing down of SSI units are the two major factors adversely affecting the sustained growth of the SSI sector of Kerala.

REASONS FOR SICKNESS

Analysis of the reasons for sickness (Table 13) among the SSI units in the registered and unregistered sectors, it is seen that major cause for sickness is lack of demand (66 per cent in all India and 78.59 per cent of Kerala). Researchers, Panam and Jayanthi (2008) have also found that main reason for sickness in the SSI sector is lack of demand. A case study conducted by Naidu and padmathy (1986) for identifying the reasons for sickness among the SSI units in Andhra Pradesh inferred that 67.7 percent of the units were sick due to lack of demand and financial problems. Other researchers Mathur and Sathish (1999), Panda and Meher

(1992) opined that shortage working capital and marketing problems often leads to sickness in the SSI sector. Deshmukh and Lakhe (2009) also conclude that lack of demand and shortage of working capital are reasons for sickness of SSI'S. Study shows Second major factor for sicknesses is shortage of working capital. 46 percent SSI units in India and 38.4 percent in Kerala face this problem. Thirty six percent of SSIs in India and 33.62 percent of units in Kerala are sick due to marketing problems, which is the third reason.

The other reasons for sickness are non-availability of raw materials, shortage of power supply, labour problems, equipment problems and management problems.

TABLE 9: REASONS FOR SICKNESS *

	Registered Unit		Unregistered Unit		Total Unit	
	India %	Kerala %	India %	Kerala%	India %	Kerala %
Lack of demand	58	74.32	69.1	81.16	66	78.59
Working capital shortage	57	50.19	43	31.30	46	38.40
Non availability of raw materials	12	13.40	12	16.97	12	15.63
Power supply	17	9.37	12	4.70	13	6.45
Labour problems	6	3.73	4	2.44	5	2.92
Marketing problems	37	37.65	36	31.20	36	33.62
Equipment problems	9	8.32	12	8.45	11	8.40
Management Problems	5	4.06	3	3.16	4	3.50

Source: Results: Third All India Census of SSI unit (2002-2003), Results of 3rd census of small scale industries Kerala-2001-2002.

* The total in each column will exceed 100%, as some units have reported more than one reason for sickness

FINDINGS OF THE STUDY

Based on the data presented above, following are the findings of the study:

- As per the Third All India Census, Growth of SSI Units in the registered sector declined from 317.23 percent to 136.10 per cent at the All India level. At the same time, in Kerala there was a phenomenal increase from 314.45 per cent to 471.55 per cent. All India growth rate further declined as per the Fourth census. This decline can be attributed to the changes implemented as part of the New Economic Policy. As per Fourth census Report SSI units in the unregistered sector of Kerala has achieved higher growth than the National Level.
- According to the Second, Third and Fourth census growth of employment in the registered SSI/MSME sector at the National level declined. As far as Kerala is considered, during Second Census it showed a growth rate of 33.82 per cent. During Third census, this has increased to 219.09 per cent. However, the growth rate has declined to 53.66 in the Fourth Census at the National Level and by 16.62 per cent at State level. This decline can be attributed to the impact of the New Economic Policies. In the fourth census Report the growth of employment in unregistered sector of SSI/MSME's is 168.83 percent at the National level and in Kerala this is 318.03 percent.
- Kerala has more women enterprises than in the National level. This shows Kerala has attained better progress in gender equity and women empowerment.
- Proprietary concerns dominate at the National and state level in the SSI/MSME sector. Even though Kerala has a strong co-operative movement, SSI units managed by co-operative societies are only less than one percent, which is more or less par with national figures.
- Manufacturing is the major activity of SSIs at the National level and state level and this shows that SSIs has a strong presence in the manufacturing sector of India.
- Sickness of SSI units is a major problem at the National and state level. Both in the registered and unregistered segments number of sick units are higher in Kerala than the All India figures. As per the Third census, in the registered segment this is 37.32 percent in Kerala, as against the 13.98 percent at the National level. Major causes of sickness, both at the national and state level, may be attributed to lack of demand, shortage of working capital and marketing problems.

CONCLUSION

Sustained growth of SMEs is crucial for the overall performance of the economy. Kerala has achieved remarkable growth in this direction. Unemployment is a serious problem facing Kerala economy. Latest statistics published by State Planning Board shows there are 45.2 lakhs of employment seekers in the Live Register of Employment Exchanges of Kerala as on 30-6-2009. Since SME sector creates more employment opportunities with less investment, it can play a major role in solving Kerala's unemployment problem. Ninety per cent of SSI/MSME units are proprietary concerns and there by this sector has a mass entrepreneurial base. In Kerala, growth of women enterprises in SSI/MSME sector is remarkable. This is a positive sign of women empowerment and gender equity. The number of sick and closed units are more in Kerala than the All India per cent. Lack of demand is, in most cases, the major cause of sickness in the SSI sector. Future promotional policies of Kerala for this sector should address the problem of sickness among the SSI units.

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A STUDY ON SOCIO – ECONOMIC STATUS OF PIG FARMERS IN KANCHEEPURAM DISTRICT OF TAMILNADU STATE

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ABSTRACT

Pig farming is considered as a crucial enterprise for the livelihood of the socially weakened section of the society. Knowledge about the socio economic status of the pig farmers is very much essential for the policy makers to develop an effective programme. The present study was carried out in the Kancheepuram district of Tamilnadu with the specific objective of finding out the socio economic profile of the pig farmers. A total of fifty pig farmers were randomly selected from four random blocks of purposively selected Kancheepuram district of Tamilnadu. The data were collected from selected farmers through a structured interview schedule after pre -testing. The findings of the study revealed most of the farmers (50 per cent) were old aged and were educated (44 per cent) up to high school level. Majority (66 per cent) of the pig farmers had pig farming as their secondary occupation and 44 per cent were having high level of farming experience. Majority (56 per cent) of pig farmers were low income group and 52 per cent of pig farmers were belonging to marginal farmers. Most of the farmers 54 percent and 52 per cent were having low level of extension agency contact and mass media exposure respectively. Almost all (96 per cent) of the respondents had low level of social participation and 86 per cent of the farmers had medium level of innovativeness. The study concludes that the pig farmers need more extension training regarding pig farming practices to enrich their knowledge level and to improve their standard of living.

KEYWORDS

Kancheepuram, Socio economic profile of pig farmers.

INTRODUCTION

Almost 80 percent of the world's undernourished people live in rural areas (UN Millennium Project, 2004) and most depend on agriculture, including livestock, for their livelihoods. Livestock contribute 40 percent of the global value of agricultural output and support the livelihoods and food security of almost a billion people (The state of food and agriculture, 2009). Evidence suggests that poor people, especially young children and their mothers in developing countries, are not consuming enough animal-based food (IFPRI, 2004) and the role of livestock sector is crucial to fulfill growing food demand which is expected to increase by 40% by 2030 and shall almost be doubled by 2050 (Vision 2030). Among the livestock species pig farming plays an important role in improving the standards of living of the weaker sections of the society. India has about 11.13 million pigs (18th livestock census, 2007) among them 79% are indigenous, 20% are cross bred and 1% are exotic. Pig population in India has increased substantially from 4.4 million in 1951 to 11.13 million in 2007. Indian council of medical research (ICMR) recommends 60g of daily protein intake, 20 g should be from animal protein source. But per capita consumption of meat in India is just 5.1kg/year (The State of Food and Agriculture, 2009) and that of pork is 0.4kg. To meet the recommended level of protein pig is considered as an important component among the livestock species since it possess many economic traits namely high prolificacy, faster growth rate, shorter generation interval, high dressing percentage with better feed conversion efficiency A very good opportunity exists for opening of employment opportunities for rural youths in this sector. But, this enterprise as compared to other livestock enterprises could not get the wider publicity due to lack of knowledge about its production value and economic feasibility. An analysis of the profile of pig farmers will give an idea of the category of farmers involved in the activity and its importance as a mean of livelihood or subsidiary occupation. Accordingly the present study has been undertaken to know the socio economic status of pig farmers in Kancheepuram district of Tamilnadu.

METHODOLOGY

The present study was undertaken in the Kancheepuram district of Tamilnadu state. The state constitutes 31 districts, out of which the Kancheepuram district was purposively selected for the study due to its high concentration of the pig farmers and majority of the farmers were approached the nearest Krishi Vigyan Kendra for getting information regarding the scientific pig farming activities. The selected Kancheepuram district constitutes thirteen blocks and among these four blocks namely Sriperambudhur, Saint Thomas Mount, Uthiramerur and Kattangalthur were randomly selected. The independent variables were selected by using a five point continuum scale from 30 extension specialists from various parts of the country. A sample of fifty respondents was randomly selected from the above said blocks. A structured interview schedule was prepared and put for pretesting other than the study area. According to the results of pre testing the necessary corrections were made to finalize the interview schedule. The data was collected from the selected farmers through personal interview method by using the interview schedule. The collected data was subjected to the conventional analysis by using the necessary statistical methods. (Snedecor and Cochran 1996). The categorization of the variables was done by using mean and standard error and then the respondents were classified accordingly.

RESULTS AND DISCUSSION

The major findings were discussed in detail and depicted in the following table 1.

TABLE 1: PROFILE OF PIG FARMERS (n=50)

S. No.	Variables of socio economic profile	Classification	Number	Percentage
1	Age	Young (less than or equal to 35 years)	7	14.0
		Middle (36 - 45 years)	18	36.0
		Old (More than 45 years)	25	50.0
2	Education	Illiterate	7	14.0
		Primary	12	24.0
		High school	22	44.0
		Higher secondary	3	6.00
		College	6	12.0
3	Occupation	Primary (Pig farming)	17	34.0
		Secondary (Other than pig farming)	33	66.0
4	Farming experience	Low (Less than 5 years)	8	16.0
		Medium (5-9 years)	20	40.0
		High (10 and above years)	22	44.0
5	Annual income	Low (Up to 65 thousands)	28	56.0
		Medium (65 thousands to 105. 2 thousands)	3	6.00
		High (More than 105.2 thousands)	19	38.0
6	Land holding	Landless (0 acres)	19	38.0
		Marginal (0 -2.5 acres)	26	52.0
		Small (2.6 to 5.0 acres)	2	4.00
		Semi medium (5.1 to 10.0 acres)	1	2.00
		Medium (10.1 to 25.0 acres)	1	2.00
		Large (More than 25.0 acres)	1	2.00
7	Herd size	Small (1-2 pigs)	0	0.00
		Medium (3 -5 pigs)	3	6.00
		Large (Above 5 pigs)	47	94.0
8	Contact with extension agency	Low (Up to 5.54)	27	54.0
		Medium (5.55 - 7.41)	7	14.0
		High (More than 7.41)	16	32.0
9	Mass media exposure	Low (Up to 2.0)	26	52.0
		Medium (2.0 to 2.7)	9	18.0
		High (More than 2.7)	15	30.0
10	Social participation	Low (Up to 0.1)	48	96.0
		Medium (0.2 to 0.7)	0	0.00
		High (More than 0.7)	2	4.00
11	Economic motivation	Low (Up to 18.9)	13	26.0
		Medium (19.0 to 21.35)	10	20.0
		High (More than 21.35)	27	54.0
12	Innovativeness	Low (Up to 2)	5	10.0
		Medium (2 -5)	43	86.0
		High (More than 5)	2	4.00
13	Knowledge level	Low (0-8)	24	48.0
		Medium (9 -16)	24	48.0
		High (17-24)	2	4.00

Note: The classification of low, medium, high were done by using mean \pm standard error.

Source: The data are original on the basis of a survey work conducted by the investigator.

AGE

Among the fifty respondents nearly one – half (50 per cent) of the respondents were old aged and followed by middle (36 per cent) aged and the remaining 14 per cent were young age group. The probable reason for such distribution might be that, old farmers had taken up pig farming as a traditional and subsidiary occupation to agriculture over number of years. This finding is in line with the findings of Bharathy (1996) and Kannan et al (2006) who stated that majority of the respondents belonged to old age group.

EDUCATION

Two – fifth of pig farmers were educated up to high school level (44 per cent) followed by primary (24 per cent), collegiate (12 per cent) and 6 per cent were educated up to higher secondary. This might be due to recent government policies which emphasized on literacy to the rural masses. The study conducted by RaviKumar *et al.* (2007) also reported that among total farmers, only 19.17 per cent were found to be illiterate which is in consonance with the present findings. The findings of the study also correlated with the observations of Jayakumar and Manokaran (1999) who reported the majority of the farmers were educated up to high school.

OCCUPATION

More than one-half (66 per cent) of the respondents were engaged in other occupations primarily with pig rearing as their secondary occupation and only 34 per cent of the farmers had pig farming as primary occupation. The reason might be the lack of awareness and poor knowledge regarding the scientific pig farming practices to increase their profits through pig farming. The findings are similar to the reports of Kaushik and Singhal (1992) and RaviKumar *et al.* (2007) who reported that majority of the farmers had agriculture as major occupation with livestock rearing as the subsidiary occupation.

FARMING EXPERIENCE

More than three fourth (84 per cent) of the pig farmers had medium to high level of farming experience and the remaining 16 per cent had low level of farming experience. This might be due to the old aged farmers and their traditional rearing of pigs. The results of the study is correlated with the findings of Bharathy (1996) who reported that majority of the respondents had high level of farming experience.

ANNUAL INCOME

More than half of the farmers (56 per cent) had low income and 38 and 6 per cent of the respondents had high and medium level of income respectively. This might be due to their lack of knowledge about the scientific farming practices to improve their income. This finding is in line with the findings of Sivakumar et al (2006) who had stated that majority of the respondents belonged to low income group.

LAND HOLDING

Majority (52 per cent) of the respondents belonged to marginal farmers category while over one-third (38 per cent) were landless laborers and only 4 per cent of pig farmers were small farmer category. The remaining 6 per cent of the farmers i.e. each 2 per cent of them constitutes medium, semi-medium and large farmer category. The findings are in consonance with the study conducted by Jassi *et.al* (1997) who reported that 50 per cent of dairy farmers belonged to the small farmer's category possessing 2.5 to 5.5 acres of land. Similar findings were also reported by Oladele (2001) reporting that 57.1 per cent of respondents had the farm size less than 1.6 hectares.

HERD SIZE

Most of the farmers (94 per cent) possessed large herd size and only 6 per cent of the respondents were maintaining medium herd size. The reason attributed might be the farmers perception towards possessing more number of animals yields more income.

CONTACT WITH EXTENSION AGENCY

Majority (54 per cent) of the pig farmers had low level of extension agency contact and the remaining 14 and 32 per cent of the respondents had medium and high level of extension agency contact respectively. This shows the lack of awareness about the extension agencies and the low level of extension agency contact might be due to the lack of facilities to contact the extension agency for getting better solutions. The results of the study are in par with the results of Muruganadam (2003) who concluded that majority of the dairy farmers belonged to low level of extension agency contact.

MASS MEDIA EXPOSURE

Majority (52 per cent) of the respondents were having low level of mass media exposure whereas 18 per cent and 30 per cent of the respondents had medium and high level of mass media exposure. The reason might be the lack of awareness about the mass media sources providing the information regarding pig farming practices and also due to the unavailability of the mass media sources due to their poor standard of living.

SOCIAL PARTICIPATION

Nearly all (96 per cent) of the respondents had low level of social participation and only 4 per cent of the respondents were having high level of social participation. The reason for their low level of social participation might be due to the pig farmers are socially weakened section. This finding is in line with the findings of Sivakumar *et al* (2006) who had stated that majority of the respondents had low level of social participation.

ECONOMIC MOTIVATION

It is noted from the table that the 54 per cent and 20 per cent of the respondents had high and medium level of economic motivation and the remaining one fifth (26 per cent) of the respondents had low level of economic motivation. This clearly explains about their eagerness and willingness to earn more income by adopting scientific farming technologies.

INNOVATIVENESS

It is clearly evident from the table 1 majority of the respondents (86 per cent) had medium level of innovativeness, whereas a meager per cent of the respondents were possessing high (4 per cent) and low (10 per cent) level of innovativeness. The reason might be due to their contact with krishi vigyan Kendra and other progressive farmers to know about the new technologies to improve their income from pig farming. This finding is in line with the findings of Nathichimuthu (1993) and Kumaravel (2000) who had stated that the majority of the respondents had medium level of innovativeness.

KNOWLEDGE LEVEL

It is clearly indicated from the study that the distribution of respondents according to their knowledge level on pig farming practices that majority (each 48 per cent) of the respondents possessed low and medium level of knowledge on scientific pig farming practices and only a meager (4 per cent) had high level of knowledge. The result of the study is correlated with the findings of Dakurah *et.al* (2005) who reported that the respondents were possessed medium level of knowledge on the scientific farming practices.

CONCLUSION

The findings shows that majority of the respondents were old aged, high school level educated, medium to high farming experience and marginal farmers category. Majority of the respondents were having low level of extension agency contact and low level of social participation. Hence, the policy makers and extension agencies should focus on the pig farming community by planning viable development programmes at the block and village level. And also efforts may be taken up to improve their social participation.

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STUDY OF EMPOWERMENT STATUS AND THE LEADERSHIP QUALITIES OF WOMEN NGOS

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ABSTRACT

NGOs in India, especially women NGOs, are expected to play a very significant role in the process of women empowerment. The present study is undertaken with a view to analysing and interpreting the role of leadership qualities of the women leaders in this empowerment process, as perceived by their activists. This report presents the results of the research undertaken in four women NGOs, with their prior permission, which have been in the field for more than eighteen years and each one of them is engaged in, on an average, ten different projects with a view to servicing the society in general and empowering women activists in particular. The study is in two parts: the study of the status of empowerment of the activists in women NGOs; and, the study of the leadership qualities of women leaders in these NGOs, with the Objective to identify a set of common leadership qualities that enhances the empowerment of their activists. This report discusses the leadership qualities that have emerged as a common set, evident in each of these NGOs, which boosts the status of empowerment of their activists.

KEYWORDS

Leadership qualities, women activists, women empowerment, and women NGOs.

INTRODUCTION

The word "empower", although a contemporary buzzword, is not new, having arisen in the mid-17th century with the legalistic meaning "to invest with authority". Shortly thereafter, it began to be used in a more general way to mean "to enable" or "to permit". Both of these uses survive today. Its modern use originated in the civil rights movement, which sought political empowerment for its followers. The word was then taken up by the women's movement, and its appeal has remained intact.

The *Advanced Learner's Dictionary of the English Language* defines the word "empower" as to give power or authority to act. *Longman Dictionary of Contemporary English* defines "empower" as to give someone more control over their own life or situation. Women's empowerment has been conceptualised differently by different writers. However, for all of them, the goal of the empowerment process is to address issues relating to women's subordination, inequality, and inequity.

Empowerment as conceptualised by Moser, Kabeer, Batliwala, and Rowlands can broadly be categorised as coming from the individual end of the continuum. Here, empowerment is located within the notions of "power-within", "power-with", and "power-to", which conceptualise power in variable-sum terms. From this perspective, the total amount of power in society is seen as variable and residing with members of society as a whole. Based on this concept, empowerment can be achieved within the existing social order without any significant negative effect upon the power of the powerful.

Empowerment entails having: one, economic and social rights and, two, political and civil rights. However, to be able to exercise these rights, one must possess certain capabilities. These human capabilities that enable one to use both the rights and live empowered life can be two-fold. At the first level, come the capabilities that enrich one's life, such as, being able to live full and healthy life, being able to move about unhindered, being free from sexual harassment and domestic violence, etc. At the second, come those capabilities that enhance the standard of one's family and social life; for example, having right to property, having equality at work place without any discrimination, and being able to participate in politics freely.

Empowerment can be defined as "a process of capability building leading to greater participation, effective decision-making, and control, resulting in transformative action. This involves ability to get what one wants and to influence others on one's concerns."

Women's empowerment covers their lives at multiple levels, family, community, market, and the state. Importantly, it involves, at the psychological level, their ability to assert themselves. The most common definition of empowerment in relation to women can be "the ability to exercise full control over one's actions in all the spheres of activity". Hence, it could be stated that the empowerment of women simply means their becoming creative and self-dependant individuals.

Empowerment process begins when women of their own accord start confronting the ways in which they are subordinated and when they start assisting groups and individuals to realise that they have a legitimate role to play in decisions affecting their lives. This will lead to acquiring personal empowerment for them, contributing to increased "power-to" and "power-with". Empowerment is not something that can be done by outsiders to people, implying that such power cannot be "bestowed upon", but, has to be self-generated. As individuals alone cannot effect such societal structural changes, collective solidarity strengthened through vertical and horizontal networks and movements is rendered as an important means. It emphasises the importance of women and their groups empowering themselves to make their own choices, speak out for themselves, and control their own lives. In this process, women and their groups become "agents" and "participants" rather than remaining mere "clients" and "recipients". Women's own aspirations and strategies, thus, occupy the central position.

NGOs play an important role in bridging the gap between the Government, its agencies, and the society. In a vast country like India, this role of the NGOs acquires even greater significance. The World Bank defines NGOs as "Private organisations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development". In wider usage, the term NGO can be applied to any non-profit organisation, which is independent from Government. NGOs are typically value-based organisations, which depend, in whole or in part, on donations and voluntary services. In this study, the term women NGO means "a non-profit making organisation that is independent of Government, founded by women for women, where all policy decisions are taken only by women". Women activists, as far as this study is concerned, mean "all such women as are involved in the regular, day-to-day functioning of the women NGO they belong to".

OBJECTIVES OF THE STUDY

The reviews at both the national and international levels reveal that all the UN member countries, including India, have conceptually committed themselves to bringing about equality between men and women by empowering women, which is apparent in their policies, plans, and programmes. It is also accepted that the active participation of the NGOs is extremely essential to translate this into reality. The National Policy for Empowerment of Women (2001) corroborates exactly this. It is felt that the period between 2001 and 2011 is sufficiently long to ascertain whether or not the NGOs in Maharashtra have played any significant role in this journey towards women's empowerment. If yes, how? This study was undertaken with a view to understanding the role played by the leadership qualities of the leaders in the women NGOs, in the process of the empowerment of their women activists.

METHODOLOGY OF THE STUDY

The study has initially focused on qualitative research to conceptualise the issues involved in the process of empowerment of women and the functioning of women NGOs. The exploration of the secondary data and the qualitative study undertaken through focus group interview technique produced a few hypotheses, which were later tested through survey method under quantitative research. To conduct the study, the primary data were collected through structured questionnaires. The questionnaires were prepared specifically for the study. Two questionnaires were designed to collect information about the empowerment status of women and leadership qualities of the leaders in the NGOs under the study. To evaluate the opinions and views of the women activists about the empowerment status of themselves and their non-NGO women counterparts, a dual response, three-choice questionnaire comprising 16 statements on various criteria of empowerment was administered. Each statement was to get any one of the three answers, namely, always, sometimes, or never. 157 women activists in four NGOs were contacted personally for collecting the data. The questionnaire, tested for alpha reliability, revealed coefficient 0.77. The second questionnaire was designed to collect the information about the leadership qualities. It comprised 15 different leadership qualities, grouped in three categories, namely, behavioural, attitudinal, and visionary. The respondents were to identify five of the total 15 qualities and were to rank them as 1 to 5 in order of significance. A total 270 activists of the four NGOs were surveyed by collecting the responses personally. To conduct the data analysis, the test of significance of difference between the means of two large samples, and the chi-square test were applied for testing the hypotheses. Qualitative judgments were used to interpret data collected through focus group interviews. Simultaneously, available published text books, related journals, reports, web pages, magazines and research works were consulted.

FIGURE 1: EMPOWERMENT SURVEY

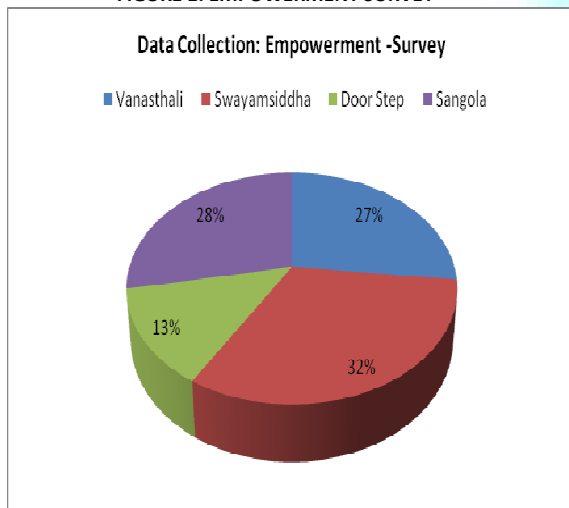
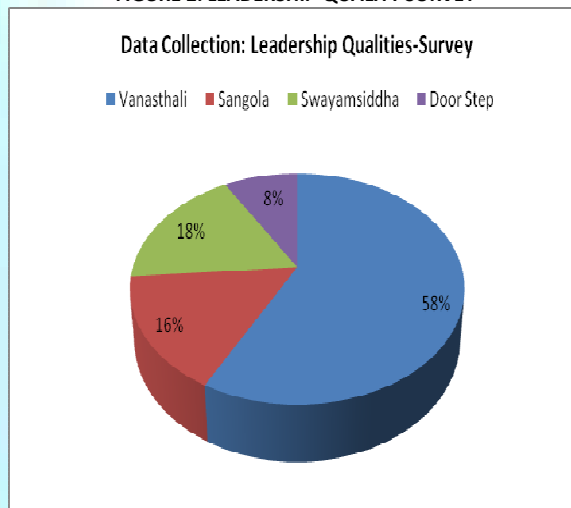


FIGURE 2: LEADERSHIP-QUALITY SURVEY



HYPOTHESES DEVELOPMENT

Considering the objectives stated above, the following two hypotheses and corresponding seven sub-hypotheses were developed.

HYPOTHESES

STATUS OF EMPOWERMENT AS PERCEIVED BY THE WOMEN ACTIVISTS OF NGOS

H₀: The activists in women NGOs find themselves as empowered as their non-NGO women counterparts in the society

TABLE 1: 4 SUB-HYPOTHESES UNDER HYPOTHESIS 1

H1: The individual empowerment of Women, both activists of the NGOs and non-activists, is the same (1, 2, 3, 5, 7, and 14).	H3: The social empowerment of Women, both activists of the NGOs and non-activists, is the same (4, 6, 9, 12, 13, and 15).
01: They travel alone, if required. 02: They express opinions in groups. 03: They do the assigned task independently. 05: They identify the sources of getting required information. 07: They find some time for self every week. 14: They participate in community meetings, and gatherings.	04: They get the task done. 06: They read and write to gain and give knowledge. 09: The community consults them while resolving social issues. 12: The community invites their views and opinions on social problems. 13: They participate in collective efforts to solve the social issues. 15: They have adequate awareness of social issues.
H2: The family-related empowerment of Women, both activists of the NGOs and non-activists, is the same (8, 10, and 11).	H4: The overall empowerment of Women, both activists of the NGOs and non-activists, is the same (16).
08: They take part in decision making at home 10: They participate in decisions about children’s career. 11: The family members seek their views and opinions while taking decisions at home.	16: They possess proper and adequate knowledge of the responsibilities at home and outside.

QUALITIES OF THE LEADERS, RECOGNISED AND RECOLLECTED, BY THE WOMEN ACTIVISTS OF NGOS UNDER THE STUDY, ARE THE SAME

H₀: There is a common set of leadership qualities which is necessary for the empowerment of women activists in women NGOs

TABLE 2: 3 SUB-HYPOTHESES UNDER HYPOTHESIS 2

H1: The behavioural qualities, recognised and recollected by the women activists of NGOs, under the study, are the same (1, 5, 6, 8, and 10).	H2: The attitudinal qualities, recognised and recollected by the women activists of NGOs, under the study, are the same (2, 3, 4, 14, and 15).	H3: The visionary qualities, recognised and recollected by the women activists of NGOs, under the study, are the same (7, 9, 11, 12, and 13).
01: Persuasive and effective oratory 05: Indefatigable nature 06: The skill to motivate others to work 08: Impressive and Disciplined personality 10: Secular nature	02: Firm and decisive nature 03: Willingness to take risk 04: Willingness to understand and to solve the problems of others 14: Urge to find a way not taken 15: The nature of understanding the views and opinions of associates	07: Excellent awareness of social issues 09: Strong dedication 11: Urge of women empowerment 12: Urge of rural and educational development 13: Urge of development of activists along with the institution

RESULTS OF HYPOTHESES ANALYSED

STATUS OF EMPOWERMENT AS PERCEIVED BY THE WOMEN ACTIVISTS OF NGOs

H₀: The activists in women NGOs find themselves as empowered as their non-NGO women counterparts in the society.

The hypothesis was tested on the basis of four sub-hypotheses developed by focusing on the main hypothesis above. The mean-difference test and the X² test results (Table 1) show that at 1% level of significance, the hypothesis is rejected when the calculated values of Z and X² are greater than the table values; and, it is accepted, when the calculated values are smaller than the table values for the relevant degrees of freedom.

It was found that there was a significant difference in the mean empowerment scores of women activists of NGOs and those of their non-NGO women counterparts in the society; and, when the different criteria of empowerment were considered, the NGO activists found themselves significantly more empowered than their non-NGO women counterparts in the society. A detailed analysis of this is given below.

FIGURE 3: EMPOWERMENT STATUS

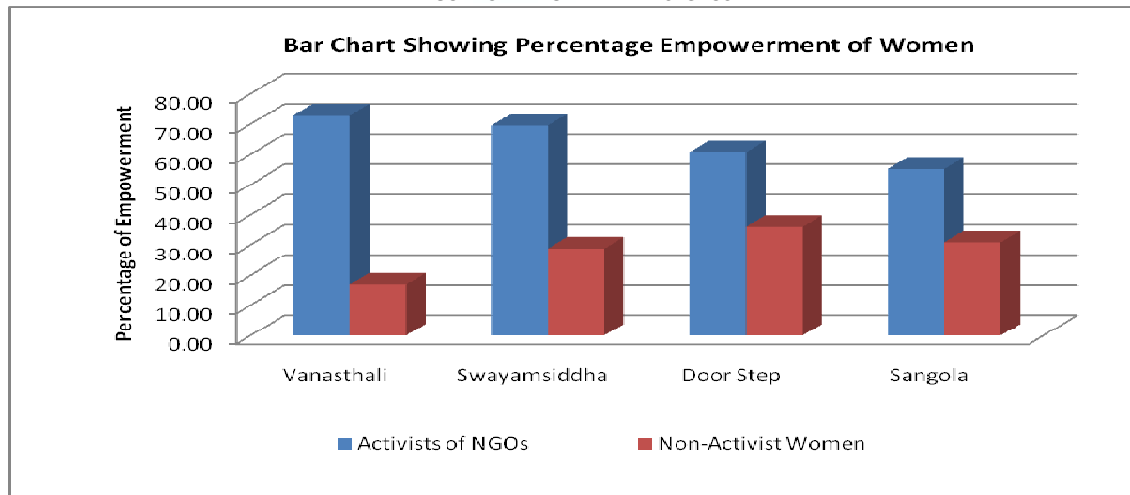


TABLE 3: FINDINGS AND RESULTS OF THE TESTS OF SIGNIFICANCE FOR 4 SUB-HYPOTHESES UNDER HYPOTHESIS 1

	S. E. (X ₁ -X ₂)	Calculated Value of Z	Table Value of Z @ 5% level of Significance	Hypothesis
H1: The individual empowerment of Women, both activists of the NGOs and non-activists, is the same (1, 2, 3, 5, 7, and 14)				
Mean Empowerment Score is the same	00.21	(-).39.60	1.96	Rejected
		$df=(C-1)(R-1)$ $= (C-1)(R-1)$ $= (4-1)(2-1)$	Table Value of X ² @ 5% level of Significance	Hypotheses
01: They travel alone, if required.	08.55	3	07.82	Rejected
02: They express opinions in groups.	09.36	3	07.82	Rejected
03: They do the assigned task independently.	08.81	3	07.82	Rejected
05: They identify the sources of getting required information.	16.66	3	07.82	Rejected
07: They find some time for self every week.	32.33	3	07.82	Rejected
14: They participate in community meetings, and gatherings.	29.24	3	07.82	Rejected
H2: The family-related empowerment of Women, both activists of the NGOs and non-activists, is the same (8, 10, 11)		3		
08: They take part in decision making at home	16.15	3	07.82	Rejected
10: They participate in decisions about children's career.	05.95	3	07.82	Accepted
11: The family members seek their views and opinions while taking decisions at home.	06.26	3	07.82	Accepted
H3: The social empowerment of Women, both activists of the NGOs and non-activists, is the same (4, 6, 9, 12, 13, and 15)		3		
04: They get the task done.	26.76	3	07.82	Rejected
06: They read and write to gain and give knowledge.	10.08	3	07.82	Rejected
09: The community consults them while resolving social issues.	14.69	3	07.82	Rejected
12: The community invites their views and opinions on social problems.	17.33	3	07.82	Rejected
13: They participate in collective efforts to solve the social issues.	11.61	3	07.82	Rejected
15: They have adequate awareness of social issues.	17.26	3	07.82	Rejected
H4: The overall empowerment of Women, both activists of the NGOs and non-activists, is the same (16).		3		
16: They possess proper and adequate knowledge of the responsibilities at home and outside.	06.21	3	07.82	Accepted

TABLE 4: INFERENCES OF THE TESTS OF SIGNIFICANCE FOR 4 SUB-HYPOTHESES UNDER HYPOTHESIS 1

It was found that the mean empowerment of Women activists of the NGOs and that of their non-NGO women counterparts in society differed significantly. The mean individual empowerment score of the women activists of the NGOs under the study was found to be higher than that of their non-NGO women counterparts in society. However, as far as the knowledge possession for fulfilling the responsibilities at home and outside was concerned, the respondent activists felt that the non-NGO women were on a par with them.

Empowerment criteria, about which the respondents felt that their own empowerment status is higher than that of non-NGO women	
Criteria of individual empowerment	
01	They travel alone, if required.
02	They express opinions in groups.
03	They do the assigned task independently.
05	They identify the sources of getting required information.
14	They participate in community meetings, and gatherings.
Criteria of family-related empowerment	
08	They take part in decision making at home
Criteria of social empowerment	
12	The community invites their views and opinions on social problems.
13	They participate in collective efforts to solve the social issues.
15	They have adequate awareness of social issues.
Empowerment criteria, about which the respondents felt that their own empowerment status is equivalent to that of non-NGO women	
Criteria of individual empowerment	
07	They find some time for self every week.
Criteria of family-related empowerment	
10	They participate in decisions about children's career.
11	The family members seek their views and opinions while taking decisions at home.
Criteria of social empowerment	
09	The community consults them while resolving social issues.

Qualities of the leaders, recognised and recollected, by the women activists of NGOs under the study:

H₀: There is a common set of leadership qualities, which is found to be the basis for the empowerment of women activists in women NGOs

TABLE 5: RESULTS ("CHI SQUARE" TEST OF SIGNIFICANCE) FOR 3 SUB-HYPOTHESES UNDER HYPOTHESIS 2

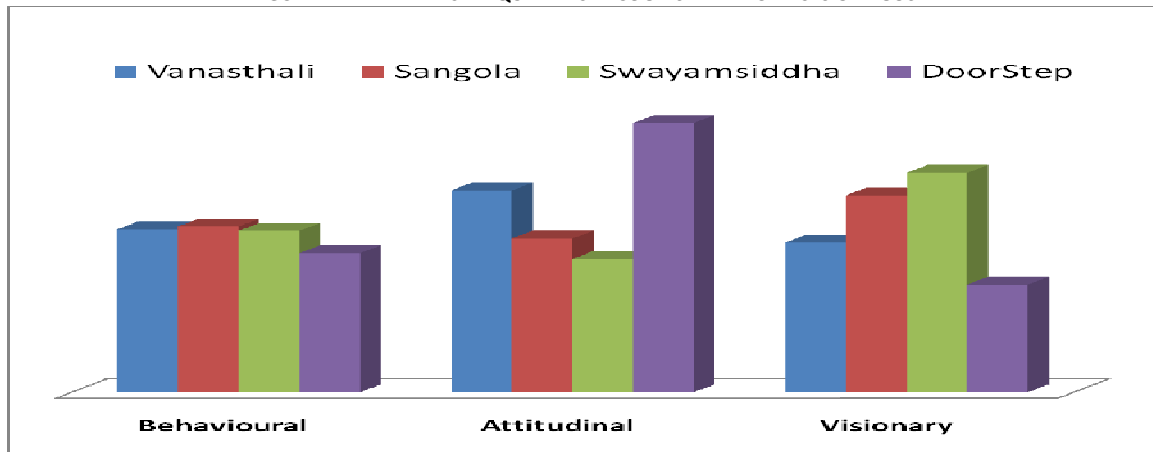
	$X^2 = \sum (fo - fe)^2 / fe$	df=(C-1)(R-1)	Table Value of X^2 @ 1% level of Significance	Hypothesis
H1: The behavioural qualities, recognised and recollected by the women activists of NGOs, under the study, are the same (1, 5, 6, 8, 10).	66.28	(C-1)(R-1) (5-1)(4-1)=12	32.91	Rejected
01: Persuasive and effective oratory	18.93	(n-1)=(4-1)=3	16.27	Rejected
05: Indefatigable nature	05.96	(n-1)=(4-1)=3	16.27	Accepted
06: The skill to motivate others to work	06.24	(n-1)=(4-1)=3	16.27	Accepted
08: Impressive and Disciplined personality	23.00	(n-1)=(4-1)=3	16.27	Rejected
10: Secular nature	12.36	(n-1)=(4-1)=3	16.27	Accepted
H2: The attitudinal qualities, recognised and recollected by the women activists of NGOs under the study, are the same (2, 3, 4, 14, 15).	26.11	(C-1)(R-1) (5-1)(4-1)=12	32.91	Accepted
02: Firm and decisive nature	07.83	(n-1)=(4-1)=3	16.27	Accepted
03: Willingness to take risk	11.25	(n-1)=(4-1)=3	16.27	Accepted
04: Willingness to understand and to solve the problems of others	30.41	(n-1)=(4-1)=3	16.27	Rejected
14: Urge to find a way not taken	20.49	(n-1)=(4-1)=3	16.27	Rejected
15: The nature of understanding the views and opinions of associates	09.05	(n-1)=(4-1)=3	16.27	Accepted
H3: The visionary qualities, recognised and recollected by the women activists of NGOs under the study, are the same (7, 9, 11, 12, 13).	56.60	(C-1)(R-1) (5-1)(4-1)=12	32.91	Rejected
07: Excellent awareness of social issues	04.53	(n-1)=(4-1)=3	16.27	Accepted
09: Strong dedication	22.60	(n-1)=(4-1)=3	16.27	Rejected
11: Urge of women empowerment	45.59	(n-1)=(4-1)=3	16.27	Rejected
12: Urge of rural and educational development	07.43	(n-1)=(4-1)=3	16.27	Accepted
13: Urge of development of activists along with the institution	15.52	(n-1)=(4-1)=3	16.27	Accepted

From the analysis above, it would be clear that although there was no significant difference in the attitudinal qualities recognised by the respondent activists of the NGOs under study, there was significant difference in the behavioural and visionary qualities recognised by them. However, a common set of leadership qualities, which is found to be the basis for the empowerment of women activists in women NGOs emerged from their responses, which comprised indefatigable nature, the skill to motivate others to work, secular nature, firm and decisive nature, willingness to take risk, the nature of understanding the views and opinions of associates, excellent awareness of social issues, urge of rural and educational development, and the urge of development of activists along with the institution.

TABLE 6: LEADERSHIP QUALITIES RECOGNISED AND RECOLLECTED BY ACTIVISTS OF NGOS

Sr. No.	Types of Leadership Qualities	Percentage of Recognition of Leadership Qualities by Activists of Women NGOs			
		Vanasthali	Matabalak Pratishtan	Swayamsiddha	DoorStep
1	Behavioural	31.54	32.093	31.25	27.00
2	Attitudinal	39.10	29.767	25.83	52.2
3	Visionary	28.97	38.14	42.50	20.9

FIGURE 4: THE LEADERSHIP QUALITIES RECOGNISED BY ACTIVISTS OF NGOS



CONCLUDING REMARKS

It is worth noting that the women activists in the NGOs under the study are more empowered than other women in society. Even though their empowerment at individual and social levels is high, when it comes to family, they find it difficult to translate their individual empowerment in reality. Does it indicate that our society has still to go a long way on the path of women's empowerment, so as to achieve the gender equality in the real sense of the term? Only women will not be able to achieve this goal. They will require unequivocal support of the whole of the society.

It is remarkable that the study revealed a set of common leadership qualities amongst the leaders of the NGOs under the study. These qualities have without doubt enhanced the empowerment status of their activists. It is also significant that these leaders have achieved this without keeping it on their main agenda. If they had done so, their activists would have identified it as their one of the most basic leadership qualities. These leaders, however, do not show willingness to take risks and the urge to find a way not taken.

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IMPACT OF AGE AND LEVEL OF EDUCATION ON ORGANIZATIONAL COMMITMENT**DR. ARTI BAKHSHI****HEAD****P.G. DEPARTMENT OF PSYCHOLOGY****UNIVERSITY OF JAMMU****JAMMU****ATUL DUTT SHARMA****UGC- RESEARCH FELLOW****P.G. DEPARTMENT OF PSYCHOLOGY****UNIVERSITY OF JAMMU****JAMMU****DR. KULDEEP KUMAR****LECTURER****DIRECTORATE OF SCHOOL EDUCATION****JAMMU****ABSTRACT**

The present study aimed at exploring the linkages between Allen and Meyer's (1991) three component model of organizational commitment with two demographic variables viz. Age and level of Education, using a field survey on a randomly selected sample of 80 employees working in National Hydroelectric Power Corporation Ltd., a public sector organization in India. Organizational Commitment was measured using revised version of Organizational Commitment Scale by Allen and Meyer (1997). The results of correlation analysis showed that all the three components of organizational commitment-Affective commitment, Continuance commitment and Normative commitment were positively correlated with age but significant correlation was established only between Age and Continuance Commitment. The study showed a negative correlation between Level of education and the three types of Commitment but all of them were insignificant. Hierarchical Regression analyses showed no significant impact of Level of Education on three components of Organizational Commitment. Age showed a significant positive impact on Continuance Commitment among the three components of organizational commitment.

KEYWORDS

Affective, Age, Commitment, Continuance, Level of Education, Normative.

INTRODUCTION

Organizational commitment is of interest to both behavioral scientists and practicing managers. Committed people are thought to be more likely to remain with the organization and to work toward organizational goal attainment (Mowday, Porter, & Steers, 1982, Ostroff, 1992). Porter and Lawler (1968) viewed commitment as the willingness of an employee to exert high levels of effort on behalf of the organization, a strong desire to stay with the organization, and an acceptance of its major goals and values. Commitment reflects a psychological bond between people and organizations. Organizational commitment involves people's feelings about the organizations for which they work – that is, the degree to which they identify with the organizations that employ them. Morrow (1983) indicated that several but different theoretical foundations have been used to define commitment related concepts with a number of measuring instruments as a result. Despite the lack of consensus on the conceptual and theoretical development of this construct, the concept of Organizational commitment has attracted considerable interest in an attempt to understand and clarify the intensity and stability of an employee's dedication to the organization. Researchers have distinguished between three approaches to study commitment, namely from an attitudinal, behavioral and a motivational perspective. Although several studies have viewed affective commitment as an attitude and continuance commitment as a behavior (Boyle, 1997; McGee & Ford, 1987; Reichers, 1985; Somers, 1993), Allen and Meyer (1990) recognised that the cost involved in leaving an organization may be regarded as a psychological state and therefore view continuance commitment as a component of attitudinal commitment. According to Allen and Meyer (1990, p.1), Organizational commitment consists of a three-dimensional construct defined as follows:

- The affective component of Organizational commitment refers to the employee's emotional attachment to, identification with, and involvement in, the organization.
- The continuance component refers to commitment based on the costs that the employee associates with leaving the organization.
- Finally, the normative component refers to the employee's feeling of obligation to remain with the organization.

A number of studies have supported the distinctiveness and independence of these three dimensions and provide evidence that they also have unique antecedents (Allen & Meyer, 1990; Boyle, 1997; Eisenberger, Fasolo & Davis-LaMastro, 1990; McGee & Ford, 1987; Meyer, Allen & Smith, 1993; Randall, Dunham, Grube & Castaneda, 1994; Reichers, 1985; Shore, Barksdale & Shore, 1995; Somers, 1993). Furthermore, support has been found for two distinct dimensions of continuance commitment, one based on personal sacrifices involved in leaving the organization, and the second based on limited employment opportunities (McGee & Ford, 1987; Randall, Dunham, Grube & Castaneda, 1994; Somers, 1993). Although reference to the term 'Organizational commitment' describes three very different constructs, a common denominator underlying each construct is the individual's psychological attachment to the organization, and it is therefore this psychological attachment that defines Organizational commitment. The three concepts differ in terms of the link between the employee and the organization. Employees with a strong affective attachment stay with the organization because they want to, those with a strong continuance commitment stay because they need to and those with a strong normative commitment stay because they feel they ought to (Allen & Meyer, 1990; Caldwell, Chatman & O'Reilly, 1990; Meyer, Allen & Smith, 1993). Literature indicates that highly committed employees are more satisfied with their work, perform at levels beyond expectation, are more motivated and experience higher levels of job involvement (Boyle, 1997; Caldwell, Chatman & O'Reilly, 1990; Eisenberger, Fasolo & Davis-LaMastro, 1990). A large percentage of these studies have been based on employee self report measures of commitment. In an attempt to determine managerial perceptions of employee commitment, research has indicated that Organizational citizenship behavior is predictive of manager-rated affective commitment, and that side bets such as age and tenure are predictive of manager-rated continuance commitment (Shore, Barksdale & Shore, 1995). Meyer, Allen and Smith (1993) argued however that commitment is a complex and multifaceted construct, and therefore a multidimensional approach should be taken when studying commitment. Research suggests that employees experience several different commitments to the goals and values of multiple groups, and that where two individuals may be committed to 'the organization', the focus of the two commitments may be entirely different. Individuals may thus be committed in varying degrees to top management, immediate supervisors, peers, customers, unions, their career, occupation or profession (Boyle, 1997; Meyer, Allen &

Smith, 1993; Reichers, 1985). The distinction between different commitment foci may therefore only be of theoretical interest if the same theoretical base is used for operationalising the different foci (Roodt, 1997; Storm & Roodt, 2002)

REVIEW OF LITERATURE

Empirical evidence has been produced that demographic variables such as years in organization, age, gender, and level of education can have significant effect on organizational commitment. (Khan, R.M., Ziauddin, Jam, F.A. and Ramay, M. I., 2010; Lok, P. and Crawford, J., 2004; Chen, Z. X., and Francesco, A. M., 2000)

According to career development models (Levinson, Darrow, Klein, Levinson, & MeKee, 1978; Super, 1957) the development and maintenance of OC will differ across career stages as represented by age. In the early career stage, Organizational Commitment varies according to individuals opportunities and the availability of attractive alternatives (Mowday et al., 1982; Rusbult & Farrel, 1983). An individual in the early career stage attempts to become established in a job that interests her or him, but if this job proves inappropriate, he or she are very much willing to choose another. Employees at this stage express greater intention to leave their organization and more willingness to relocate than those in other age groups (Ornstein, Cron, & fiocum, 1989; Ornstein & Isabella, 1990). Based on this, age is expected to be an important determinant of OC in the early career stage. The experiences and opportunities of employees at this stage will vary significantly and will result in different Organizational Commitment levels depending on the alternative employment opportunities. Age has a strong effect on OC of employees at this stage. The career models of Super (1957) and Levinson et al. (1978) hold that the propensity to leave an employer and chosen field of work decreases as one moves into the middle and later stages of employment. People in the middle of their career stage are more interested in developing stable work and a stable personal life and in making strong commitments to work, family, and the community. People in the late stage of their career are in a stage of relative tranquillity. They are more oriented to "settling down" and are less willing to leave the organization or a shift in their work for purposes of promotion. Mowday et al. (1982) argued that levels of commitment developed during the early employment period appear to remain stable. Moreover, increased investments in the form of time and energy make it increasingly difficult for employees to leave their jobs voluntarily. The relative stability of commitment levels along with increased difficulties in leaving the organization weaken the relation between age and OC in the mid and late career stages. Thus, one would predict a weaker relation between age and OC in the mid and late career stages than in the early career stage because very little variation in levels of OC are expected in the later career stages.

As employees age their level of commitment towards their employing organisations increases. Research (Dunham, Grube & Castaneda, 1994) indicates a significant relationship between organisational commitment and age. Similarly, researchers (Meyer & Allen, 1997; Cramer, 1993; Lok & Crawford, 1999; Loscocco, 1990; Luthans, 1992; Mowday et al., 1982; Sekaran; 2000) support the findings that the relationship between organisational commitment and age is significant.

Some theorists postulate that, as individuals age, alternative employment opportunities become limited, thereby making their current jobs more attractive (Kacmar et al., 1999; Mathieu & Zajac, 1990; Mowday et al., 1982). Other proponents hypothesise that older individuals may be more committed to their organisations because they have a stronger investment and a greater history with the organisation than do younger employees (Harrison & Hubbard, 1998; Kacmar et al., 1999).

Hellman (1997) held that younger employees are generally likely to be more mobile and to have lower psychological investments in the organisation. The older employees become, the less willing they are to sacrifice the benefits and idiosyncratic credits that are associated with seniority in the organisation.

Research indicates an inverse relationship between organisational commitment and an individual's level of education; however, the results are not always the same (Luthans et al., 1987; Mowday et al., 1982).

A number of researchers maintain that the higher an employees level of education, the lower that individual's level of organisational commitment (Luthans et al., 1987; Mathieu & Zajac, 1990; Mowday et al., 1982). The negative relationship may result from the fact that highly qualified employees have higher expectations that the organisation may be unable to fulfil and hence they are willing to join different organizations.

Chusmir (1982) maintains that there is a positive relationship between commitment and educational qualifications, and level of education may be a predictor of commitment, particularly for working women. However, the level of education does not seem to be consistently related to an employee's level of organisational commitment (Meyer & Allen, 1997).

Higher levels of education are postulated to enhance the possibility that employees can find alternative employment which may reduce their levels of commitment. McClurg's (1999) research found that highly educated employees had lower levels of organisational commitment. This is supported by other findings (Luthans et al., 1987; Mowday et al.).

More educated individuals may also be more committed to their profession. As a result, it would become difficult for an organisation to compete successfully for the psychological involvement of these employees (Mowday et al., 1982). Because, according Mathieu and Zajac (1990), more highly qualified individuals have a greater number of alternative work opportunities. However, Billingsley and Cross (1992) didn't find any support for a relationship between education and commitment.

HYPOTHESES

- 1) There will be a significant impact of age and level of education on Affective commitment.
- 2) There will be a significant impact of age and level of education on Continuance commitment.
- 3) There will be a significant impact of age and level of education on Normative commitment.

METHODOLOGY

SAMPLE

A sample of 80 employees working in NHPC in Jammu Province (J&K) was selected for the study. These employees represented the hierarchy from the Head of the Department to Senior Supervisor level, working in GM Secretariat, HR, Finance, Township, Mechanical, Electrical and Medical departments.

VARIABLES

Predictor variable: Age and Level of Education

Criterion variable: Organizational Commitment (Affective Commitment, Continuance Commitment, Normative Commitment)

MEASURES

Organizational commitment Questionnaire: Affective, Normative, and Continuance commitment were measured with the Organizational commitment Questionnaire developed by Meyer and Allen (1997). This revised Questionnaire has 18 items. Employee responses were obtained on a 7-point Likert-type scale where 1 = *strongly disagree* and 7 = *strongly agree*. Reliability (Coefficient alpha values) ranged from .77 to .88 for affective commitment (ACS), from .65 to .86 for normative commitment (NCS), and from .69 to .84 for continuance commitment (CCS) (Allen & Meyer, 1990a; Cohen, 1996, 1999; Cohen & Kirchmeyer, 1995; Hackeet et al., 1994; Meyer & Allen, 1997; Meyer, Irving, & Allen, 1998; Somers, 1995; Somers & Bimbaum, 1998).

RESULTS

Table 1 lists the Description, means and standard deviations for the variables. The correlations provided some initial support for one of our hypotheses. In support of Hypothesis 2, Continuance Commitment was positively correlated with Age ($r = .369, p < .01$) (Table 2) but not with the other predictor variable i.e. Level of Education. Hypothesis 1 and Hypothesis 3 were not supported, as the results came out to be insignificant. To test the hypotheses, hierarchical regression analysis was performed. At the initial stage, the First variable i.e. Age was entered into the equation. Next, Level of Education as the second Predictor variable was added. The percentage of variability accounted by Age was 0.5% (R square), while the Level of Education variable didn't increase the variability as it was found to be the same as 0.5% in case of Affective Commitment as Criterion Variable. In case of Continuance Commitment, percentage of variability shown

by age was 13.6% (R square), while the education raises it up to 17.4%, a small increase. The percentage of variability shown by Age against Normative commitment was found to be 0.2% which was raised up to 3.6% by the level of education.

Education as one of the predictor variable shows no significant impact on any of the three types of organizational commitment. Age (Table 4) has a significant impact on Continuance Commitment ($\beta = .369$, $p < .05$). Current results suggest that only Age predicts the Organizational commitment in general and Continuance commitment in particular to some extent, thus confirming the partial validity of Hypothesis 2, as Education is not showing any impact on Continuance Commitment. But the impact of Age and Level of Education on Affective and Normative Commitment was found to be insignificant, rejecting the Hypothesis 1 and Hypothesis 3.

DISCUSSION AND CONCLUSION

This study found that Age has an impact on Organizational commitment, specifically Continuance Commitment, which is consistent with the finding of Harrison & Hubbard, (1998) and Kacmar et al., (1999) that older individuals may be more committed to their organisations because they have a stronger investment and a greater history with the organisation than do younger employees. There are various studies which have established a relationship between Age and Organizational Commitment (Dunham, Grube & Castaneda, 1994; Meyer & Allen, 1997) but very few have studied the relationship of Age with its three dimensions. Current study showed a negative correlation between Level of education and the three types of Commitment but no correlation is significant. This study revealed that Level of education doesn't predict Organizational Commitment as it is showing no significant impact on the Commitment, which is consistent with the study of Meyer & Allen, (1997) and Billingsley & Cross (1992).

One of the limitations of this research is the sample size which was not too large. The larger sample size will provide more confidence in the results as large sample includes more variety in age groups and education and thereof, reliable generalizations.

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TABLES

TABLE 1: DESCRIPTIVE STATISTICS OF PARTICIPANTS (N =80)

Variable	Description	M	SD
Age	Years	49.2500	5.94170
Education	0 = Undergraduate 1 = Graduate	.4000	.49299
Organisational Commitment	18 items	82.9375	10.19226
Affective Commitment	6 items	27.1000	5.49015
Continuance Commitment	6 items	27.6500	4.37513
Normative Commitment	6 items	28.1875	4.95318

Note. M = mean; SD = standard deviation

TABLE 2: PEARSON CORRELATIONS

	Age
Affective Commitment	.071
Continuance Commitment	.369**
Normative Commitment	.042

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

	Level of Education
Affective Commitment	-.006
Continuance Commitment	-.216
Normative Commitment	-.187

TABLE 3: MULTIPLE REGRESSION ANALYSIS (AFFECTIVE COMMITMENT)

Model	R	R Square
1.	.071	.005
2.	.071	.005

1 = Age, 2 = Level of Education

Model	Beta	Sig.
Age	.071	.534
Level of Education	-.001	.991

TABLE 4: MULTIPLE REGRESSION ANALYSIS (CONTINUANCE COMMITMENT)

Model	R	R Square
1.	.369	.136
2.	.417	.174

1 = Age, 2 = Level of Education

Model	Beta	Sig.
Age	.369	.001*
Level of Education	-.194	.065

TABLE 5: MULTIPLE REGRESSION ANALYSIS (NORMATIVE COMMITMENT)

Model	R	R Square
1.	.042	.002
2.	.189	.036

1 = Age, 2 = Level of Education

Model	Beta	Sig.
Age	.042	.710
Level of Education	-.185	.103

SCAN ON MINIMUM ALTERNATE TAX

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ABSTRACT

Section 115JB of the Income Tax Act, 1961 levies a special tax on certain companies popularly known as Minimum Alternate Tax (MAT). A large number of companies which were distributing dividends to their share holders based on book profits were not paying income tax by availing the deductions and exemptions available under the Income Tax Act while computing the taxable income under normal provisions. These companies are termed as Zero Tax companies. The collection of tax from such companies is known as Minimum Alternate Tax. In this article the author discussed about the method of computation of Book Profit for MAT calculation, MAT credit and Applicability of Minimum Alternate Tax to foreign companies.

KEYWORDS

Special Tax, Book Profit, Credit, Applicability.

INTRODUCTION

The Minimum Alternate Tax (MAT) was first introduced in section 80WA under the Finance Act, 1983. The section was omitted by the Finance Act, 1987. The MAT in the form of a tax on book profits in section 115J was introduced by the Finance Act, 1987 and was in force of three years. MAT was re-introduced with the insertion of Section 115JA by the Finance Act, 1996. The Finance Act, 2000 inserted a new section 115 JB in the Income Tax, 1961 w.e.f. 1.4.2001 i.e., assessment year 2001-02. It levies a special tax on certain companies popularly known as MINIMUM ALTERNATE TAX. In the long history of 14 years of MAT so far, there have been plethora of legal cases involving various issues. These have primarily cropped up on account of poor drafting due to poor understanding of the accounting standards and revenues objective to maximize the tax collectible. Even though there has been continuous demand for the withdrawal of the provisions, the Government continues with the taxation of book profits. By including MAT provisions in the Direct Tax Code the Government shows its intention not to withdraw the provisions of taxing book profits of the companies. Normally, a company is liable to pay tax on the income computed in accordance with the provisions of the income tax Act. The profit and loss account of the company is prepared as per Schedule VI of the Companies Act, 1956. A large number of companies which were distributing dividends to their share holders based on book profits were not paying income tax by availing the deductions available under the Income Tax Act while computing the taxable income under normal provisions. These companies are termed as Zero Tax companies. In order to collect tax from such companies under the income tax act section 115JA was introduced with effect from assessment year 1997-98. According to section 115JB of the Income Tax Act that in case of a company, if the tax payable on the total income as computed under the Income tax act is less than 10% of its book profit, such book profit shall be deemed to be the total income of the company and the tax payable shall be eighteen point five percent (plus surcharge and education cess) of such book profit.

CORPORATE TAX LIABILITY

- In case of domestic company, Income Tax (IT) is @ 30% for Assessment Year (AY) 2010-11, 2011-12 and 2012-13. Surcharge (SC) if net income exceeds Rs. 1 crore, @ 7.5% and 5% of income-tax for AY 2011-12 and 2012-13 respectively (It was 10% for AY 2010-11)
- In case of foreign company, Income Tax (IT) is @ 40% for Assessment Year 2010-11, 2011-12 and 2012-13. Surcharge (SC) if net income exceeds Rs. 1 crore, @ 2.5% and 2 % of income-tax for the assessment year 2011-12 and 2012-13 respectively.
- Marginal relief is available where net income exceeds Rs. 1 crore.
- In addition, Education Cess (EC) is 2 per cent of income-tax and surcharge.
- Secondary and higher Education Cess (SHEC) is 1 per cent of income-tax and surcharge.

The following table shows the rates of Minimum Alternate Tax since its inception:

TABLE 1: RATE OF MINIMUM ALTERNATE TAX SINCE ITS INCEPTION

Assessment year	Rate of MAT (% of book profit)
2001-07	7.5
2007-10	10
2010-11	15
2011-12	18
2012-13	18.5

FIGURE 1: RATES OF MINIMUM ALTERNATE TAX SINCE ITS INCEPTION

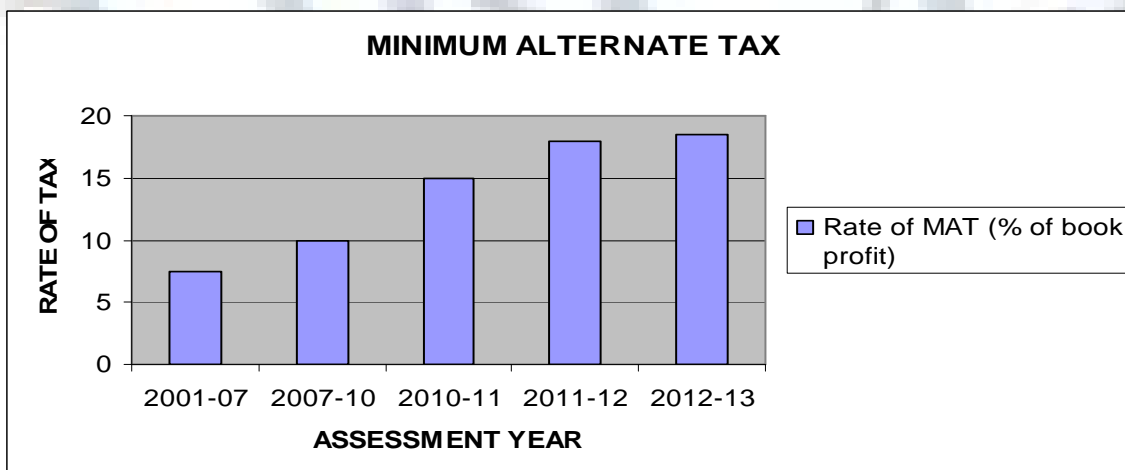


TABLE 2: RATE OF MINIMUM ALTERNATE TAX AS PERCENTAGE OF BOOK PROFIT FOR ASSESSMENT YEAR 2011-12

	If book profit does not exceed Rs. 1 crore			If book profit exceeds Rs. 1 crore			
	IT %	EC and SHEC	Total	IT	SC	EC and SHEC	Total
Domestic company	18	0.54	18.54	18	1.35	0.5805	19.9305
Foreign company	18	0.54	18.54	18	0.45	0.5535	19.0035

Marginal Relief - If book profit of a company exceeds Rs. 1 crore, the minimum alternate tax cannot exceed the following: (Rs. 15 lakh + Book profit – Rs. 1 crore) + EC + SHEC.

TABLE 3: RATE OF MINIMUM ALTERNATE TAX AS PERCENTAGE OF BOOK PROFIT FOR ASSESSMENT YEAR 2012-13

	If book profit does not exceed Rs. 1 crore			If book profit exceeds Rs. 1 crore			
	IT %	EC and SHEC	Total	IT	SC	EC and SHEC	Total
Domestic company	18.5	0.555	19.055	18.5	0.925	0.58275	20.00775
Foreign company	18.5	0.555	19.055	18.5	0.37	0.5661	19.4361

Marginal Relief – If book profit of a company for the assessment year 2012-13 exceeds Rs. 1 crore, the minimum alternate tax cannot exceed the following : (Rs. 18.5 lakh + book profit - Rs. 1 crore) + EC + SHEC.

TABLE 4: COMPUTATION OF BOOK PROFITS IN TABULAR FORM

Net profit as per profit and loss account

XXX

Add: Increased by (if debited to profit and loss account)

i)	Tax paid/payable/provision for tax (includes dividend distribution tax. Any interest, surcharge, EC and SHEC (excluding wealth tax, Fringe Benefit Tax)	xxx
ii)	Amount credited to reserves by whatever name called, other than a reserve for shipping business u/s. 33AC	xxx
iii)	Provisions for unascertained liability	xxx
iv)	Provisions for losses of subsidiary companies	xxx
v)	Dividends paid/proposed	xxx
vi)	Expenditure related to any income to which section 10/11/12 apply (except 10 (38),]	xxx
vii)	The amount of depreciation	xxx
viii)	Deferred tax including the provision created (w.e.f. AY 2001-02)	xxx
ix)	Any amount set aside as diminution in value of assets (w.e.f. 2001-02)	xxx
		XXX

Less: Reduced by (if credited to profit and loss account)

i)	Amount / withdrawn, from any reserves/provisions	xxx
ii)	Exempt income under sections 10/11/12 (except 10 (38),]	xxx
iii)	Brought forward loss (other than depreciation) or unabsorbed depreciation whichever is less, as per books of accounts	xxx
iv)	No deduction in case either brought forward loss or unabsorbed depreciation is nil.	xxx
v)	Amount of deduction as computed under section 80HHC/80HHE/80HHF	xxx
vi)	Profits derived from sick industrial undertakings	xxx
vii)	Depreciation debited excluding depreciation on account of revaluation of asset.	xxx
viii)	Withdrawal from revaluation reserve to the extent it does not exceed the amount of depreciation on account of revaluation.	xxx
ix)	Profits of a Tonnage Tax Company (as per book)	xxx
x)	Income from business in/services rendered	xxx
	BOOK PROFIT	XXX

TWO SET OF ACCOUNTS

- Every company required to compute tax both under the income tax and under section 115JB.
- Profit computed under the income tax is called regular profit and the tax under this method is called regular tax.
- Profit computed under section 115JB is called Book profit and the tax computed is called MAT.
- Every year a company required to compute the tax under the both methods and required to pay higher of those.

CREDIT OF TAX PAID UNDER MAT

A new tax credit scheme is introduced by which MAT paid can be carried forward for set-off against regular tax payable during the subsequent ten year period subject to certain conditions, as under:-

- When a company pays tax under MAT, the tax credit earned by it shall be an amount which is the difference between the amount payable under MAT and the regular tax. Regular tax in this case means the tax payable on the basis of normal computation of total income of the company.
- MAT credit will be allowed carry forward facility for a period of ten assessment¹ years immediately succeeding the assessment year in which MAT is paid.
- In the assessment year when regular tax becomes payable, the difference between the regular tax and the tax computed under MAT for that year will be set off against the MAT credit available.

ILLUSTRATION

TABLE 5: COMPUTATION OF MAT CREDIT: (APPLICABLE WHEN ASSESSEE PAYS TAX ON BOOK PROFIT)

Step I	Tax on Book Profit
Step II	Tax on Total Income
Step III	Mat Credit = Step I- Step II
	MAT credit can be availed in 10 Subsequent Assessment Years.

TABLE 6: AVAILING MAT CREDIT: (APPLICABLE WHEN ASSESSEE PAID TAX ON TOTAL INCOME)

Step I	Tax on total income
Step II	Tax on Book profit
Step III	Difference of tax = Step I- Step II
Step IV	Availed MAT Credit = Actual MAT credit or Step 3 whichever is less
Step V	Net Tax payable = Tax on total income (Step I- Step IV)

¹ From the assessment year 2009-10. (Earlier from the assessment year 2006-07 seven years)

TABLE 7: CASE STUDY: I /YEAR 1

(Applicable when assessee paid tax on Book Profit): Total Income: Rs.3,00,000 & Book Profit: Rs.20,00,000

Step I	Tax on Book Profit = Rs.3,81,000
Step II	Tax on Total Income =Rs 92,700
Step III	Mat Credit = Step I- Step II = 2,88,300

TABLE 8: CASE STUDY: II/YEAR 2

Availing MAT Credit: Total Income Rs.7,00,000 & Book Profit: Rs.10,00,000

Step I	Tax on total income = Rs.2,16,300/-
Step II	Tax on Book profit = Rs.1,90,550/-
Step III	Difference of tax = Step I- Step II Rs.= (2,16,300- 1,90,550) = Rs.25,750/-
Step IV	Availed MAT Credit = Actual MAT credit or Step 3 whichever is less = 2,88,300 or 25,750 whichever is less = Rs.25,750/-
Step V	Net Tax payable = Tax on total income (Step I- Step IV) = 2,16,300 – 25,750 = Rs.,1,90,550/-
Step VI	Balanced of MAT Credit = 2,88,300 – 25,750 = Rs.2,62,550/-

TABLE 9: CASE STUDY: III/YEAR 3

Availing MAT Credit: Total Income: Rs.10,00,000 & Book Profit: Rs.8,00,000/-

Step I	Tax on total income = Rs.3,09,000/-
Step II	Tax on Book profit = Rs.1,52,440/-
Step III	Difference of tax = Step I- Step II Rs.= (3,09,000- 1,52,440) = Rs.1,56,560/-
Step IV	Availed MAT Credit = Actual MAT credit or Step 3 whichever is less = 2,62,550 or 1,56,560 whichever is less = Rs.1,56,560/-
Step V	Net Tax payable = Tax on total income (Step I- Step IV) = 3,09,000 – 1,56,560 = Rs.,1,52,440/-
Step VI	Balanced of MAT Credit = 2,62,550 – 1,56,560 = Rs. 1,05,990/-

APPLICABILITY OF MINIMUM ALTERNATE TAX TO FOREIGN COMPANIES

The Authority for Advance Ruling ("AAR") has delivered an important ruling in the case of *The Timken Company [2010] 193 Taxman 20(AAR-Delhi)* holding that the provisions of section 115JB of the Income-tax Act, 1961 ("the Act") levying Minimum Alternate Tax ("MAT") on the book profit of a company would not apply to a foreign company not having any physical presence in India. The AAR noted that there was no requirement for preparing the financial statements in accordance with the requirements of the Companies Act, which was a fundamental requirement for levy of MAT. Accordingly, the AAR ruled that MAT would not apply to a foreign company, which did not have any physical presence in India. However the MAT will be applicable to all foreign companies having permanent established in India, as they have to prepare their accounts as per Indian Companies Act, 1956.

CONCLUSION

The Direct Tax Code has proposed a tax on assets in the place of Minimum Alternate Tax as Tax on assets at the rate specified, and in the manner provided, here under.

On the value of the gross assets, as on the close of the financial year, of a banking company – 0.25 per cent

On the value of the gross assets, as on the close of the financial year, of any other company – 2 per cent

There was a lot of criticism that it will cripple heavy industries which require large amount investment in factory building and plant and machinery and will discourage the emergence of new industries. After considering the same, it has been decided to calculate MAT with reference to book profit and the same was included in the discussion paper. In the proposed Direct Taxes Code Bill, 2010 the carry forward of credit of MAT paid has been increased to 15 years from the present 10 years. This is a welcome change, even though it does not fulfill the wish of the corporate that the Minimum Alternate Tax is to be withdrawn altogether.

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SELF HELP GROUPS (SHGs): IMPACT ON WELFARE OF RURAL WOMEN AT IKP (INDIRA KRANTHI PATHAM)

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ABSTRACT

In India self help groups 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. This paper attempts to show the impact of SHGs on improved lifestyle of rural women to grow their savings and to access the credit which banks are increasingly willing to lend. This study explores based on field research in 4 villages at Nizamabad district (AP) and sample for the study is 4 groups of 20 members in each group, the sample represents married, older, widows, diverse women and women's groups, mostly bank linked with a loan, it examines the effective management of financial transactions, group sustainability, benefits of the group and also to know the reasons for dropout. The study evidence that women perceived changes in their identity towards working collectively to influence for change at the village and panchayat levels.

KEYWORDS

Self-help groups (SHG), Banks, life style, rural women and group sustainability.

INTRODUCTION TO MICRO FINANCE AND SHG'S

Micro finance has evolved over the past quarter century across India into various operating forms and to a varying degree of success. Micro Finance is the term used for funding poor families with very small loans to improve their livelihood but its activities grow more than providing small loans and it discusses a broad range of services which includes credits, savings, insurance, etc. Since poor families are not accustomed to the traditional form of financial institutions and hence they hesitate to approach and by that they are lacking in financial support and hence the scope of micro finance is very wide and its scope is highly essential to the welfare of poor family.

Microfinance refers to the provision of financial services to low-income clients, including consumers and the self-employed. 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 operated a savings-first business model whereby the member's savings are used to fund loans.

A type of banking service that is provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining financial services, ultimately, the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money and borrowing money.

ABOUT IKP (INDIRA KRANTHI PATHAM)

IKP was founded in 2001 as a statewide poverty project to enable the rural poor to improve their livelihoods and quality of life through their own organizations. It aims to cover all the rural poor households in the state with a special focus on the 30 lakh poorest of the poor households. The main aim of starting this group was, for any meeting or public gathering Male persons used to visit and female members were not aware of things happening around. In order to bring awareness and knowledge about issues of finance and other matters IKP was formed; it was started firstly at Nellore district calling few women to gather and asked the mandal development officers to start a sangham. Initially SC&ST groups have taken initiation to start later on other caste groups are also stated joining in the groups. The groups not only benefited economically but also education wise awareness has come. Initially there were 3 groups with 30 members in 2001 and in 2010 groups became 3250 members in 325 groups at Bhimgal Mandal, Nizamabad District.

TABLE 1.1: NO OF MEMBERS AT BHIMGAL MANDAL, NIZAMABAD DISTRICT

Year	Groups	Members
2001	03	30
2010	325	3250

A drastic Increase in groups from last 10 years at IKP has observed the following improvements

1. Group members are approaching the group leaders any type of loan.
2. Members are able to send their girl child for school.
3. Importance of education has come to their knowledge
4. They are able to distinguish the money getting a less interest rates compare to previous ones.
5. They became health conscious and awareness regarding HIV, Leprosy and other communal diseases
6. Counseling is also given in these groups regarding family issues and able to solve their problems.

RESEARCH METHODOLOGY

This study is based on both Primary and Secondary data. The primary data is in the form of Questionnaire and followed by the Interview based on the objectives of the study. Questionnaire consists of 15 questions which is collected from Four SHGs (self help group)s selected for the study and each group consists of 10 to 20 members group of Nizamabad district. The group consists of combination of BPL (Below Poverty Line) and other women members. Sample size of 80 members and also interviewed the President of the Groups. Secondary data is from statistics report of IKP website, Journals, various articles, books etc.

OBJECTIVES OF THE STUDY

1. To study the benefits obtained by the members of the group.
2. To Study the impact of SHGs in Improving Lifestyle of women and poor people.

HYPOTHESES OF THE STUDY

H1: Members of the group are obtained complete benefits from the SHGs.

H2: There is a considerable improvement in the Lifestyle of the women and poor people after joining the SHG.

SCOPE OF THE STUDY

The scope of the study is wide from a concept point of view because it covers major aspects of Micro finance. However, from an empirical point of view the scope of the study is narrow. The study explores improved Lifestyle of women and poor people who are the members in SHGs. Time period of the study is December 2010 to January 2011.

ANALYSIS OF THE STUDY

The main objective of Indira Kranthi Patham is to enable all the rural poor Families in 22 rural districts of Andhra Pradesh to improve their livelihoods and quality of life. All households below the poverty line, starting from the poorest of the poor are the target group of Indira Kranthi Patham.

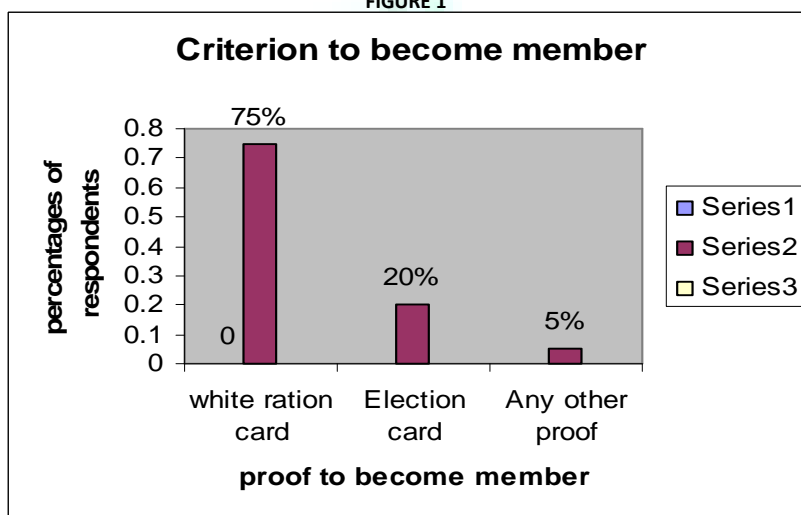
FOLLOWING ARE THE RESULTS FROM THE PRIMARY DATA COLLECTED FROM THE RESPONDENTS

1. Criterion to become a member: The members in the SHG are Nativity, Migrants or Daughters. These people are given membership in the group and they have to open bank account with the bank through the president of the group. Only one woman from the family is eligible to become the member in that group. The following table 1 shows the details of respondents who became members in the SHG.

TABLE 1: CRITERION TO BECOME A MEMBER

Proof to become a member	Percentage of respondents
Nativity	90%
Migrants	05%
Daughters (widows)	05%

FIGURE 1



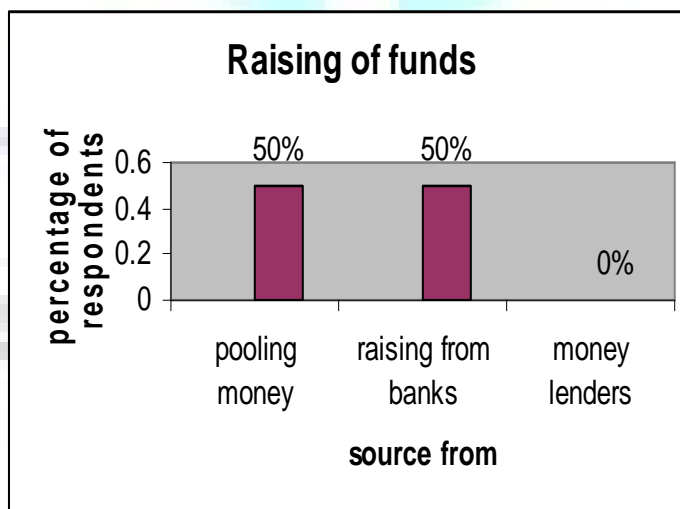
RISING OF FUNDS

Initially the funds are raised by pooling money from the members as per the capacity of the group e.g. (Rs.100 or Rs 150) per month and kept with the president, who ever the group member wants to use for any urgency it will be given and time will be mentioned to repay back the amount, any default by any member the loss will be borne by the remaining members. After one year or two once the group is established the president will approach the bank for further loans. From the following table and figure 2 shows the details of the respondents who have got loans banks and others who are still waiting to complete the minimum period.

TABLE 2: RAISING OF FUNDS

Source from	Percentage of respondents
Pooling money	50%
Raising from banks	50%
Money lenders	0%

FIGURE 2



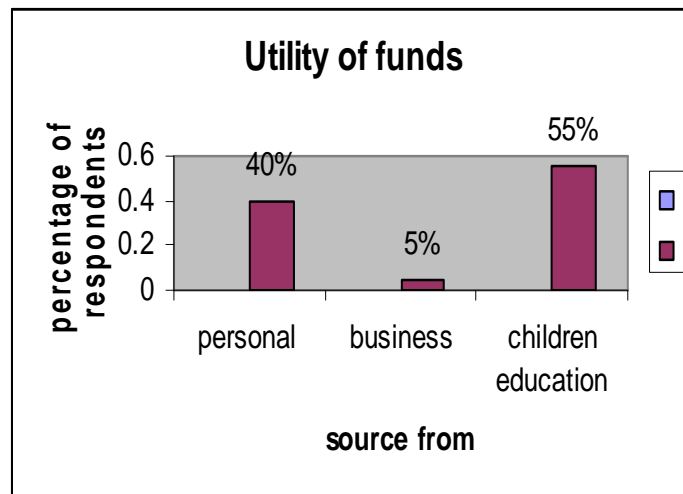
UTILITY OF FUNDS

Respondents of the group said, most of them used funds for children education, personal loans and others have used to set up small business in the house. The respondents who are the members for long time they have benefited by purchasing small piece of land and little of gold and starting up of joint business they come under 5% category. The following table and figure 3 shows the details of utility of funds

TABLE 3: UTILITY OF FUNDS

Funds utilized	Percentage of respondents
Personal	40%
Business	05%
Children education	55%

FIGURE 3



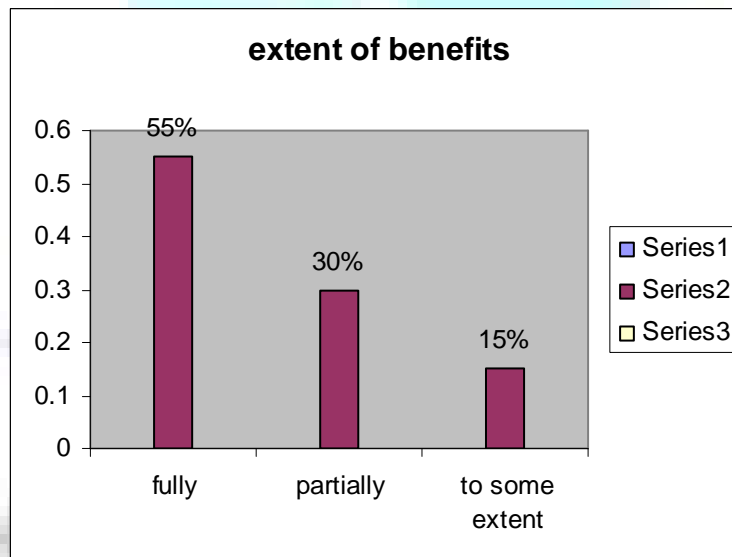
EXTENT OF BENEFITS OUT OF SHGs

Respondents who have benefited fully are (55%) in giving education to their children, taking decisions in house hold activities regarding money matters. By improving their standard of living in accordance with the society. Some respondents have benefited partially are (30%) which requires for them some time to improve. Others who are not sure about their improvement are said to some extent are (15%). They prefer to be life members in the group rather than in any other Institutions, due to flexibility in getting loans and easy to access and approachable. Many respondents said that they have repaid their loans which they were indebted for years together. The following table and figure 4 shows the details of the respondents about their benefits received from the SHGs.

TABLE 4: EXTENT OF BENEFITS OUT OF SHGs

Benefited	Percentage of respondents
Fully	55%
Partially	30%
To some extent	15%

FIGURE 4



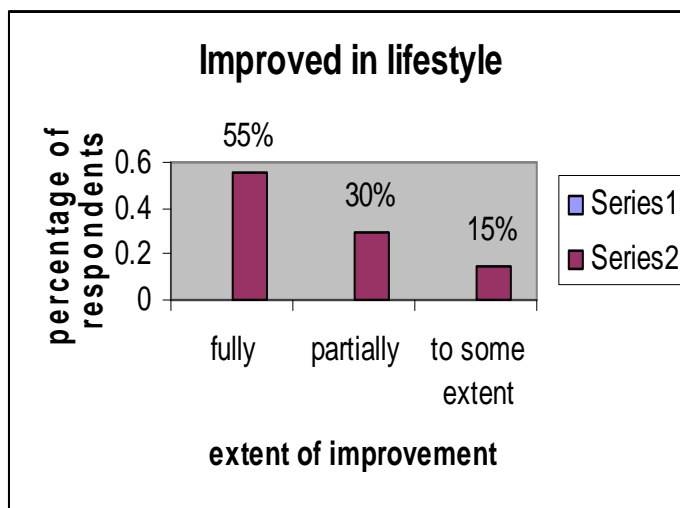
IMPROVEMENT IN THE LIFESTYLE

The respondents felt happy about the SHGs, as they have improved in many ways, e.g. For illiterates, groups have given coaching in how to write their name and do signature, by conducting meetings they have educated awareness of many other things related to their life and well being.

TABLE 5: IMPROVEMENT IN THE LIFESTYLE

Extent of improvement in lifestyle	Percentage of respondents
Fully	55%
Partially	30%
To some extent	15%

FIGURE 5



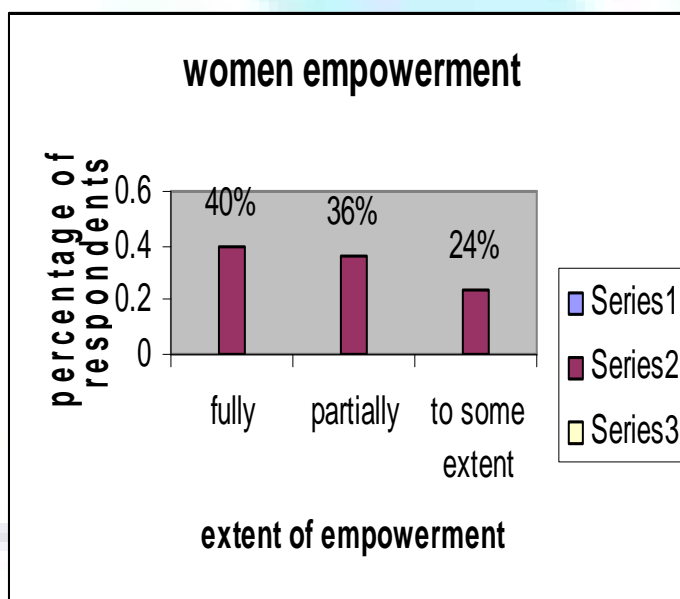
EXTENT OF WOMEN EMPOWERMENT AFTER JOINING THE GROUP

Regarding women empowerment 40% of the respondents felt fully and remaining 36% said partially and 24% respondents feel they are empowered to some extent. but those who are widows and divorcées they are happy with the scheme, that they need not depend either on their parents or on their parent-in-law, in fact they feel it is a boon for them to become a member in the SHGs.

TABLE 6: EXTENT OF WOMEN EMPOWERMENT AFTER JOINING THE GROUP

Extent of women empowerment	Percentage of respondents
Fully	40%
Partially	36%
To some extent	24%

FIGURE 6



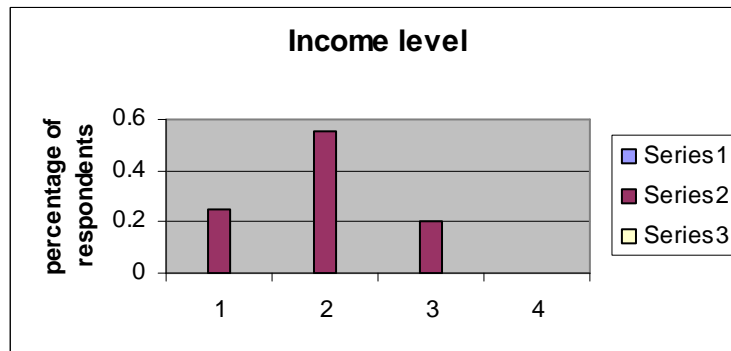
INCOME LEVEL OF THE MEMBERS

The income level of the members are varies from month to month as they are not sure of their earnings, so most of them said their average income for the month would be Rs 3000 to Rs 4000 as their family total income. Most of them work under daily wages. The following Table 7 shows the percentages of respondents who are below Rs 2000 income level and Above Rs 4000 income level.

TABLE 7: INCOME LEVEL OF THE MEMBERS

Level of Income	Percentage of respondents
Rs 2000 to Rs 3000	25%
Rs 3000 to Rs 4000	55%
Above Rs 4000	20%

FIGURE 7



TIME TAKEN TO COME OUT OF POVERTY SITUATION

SHGs started with loans of Rs 3000 in the first year, going up to Rs 4,000 in the second year, and so on. But now some SHGs start with Rs 10,000, go up to Rs 15,000 the next year, and so on, with this kind of loan facility, respondents said minimum period without any discontinuation poor member can come out of poverty line after two years which is very slow process and further steps to be taken.

MAINTAINING BOOKS OF ACCOUNTS

The president of the group will maintain books of accounts and conduct meeting once in a week. And all members must be present for the meeting and decisions will be taken with the concern of members, for this the president will be paid a commission of 2% of the loan amount sanctioned.

DROPOUTS IN THE GROUP

There will be dropouts in the groups, even after taking many precautions before they join. But on the whole they will be less in ratio, in order to maintain harmony in the group they take the new members in to the group in the name of Old member, through the willingness of remaining members.

MISAPPROPRIATION IN GETTING LOANS

Respondents of the group said that, as the president who looks after the sanctioning of the loans and getting them, distributing among the members, different groups charge different types of interests. Even though they get 25 paise interest, but presidents charge from them for 1.25 paise, but members of group feel that they are comfortable with the group than instead of going to Money lender who charges for higher rate of interest with security. But in SHGs there is no Collateral Security.

CONCLUSIONS AND SUGGESTIONS OF THE STUDY

H1 There is a considerable improvement in the Lifestyle of the women and poor people after joining the SHG.....Accepted.

In India still there are 40% of the people who has no bank account out of which 60% are lying in rural areas. Approach to the common people should be fastened and should make flexibilities in obtaining rural credit. This paper has outlined several areas of working with SHGs to further their civil society; the financial status of households had improved due to improvement in access in a formal credit institutions, since SHGs are linked with banks. It has enabled women to undertake income generating activities and increased awareness levels about the society. The SHGs system reflects the independence and diversity.

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SELF HELPS GROUPS: A NEW PARADIGM SHIFT FOR WOMEN EMPOWERMENT

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ABSTRACT

Women Development and status depends on their empowerment. The status of the women and their development is lagging on account of the fact that the poverty is very acute among women than men. For eradication of poverty at its root, it requires sufficient financial and moral support from the part of the Government at the centre in general and State in particular. One of the best way of improving their status and empowering them is through Micro Finance by forming Self Help Groups (SHGs). Sufficient encouragement and support for forming groups for extending services among women group is needed in every local governments area for the development of the rural women in increasing their income, savings, investment, asset generation, operating business, taking decisions and empowerment. The present study is on examining the role of SHGs in empowering women and thereby attains development and eradication of poverty. The data has been obtained by interviewing 300 members from 100 SHGs in Kerala. The inferences drawn from the analysis of the variables that SHGs play a vital role in women empowerment but it needs further fillip for its further development and growth.

KEYWORDS

Women Empowerment, Self Help Groups.

INTRODUCTION

Of late, there is a paradigm shift in development process by incorporating the gender concerns as an important element of development strategy. Duly recognizing the importance and involvement of women in participatory model of development, Government of India in general and Kerala in particular has taken up the theme of women's empowerment as one of the main agenda items to tackle rural poverty a socio economic issues. With over 700 million women living in poverty globally micro finance programming is seen as an essential tool in poverty alleviation. In recent years, micro finance programmes have been used as not only a tool for economic upliftment but also as an effective way to meet women's political and strategic needs. In coherence with globally emerging development perspective, Government of Kerala has also been vigorously pursuing the micro finance agenda for empowering poor women. As a result, organisation of women into SHGs had really taken the shape of a movement in Kerala for improving the status, earning income, asset generation, decision making, and empowering women through which poverty can be eradicated at its root.

The Manusmriti¹, a great epic points out that the woman is not independent and less empowered by saying that "Her father protect (her) in childhood, her husband protects (her) in youth, and her sons protect (her) in old age a woman is never fit for independence". Beijing Declaration(1995)² is that women's empowerment and their full participation on the basis of equality in all spheres of society including participation in the decision making process and access to power are fundamental for the achievement of equality, development and peace. In the words of Sushama Sahay (1998)³, through empowerment they can generate income by starting micro enterprises, joining in neighbour hood groups, joining in employment, dealing in societal activities and participation in politics Women represent fifty per cent of population, make up thirty per cent of the official labour force, perform sixty per cent of all working hours, receive ten per cent of the world income and own less than one per cent of the world property. According to Srilatha Batliwala (1994)⁴ in India, women in general, and the poor rural women in particular, are relatively powerless with little control over resources and marginal say over decision making process. The predominant patriarchal ideology prevalent in the society, inculcate in them, values of submission, sacrifice, obedience and silent suffering. Such ideology often weakens the efforts of women to assert and subjugate them in the hierarchical power relations. Empowerment of women means the strengthening of their capabilities in the social, political and economic sphere. Women's empowerment and material advancement helps them to improve their status in society and strengthens their economic position.

GLOBAL CONCERN FOR WOMEN'S EMPOWERMENT

Though the concept of women's equality existed earlier in some countries, it was globally accepted in 1945, in which equal rights for men and women were accepted as an inalienable principle. The proclamation of the year 1975 as the International Women's Year by the United Nations and the decade 1975 to 1985 as the International women's Decade projected the altered identity of women in the society. The world conference of the UN adopted a comprehensive programme of action at Copenhagen in 1980. It formulated more realistic approaches to place women at par with men. It also spelled out the need to ensure rights to women for co-registering land title and equal access to credit and to her modern inputs and technology. Yet despite several steps taken nationally and globally there is a long way to realise the objective. While making an international evaluation of the status of women in local governance, Marnie S Shaul (1982)⁵ reach at the conclusion that there is not a single country in the world where women enjoy identical status with men in all walks of life. She argues that in most developing countries, low level of education has led to women not being aware of their rights. The Third World Countries saw the launching of a number of policies, programmes and projects to help poor women. In India, different measures have been formulated and implemented since 1950. This concern for low income women was the result of the recognition of their significant role in development.

THE RURAL POVERTY SCENARIO OF WOMEN

Majority of the world's poor are the rural workers. In India this category of rural workers comprises of agricultural workers and workers engaged in related activities such as black smith, artisans, potters, carpenters, weavers, smiths and cobblers. Indian rural population which constitutes the bulk of our nation is characterised by strong family orientation. The family is the source of physical and emotional support and fulfills most social needs. Their relative isolation, low income, low level of education, narrower outlook has made them lag far behind the developmental process. But it is important that they should realise that their decisions regarding fertility have significance outside the immediate family circle, and in fact extend even beyond the confines of their community to the nation as a whole. According to Abdul Aziz (1981)⁶ this category of rural poor is characterised by three common features namely assetlessness (landless agricultural labourers); meager asset owners (small and marginal farmers) and traditional skill owners lacking in managerial capacity (artisans, smiths, cobblers etc) The rural poor generally belong to the lowest strata of the social structure of the society, i.e. Scheduled Caste and Scheduled Tribes and the other vulnerable sections of the societies like fisher folk (marginalized communities).

All the countries of the world confront poverty, which is a complex, multi dimensional problem. This malady is more severe in the developing countries. More than one billion people in the world today, the great majority of whom are women, live in undesirable conditions of abject poverty, mostly in the developing countries (Beijing, 1995)⁷. The manifestations of women's poverty are many. The World Bank Report (1997) notes that 20 per cent of the world's poor live in India and 80 per cent of them are women. They include hunger and malnutrition, ill health, homelessness and inadequate housing, insecure environments and social discrimination and exclusion from the mainstream. UNDP (1995)⁸ report highlighted that feminization of poverty is the tragic consequence of women's unequal access to economic opportunities. Since poverty hits women the hardest, the eradication of poverty of women in India cannot be implemented through anti poverty programmes alone, but it will necessitate their democratic participation in the political process and changes in the economic structure. Poverty alleviation for women means not just an increase in their income but greater access to productive resources such as land, capital, technology and opportunities

to develop the skills needed to improve their lives. There should also be opportunities for them to gain cultural and social capital. This possible only through gainful employment since the key areas in empowerment of women is economic. Anand .U.K (2001)⁹ pointed out that since access to credit is limited; women were degraded to the status of recipient, beneficiary and consumer without considering their ability as a giver, benefactor and producer. While estimating the needs of the clientele, women should be treated not as beneficiaries alone but their abilities as benefactor should also be recognised. Sarkar.D.C(1987)¹⁰, Singh and Ram Iqbal Sing (1987)¹¹, in their studies revealed that there is improvement in standard of living and reduction in poverty on account of various rural development programmes which were designed in accordance with women status .

To provide greater access to credit to the poor, particularly to rural women, the government has encouraged the promotion of Self Help Groups (SHGs) through Non Governmental Organisations (NGOs). In this context, the use of micro credit as an alternative system of credit will be helpful to women and it may act as a powerful instrument for their empowerment. So the objective of the present study is on women's empowerment through self help groups in Kerala.

MICRO FINANCE AND SELF HELPS GROUPS (SHGS)

The philosophy of social work profession is to help people to help themselves. As put by Karmakar (1999)¹² individual efforts is too inadequate to improve the fate of the poor thus making it necessary to organise them in a group by which they get the benefit of collective perception, collective decision making and collecting implementation of programmes for common benefits. Since formation of a group of the poor has shown bet participation in a credit programme, savings and credit can be a good starting point for group formation called Self Help Groups (SHGs).

SHGS MEANING AND GUIDELINES

SHGs are mostly informal groups of people where members pool their savings and lend within the group on rotational basis, depending on consumption, production and investment needs. According to Fisher and Sriram (2002)¹³ these are autonomous organisations which are formed through the savings of the group members. Vatta (2003)¹⁴ puts it, SHGs are small ,informal, and homogenous groups of not more than 20 members wherein after its formation the group regularly collects a fixed amount of thrift from each member. It is the role of a bank which is managed by the people themselves and is called micro enterprises or affinity groups or MYRADA. The basic rule concerning SHGs are a group size between 10 and 20 (preferably 15), Three Elected positions (President, treasurers and secretary), savings (frequently contributed by members), compulsory regular attendance, giving of loans and rules for repayment and finally documentation (keeping of documents like attendance register, proceedings register, savings and loan register , savings pass book, loan pass book, rules and regulations register).

In an article on Self Help Groups and Women Empowerment , Rajamani.B (2011)¹⁵pointed out that self help groups have engaged as a popular method of working with people in the recent years. Power to the people signifies a new social movement, which has probably born out of the realization that society's traditional arrangements can be used for solving their problems. The SHGs area a media for the development of savings habit among women folk. It is a window for developing better technology and skill up gradation. The SHGs collective actions and solidarity are called an important women empowerment mechanism and develops savings habit and mobilisation of resources among the women folk. Manimekalai and Rajeswari (2000)¹⁶ in their study empowerment of women through self help groups attempts to find out the socio economic conditions of SHG members and concluded that the SHG has contributed to women empowerment in decision making, starting micro enterprises and thereby increase in their income. Rajasekhar (2000)¹⁷in his study on Micro Finance programmes and women's empowerment a study of two NGOs summarised that micro finance programmes is more successful in poverty alleviation and women's empowerment . Vijay D Kulkarni (2001)¹⁸ explored the issue of the changing status of women in households and the empowerment that is taking place through the self help group activity in his article Empowerment of Women Through Self Help Groups . The study found that empowerment has taken place across caste/class and brought them together as women. Jaya S Anand (2002)¹⁹valuates the performance of selected SHGs and NHGs identified the factors contributing to their success, examines the role of various promoting agencies in organizing and managing the SHGs and NHGs in her study self groups in empowering rural women. The study found that the members who earlier had some economic activity used the micro credit effectively for expansion and modification and they reaped sustainable benefit by joining the group and the over all position is satisfactory. Sudha Rani , Uma Devi and Surendra (2002)²⁰ in their article SHGs , Micro Credit and Empowerment attempt to find out the difference in the self confidence, health consciousness, house management and interaction styles of women members with development department officials before and after their participation in the SHGs . The study revealed that participation in the SHGs enriched the empowerment of women in four aspects such as self confidence, health consciousness, house management and interaction styles with officials. Paramasivan. C 2011)²¹ in his article on Economic Empowerment of women through SHG in YARCARD stated that empowerment as a social process has challenged the fundamental imbalances of power distribution and relations. It was the distribution of power within and between forties, society's process aiming at social equality which could be achieved through disempowering some structures, systems and institutions. Social empowerment has promoted sustainable rural structure for dissemination of knowledge about health, nutrition, literacy, education, freedom and opportunities of realizing women's potentialities and adoption of new agricultural practices. Also highlighted the participation of women in SHG function, awareness' towards SHGs and motivation to join in the SHGs.

CASE STUDY OF KERALA

The personal experiences have shown that formation of an SHG and its sustenance is certainly not an easy task. It requires dedication on the part of the outside agency to be involved in the work. It is essential that the field staff be trained and committed. A self help group is a small group of women having similar economic background and interests who voluntarily agreed to contribute to a common fund to be lent to its members as peer group decision, for setting up economically viable enterprises, thereby earning an income of their own for the purpose of enhancing their economic and social status. The functioning of SHG is very simple and these SHGs with their own savings begin by availing themselves small interest bearing loans for consumption and productive purposes. After a sufficient period of internal lending, members build up the confidence to access bank credit for larger needs basically for income generating activities. The group also provides a platform to discuss and solve problems at various levels that is at the individual and at a larger level (village level). This type of environment enhances the esteem and decision making capacity of its members. Thus, it is seen that there is no better example of empowerment than SHG.

METHODOLOGY

The methodology adopted for the study is by collecting information from the respondents using Simple Random Sampling method in which 300 members from 100 SHGs in Kerala are selected. This paper is based on the interaction with the respondents made by using a structured Interview Schedule specifically developed for this purpose. The activities of the SHGs in the sample include conducting chitty business, lending of loans, savings and investment, micro enterprises and solving of issues in improving their status and empowerment.

DATA ANALYSIS

a. SOCIO- ECONOMIC PROFILE (DEMOGRAPHIC FACTORS)

Socio-economic variables have an impact on the study on the empowerment of women in Kerala. For this, the profile of the respondents selected at random is analysed by taking into account the Eight (8) selected variables. These selected variables include:

1. **AGE:** The attitudinal change and the behavior are based on the age in which they belong. So for determining the empowerment of women it is important. Age group of the respondents in the sample revealed that majority of the respondents (148 respondents) are in the age group of 35 to 50 years (49 per cent). 44 respondents (14 per cent) of the respondents are in the age group of 20-35 years. 36 respondents (13 per cent) in the age group of less than 20 years and 72 respondents (24 per cent) are in the age group of above 50 years. It is concluded that a large majority of the respondents in the sample are in the age group of 20 to 50 years.

2. EDUCATIONAL QUALIFICATIONS: The qualification of respondents is another major variable used for knowing the status and empowerment of women. It means that on account of higher education they are lenient and behave better and develop their status and empowerment due to high knowledge and maturity. This in turn creates better development and empowerment of women. In this case 88 respondents (29 per cent) of the sample are educated above the graduation level. 136 respondents (45 per cent) of them have an education level of above SSLC but below Degree and 60 respondents (20 per cent) have an education level of above primary but below SSLC. Only a few respondents from the sample, i.e., 16 respondents (6 per cent) having education at below primary and. It is clear from the analysis on the qualification of the respondents that most of them have an education level of above degree.

3. NATURE OF THE SECTOR: The basic premise of the study rests in the sector in which they are working or not working. The sample respondents are categorised into working in Government, Non Government and not working. A large majority of the respondents are not working and basically involved in SHGs activities alone ie, 200 respondents (67 percent). 72 respondents (24 percent) are working under Non Governmental Organisations and 28 respondents (9 per cent) are working in Government Organisations.

4. MARITAL STATUS: Another variable taken for analysing the personal profile of women respondent is marital status. This also have an impact on the development and empowerment of women through SHGs. In this case 218 respondents (73 per cent) of the sample are married and only 82 respondents (27 per cent) in the sample are unmarried. In short it is clear from the analysis that majority of the sample respondents are married and only a few are bachelors.

5. LOCATION: The women empowerment to a greater extent is location specific hence is an important variable. There were 264 respondents (88 per cent) are residing in rural areas and only 36 respondents (12 per cent) are residing in the rural areas .To conclude that a large majority of the respondents in the sample are residing with rural backing.

6. RELIGION: Another important variable which changes the attitude and behaviour of women is Religion. Each and every religion has its own effect on building the culture of every person. The civilization and culture of people will have an effect on creating or reducing the status and empowerment. There were 125 respondents (42 per cent), 95 respondents (32 per cent) 80 respondents (26 per cent) respectively are from Hindu, Christian and Muslim religion. It means that there is adequate representation of respondents from Hindu and Christian religion compared to Muslim religion in SHGs.

7. INCOME LEVEL: Another important variable which determine the economic conditions of women in the SHG group is income. The sample respondents with annual income less than Rs 25000 is more (75 per cent). 50 respondents with income between Rs 25,000 and 50,000 but only 8 respondents have a level of income of above Rs 50,000. It means for earning income for living they are engaged in various activities of SHGs.

8. NATURE OF ACTIVITY: Another important variable which determine women empowerment is the nature of activity carried out by them. The important activities performed by the women in Kerala in general are Farm activities like lease land farming, organic cultivation and agricultural labourers in unorganized sector; Hospitality industry or activities like conducting canteen, catering services and so on; Micro Enterprises; Solid Waste Management; Health Sector; and Education Sector whereas conducting Chitties, Curies, Micro enterprises, micro credit are the activities of the SHGs in particular. In this case 110 respondents (37 per cent) are engaged in Chitties and Curies, followed by 90 respondents (30 per cent) in Micro finance, 80 respondents (27 per cent) engaged in Micro enterprises and 20 respondents (6 per cent) in social service activities. It is clear that a large majority of them are engaged in Chitties and micro finance activities.

b. ANALYSIS OF VARIABLES

The study take into account the variables such as income generation, asset creation, reduction in liabilities, reduction in poverty levels, improvement in decision making power, improvement in confidence level, improvement in risk taking, improvement in over all performance, difficulties in operation of business, gender issues, social and political exposure, social and economic development and the development actually attained. The important results of analysis of variable are:

- 1. INCOME GENERATION:** The involvement of women through SHGs operations leads to improvement in various factors. As far as income generation is concerned 225 respondents (75 per cent) out of 300 reported that they are able to generate income.
- 2. ASSET CREATION:** In the case of Asset creation 264 respondents (88 per cent) out of the total are of the view that they can improve their asset position.
- 3. REDUCTION IN LIABILITY:** There is reduction in liability according to 110 respondents (37 per cent) out of a total of 300 respondents
- 4. IMPROVEMENT IN DECISION MAKING POWER:** In this case 190 respondents (84 per cent) argued that there is improvement in decision making power and conducting various businesses and its management.
- 5. IMPROVEMENT IN CONFIDENCE LEVEL:** In this case a large majority of the respondents in the sample (110 respondents) which represent 36 per cent viewed that they have improved their level of confidence after joining with SHGs and its operations and manage the difficulties faced.
- 6. IMPROVEMENT IN UNDERTAKING RISK:** There is improvement in their confidence level and have started micro enterprises thereby earn profit and are capable of under taking risk according to 120 respondents (40 per cent) in the sample.
- 7. REDUCTION IN POVERTY LEVEL:** On account of active participation in the activities of the SHGs they earn income and in turn it reduced the impact of poverty according to 155 respondents (52 per cent) in the sample.
- 8. IMPROVEMENT IN OVER ALL PERFORMANCE:** The capacity of women in social and political spheres improved much through interactions with the various spectrums of the society according to the 130 respondents (43 per cent).

SHORTCOMINGS

From the study the following functional problems are identified:

1. Women members do not come regularly for the meetings
2. They are not able to deposit money on a regular basis.
3. Difficulty in savings on account of lack of source of surplus income.
4. Expectation of generation of income soon after investment
5. Failure from the part of members in repayment of loans advanced.
6. Lack of sufficient support from other family members; and
7. Ego clashes

SUGGESTIONS

Even though there exist problems in the functional operations, the attainment and success is very great but more improvement the following suggestions are made:

1. Ensure sufficient participation and co-operation from all members.
2. Problem confronted by individual members are solved through discussion in the group.
3. Follow up actions are necessary for watching the loan utilisation by members
4. Empower the members to undertake business ventures.
5. Empower the members to take decisions; and
6. Financial and moral support from the Centre and State must reach SHGs through NABARD, Banks and Local governments to whom they have direct contact.

CONCLUSION

Micro finance through SHGs has now become a modern economical weapon for empowerment to fight against poverty. The government of India in general and Kerala in particular have been vigorously pursuing the micro finance agenda for empowering poor women. Many big and small institutions are taking part in this revolution of micro finance vigorously. Still it has a long way to become successful. Many programmes from *Garebi Hato* to *MNREGP* were started by the government enthusiastically but they were not able to achieve their objectives. The reason behind this is poor follow up lack of management and participation

form the government as well as the people. No programme can ever get its ultimate results unless and until there is co ordination and co-operation between the government and the beneficiaries. Necessary managerial, technical and marketing skills can be imparted to groups to enhance their livelihood opportunities. Government and non government agencies can play a proactive role in mobilizing, organizing and sustaining SHGs.

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WTO AND INDIA'S FOREIGN TRADE

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ABSTRACT

With the emergence of the new world order after the establishment of the WTO in 1995, there has been a paradigm shift in the practices of the trade among various nations of the globe. The mission of achieving barriers free trade among various countries has come to the fore at various meetings, conferences and forums but due to conflicting ideologies, interests and preferences of the participants the issues always remain unresolved and further added flames to the new issues. In the present paper an attempt has been made to identify the assessment of impact over the trade quantum of India during a time series of data from 1985 to 2007. The trade data has been compiled from various authenticated sources. Keeping in view the objectives of the study, hypotheses have been constructed and tested with the help of the parametric tests. The variables taken in this study are: exports, imports (monetary values); Balance of trade; foreign exchange effective rates (real and nominal) and trade index (5 country and 10 –country) etc. This paper is divided into four parts. The first part is related to the study of present status of India's foreign trade with rest of world. In the second and third parts, the pre and post WTO impact on India's foreign trade has been analyzed by testing the hypotheses at 5% level of significance. The last part of this study is devoted to trend analysis of Indian foreign trade with select group of countries/country.

KEYWORDS

Foreign trade, Foreign exchange rate, WTO.

INTRODUCTION

As an important member of WTO, India ranks 20th in merchandise export and 13th in merchandise import while it stand at seventh rank as far as commercial service export is concerned (WTO statistics, Oct.2011). The annual percentage change in the merchandise export (f.o.b.) and merchandise import (c.i.s) basis is 17 and 18 respectively and surprisingly till date(2010) India's share of world total export is only 1.44% while in import it is merely 2.12%. To bring synchronization and providing platform for the open trade of goods and services WTO was established in the year 1995 and this was the time when India also introduced reforms in economic policy including trade.

The empirical evidences are sufficient to justify that despite various measures adopted by the Govt. to open trade barriers by lifting of tariffs and non-tariff barriers on many commodities, the import were dominating the export not only in terms of volume but value too. It may be due to various other macro economic variables like exchange rates and skewed trend in the growth of export in services particularly IT and ITES during the last fifteen years but the overall impact of WTO on India's foreign trade has not been too much impressive and that why the present study has been done to analyse the trend of India's foreign trade with rest of world with two time series data.

REVIEW OF LITRATURE

There have been various studies on the relational aspects of WTO and trade. Some have dimensions regarding growth pattern while in some papers there is an assessment of impact of WTO policies on the trade. Still there is a dearth of research work on the effectiveness and impact of the WTO trade regime on Indian trade at large. For the present paper an extensive review of literature has been carried out to formulate idea the multidimensional aspects of the WTO and trade in India. Though there are few studies on related areas of export performance of Indian firms in the post liberalization period, impact studies of WTO and India are also lacking. Review of available researches on trade performance of Indian firms can act as a guiding force in the assessment of impact. Here is the glimpse of the work done by different authors on various aspects.

Bergsten emphasized the need to open market for prosperity among nations with the help of regional cooperation. He opined that the most assured technique for achieving such parallel action to insist on reciprocity, through the negotiation of trade arrangements with enough existing or potential markets to tip the internal balance in favor of the desired liberalization. **Dholakia & Kapur** examined and explained the export performance of 557 firms for the years 1980-81 to 1995-96 by applying panel Tobit model and also observed that firm size, R& D expenditure, import intensity, advertisement expenditure, firm level growth, product quality, diversification, marketing & selling efforts, transaction cost have significant impact over the export performance. **Sharma & Panagiotidis** investigated the relationship between export growth and GDP growth by testing empirically through co-integration using Johansen approach and concluded that relatively big stocks in real exports do not generate significance responses. **Dash & Narasinghan** investigated the impact of exchange rate volatility on exports in the Indian economy during the post liberalization period and found that exchange rate volatility has played a role in reducing Indian exports during the post liberalization period. **Kaushik & Karol** attempted to examine the impact of export instability on imports of capital goods and gross capital formation and concluded that export instability induces instability in capital goods imports. Wadhwa (1998) concluded that the relatively low performance of India's export can be attributed more distinctly to the domestic supply side constraints than to the adverse impact of unfavourable external factors. **Kaushik & Paras** observed that the extent of diversification on trade performance depends upon initial conditions, state of infrastructure, technological capability as well as the external policy environment including changes in exchange rates, terms of trade and foreign resource inflows. **Roy** analyzed the persistence in the export performance of India's manufacturing sector during 1960-97 by taking into consideration various demands and supply factors and concluded that the performance is not only affected by the real effective exchange rate but also by world demand. The perpetuating market access problem sets an upper limit to the realization of potential world demand. **Poddar** in his working paper analyzed the microeconomics of the export performance of Indian firms and observed that most of the increase in export during the reforms period is more driven by existing firms which are export oriented. He further suggested that policy makers should encourage innovation and competition rather than protection and export incentives. **Sudarsan** revealed the import-intensity of our software export and suggested that the government should provide enough infrastructure support for sustainability of the same. **Ray, Sougata** observed that firms which had better environment-strategy fit achieved superior performance. He also focused on the need of increased importance of environmental scanning and strategic planning systems for bringing better performance.

Maltais et al analyzed the positive economic impacts in the liberalisation scenario, and expressed the concerns over the marginalization of small farmers, women and rural poor. The environmental impacts are less clear but there appear to be possibilities of both improvements to degradation trajectories and risks of negative land impacts. The intermediate scenario is more positive given opportunities to mitigate some of the potential negative social and environmental impacts. This is due to an identified need for public investment in India's agricultural sector, and due to a better bargaining situation for India in the WTO context. No impacts can be predicted for the baseline scenario.

OBJECTIVES

Based on the problem formulation and critical review of the literature available on the related aspects of the topic, the following objectives have been framed:

1. To review the present status of Indian trade with the rest of world in post WTO regime.
2. To analyze the trade pattern and growth of foreign trade of India in pre and post WTO period.
3. To find out the correlation between trade and exchange rates (real and nominal).
4. To carry out a comparative study of post WTO foreign trade of India with developing countries.

RESEARCH METHODOLOGY

The present study is explanatory in nature. The sampling is based on available data of time series for the convenience of the researchers.

DATA SOURCE

The present study is based on secondary data collected from authenticated sources from Indian and international organization. The data of trade (export and imports in terms of value) have been collected from Govt. of India site (Ministry of Commerce), Directorate general of Foreign Trade (DGFT) and Economic surveys of India. Time series data has been taken from 1985 to till date from various sources of WTO, UNCTAD reports, US trade census bureau, World Bank reports and studies.

The time period of study is divided into two parts; one part relates to pre WTO phase i.e. from the period 1985 to 1996(WTO was established in the year 1995 and one year has been used as gap year and the impact assessment of Post WTO has been done with year 1996) and the second phase is named as post WTO period (from 1997-2008) for comparison purpose and observing the impact of WTO on trade.

Keeping in view the objectives of the study the following hypotheses have been constructed:

HYPOTHESES

H₁ : There is no significant difference between the percentage changes in merchandise trade between India and rest of world during pre (1985-96) and post WTO(1997-2008) periods.

H₂ : There is no significant difference between the percentage changes in service trade between India and rest of world during pre (1985-96) and post WTO (1997-2008) periods.

H₃ : There is direct correlation between the trade and the exchange rates(real and nominal).

H₄ : There is significant growth of trade between India and some trade blocks during the WTO regime.

RESEARCH TOOLS

To test the hypotheses No. 1 and 2 the following tests of significance have been applied.

Paired sample t- test for checking the significance difference between the means of two samples of observation. The following formula has been adopted to calculate the value of t:

$$t = \frac{(x_1 - x_2) - D_0}{\sqrt{s_1^2/n_1 + s_2^2/n_2}}$$

Where hypothesized difference between μ_1 and μ_2 is D_0

For testing the hypothesis no. 3 the following multiple regression model has been applied:

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \epsilon$$

Y is dependent variable (in this case trade index) $\beta_0, \beta_1, \beta_2$ are regression coefficients and ϵ is a standard error.

The F, t and R value have been calculated using SPSS for checking the significant differences among variances. Similarly the CAGR is calculated with SPSS.

The CAGR has been calculated using the formula $Y=AB$

Where Y= dependent variable

A=constant

B=slope of trend line (growth rate)

T=time

ANALYSIS AND INTERPRETATION

From 1985 to 2007 the compound annualized growth rate (CAGR) of export in merchandise trade of India with the rest of world was 11.99% which is almost equal to 11.54% in case of imports, showing that during 23 years of observations, the export have marginally led imports by a small percentage (table 1.1). The percentage change in export and import in pre WTO and post WTO periods have shown no significant difference in their means (table 1.1(A) showing t-value for paired sample t-test.

TABLE 1.1: SHOWING TOTAL MERCHANDISE TRADE OF INDIA WITH WORLD (US DOLLARS AT CURRENT PRICE IN MILLION)

YEAR	EXPORT	IMPORT
1985	9140	15928
1986	9399	15421
1987	11298	16675
1988	13325	19149
1989	15846	20535
1990	17969	23580
1991	17727	20448
1992	19628	23579
1993	21572	22788
1994	25022	26843
1995	30630	34707
1996	33105	37942
1997	35008	41432
1998	33437	42980
1999	35667	46979
2000	42379	51523
2001	43361	50392
2002	49250	56517
2003	58963	72558
2004	76649	99775
2005	99620	142842
2006	120861	175242
2007	145228	216682
CAGR(%)	11.99%	11.54%

Source: Trade Profiles; WTO Statistical Data Base

TABLE 1.1(A) SHOWING THE T- VALUES OF PAIRED SAMPLE T-TEST DURING PRE (1985-96) AND POST (1997-2007) WTO PHASES AT 5% LEVEL OF SIGNIFICANCE FOR MERCHANDISE TRADE BETWEEN INDIA AND REST OF WORLD

Type of trade	t-value	Sig. at
Export	-0.625	0.548
Import	-1.586	0.147

Source: values calculated with help of SPSS

TABLE 1.1(B) SHOWING THE F-TEST VALUES OF MERCHANDISE EXPORT DURING PRE WTO (1985-96) AND POST WTO (1997-2007) PHASES AT 5% LEVEL OF SIGNIFICANCE

Type of trade	F-value	F critical(one tail)
Export	0.041014	0.350431
Import	0.013081	0.345277

Source: values calculated with help of SPSS

TABLE 1.2 SHOWING COMMERCIAL SERVICES TRADE (EXCL. GOVT. SERVICES) OF INDIA WITH WORLD (US dollars at current price in million)

YEAR	EXPORT	IMPORT
1985	3274	3815
1986	3136	3828
1987	3266	4516
1988	3719	5168
1989	4092	5738
1990	4609	5943
1991	4905	5797
1992	4893	6615
1993	5034	6356
1994	6031	8030
1995	6763	10062
1996	7179	11000
1997	8926	12277
1998	11067	14192
1999	14006	17045
2000	16030	18896
2001	16799	19792
2002	19125	20776
2003	26633	24679
2004	37931	35293
2005	55508	47545
2006	75057	63053
2007	86366	78080
CAGR	15.86%	13.72%

Source: Trade Profiles; WTO Statistical Data Base

TABLE 1.2(A) SHOWING THE T- VALUES OF PAIRED SAMPLE T-TEST DURING PRE (1985-96) AND POST (1997-2007) WTO PHASES AT 5% LEVEL OF SIGNIFICANCE FOR COMMERCIAL SERVICES TRADE BETWEEN INDIA AND REST OF WORLD.

Type of trade	t-value	Sig. at
Export	-0.328	0.011
Import	-2.142	0.061

Source: values calculated with help of SPSS

TABLE 1.2(B) SHOWING THE F-TEST VALUES OF SERVICE EXPORT DURING PRE WTO (1985-96) AND POST WTO (1997-2007) PHASES AT 5% LEVEL OF SIGNIFICANCE

Type of trade	F-value	F critical(one tail)
Export	0.002501	0.350431
Import	0.010796	0.350431

Source: values calculated with help of SPSS

From the tables above it is clear that the t-values are far below the tabular values thereby the hypothesis that there is no significant difference between the %age change in means of exports and imports of merchandise trade during pre (1985-96) and post (1997-2007) WTO periods. On the similar trends, by applying two samples F-test for variance, the values of F shows that the difference is not significant. As an overall conclusion, it is derived that the WTO regime has not impacted the trade (export and import) of India with rest of the world. Therefore, there is a need to find and understand some other factors influencing trade of India with the rest of world.

The similar observations have been made on the service trade pattern in pre and post WTO regimes i.e. there is no significance difference between the volume of trade (merchandise and service) during pre and post WTO phases.

TABLE 1.3 SHOWING GDP AND MERCHANDISE TRADE BY REGION, 2004-06 (Annual percentage change, at constant prices)

Country	GDP			EXPORT			IMPORT		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
North America	3.9	3.2	3.4	8.0	6.0	8.5	10.5	6.5	6.5
US	3.9	3.2	3.4	8.5	8.0	10.5	11.0	6.0	5.5
South & central America	6.9	5.2	5.2	13.0	8.0	2.0	18.5	14.0	10.5
Europe	2.4	1.8	2.8	7.0	4.0	7.5	7.0	4.0	7.0
European Union(25)	2.3	1.6	2.8	7.0	4.0	7.5	6.5	3.5	6.5
CIS	8.0	6.7	7.5	12.0	305	3.0	16.0	18.0	20.0
Africa & Middle East	6.0	5.5	5.4	8.0	5.0	1.0	14.0	13.0	8.5
Asia	4.8	4.1	4.4	15.5	11.5	13.5	14.5	8.0	8.5
China	10.1	9.9	10.7	24.0	25.0	22	21.5	11.5	16.5
Japan	2.7	1.9	2.2	13.5	5.0	10.0	6.5	2.0	2.0
India	8.0	8.5	8.3	15.5	20.5	11.5	16.0	20.5	12.0
World	3.9	3.2	3.7	10.0	6.5	8.0			

Source: World Development Report 2007

TABLE 1.4 RATIO OF MERCHANDISE EXPORTS TO GDP, 1870-2005 (Percentage, real trade and GDP at 1990 prices and exchange rates)

Year	1870	1913	1929	1950	1973	1998	2000	2005
Canada	11.3	11.6	22.4	12.3	19.3	39.0	42.4	39.7
US	2.5	3.7	5.9	3.0	4.9	10.1	10.6	10.2
Brazil	12.2	9.8	6.9	3.9	2.5	5.4	5.5	8.9
Mexico	3.9	9.1	14.3	3.0	1.9	10.7	12.3	12.3
Austria	5.5	8.6	7.4	5.2	16.3	45.5	52.7	64.8
Belgium	9.0	22.6	24.3	17.3	52.1	88.5	97.0	112.2
Denmark	8.3	12.8	23.2	12.1	23.7	41.9	45.5	49.4
Finland	15.5	25.0	40.4	18.7	30.2	51.6	54.6	51.9
France	4.9	7.8	11.5	7.6	15.2	28.7	29.9	27.6
Germany	9.5							
Italy	4.3	4.8	5.9	3.5	12.5	26.1	28.7	28.8
Netherlands	17.4	17.3	29.7	12.2	40.7	61.2	62.9	77.7
Norway	9.0	14.0	23.3	12.9	26.2	55.4	56.7	55.6
Sweden	10.3	15.3	23.9	15.6	31.4	62.5	63.3	64.5
Switzerland	18.9	34.8	35.0	15.3	33.2	51.8	56.0	59.3
UK	12.2	17.5	14.2	11.3	14.0	25.0	23.1	19.3
Australia	7.1	12.3	13.2	8.8	11.0	18.1	19.8	18.6
China	0.7	1.7	2.6	2.6	1.6	4.9	5.9	10.7
India	2.6	4.6	4.0	2.5	2.0	2.4	2.9	3.7
Japan	0.2	2.4	6.1	2.2	7.7	13.4	14.6	15.7
World	4.6	7.9	9.0	5.5	10.5	17.2	18.5	20.5

Note: Territorial changes affect comparability in time for a number of countries especially between 1913 and 1929 and 1929 and 1950 (e.g. Austria, France, Germany, Great Britain, China, India and Japan).

Sources: World Trade Report, 2007

Also, from the table 1.4, it is obvious that the ratio of merchandise export to GDP expressed as %age at 1990 prices and exchange rate has shown declining trend from 1913 to 1973 i.e. from 4.6% to 2.0%, however, from 1998 onwards this ratio has slightly improved. It is surprising to note that the ratio of real trade to GDP of India has even not beaten the world ratio. Only the countries like Canada, France, Belgium, Italy, Switzerland, Norway and Germany are leading the world ratio i.e. the export (merchandise) to GDP ratio is higher than the world average. Though China has lower ratio than the world yet its growth is more than India during the last fifteen years or so.

TABLE 5 GROWTH IN THE VOLUME OF WORLD MERCHANDISE EXPORTS AND PRODUCTION, 2000-2006 (Annual percentage change)

World merchandise exports	55	5	65	80
Agricultural products	4	4	6	6
Fuels and mining products	3	6	3.5	3
Manufactures	6	11	7.5	10
World merchandise production	25	50	5	3.0
Agriculture	2	5	1.5	1
Mining	1.5	4.5	1.5	1
Manufacturing	3	5.5	4	3.5
World GDP	3.0	4.0	3.5	3.5

Source: WTO, World Trade Developments Statistics

TABLE 5(A) GROWTH IN THE VOLUME OF WORLD MERCHANDISE TRADE BY SELECTED REGION, 2000-2006 (Annual percentage change)

Region/country	Export			Import		
North America	3	6	8	5	6	6
South and Central America	6	8	3	6	14	14
Europe	4	4	7	4	4	7
European Union (25)	4	4	7	3	4	7
Commonwealth of Independent States (CIS)	8	4	6	17	18	21
Asia	10	11	13	9	8	9
Japan	6	5	10	3	2	3
Six East Asian traders	8	8	11	6	6	8
World	5	7	8	5	7	8

Source: WTO, World Trade Developments Statistics

TREND ANALYSIS OF INDIAN FOREIGN TRADE WITH SELECT GROUP OF COUNTRIES/COUNTRY

A study of dietary composition comparison between India and China show that eating habits have also an influence on trade practices. The dietary composition of vegetables in both India and China has increased during eight years are WTO regime (table 1.6). Similarly the per capita metal consumption has significant role in foreign trade of a country (table 1.7). The increased consumption of steel in China, Japan, Korea and US have given rise to import of the the commodity and export potential of India lies in the sector.

TABLE 1.6 (US million dollar)

YEAR	Export(including Re-export)	Import	Trade Balance	Rate of Change(%age)	
				Export	Import
1949-50	1016	1292	-276		
1950-51	1269	1273	-4	24.9	-1.5
1959-60	1343	2016	-674	10.1	6
1969-70	1866	2089	-223	4.4	-16.9
1979-80	7947	11321	-3374	13.9	36.4
1985-86	8907	16067	-7162	-9.9	11.5
1986-87	9745	15727	-5982	9.4	-2.1
1987-88	12089	17156	-5067	24.1	9.1
1988-89	13970	19497	5526	15.6	13.6
1989-90	16612	21219	-4607	18.9	8.8
1990-91	18143	24075	-5932	9.2	13.5
1991-92	17865	19411	-1546	-1.5	-19.4
1992-93	18537	21882	-3345	3.8	12.7
1993-94	22238	23306	-1068	20.0	6.5
1994-95	26330	28654	-2324	18.4	22.9
1995-96	31797	36678	-4881	20.8	28.0
1996-97	33470	39133	-5663	5.3	6.7
1997-98	35006	41484	-6478	4.6	6.0
1998-99	33218	42389	-9171	-5.1	2.2
1999-2000	36822	49671	-12849	10.8	17.2
2000-01	44560	50536	-5976	21.0	1.7
2001-02	43827	51413	-7586	-1.6	1.7
2002-03	52719	61412	-8693	20.3	19.4
2003-04	63843	78150	-14307	21.8	27.3
2004-05	83535	111516	-27982	30.8	42.7
2005-06	103092	149167	-46076	23.4	33.8
2006-07	126360	185747	-59387	22.6	24.5
2007-08	110965	168803	-57839	21.6	25.9

Source: Economic Survey 2007-08, GOI

TABLE 1.7 SHOWING INDEX NUMBERS OF FOREIGN TRADE (Base 1978-79=100)

Year	Unit Value Index		Volume Index		Terms of Trade		Income
	Export	Import	Export	Import	Gross	Net	
1969-70	44.0	35.2	55.7	64.9	116.5	125.0	69.6
1974-75	78.0	84.5	73.7	77.2	104.7	92.3	68.4
1979-80	105.4	114.1	106.2	116.4	109.7	92.4	98.1
1984-85	169.8	161.7	120.8	156.1	129.2	105.0	126.8
1985-86	170.8	158.8	111.3	182.3			
1986-87	179.4	139.4	121.3	212.3			
1987-88	195.4	160.0	140.0	204.8			
1988-89	232.2	185.5	152.1	224.2			
1989-90	276.6	228.4	174.9	227.8	130.2	121.1	211.8
1990-91	292.5	267.7	154.1	237.7			
1991-92	369.5	309.1	208.6	228.0			
1992-93	421.5	331.0	222.9	282.0			
1993-94	474.1	327.2	257.5	329.1			
1994-95	494.6	324.6	292.7	408.3	139.5	152.4	446.0
1995-96	484.2	351.0	384.3	411.8			
1996-97	504.7	399.8	411.8	386.0			
1997-98	589.4	404.2	386.0	399.2			
1998-99	611.7	407.8	399.2	461.6			
1999-2000	604.5	450.5	461.0	704.8	152.9	134.2	618.7
2000-01	624.3	487.5	571.4	697.7	122.1	128.1	732.0
2001-02	618.0	487.5	592.7	732.8	123.6	125.4	743.2
2002-03	619.6	492.9	721.6	802.4	111.2	113.6	819.7
2003-04	672.4	545.6	764.6	970.4	126.9	123.4	943.5
2004-05	732.0	545.1	899.0	1113.0	124.0	110.0	991.0
2005-06	798.0	663.0	1005.0	1649.0	164.0	135.0	1357.0
2006-07	863.0	592.0	1164.0	2047.0	176.0	142.0	1653.0

Source: Economic Survey 2007-08, GOI

TABLE 1.8 TRENDS IN NOMINAL AND REAL EFFECTIVE EXCHANGE RATE OF RUPEE (Base: 2000=100)

Year/Month	Nominal Effective Exchange Rate (NEER)		Real Effective Exchange Rate (REER)	
	5-country Index	10-country Index	5-country Index	10-country Index
1985	456.34	449.13	181.11	183.05
1986				
1987				
1988				
1989	278.52	265.84	138.48	135.02
1990	248.66	232.45	130.53	124.66
1991	190.43	179.16	111.78	107.22
1991-92	178.27	168.08	107.01	102.75
1992-93	146.98	138.53	97.03	92.97
1993-94	136.52	131.44	96.54	94.22
1994-95	131.69	126.06	102.25	99.00
1995-96	120.82	114.90	99.00	95.14
1996-97	118.50	112.57	102.18	98.09
1997-98	117.74	113.92	106.31	103.55
1998-1999	104.12	100.71	102.11	99.27
1999-2000	100.78	98.83	100.76	99.33
2000-01	99.54	99.68	100.11	100.51
2001-02	98.47	98.54	103.45	103.01
2002-03	93.13	91.76	100.89	98.72
2003-04	92.07	88.70	103.06	98.73
2004-05	90.76	86.83	103.50	98.59
2005 Apr	94.04	90.53	105.71	101.24
May	92.15	88.62	103.70	99.29
Jun	90.68	87.22	103.73	99.34
Jul	89.30	85.74	102.62	98.02
Aug	89.18	85.67	102.75	98.21
Sep	89.74	86.17	103.72	99.07
Oct	89.67	85.79	102.90	98.00
Nov	89.21	84.95	102.09	96.86
Dec	90.29	85.77	102.99	97.42
Jan	91.30	86.79	103.85	98.30
Feb	91.92	87.55	104.41	99.09
Mar	91.64	87.11	103.50	98.20
2005-06 Apr	92.22	87.87	108.18	102.93
May	93.36	89.17	106.52	101.57
Jun	94.58	90.77	108.89	104.29
Jul	95.96	92.07	109.82	105.25
Aug	94.81	90.77	108.18	103.52
Sep	94.16	90.20	106.81	102.59
Oct	93.55	89.71	105.04	101.17

Source: Economic Surveys, GOI

Note: These are export-weighted indices with weights based on direction of India's exports during 1992-97. The U.S.A., Japan, the U.K., Germany and France are included in the 5-country index and Netherlands, Italy, Belgium, Switzerland and Australia are included, in addition, in the 10-country index.

ANALYSIS OF MULTIPLE REGRESSION OF TRADE WITH TRADE INDEX AND EXCHANGE RATE (FROM 1989 TO 2005)

After calculation in SPSS the following regression equation has been derived:

$$\text{EXP} = -29096.6 + 76.19 \text{ UIEXP} + 99.321 \text{ VOLINEXP} + 508.504 \text{ NEER5} - 859.206 \text{ REER10} - 119.007 \text{ REER10}$$

(1.342) (7.161) (2.474) (-0.873) (-0.134)

The values of R, R² are 0.998 and .0995 respectively showing that the strong positive correlation exists between trade measured in terms of exports and other variables (unit index export, volume index of export, nominal effective exchange rate-5 country index and real effective exchange rate-10 country index).

From the above result it is quite clear that the unit index of export and volume index of export explain 76.19% and 99.32% variation in Exports. On the other hand, NEER-5 country index, REER-10 country index and explain almost 500% and -859.20% variations in exports, thereby meaning a very high impact of these indices on trade measured in terms of export. REER-5 country index also have negative relation with trade. The figures in parentheses show t-values.

Table 1.9 DIETARY COMPOSITION IN CHINA AND INDIA, 1994 AND 2002 (Per cent)

Product	China		India	
	1994	2002	1994	2002
Alcoholic beverages	3.6	3.8	3.0	0.4
Cereals	36.0	23.0	38.9	36.0
Eggs	2.1	2.4	0.3	0.4
Fish and seafood	3.3	3.5	1.1	1.1
Fruits	5.0	6.5	8.5	8.6
Meat	6.7	7.3	1.2	1.2
Milk	1.3	1.8	14.0	14.4
Oil crops	1.4	0.9	2.0	1.5
Pulses	0.3	0.2	3.1	2.8
Starchy roots	10.7	11.1	5.3	5.5
Sugar and sweeteners	1.2	1.0	5.9	5.6
Sugar crops	0.0	0.0	2.8	2.9
Vegetable oils	1.3	1.3	1.7	2.1
Vegetables	25.5	35.1	13.5	15.9
Other	1.5	1.9	1.3	1.6
Total	100	100	100	100

Source: UNCTAD secretariat calculations, based on FAOSTAT.

Table 1.10 PER CAPITA METAL CONSUMPTION, SELECTED COUNTRIES, 2003 (Kilograms per capita)

Country	Aluminium	Copper	Nickel	Steel
China	4.0	2.4	0.1	197.9
India	0.7	0.3	0.0	33.4
Japan	15.8	9.4	1.4	603.2
Rep. of Korea	20.6	18.9	2.4	984.6
United States	19.3	7.8	0.4	349.3

Source: UNCTAD secretariat calculations, based on World Bank, *Global Economic Prospects - Commodity Market Briefs*, 2004; International Iron and Steel Institute, *Steel Statistical Yearbook 2004*; International Copper Study Group, *Copper Bulletin*, 11(4), 2004; and United Nations Department of Economic and Social Affairs (UN/DESA), Population Division, *World Population Prospects*, Rev. 2002 published in **Trade and Development Report 2005**

TABLE 1.11 SHOWING TRADE BALANCE OF INDIA WITH THE US (in million US dollars)

YEAR	EXPORT	IMPORT	BALANCE
1985	1641.9	2294.7	-652.8
1986	1536.2	2283.2	-747.0
1987	1463.6	2528.4	-1064.8
1988	2500.1	2939.5	-439.4
1989	2457.5	3314.4	-856.9
1990	2486.2	3196.8	-710.6
1991	1999.4	3192.4	-1193.0
1992	1917.1	3779.7	-1862.6
1993	2777.9	4553.6	-1775.7
1994	2293.8	5309.6	-3015.8
1995	3295.8	5726.3	-2430.5
1996	3328.2	6169.5	-2814.3
1997	3607.5	7322.5	-3715.0
1998	3564.5	8237.2	-4672.7
1999	3687.8	9070.8	-5383.0
2000	3667.3	10686.6	-7019.3
2001	3757.0	9737.3	-5980.3
2002	4101.0	11818.4	-7717.4
2003	4979.7	13055.3	-8075.6
2004	6109.4	15572.0	-9462.7
2005	7989.4	18804.2	-10814.8
2006	10056.2	21830.8	-11774.6
2007	17588.5	24073.3	-6484.7
2008 (upto May)	6827.5	10996.0	-4168.5
CAGR (%)	8.53	11.51	

Source: US Census Bureau, Foreign Trade Division, Data Dissemination Branch, Washington DC

TABLE 1.12 SHOWING EXPORT OF INDIA WITH SELECTED REGIONS OF WORLD

YEAR	EU(27)	ASEAN	S.ASIA	N.AMERICA (US+CANADA)	TOTAL
1996					34,784.99
1997					33,469.94
1998					13,975,316.00
1999	4,188,485.19	969,569.80	618,718.12	3,888,625.91	23,105.58
2000	4,885,565.23	1,331,143.73	892,859.72	4,550,893.72	863,409.98
2001	4,843,287.87	1,648,716.16	2,776,839.91	4,339,085.88	1,030,996.96
2002	5,752,462.17	2,235,155.61	1,347,760.37	5,610,964.13	150,236.71
2003	6,670,563.12	2,675,167.41	1,972,942.70	5,630,554.25	128,483.62
2004	8,199,557.88	3,785,878.06	567,439.47	6,574,625.22	183,920.18
2005	10,284,222.26	4,609,447.18	2,456,137.14	8,135,095.03	109,836.69
2006	12,129,554.85	5,707,646.83	2,927,404.82	9,039,298.47	159,268.95
2007					57,177,928.00
2008					45,852,252.00
CAGR (%)	16.59	28.85	14.75	12.72	40.53

TABLE 1.13 SHOWING INDIA'S FIRST 15 PRODUCT GROUPS AND FIRST 15 COUNTRIES (15X15 MATRIX) MATRIX OF EXPORT FOR THE PERIOD APR-2000 TO MAR-2008 Values in Rs. Crore (Provisional)

Year	Sub total of Export of 15 Countries	Total Export of Commodity	% Share of country in India's total Export
Apr2000-Mar2001	136,553.70	201,356.45*	68.72
Apr2001-Mar2002	142,371.70	209,017.98*	66.38
Apr2002-Mar2003	175,930.10	255,137.28*	66.16
Apr2003-Mar2004	204,727.80	293,366.74*	66.61
Apr2004-Mar2005			
Apr2005-Mar2006	306,963.70	456,417.87*	67.25
Apr2006-Mar2007	369,845.00	571,779.27*	64.68
Apr2007-Mar2008	462,287.30	640,172.16*	62.82

Source: Ministry of Commerce, GOI

TABLE 1.14 SHOWING INDIA'S FIRST 15 PRODUCT GROUPS AND FIRST 15 COUNTRIES (15X15 MATRIX) MATRIX OF IMPORT FOR THE PERIOD APR-2000 TO MAR-2008 Values in Rs. Crore (Provisional)

Year	Sub total of Import of 15 Countries	Total Import of Commodity	% Share of country in India's total Import
Apr2000-Mar2001	120,832.10	228,306.64*	50.17
Apr2001-Mar2002	134,905.80	245,199.72*	51.89
Apr2002-Mar2003	163,956.00	297,205.86*	51.45
Apr2003-Mar2004	209,895.10	359,107.66*	54.23
Apr2004-Mar2005			
Apr2005-Mar2006	85,180.37	149,165.73*	50.18
Apr2006-Mar2007	102,631.60	185,604.10*	65.29
Apr2007-Mar2008	127,507.90	239,650.51*	66.76

Source: Ministry of Commerce, GOI

The percentage share of fifteen countries in India's total export has gone down from 2007-May2008 i.e. from 68.72% to 62.82% while the percentage of import it has shown upward trend to almost 16% increment during the last seven years(table 1.13 & 1.14).It is obvious that during post WTO period. The 15*15 matrix is not in favour of India in terms of export but import has risen. Also, volume indices of export of India has shown declining trend from 2002 to 2007 except in years 2004 and 2007 and the indices of imports are increasing barring the period 2006 and 2007(table 1.19)

TABLE1.15 LEADING EXPORTERS OF AGRICULTURAL PRODUCTS, 2006 a Includes Secretariat estimates. (Billion dollars and percentage)
(Share in world exports/imports Annual percentage change Value)

Exporters	2006	1980	1990	2000	2006	2000-06	2004	2005	2006
European Union (25)	405.25	--	--	41.5	42.9	10	14	7	9
extra-EU (25)	95.31	---	---	10.1	10.1	9	11	8	13
United States	92.66	17.0	14.3	12.9	9.8	4	4	4	12
Canada	44.23	5.0	5.4	6.3	4.7	4	19	3	7
Brazil	39.53	3.4	2.4	2.8	4.2	17	27	14	13
China	32.54	1.5	2.4	3.0	3.4	12	9	19	13
Australia	22.18	3.3	2.9	3.0	2.3	5	3.5		4.5
Thailand	21.58	1.2	1.9	2.2	2.3	10	13	4	21
Argentina	21.33	1.9	1.8	2.2	2.3	10	13	12	11
Indonesia	18.32	1.6	1.0	1.4	1.9	15	27	16	30
Russian Federation	17.06	--	--	1.4	1.8	14	13	20	16
Malaysia	15.57	2.0	1.8	1.5	1.6	12	14	2	16
Mexico	14.69	0.8	0.8	1.6	1.6	8	13	13	17
India	14.41	1.0	0.8	1.2	1.5	14	8	26	34
New Zealand	13.24	1.3	1.4	1.4	1.4	10	24	7	2
Chile	11.49	0.4	0.7	1.2	1.2	10	22	11	14
Above 15	784.09	-	-	83.5	83.0	-	-	-	-

Source: World Trade Report 2007

TABLE1.16 LEADING IMPORTERS OF AGRICULTURAL PRODUCTS, 2006 a Includes Secretariat estimates. (Billion dollars and percentage)
(Share in world exports/imports Annual percentage change Value)

Importers	2006	1980	1990	2000	2006	2000-06	2004	2005	2006
European Union (25)	433.66	---	---	42.3	43.3	9	14	6	8
extra-EU (25)	123.72			13.3	12.4	8	13	5	9
United States	103.65	8.7	9.0	11.6	10.3	7	14	9	8
Japan	65.62	9.6	11.5	10.4	6.6	1	12	1	0
Canada	23.95	1.8	2.0	2.6	2.4	8	8	11	12
China	51.65	2.1	1.8	3.3	5.2	18	39	7	14
Hongkong, China	11.90	1.2	1.9	2.0	1.2	0	3	1	7
Switzerland	8.85	1.2	1.3	1.0	0.9	8	9	4	7
Mexico	8.46	1.2	1.2	1.8	1.8	9	11	7	12
Malaysia	8.50	0.5	0.5	0.8	0.8	11	37	3	17
Russian Federation	23.38			1.6	2.3	17	13	23	22
Korea, Republic of	18.58	1.5	2.2	2.2	1.9	6	11	5	11
Mexico	18.46	1.2	1.2	1.8	1.8	9	11	7	12
India	7.84	0.5	0.4	0.7	0.8	12	7	7	7
Saudi Arabia	8.56	1.5	0.8	0.9	0.9	7	12	31	-6
Taipei, China	9.67	1.1	1.4	1.3	1.0	3	13	5	2
Above 15	798.99			82.1	79.8	-			

Source: World Trade Report 2007

TABLE 1.17SHOWING TRADE EXPANSION VARIES AMONG THE LEADING SOUTH-SOUTH TRADERS IN 1990-2001 (Billion dollars and percentage)

Country	EXPORT				IMPORT			
	Annual %age change				Annual %age change			
	2001(b\$)	1990-95	1995-200	1990-2001	2001(b\$)	1990-95	1995-200	1990-2001
China	72	19.7	9.1	13.8	71	23.5	10.9	14.4
Malaysia	42	20.7	5.6	10.5	33	20.5	6.8	11.1
Thailand	28	27.6	3.6	13.1	28	15.0	3.8	8.2
India	19	24.7	8.3	15.2	27	12.4	19.7	13.3
Brazil	22	16.5	1.7	9.0	22	14.8	3.5	7.7
Saudi Arabia	33	6.3	11.1	7.1	9	5.7	4.9	4.9
Indonesia	25	19.3	9.0	11.5	16	14.1	3.8	7.2
UAE	18	5.8	13.5	8.6	21	25	10.6	16.2
Mexico	8	19.0	4.7	10.9	26	19.2	29.9	24.7

Source: Trade and Development Report, 2005, UNCTAD

TABLE 1.18 GATT/WTO – 60 YEARS OF TARIFF REDUCTIONS [MFN tariff reduction of industrial countries for industrial products (excl. petroleum)]

Implementation Period	Round covered	Weighted tariff reduction	Weights based on MFN imports	(year)
1948	Geneva (1947)	-26		1939
1950	Annecy (1949)	-3		1947
1952	Torquay (1950-51)	-4		1949
1956-58	Geneva (1955-56)	-3		1954
1962-64	Dillon Round (1961-62)	-4		1960
1968-72	Kennedy Round (1964-67)	-38		1964
1980-87	Tokyo Round (1973-79)	-33		1977(or 1976)
1995-99	Uruguay Round (1986-94)	-38		1988(or 1989)

Note: Tariff reductions for the first five rounds refer to the United States only. The calculation of average rates of reductions is weighted by MFN import values. The recently released UNCTAD report on Trade and Development(2008) reveals that volume indices of export has gone down from the year 2002 to 2007 except in the year 2004. While on the other hand, volume import index has shown an increased trend during the last five years of observation. India's strongest competitor China has been able to control the decline in export indices while import indices of this country shows volatile behaviour. As an overall trend, it is obvious that developing economies have shown declining trend in growth rate of export indices than the world as a whole. The developed economies have significant growth in volume indices of imports.

TABLE 1.19 SHOWING EXPORT AND IMPORT OF GOODS BY REGION AND ECONOMIC GROUPINGS (%age change over previous year)

Region/ country	Volume indices of export						Volume indices of import					
	2002	2003	2004	2005	2006	2007	2002	2003	2004	2005	2006	2007
World	4.5	6.3	11.4	5.2	8.1	5.5	4.2	7.7	12.1	7.1	7.3	5.8
Developed economies of which	2.3	3.1	8.4	4.9	7.7	2.8	3.0	5.1	9.0	5.9	5.8	2.3
Japan	7.7	9.2	13.4	5.1	11.8	8.2	1.1	5.9	6.3	2.0	4.5	0.6
US	-4.0	2.9	8.7	7.4	10.5	6.8	4.4	5.5	10.8	5.6	5.7	0.8
Developing economies of which	8.8	12.9	16.7	6.3	9.2	9.3	6.6	12.9	18.4	8.5	8.9	10.8
China	24.0	35.3	33.0	26.2	24.4	23.3	22.5	35.2	25.9	7.5	11.5	16.1
South Asia	13.8	11.8	11.5	6.7	3.3	8.8	12.0	15.0	15.9	14.9	6.1	5.4
India	17.4	13.6	19.5	14.8	10.5	12.3	10.4	18.7	19.4	20.8	6.6	13.1

Source: Trade and Development Report, UNCTAD, 2008

MAJOR FINDINGS AND SUGGESTIONS

Based on the above analysis and interpretation of data, the following findings can be derived:

- The foreign trade (merchandise and service) of India with rest of world in pre and post WTO regimes is quite unaffected by the emergence of WTO. In fact there is no significant variation between the means of % age of imports and exports during pre and post WTO phases. Thus, the first two hypotheses have been accepted.
- The present status of foreign trade of India is showing increasing trends in terms of exports and declining trend in terms of imports.
- The exchange rates (nominal and real) and the trade measured in terms of volume and unit indices have a direct correlation with the trade measured in terms of export and import.
- India should initiate bipartite trade agreements with the countries rather than complying only on the WTO agreement for enhanced trade.
- India should look on the sectors where there are less trading activities and explore new possibilities in different sectors as the regional trade agreements can lead to synergy in foreign trade.
- India should promote more patent registration by improving capacity building to enhance exports and also take benefit of forex volatility.
- The exploration of possibilities of trade with countries of African and Asian continents should be prioritized in foreign trade policy.

SCOPE OF FURTHER STUDY

There is a need to study the cross country and cross commodity comparisons on foreign trade with India and different countries. The sectoral analysis of trade and the impact of tariff reduction and patents (R&D) on trade can be done. There may also be studies on the impact of regional trade blocks in the broader confines of the WTO.

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PERFORMANCE OF VARIOUS BANKING AGENCIES IN INDIA OVER A PERIOD OF TIME**K. RANGASWAMY****RESEARCH SCHOLAR****DEPARTMENT OF STUDIES IN ECONOMICS & CO-OPERATION****UNIVERSITY OF MYOSRE****MYSORE****DR. D.V.GOPALAPPA****ASSOCIATE PROFESSOR****DEPARTMENT OF STUDIES IN ECONOMICS & CO-OPERATION****UNIVERSITY OF MYOSRE****MYSORE****ABSTRACT**

This paper attempts to analyse the performance and trends of the various banking agencies in India over a period of time i.e., between 1990-91 to 2008-09. Indian banking has come a long way since from the British period. The data analysis reveals that the public sector banks continued to play a very prominent role in both deposit mobilization and credit disbursement even during the privatisation era. They contribute about 75 per cent of the total deposits mobilised and total loans advanced by all the schedule Commercial Banks (CBs). And at the end the paper suggests that the government need to inject new policies and programmes to stabilize the existing public banking to achieve the maximum social welfare.

KEYWORDS

Banks, CCBs, CBs and RRBs.

INTRODUCTION

Banks constitute an important segment in the financial arena of all the countries in the world whether they are developed or developing or underdeveloped. Coming to India the banking is an ancient business, even it is referred in the writings of Manu. There was a reference that the bankers have played an important role during the Mogul period. During the early part of the East India Company era, 'Agency Houses' were involved in the banking activities. Modern banking (i.e. in the form of Joint-stock Companies) may be said to have had its beginnings in India since 1786, with the establishment of the General Bank of India. The establishment of the Bank of Calcutta in 1806 marked the beginning of the modern banking era in the country. Further, two more Presidential Banks viz., Bank of Bombay and Bank of Madras were set up in 1840 and 1843 respectively. These banks had functioned independently for about a century before they were merged into the newly formed Imperial Bank of India (IBI) in 1921. The IBI was the forerunner of the present State Bank of India (SBI). The latter was established under the SBI Act of 1955 and took over the IBI. With the launching of Swadeshi movement in 1905, there were outbursts of banking activities i.e., Bank of Burma (1904), Bank of India (1906), Canara Bank (1906), Bank of Rangoon (1906), Indian Specie Bank (1906), Indian Bank (1906), Bank of Baroda (1908) and the Central Bank (1911). However, there is a breakthrough in the Indian banking system which is developed considerably since 1935. Reserve Bank of India (RBI) has started its operation in 1935 through an Act as the Central Bank of India. A critical review of the growth of banking in India in the pre-independence period reveals that the banking system had neither a definite shape nor policy except the creation of RBI in 1935.

After independence, the RBI was nationalised in 1949 and was given wide powers in the area of bank supervision through the Banking Companies Act (later renamed Banking Regulations Act). The nationalization of the IBI through the formation of the SBI and the subsequent acquisition of the state owned banks in eight princely states by the SBI in 1959 made the government the dominant player in the banking industry. The Indian Government had nationalised 14 major private banks in 1969 with a deposit of Rs.50 crores by each bank. This raised the proportion of scheduled bank branches in government control from 31 per cent to about 84 per cent. Further in 1980 six more private banks each with deposits exceeding Rs 200 crores were nationalised further raising the proportion of government controlled bank branches to about 90 per cent. Currently the Indian Banking system can be classified into two categories viz., scheduled banks and non-scheduled banks the scheduled banks consists of three types CBs, Regional Rural Banks (RRBs) and Central Co-operative Banks (CCBs).

The present paper basically tries to focus on the performance of the various banking agencies in India over a period of time i.e., between 1990-91 to 2008-09. During this period financial sector reforms have taken place and already we have spent about 21 years. Therefore, it is intended to study the performance of various banking institutions like CCBs, CBs and RRBs in the first ten years of reforms and also in the second phase i.e., post liberalisation regime. This is mainly because there was lot of apprehension from the academics that the banking system will be down played during the liberalisation period. The study is based on the secondary data collected from various reports of the Apex Bank, National Federation of State Cooperative Bank (NAFSCOB), National Bank for Agriculture and Rural Development (NABARD), Centre for Monitoring Indian Economy (CMIE), Planning Commission of India, Ministry of Agriculture and Finance (Government of India) and RBI. The information is also taken from published articles and other Government Reports. The data has been converted into moving averages to work out the Compound Growth Rates (CGRs) for more accuracy.

1. EVOLUTION OF THE COOPERATIVE BANKS IN INDIA

In India the Cooperative movement came into existence after the enactment of Cooperative Credit Societies Act of 1904. The Cooperatives were seen as the premier institutions for disbursement of agricultural credit especially in remote and inaccessible areas and have much higher proportion of customers from the marginal and small borrowers as compared to RRBs and CBs (Bergengren, 1937). All India Rural Credit Survey Committee (1954) stated that in the villages the Credit Cooperative Society will be suitable with the slogan that "the Co-operation has failed but Co-operation must succeed". With the implementation of the Cooperative Act 1904, it was brought to light many deficiencies and limitations in its functioning. Therefore, the government of India, to remove all these defects and limitations passed the Cooperative Societies Act in 1912. Further, the government of India appointed a committee under the chairmanship of Edward MacLagan in 1915 to examine whether the movement was on sound lines and also to suggest measures for the improvement. The Royal Commission on Agriculture further examined the program of rural credit in 1926-27 and the Commission recommended that the structure of cooperative banking system in India, need to contain two main components, viz., Urban Cooperative Banks and Rural Cooperative Banks. Further, the same committee recommended that the Rural Cooperative Credit structure in India, which is mainly responsible for providing finance to the rural people, needs to be in three tiers, i.e., Primary Agricultural Cooperative Societies (PACS), District Central Cooperative Banks (DCCBs) and State Cooperative Banks (SCBs).

A. PRIMARY AGRICULTURAL COOPERATIVE SOCIETIES (PACS)

The PACS is one of the most important tiers of the cooperative structure in the Indian banking system. These societies have been playing a pivotal role in the village level which is presented in Table-1. This is explained with the secondary data analysis relating to its deposits, borrowings and loans and advances over a period of 19 years. To compare the performance between the initial period of liberalisation to post liberalisation period the data has been classified into two

parts the first part consists of the data from 1990-91 to 1999-2000 and the second part consists of 2000-2001 to 2008-2009. The table reveals that growth rates for the deposits, borrowings and loan outstanding (Loans & Advances) have been much better during the liberalisation regime compared to post liberalisation regime. This may be due to the government's weak policies like loan waving scheme. Because of the scheme, the society's financial position has become weak as there is mismatch between the repayment and lending. Moreover, the government may not sanction the subsidy i.e., announced for the loan waving in time. However, the overall compound growth rates of the PACS seem to be positive in case of loans and advances constituting 22.47 per cent and it are a welcome trend. But one has to take caution to see that the growth rate is not declining further.

TABLE-1: PERFORMANCE OF THE PACS IN INDIA OVER a Period of Time.

Years	No. of PACS	Deposits (₹ in Crore)	Borrowings (₹ in Crore)	Loans & Advances (₹ in Crore)
1990-91	91337	4150	18623	7308
1991-92	91422	5037	19870	12562
1992-93	91507	3345	17377	2053
1993-94	91592	5028	22363	12088
1994-95	91110	6737	26748	23545
1995-96	92327	8854	30674	37138
1996-97	91588	11860	33664	42612
1997-98	92838	14177	35651	47592
1998-99	95156	17449	41597	54431
1999-2000	101546	24799	51840	66969
CGR	0.80	31.00	15.00	50.00
2000-01	98843	33001	65566	84370
2001-02	98247	40785	77714	103848
2002-03	112309	47447	85643	117713
2003-04	105735	52108	94010	127063
2004-05	108779	56239	104785	135070
2005-06	106384	56680	115524	144437
2006-07	97224	62021	124982	159184
2007-08	94950	68495	132580	176065
2008-09	95633	75179	140501	188331
CGR	-0.86	9.54	9.81	9.65
OCGR	0.75	21.19	14.25	22.47

Note: OCGR Overall Compound Growth Rate.

Sources: Various Reports of NABARD, RBI and NAFSCOB.

B. THE DISTRICT CENTRAL COOPERATIVE BANKS (DCCBs)

The DCCBs are the second tier of the cooperative credit structure; these banks are mainly located at the district level and are called the intermediate banks between the SCBs on the one hand and PACS on the other hand. Table- 2 clearly reveals the performance of the DCCBs in India from the liberalisation period i.e., 1990-91 to 2008-09. To understand the performance of the DCCBs the data has been classified as in the case of PACS. Currently around 373 DCCBs with 13,233 branches are working in the country. The performance of the DCCBs in terms of the deposits, borrowings and investment are very high during the first part of 10 years when compared to the second part, but it is vice-versa in case of the loans & advances of the DCCBs. Further, the overall CGRs of the DCCBs seems to be highest in case of investment (17.06 per cent) compared to other variables. This is mainly because the opportunities for the DCCBs to lend loans is limited. Therefore the investment has been more in the money market.

TABLE-2: PERFORMANCE OF THE DCCBs IN INDIA OVER A PERIOD OF TIME

Years	No. of Banks	No. of Branches	Deposits (₹ in Crore)	Borrowings (₹ in Crore)	Investments (₹ in Crore)	Loans & Advances (₹ in Crore)
1990-91	356	11005	52250	9172	11927	117119
1991-92	351	11211	52345	10593	12841	119835
1992-93	352	11417	52157	7752	11013	114404
1993-94	359	11623	52532	13433	14669	125267
1994-95	361	11787	55489	20390	18297	50125
1995-96	364	12077	62226	25973	21980	61189
1996-97	367	12223	76592	30270	27677	73656
1997-98	368	12546	92542	33268	36191	86056
1998-99	369	13031	113832	36917	48001	100693
1999-2000	369	13265	135657	40122	57947	116148
CGR	0.59	2.07	16.00	24.00	27.00	1.00
2000-01	370	12787	161178	44661	66610	134124
2001-02	371	13068	182437	49226	74548	155434
2002-03	365	12865	201005	54081	83936	173134
2003-04	367	12866	215988	58564	95115	186184
2004-05	368	12858	229667	61845	101578	198108
2005-06	370	12991	243925	65808	107567	212447
2006-07	371	12928	259210	72700	112702	234288
2007-08	372	13151	284727	81676	126165	258172
2008-09	373	13233	321797	86952	150079	278642
CGR	0.14	0.29	8.2	8.50	9.67	9.02
OCGR	0.27	0.95	13.27	12.97	17.06	9.04

Sources: Various Reports of NABARD, RBI and NAFSCOB.

C. THE STATE COOPERATIVE BANKS (SCBs):

The SCBs are one of the important financial institutions under the cooperative credit structure in India. SCBs are at the apex of the three tier cooperative structure dispensing mainly short and medium term credit and these banks are mainly located at the state level. Table-3 clearly reveals the performance of the SCBs in India in the liberalisation and post liberalisation period. The performance of the SCBs in terms of the number of banks and branches are grown positively during the two periods i.e., 1991-92 to 1999-2000 and 2000-01 to 2008-09. Currently 31 SCBs are working throughout the country. In addition to this the

performance of the SCBs in terms of the deposits, borrowings, investment and loans and advances are achieved highest growth in the liberalisation regime compared to the post liberalisation regime.

TABLE-3: PERFORMANCE OF THE SCBS IN INDIA OVER A PERIOD OF TIME

Years	No.of Banks	No.of Branches	Deposits (₹ in Crore)	Borrowings (₹ in Crore)	Investments (₹ in Crore)	Loans & Advances (₹ in Crore)
1990-91	28	665	702320	372460	10553	109
1991-92	28	665	702320	372460	10553	109
1992-93	28	691	34876	14422	10208	102
1993-94	28	717	35020	15451	11589	116
1994-95	28	742	35211	16161	12310	123
1995-96	28	768	37008	17510	13099	131
1996-97	28	769	42569	18864	14813	148
1997-98	28	813	52671	22135	21357	214
1998-99	29	843	64510	25569	27648	276
1999-2000	29	867	76507	29657	33653	337
CGR	0.34	3.37	13.00	11.00	19.00	19.00
2000-01	30	865	87201	32852	36027	360
2001-02	30	899	98062	34602	39428	394
2002-03	30	931	107895	35652	43870	439
2003-04	30	929	118145	37191	49306	493
2004-05	30	953	126042	40179	56290	563
2005-06	30	962	134603	45065	62555	626
2006-07	31	938	140937	53693	68048	680
2007-08	31	986	153157	60628	73606	736
2008-09	31	992	176800	65339	91206	912
CGR	28.2	1.47	8.00	9.00	12.00	12.00
OCGR	0.79	2.17	12.00	10.00	15.00	15.00

Sources: Various Reports of NABARD, RBI and NAFSCOB.

2. PROGRESS OF THE COMMERCIAL BANKS (CBs) IN INDIA

The CBs are the most important segment of the Indian banking system. The All India Rural Credit Review Committee was set up under the chairmanship of B. Venkatappaiah in 1966, to study the flow of agricultural credit through the CBs. This committee recommended that the CBs should play a complementary role, along with cooperatives in extending rural credit, because in the beginning the CBs were engaged only to finance the trade and industry and totally they had neglected the agriculture sector. The Gorawala Committee report (1954) strongly suggested that the CBs should lend the resources to the agricultural sector. Therefore, they started to provide credit to the agriculture sector. The then Prime Minister, Indira Gandhi, stated that "Operations of the banking system should be informed to a larger social group and should be subjected to close public regulation. Government has come to the conclusion that the desired regulation and rate of progress consistent with the urgency of our problems could be secured only through the nationalization of these banks". In this connection, 14 major CBs were nationalised in July 1969, (Incidentally six more banks were nationalised in April 1980) and these banks have been actively involved in the disbursement of agricultural credit (Shivamaggi, 1993). Further, for the development of agriculture, different programmes like Village Adoption Scheme, Agricultural Development Branches, Lead Bank Scheme and Rural Service Centers were formulated by CBs from time to time (Sharma and Asha 2009). Moreover, on the recommendations of RBI, CBs also started preparing Special Agriculture Credit Plans (SACP) from the year 1994.

The Table-4 clearly highlights the performance of the CBs in India from the liberalisation period i.e., 1990-91 to 2008-09. During the first regime as stated in other sections, the performance of the CBs in terms of number of banks and branches are high when compared to the second regime, currently around 175 CBs with 76,050 branches are working in India. Specially during the post liberalisation regime number of CBs are steadily declining when compared to the first regime. Moreover, the performance of the CBs in terms of borrowings from the RBI, investments and outstanding (loans and advances) are very low during the first part when compared to the second part but there is a consistency in terms of deposits mobilised. In addition to this, when we observe the overall CGRs of the CBs it is very much high in case of the investment (22 per cent) followed by the borrowings and outstanding (loans and advances) this constitutes about 19 per cent. Finally, it is concluded that the CBs have achieved high growth rates and the performance is high during the first part of liberalisation compared to the post liberalisation regime.

TABLE-4: PERFORMANCE OF THE CBS IN INDIA OVER A PERIOD OF TIME

Years	No.of CBs	No.of Branches	Deposits (₹ in Crore)	Borrowings (₹ in Crore)	Investment (₹ in Crore)	Loans & Advances (₹ in Crore)
1990-91	274	59752	173515	27326	64584	143692
1991-92	276	60220	201199	22574	75817	159808
1992-93	276	60570	612280	79564	230735	477024
1993-94	276	61169	713703	67058	270714	501670
1994-95	276	63755	836136	69936	328211	550681
1995-96	282	64234	985429	82567	387131	629595
1996-97	288	64938	1144310	91191	447350	736892
1997-98	296	65544	1326277	91598	504550	852659
1998-99	300	66306	1544828	89551	679375	969791
1999-2000	301	67041	1833212	111467	883430	1137625
CGR	1.51	1.45	17.00	6.00	20.00	14.00
2000-01	297	65412	2179206	141029	1146985	1338722
2001-02	301	65919	2562937	208161	1352178	1614895
2002-03	298	66190	2971921	249336	1592394	1910659
2003-04	294	66535	3432089	290405	1884757	2248608
2004-05	291	67188	3985232	351377	2221079	2753701
2005-06	288	68355	4586903	467987	2736326	3531278
2006-07	222	69471	5384191	614505	3496971	4648881
2007-08	183	71839	6453840	743502	4562566	5975082
2008-09	175	76050	7917921	892047	5800180	7431111
CGR	-6.79	1.65	17.00	25.00	22.00	24.00
OCGR	-1.40	1.00	17.00	19.00	22.00	19.00

Sources: Various Reports of NABARD, RBI and NAFSCOB.

3. PERFORMANCE OF THE REGIONAL RURAL BANKS (RRBs) IN INDIA

The RRBs were introduced to meet the excess demand for institutional credit in the rural areas, particularly among the economically and socially marginalised sections. Although the CCBs and the CBs had reasonable records in terms of geographical coverage and disbursement of credit, in terms of population groups, the CCBs have been concentrating on the rural rich, while the CBs had a clear urban bias. In this connection, the Government of India appointed a Committee under the chairmanship of Narasimham in 1975. This Narasimham Committee after conducting a survey recommended that there was an urgent need to try new experiments, especially to increase the rural credit. In this context, the Government of India had established the RRBs on October 2, 1975 to strengthen the institutional rural credit system in India.

The RRBs are jointly owned by the Government of India, the concerned state governments and sponsored banks. These institutions shared the capital in the proportion of 50 per cent, 15 per cent and 35 per cent respectively. The major objectives of the RRBs are; to develop the rural economy by providing credit facilities for agriculture, trade, commerce, industries and other productive activities in rural areas, particularly to the small and marginal farmers. Further, the RRBs were instrumental in extending credit for poverty alleviation schemes. And also it is felt that the RRBs are instrumental in recognizing the diversified economic activities in the rural areas (Narayana, 1992 and Bhatt, 2006).

The Table – 5 clearly reveals the performance of the RRBs during the liberalisation period from 1990-91 to 2008-09. However, the performance is far better during the first part of liberalisation period compared to the second part i.e., 2000-01 to 2008-09. This is mainly because, most of the RRBs, were amalgamated during the post liberalisation regime compared to the liberalisation regime. The GOI in consultation with sponsor banks and the NABARD took a decision to amalgamate the RRBs mainly to downsize the public sector organizations. The process of amalgamation resulted in the reduction of the number of RRBs from 196 to just 86 RRBs in March 2010. Currently there are only around 86 RRBs and 15,235 branches working in 518 districts across the country. The overall CGRs clearly indicate that the growth rates are positive for all the variables.

TABLE-5: PERFORMANCE OF THE RRBs IN INDIA OVER A PERIOD OF TIME

Years	No.of RRBs	No.of Branches	Deposits (₹ in Crore)	Borrowings (₹ in Crore)	Investments (₹ in Crore)	Loans & Advances (₹ in Crore)
1990-91	196	14443	4151	1184	2981	1938
1991-92	196	14527	6748	1615	4856	1977
1992-93	196	14539	17808	4522	13201	6572
1993-94	196	14543	22488	5201	17074	8400
1994-95	196	14542	25726	5612	19646	10549
1995-96	196	14509	29958	6189	23038	13878
1996-97	196	14497	35298	6771	25968	17170
1997-98	196	14461	43288	7334	28743	20952
1998-99	196	14475	54338	7992	31490	23986
1999-2000	196	14499	67226	8788	36609	27488
CGR	0.00	-0.02	20.00	10.00	15.00	23.00
2000-01	196	14301	81476	9839	45363	32007
2001-02	196	14311	97579	10638	56780	38036
2002-03	196	14350	115059	11921	72409	46106
2003-04	196	14311	132931	13080	86515	55837
2004-05	196	14446	150988	13919	99731	66901
2005-06	196	14484	168591	14918	105966	81142
2006-07	133*	14494	189822	17422	114086	98696
2007-08	96*	14521	216620	22603	123616	118075
2008-09	91*	14761	253571	28572	135515	143798
2009-10	86*	15235	296559	33520	145491	169926
CGR	-10.07	0.50	15.00	14.00	13.00	21.00
OCGR	-3.29	0.07	18.00	11.00	16.00	20.00

Note: * indicates that in the respective years so many RRBs were amalgamated.

Sources: Various Reports of NABARD and RBI.

CONCLUSION

Indian banking has come a long way since from the British period. Since then the public sector banks continued to play a very prominent role in both deposit mobilization and credit disbursement even during the privatisation era. They contribute about 75 per cent of the total deposits mobilised and total loans advanced by all the scheduled CBs. Though there are so many private banks who have been competing with the public sector banks, as we know whatever the better facilities provided by the private banks, one way or the other, the exploitation is more. Hence, we need to inject new policies and programmes to stabilize the existing public banking to achieve the maximum social welfare.

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DIRECT TAXES CODE – AN OVERVIEW

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ABSTRACT

The Income Tax Act 1961 has become very complex and virtually unintelligible to the common man by virtue of a complicated structure, numerous amendments, frequent policy changes and a multitude of judgments that gave varying interpretations to already undecipherable provisions. This complexity has not only increased the cost of compliance for the average tax payer, but also made it costly for the administration to collect tax. Lastly, the tax base has been eroded significantly due to an increasing number of exemptions and horizontal inequity. Direct Taxes Code is completely new, simplified taxes code which replaces the Income Tax Act 1961 and also gives moderate relief to tax payers, reduce unnecessary exemptions and improve compliance thus improving collections. The tax payers themselves can compute and file Income Tax Returns without the help of experts. This paper highlights the overview of the Direct Taxes Code in a nutshell.

KEYWORDS

Direct Taxes Code, Income Tax Act, Tax exemption, Exemption limit.

INTRODUCTION

Taxes are compulsory payments which citizens in a country are required by law to make to the government for defraying the cost of providing public goods and financing transfer payments. Therefore, they have to be financed from taxes. This immediately raises the question of the basis of allocating the costs i.e. the basis of determining the distribution of tax payments. Now, the Direct Taxes Code - 2009 is a Draft proposal to replace the 51 year old Income Tax Act- 1961 (from the date it completes 51 years as on 1.04.2012) which has been cumbersome by so many sections and provisions which in most cases are not understood by the ordinary tax payers who, to avoid any complicity and mistakes in the calculation of tax and submission of Tax Return, take help of experts incurring thousands of money for this purpose. The Philosophy behind such replacement is to make the Direct Taxes Code very easy and simple so that tax payers themselves can, without help of experts compute and file Income Tax Returns. In planning and framing an ideal Income Tax Structure of a welfare state like ours the objectives are to give relief to the maximum possible extent to the lower and middle income group taxpayers and check creation of black money at one hand and to enable the Government to increase collection of tax revenue for development works on the other. New Direct Taxes Code which has been announced by the Finance Minister Pranab Mukherjee, which will be replaced by the current Income Tax Structure from the Financial Year 2012-2013. The Income Tax Act was passed in 1961 and has been amended every year through the Finance Acts. The Act deals with income tax. Dividend Distribution Tax was included in the Act by inserting Chapter XIID with effect from June 1, 1997. Fringe Benefit Tax was included in the Act by inserting Chapter XIH with effect from April 1, 2006. Wealth Tax is administered through the Wealth Tax Act, 1957.

Tax administrators, chartered accountants and tax payers have raised concerns about the complex structure of the Income Tax Act. In particular, the numerous amendments have rendered the Act incomprehensible to the average tax payer. Besides, there have been frequent policy changes due to changing economic environment, complexity in the market, increasing sophistication of commerce, development of information technology and attempts to minimize tax avoidance. The problem has been further compounded by a multitude of judgements (very often, conflicting) rendered by the courts at different levels. Any complex tax legislation increases the cost of compliance as well as administration. Given that the cost of compliance is essentially regressive in nature, this undermines the equity of the tax system. Similarly, high cost of administration is wasteful. Over the last twenty five years, the marginal tax rates have been steadily lowered and the rate structure rationalized to reflect the best international practices. Any further rationalization of the tax rates may not be feasible without corresponding increase in the tax base. Broadening of the base is important to enhance revenue productivity of the tax system and to improve its horizontal equity. The strategy for broadening the base essentially comprises of three elements. The first is to minimize exemptions. For many decades, the tax base has been eroded through a steadily escalating range of exemptions. The removal of these exemptions will have three consequences: (i) It will result in a higher tax-GDP ratio; (ii) It will enhance GDP growth, since tax exemptions and deductions distort allocative efficiency; and (iii) It will improve equity (both horizontal and vertical), reduce compliance costs, lower administrative burdens, and discourage corruption. The second element of the strategy relates to the problem of ambiguity in the law which facilitates tax avoidance. Therefore, it is necessary to undertake a periodic exercise of rewriting the Tax Code in the light of new trends in interpretation by the judiciary, aggressive tax planning by taxpayers, and new opportunities for reducing compliance cost through massive induction of technology and public private partnership. The third element of the strategy relates to checking of erosion of the tax base through tax evasion. The Direct Taxes Code (hereafter referred to as the 'Code') is designed to reflect this strategy. The Code is not an attempt to amend the Income Tax Act, 1961; nor is it an attempt to "improve" upon the present Act. In drafting the Code, the Central Board of Direct Taxes (the Board) has, to the extent possible, started on a clean drafting slate. Some assumptions which have held the ground for many years have been discarded. Principles that have gained international acceptance have been adopted. The best practices in the world have been studied and incorporated. Tax policies that would promote growth with equity have been reflected in the new provisions. Hence, while reading the Code, it would be advisable to do so without any preconceived notions and, as far as possible, without comparing the provisions with the corresponding provisions of the Income Tax Act, 1961.

WHAT IS THE "DIRECT TAXES CODE"?

Income tax in India is governed by the age-old Income Tax Act, drafted in 1961. A lot of things have changed since then. No doubt, many things have been implemented by modifying the IT Act from time to time. But this has been a patch-work. And like any patch work, it has made the IT Act very complicated. Thus, the IT Act today is very difficult to interpret, and has resulted in many disputes and court cases. The "New Direct taxes code" is something that would ultimately replace the Income Tax Act, 1961. It would contain provisions of income tax as well as some other direct taxes, like the wealth tax. So, here are the changes proposed in the "New Direct taxes code". The Direct taxes code (DTC) is governed by the Direct taxes code Bill 2010. It is a direct amendment to the current law, Income-Tax Act 1961. The DTC has proposed more than 5,000 amendments to the current five-decade-old Act.

WHY NEED THE DIRECT TAXES CODE (DTC)?

As part of its financial reforms process, the government wanted to modernise and upgrade its direct tax laws i.e. the Income Tax Act and the Wealth Tax and bring them more in line with current times. DTC is expected to widen tax base, give moderate relief to tax payers, reduce unnecessary exemptions, and improve compliance thus improving collections. It also seeks to address new realities like operations of foreign companies in Indian markets, foreign institutional investors. For example, capital gains tax would be imposed on acquisitions made overseas if the acquired company holds over 50 percent assets in Indian company. This would affect companies like Vodafone Group for its acquisition of a 67 percent stake in Hutchison Essar from Hong Kong's Hutchison Telecommunications International Ltd. The government has also clarified those foreign companies, which were regarded as 'resident of India' if their control and management were wholly situated in India, will now be considered 'resident' if the "place of effective management" is in India. DTC replaces the archaic Income Tax Act, 1961 and Wealth Tax Act, 1957. It will come into effect from April 01, 2012. First return of income under its norms will be filed after March 31, 2013.

OBJECTIVE

The Direct taxes code (DTC) seeks to consolidate and amend the law relating to all direct taxes, namely, income-tax, dividend distribution tax, fringe benefit tax and wealth-tax so as to establish an economically efficient, effective and equitable direct tax system which will facilitate voluntary compliance and help increase the tax-GDP ratio. Another objective is to reduce the scope for disputes and minimize litigation.

It is designed to provide stability in the tax regime as it is based on well accepted principles of taxation and best international practices. It will eventually pave the way for a single unified taxpayer reporting system.

- Making the whole process simpler
- Minimizing litigation
- Broadening tax base
- Eliminating tax exemptions.

SALIENT FEATURES OF THE CODE

1. The Code seeks to consolidate and amend the law relating to all direct taxes, that is, income-tax, dividend distribution tax, fringe benefit tax and wealth-tax so as to establish an economically efficient, effective and equitable direct tax system which will facilitate voluntary compliance and help increase the tax-GDP ratio. Another objective is to reduce the scope for disputes and minimize litigation.

2. Briefly, the salient features of the Code are as under

(a) Single Code for direct taxes: All the direct taxes have been brought under a single Code and compliance procedures unified. This will eventually pave the way for a single unified taxpayer reporting system.

(b) Use of simple language: With the expansion of the economy, the number of taxpayers can be expected to increase significantly. The bulk of these taxpayers will be small paying moderate amounts of tax. Therefore, it is necessary to keep the cost of compliance low by facilitating voluntary compliance by them. This is sought to be achieved, inter alia, by using simple language in drafting so as to convey, with clarity, the intent, scope and amplitude of the provision of law. Each sub-section is a short sentence intended to convey only one point. All directions and mandates, to the extent possible, have been conveyed in active voice. Similarly, the provisos and explanations have been eliminated since they are incomprehensible to non-experts. The various conditions embedded in a provision have also been nested. More importantly, keeping in view the fact that a tax law is essentially a commercial law, extensive use of formulae and tables has been made.

(c) Reducing the scope for litigation: Wherever possible, an attempt has been made to avoid ambiguity in the provisions that invariably give rise to rival interpretations. The objective is that the tax administrator and the tax payer are ad idem on the provisions of the law and the assessment results in a finality to the tax liability of the tax payer. To further this objective, power has also been delegated to the Central Government/Board to avoid protracted litigation on procedural issues.

(d) Flexibility: The structure of the statute has been developed in a manner which is capable of accommodating the changes in the structure of a growing economy without resorting to frequent amendments. Therefore, to the extent possible, the essential and general principles have been reflected in the statute and the matters of detail are contained in the rules/Schedules.

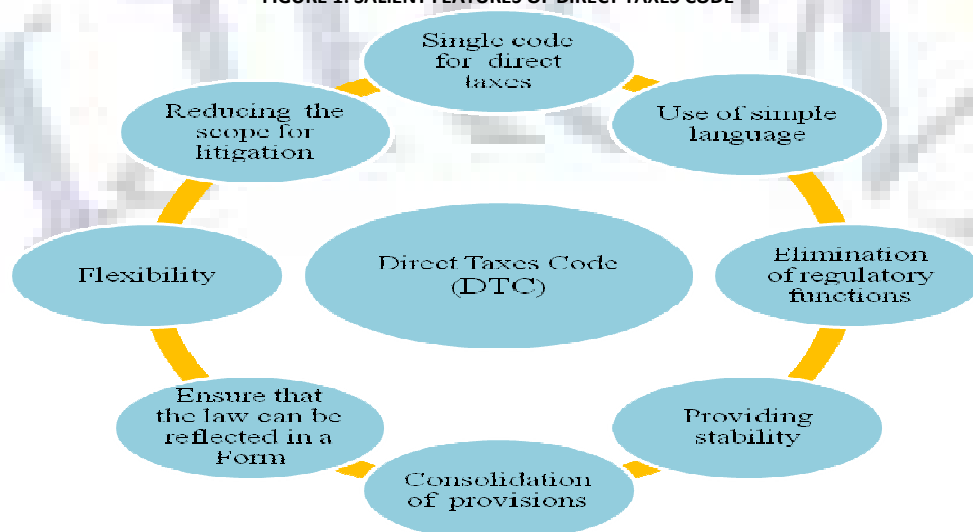
(e) To ensure that the law can be reflected in a Form: For most taxpayers, particularly the small and marginal category, the tax law is what is reflected in the Form. Therefore, the A-10 structure of the tax law has been designed so that it is capable of being logically reproduced in a Form.

(f) Consolidation of provisions: In order to enable a better understanding of tax legislation, provisions relating to definitions, incentives, procedure and rates of taxes have been consolidated. Further, the various provisions have also been rearranged to make it consistent with the general scheme of the Act.

(g) Elimination of regulatory functions: Traditionally, the taxing statute has also been used as a regulatory tool. However, with regulatory authorities being established in various sectors of the economy, the regulatory function of the taxing statute has been withdrawn. This has significantly contributed to the simplification exercise.

(h) Providing stability: At present, the rates of taxes are stipulated in the Finance Act of the relevant year. Therefore, there is a certain degree of uncertainty and instability in the prevailing rates of taxes. Under the Code, all rates of taxes are proposed to be prescribed in the First to the Fourth Schedule to the Code itself thereby obviating the need for an annual Finance Bill. The changes in the rates, if any, will be done through appropriate amendments.

FIGURE 1: SALIENT FEATURES OF DIRECT TAXES CODE



A BRIEF OF THE DTC HIGHLIGHT

Highlights of the New Direct taxes code are listed below:

- All Direct Taxes are integrated as a single Act.
- This Code structure will be effective from April 1, 2012
- It contains 16 Chapters, 285 Sections and 18 schedules.
- Previous year and Assessment year concept will be removed.
- Tax audit ceiling will remain the same.
- Corporate tax rate is proposed at 25 percent.
- MAT at the rate of 2 per cent of Gross Assets.
- No Surcharge and cess will be levied.
- Dividend Distribution Tax will be at 15 percent.
- Foreign Companies Branch office are liable to pay at 15 percent.
- Wealth tax rate @ 0.25 percent above 50 crores.
- TDS rates are maintained as it is.
- Advance Tax due dates and installments remains the same.
- Provisions similar to Section 14A and Rule 8D remains.
- VRS Gratuity and commuted pensions, taxable if not invested in approved savings, will be taxable on withdrawals.
- Government and Non-Government Taxation Difference removed.
- Standard deduction of 30% of NAV now made to 20% of Gross Net.
- Housing Loan Interest for Self Occupied house disallowed.
- Business Expenditure classified into three groups.
- Share Profit will be as usual, STT to be abolished.
- Capital Gains reinvestment will be allowed for one residential house and in Agricultural land.
- No carry forward of MAT credit.
- Limits on remuneration and interest to partners removed.
- Returns to be processed within one year, otherwise no demand notice can be raised.
- Tuition fees for children will be allowed to Individuals and HUF.
- Savings limit eligible for deduction increased to Rs. 3 lakhs from the current Rs. 1 lakh.
- Deductions like 80D, 80DD, 80DDE, 80U, 80E, 80 GG retained.
- Deductions for Co-operative societies, copyright royalties, patents are retained.
- Composite letting (with infrastructure) included in IFHP.

HIGHLIGHTS IN GENERAL

Earlier Income Tax Act and Wealth tax Act (Covering Income Tax, TDS, DDT, FBT and Wealth taxes) are abolished and single code of Tax, DTC in place.

1. Concept of Assessment year and previous year is abolished. Only the "Financial Year" terminology exists.
2. Only status of "Non Resident" and "Resident of India" exits. The other status of "resident but not ordinarily resident" goes away.
3. Earlier the terminology of Assessee was meant for the person who is paying tax and/or, who is liable for proceeding under the Act. Now it has been added with 2 more definitions namely a person, whom the amount is refundable, and/or, who voluntarily files tax return irrespective of tax liability.
 - i. This helps any person to file his returns and maintain the record of tax return filing.
4. No changes in the system of Advance Tax, Self Assessment Tax and also TDS. Amendment of TDS goes in line with earlier Notification 31/2009 which speaks of Form 17/UTN/etc.
 - i. In TDS, a new return, if found required, will be introduced for Non TDS payments.
5. Government Assessee is covered in Direct Tax Code. Even though they are not liable for Income Tax / Wealth Tax, Government Assesseees are required to comply with provision of TDS and TCS. (Current act was not covered with Government Assesseees).

NEW TAX RATES: (For Ordinary source of income)

Slab	Income Between	Tax rate
1	0 - 2 Lakhs	0%
2	2 Lakhs to 5 Lakhs	10%
3	5 Lakhs to 10 Lakhs	20%
4	Above 10 Lakhs	30%

Source: Ministry of Finance

For Female, no special provision and for Senior citizen it begins from 2.50 Lakhs Companies tax rate changed from 30% to 25%.

NEW DUE DATES FOR TAX RETURNS

SI No	Type	Date	First filing (under DTC)
1	Non-Business / Non-Corporate	30th June	30/06/2012
2	Others	31st August	31/08/2012

TAX INCENTIVES

1. Earlier terms Deductions under Chapter VI A will be treated as Tax incentives.
2. 80C gets a major hit by introduction of EET methodology (Exempt - Exempt - Tax). The investment is Exempted when invested. The investment is Exempted till it is remained invested. The investment is Taxed when it is withdrawn.
 - a. Also, investments are considered only of those invested through savings intermediaries approved by PFRDA (Pension Fund Regulatory and Development Authority).
 - i. Such savings intermediaries may in turn invest in ELSS mutual funds, government securities, Public sector securities, etc.
 - ii. Such investments are also exempted to the maximum of Rs. 3 Lakhs.
 - b. All such savings will be governed directly by government by an appointed depository (an independent agency).
 - c. Other than this, Tuition fees for children will be allowed as deductions.
 - d. No maximum limits for this, as savings are charged once they are withdrawn.

3. Medical treatment, higher education loan interest, donation and rent paid by self-employed individual are deductible.
4. New provision comes for Handicapped individuals to get deductions upto 75,000.

MAJOR DEDUCTIONS APPLICABLE UNDER TAX INCENTIVES FOR AN INDIVIDUAL

1. Investments through PFRDA approved agencies (Max of 3 Lakhs)
2. Payment of tuition fees
3. Medical treatment
4. Health insurance
5. Donations
6. Interest on loan taken for higher education
7. Maintenance of a disabled dependant
8. Interest income on Govt. bonds

DEDUCTIONS FROM SALARIES

1. Allowed are only, PT, Transport Allowance (limit prescribed) and special allowances given exclusively to meet duties (to the extent actually incurred).
2. Also deduction is allowed for PF as tax incentives.
3. And last, deductions are allowed for Voluntary retirement, Gratuity on retirement and pension received.
4. No deductions on HRA, Medical reimbursements, etc.
5. Employer part of PF paid will be exempt from tax as Tax Incentives under EET methodology (to employees).

HOUSE PROPERTY

- No deduction for Housing loan repayment of Self-Occupying property. This includes interest as well as part of principal.
- Only Let out properties are considered and the Gross rent and specified deductions are taken with simple calculations.

RESIDUARY SOURCES (OTHER SOURCES)

1. Earlier things follow almost.
2. Any amount exceeding 20,000 taken / accepted / repaid as loan or deposit, otherwise by an account payee cheque / draft shall be added to the income.

COMPUTATION OF TOTAL INCOME

1. Incomes are broadly divided into 2 sources, namely Special Sources and Ordinary Sources.
2. Special sources are given no deduction and what is earned is taxed directly (generally at a lower rate).
3. Ordinary sources are divided into further categories, namely:
 - a. Income from employment.
 - b. Income from House Property
 - c. Income from Business
 - d. Capital gains
 - e. Income from Residuary Sources (Similar to other sources, with some minuses)

ORDINARY SOURCES

1. The five categories of Ordinary sources can have multiple sources under each head (Eg: Multiple employer, Multiple Business, Multiple Properties, etc).
2. The income will be computed in two step procedure for each head:
 - a. Calculate for each source under each head of Income.
 - b. Aggregate the total under each head and arrive a total profit or loss under such head.
3. Then aggregate all the five heads and arrive the figure of "Current Income from Ordinary Sources".
4. Then this value has to be aggregated with "unabsorbed losses as of immediate preceding financial year". Such aggregated income will be treated as "Gross Total income from Ordinary Sources".
 - a. If such result is negative, then Gross Total Income will be NIL and value will be treated as "Unabsorbed current loss from ordinary sources".
5. Such Gross Total Income will be further reduced by incentives similar to earlier Chapter VI (A) deductions. The resultant amount will be 'Total income from ordinary sources'.

SPECIAL SOURCES

1. This includes incomes like:
 - a. Any assessee
 - i. On income by way of winnings from
 - Any lottery or crossword puzzle
 - Race, including horse race (not being the income from the activity of owning and maintaining race horses)
 - Card game or any other game or gambling or betting.
 - b. Non-resident
 - i. On investment income by way of Interest, dividends on which distribution tax has not been paid, capital gains, any other investment income
 - ii. On income by way of royalty or fees for technical services
 - c. Non-resident sportsman who is not a citizen of India
 - i. On income by way of participation in India in any games, advertisement or contribution of articles relating to any game or sport in newspapers, magazines or journals in India
 - d. Non-resident sports association or institution
 - i. On income by way of guarantee money in relation to any games or sports played in India.
2. The income on such way will be aggregated "Current Income from Ordinary Sources".
3. Then this value has to be aggregated with "unabsorbed losses as of immediate preceding financial year". Such aggregated income will be treated as "Gross Total income from Special Sources".
 - a. If such result is negative, then Gross Total Income will be NIL and value will be treated as "Unabsorbed current loss from Special sources".
4. Such Gross Total Income will be calculated separately and adjusted will losses. Then the resulting values will be aggregated and the resultant amount will be 'Total income from Special sources'.

TOTAL INCOME

1. 'Total income from ordinary sources' + 'Total income from Special sources' = Total Income.
2. The losses can be carried forward for any number of financial years, with year on year adjustment system.
3. Loss under Capital Gains and Loss under Speculative business are ring-fenced and can be adjusted only against respective heads.

CONCLUSION

It is difficult to draw any firm conclusions about the DTC at this point of time. DTC has integrated all Direct Taxes as a single Act. The aim of the DTC is to simplify tax legislation minimize litigation, broaden tax base and eliminate tax exemptions in part to attract foreign business and investment. Although India is one of the fastest growing economies in the world, it still needs substantial investment before it becomes a fully developed economic power. Keeping that in

mind, the government will need to ensure the provisions of the DTC are implemented effectively and successfully to safeguard the country's long term ambitions. The Direct Taxes Code change in the whole taxation system of India. The new tax code aims to make the system more efficient and easy for tax payers, with simplified rules and regulations. It is a step towards replacing the five decade old Income Tax Act of India. DTC will surely help in the growth of our economy because the tax rate has been reduced for person who earns upto ten lakhs. This reduction in tax may motivate them to contribute their money in the development of the economy, like establishing business firms, building hotels etc., which play major role in the growth of economy.

ABBREVIATIONS

DTC- Direct taxes Code
EET- Exempt Exempt Tax
MAT- Maximum Alternate Tax
TDS- Tax Deducted at Source
CBDT- Central Board for Direct Taxes
UTN- unique tax reference number
TCS- Tax Collected at Source
ELSS- Equity Linked Saving Schemes Mutual Fund

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REGIONAL RURAL BANK FINANCE IN ARUNACHAL PRADESH, INDIA: AN IMPACT ANALYSIS

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ABSTRACT

Bank is one of the important sources of finance for developmental as well as for the trade and commerce activities in the country. The establishment of Regional Rural Bank in India in the year 1975 was a boon for the small farmers and cultivators in the rural areas of the country. Arunachal Pradesh, popularly known as the land of rising sun is a backward and rural dominated state located in the north eastern most part of the country. The state got late in introducing banking activities in the state. It was in the year 1970 the State Bank of India started its branch followed by Regional Rural Bank in the 1983. Since its establishment the banking sector carried out commendable activities in the state in providing financial services to the peoples of the state. The present paper is an attempt to examine the role of Arunachal Pradesh Rural Bank (RRB) in the socio-economic development of the tribal people of the state through its various financial activities in terms of employment generation, enhancing the income and standards of living, etc.

KEYWORDS

Arunachal Pradesh Rural Bank, Bank finance, Economic development, Rural people, Regional Rural Bank.

INTRODUCTION

The RRBs have been set up in the country with the best intent of extending credit facilities to the rural poor for their economic upliftment. During its existence for more than three decades, the bank have achieved tremendous achievement in the objective of extending banking services to the villages that are located in the remote, inaccessible and un-banked areas. Since its establishment, RRBs have been doing substantial works in identifying the poor beneficiaries under various special programmes meant for weaker section of the society, especially, Scheduled Castes and Scheduled Tribes by providing financial assistance to them.

The RRBs provide credit and other facilities for the purpose of development of agriculture, trade, commerce and industry and other productive activities in the rural areas particularly to the small and marginal farmers, agricultural labourers, artisans and small rural entrepreneurs. By perception and policy prescription, their clientele, to a large extent, comprises of rural people with small means and its focus remained on the provision of credit and other facilities to these people.

Since Arunachal Pradesh is more or less a rural state, the importance of RRBs in this underdeveloped state was urgently felt. As a result, in the year 1983 the RRB was set up in the state with the name and style of Arunachal Pradesh Rural Bank (APRB) with its headquarters at Pasighat (shifted to Naharlagun recently). Though, many other bank branches are functioning in the state, RRB has laid its foundation as a small man's banks and expanded its branches into the most remote places of the state. At present, RRB is functioning in eight out of 16 districts of the state with a total of 22 branches (three branches in urban and 19 branches in rural areas). Within the operational districts of RRB, other 67 bank branches are also functioning viz; State Bank of India with-21, 25 branches of Nationalised Banks, 21 of Arunachal Pradesh State Co-operative Banks. Hence, RRB has great task and challenges to provide banking facilities to the rural people in these districts in particular and in the state in general for the economic development.

OBJECTIVES

The main objectives of the present study are as follows:

1. To study the various credit facilities provided by APRB to different sectors of rural economy.
2. To examine the impact of APRB finance in augmenting income, generation of employment, alleviation of poverty and improving the living standard of the rural tribal people.

RESEARCH METHODOLOGY

The information for this paper was collected from the field survey through structured questionnaires administered over a sample of 200 tribal beneficiaries who have received loan and advances from APRB during the period from 2005-2009. The beneficiaries have been drawn at random from the record of the ten sample APRB branches with 20 beneficiaries each, located in different areas, i.e., five branches from plain area and five from hill area. While selecting the beneficiaries, utmost care has been taken to select beneficiaries from different categories of people to represent the maximum character of the universe. However, the study suffers from few limitations. Due to the lack of recorded information with the surveyed beneficiaries, both the 'then and now' and 'with and without' approaches has been used in order to measure the impact of bank finance.

IMPACT OF RRB FINANCE

Infact, any development effort will remain lop-sided unless the rural economy prospers and the rural people below the poverty line of our country are emancipated from the shackles of poverty. Rural development has now been so redefined as to include the improvement of quality of life of rural people through remunerative employment and better access to resource through an equitable distribution of income and wealth in rural areas. Bank finance is a powerful instrument in accelerating development programmes in the rural areas. Bank credit is one of the important support around which the rural economy tends to grow. This paper is devoted to examine the impact of RRB finance in developing rural economy in Arunachal Pradesh in general and the sample beneficiaries in particular in terms of some selected variables like employment, income, acquisition of assets and the standard of living, etc.

IMPACT ON EMPLOYMENT

In spite of the high potential of the resource endowment, the level of economic activity in rural area is very low. Like other parts of our country, a significant growth of unemployment has disturbed the normal life of the rural people in the study districts in particular and the state as a whole. Therefore, opportunities for better utilisation of available resources should be created through programmes of horticulture, animal husbandry, piggery and other allied occupation to generate the additional employment as well as to increase the income level of the rural people.

In order to quantify the effect of APRB financing on reducing unemployment, data had been collected from the beneficiaries about the average number of days of their employment in the respective occupation before and after availing loan from the bank. It was found that before availing bank credit, an average beneficiary in the study area was employed for about 102 standard days in a year (Table-1).

TABLE-1 CHANGE OF OCCUPATION AND EMPLOYMENT GENERATION AFTER AVAILING BANK LOAN

Activity	No. of Beneficiaries engaged in activity			Employment days per household		
	Pre-loan period	Post-loan period	Percentage of variation	Pre-loan period	Post-loan period	Increase in Employment days
Agriculture	82	58	(-) 29.27	65	80	15
Horticulture	14	21	(+) 50.00	136	270	130
Industry	09	16	(+) 77.78	44	83	39
Transport	21	38	(+) 80.95	172	331	159
Livestock	11	19	(+) 72.73	87	126	39
Fishery	06	11	(+) 83.33	48	74	26
S/ Business	22	37	(+) 68.18	160	325	165
Unemployed	35	-	(+) 100.00	-	-	-
Overall Average	200	200		102	184	82

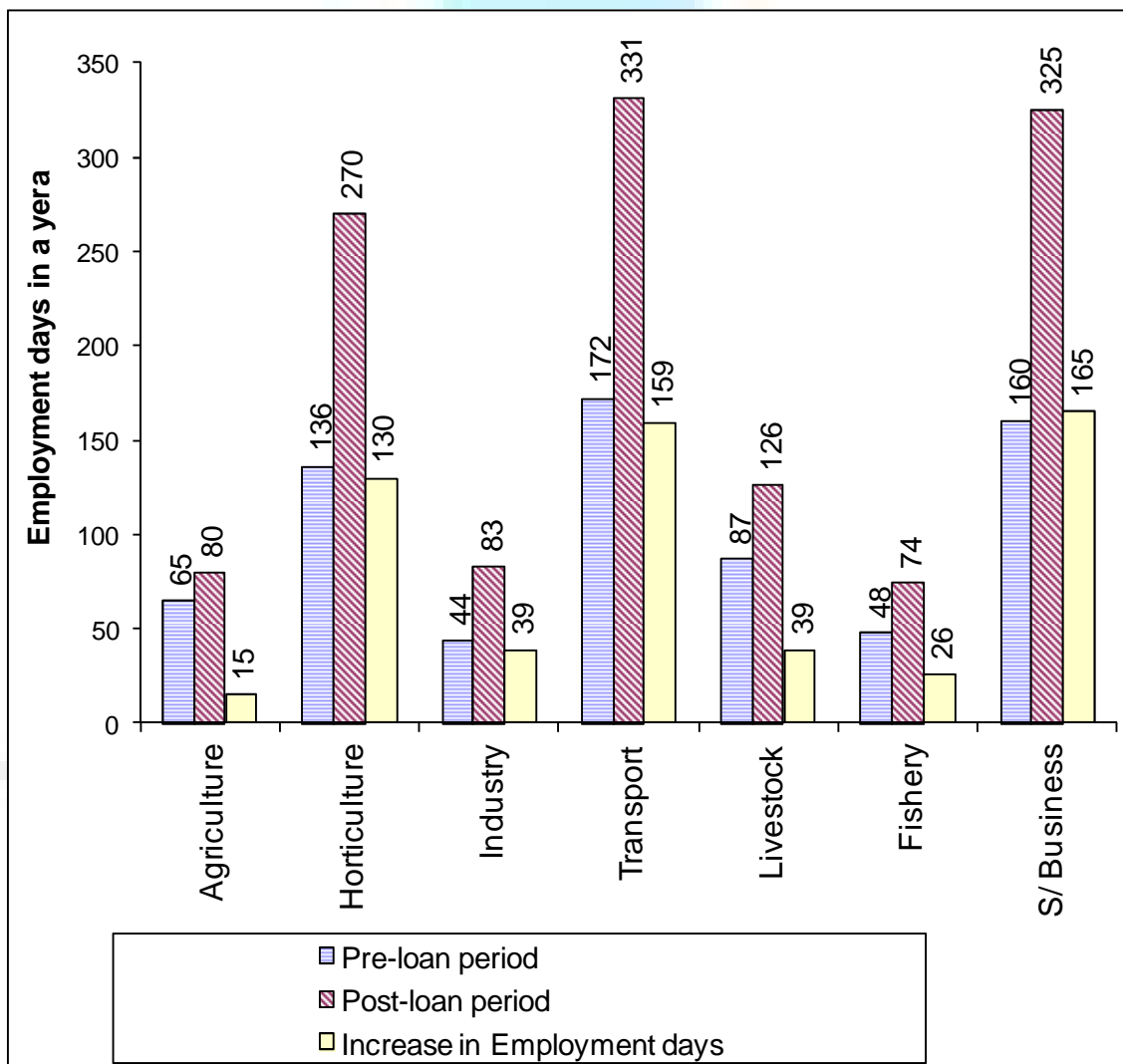
Source: Compiled from field data.

Note: (+) Increased (-) Decreased

However, during the post-loan period, such employment was estimated at 184 standard days in a year with an additional employment of 82 days. It is also clear from Table-1 that the bank loan had generated more additional employment days in the activities like small business (165 days) followed by transport operation (159 days) and horticulture (130 days) than the other activities. It is to be mentioned here that around 18 percent (35 beneficiaries) of the unemployed beneficiaries employed themselves after availing the bank loan. Thus, APRB helped the people to solve their perennial problem of unemployment to a considerable extent by creating new employment opportunities in the study area.

In terms of the change of occupation, the percentage of change towards non-farm sector was highest. About 41 percent of them reported that before availing bank finance they were engaged in subsistence agricultural activities. However, this situation has changed during post-loan period in which the percentage of the people engaged in subsistence agriculture reduced to only 29 percent and remaining 71 percent of the total 200 beneficiaries have found to be engaged in high income earning and employment generating occupation of tertiary sector with the help of bank credit. Hence, it has been observed that there was an impressive change in the occupation of the people and that reflect appreciable performance of the bank in generating employment as well as converting unpaid domestic workers into income earners in the study area.

FIGURE-1: INCREASE OF EMPLOYMENT DAYS IN ACTIVITY-WISE



IMPACT ON INCOME

The basic objective of the developmental activities of the Government is to increase the income of the rural poor. This section attempts to highlight this effect from the information directly collected from the beneficiaries during the field survey. However, it is very difficult to have accurate estimation of the income of tribal people because they do not keep any proper record of their income or business. Thus, the information presented in Table-2 may have some margin of error.

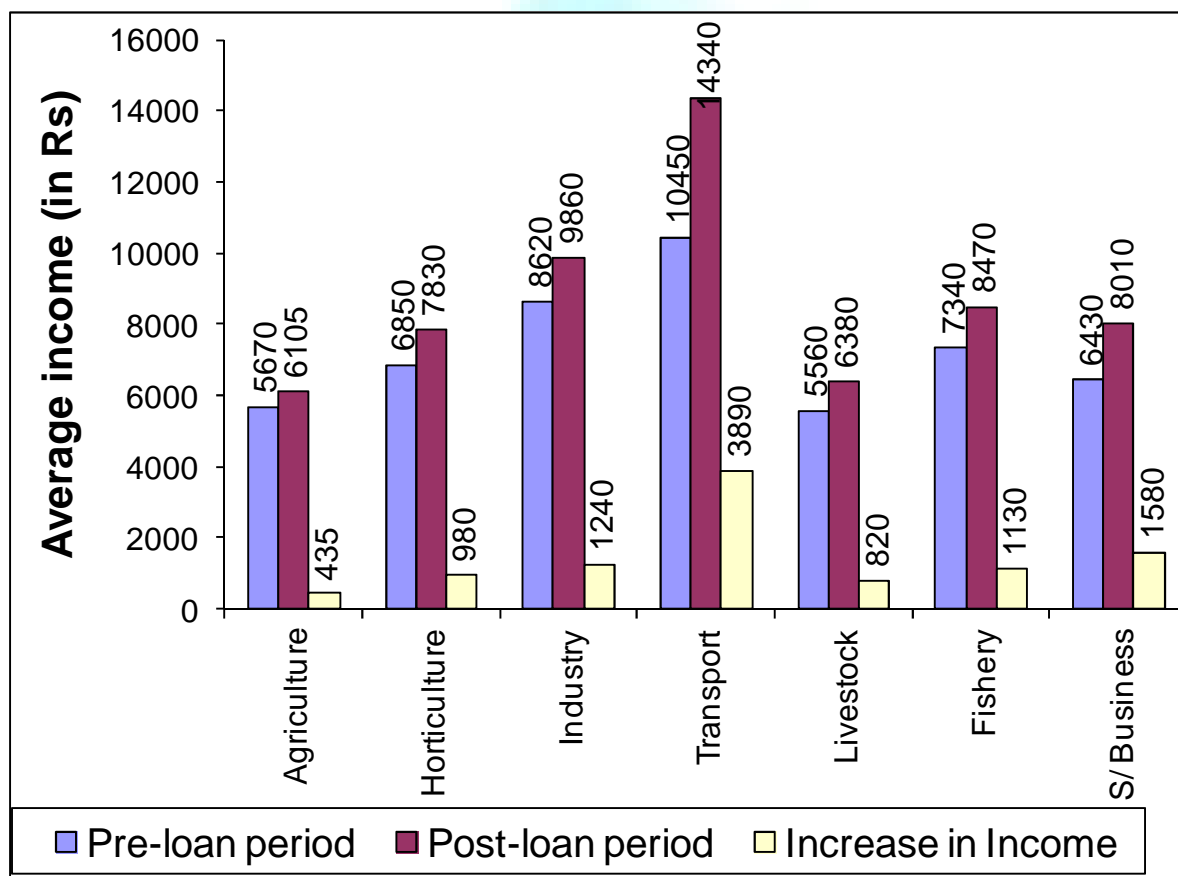
TABLE-2 PURPOSE-WISE ANNUAL NET INCOME AND INCREMENTAL INCOME EARNED BY SAMPLE BENEFICIARIES

Activities	Total Beneficiaries	Average Net Income per Beneficiaries		Average Incremental Income per Beneficiaries	% of Increase
		Pre-Loan Period	Post-Loan Period		
Agriculture	58	5670	6105	435	7.67
Horticulture	21	6850	7830	980	14.31
Industry	16	8620	9860	1240	14.39
Transport	38	10450	14340	3890	37.22
Livestock	19	5560	6380	820	14.75
Fishery	11	7340	8470	1130	15.40
S/ Business	37	6430	8010	1580	24.57
Average Net Income	200	7160	8660	1500	20.95

Source: Compiled from field data.

It is clear from Table-2 that the increase in net income, also called as incremental income was observed with the beneficiaries of all the activities during post-loan period. The overall average incremental income per beneficiary from pre to post-loan period was estimated at Rs. 1500 indicating a net growth in the income to the tune of around 21percent after availing loan from APRB. The activity-wise increase in incremental income shows that transport activity has recorded highest increase of Rs. 3890 with a growth of 37 percent followed by small business and fisheries at 25 percent and 15 percent respectively. The lowest increase in income has been recorded in the agricultural activity with only Rs. 435 with a growth of around eight percent from the pre to post loan period.

FIGURE-2: NET INCOME EARNED BY AVERAGE BORROWER



It has been found that the lack of commercialisation and marketing facility of agricultural activity in the region caused the low income in this sector. However, it was by and large, evident that the APRB finance has helped the rural beneficiaries of the study area in raising their level of income and thereby improving their economic position.

IMPACT ON CAPITAL ACCUMULATION

One of the direct impacts of the bank finance is on accumulation of both working and fixed capital. Since the major portion of bank loan in the study districts are used to acquire either the productive or the employment oriented assets, there is a potential for accumulating capital through investment both in farm and non-farm sectors. Moreover, the borrowers diverted some part of their incremental income for making investment in agriculture, non-agriculture and social sectors. Agricultural investment includes purchase of equipments, land, bullocks, etc., while non-agricultural investment includes household industrial equipments, transport vehicle as well as addition to working capital in non-agricultural activities. Social investments such as housing, education to children, consumer durable, household articles, good health and hygiene, etc., are not directly productive but promote standard of living of the people in long run. The change of capital accumulation after availing bank loan can be seen from Table-3.

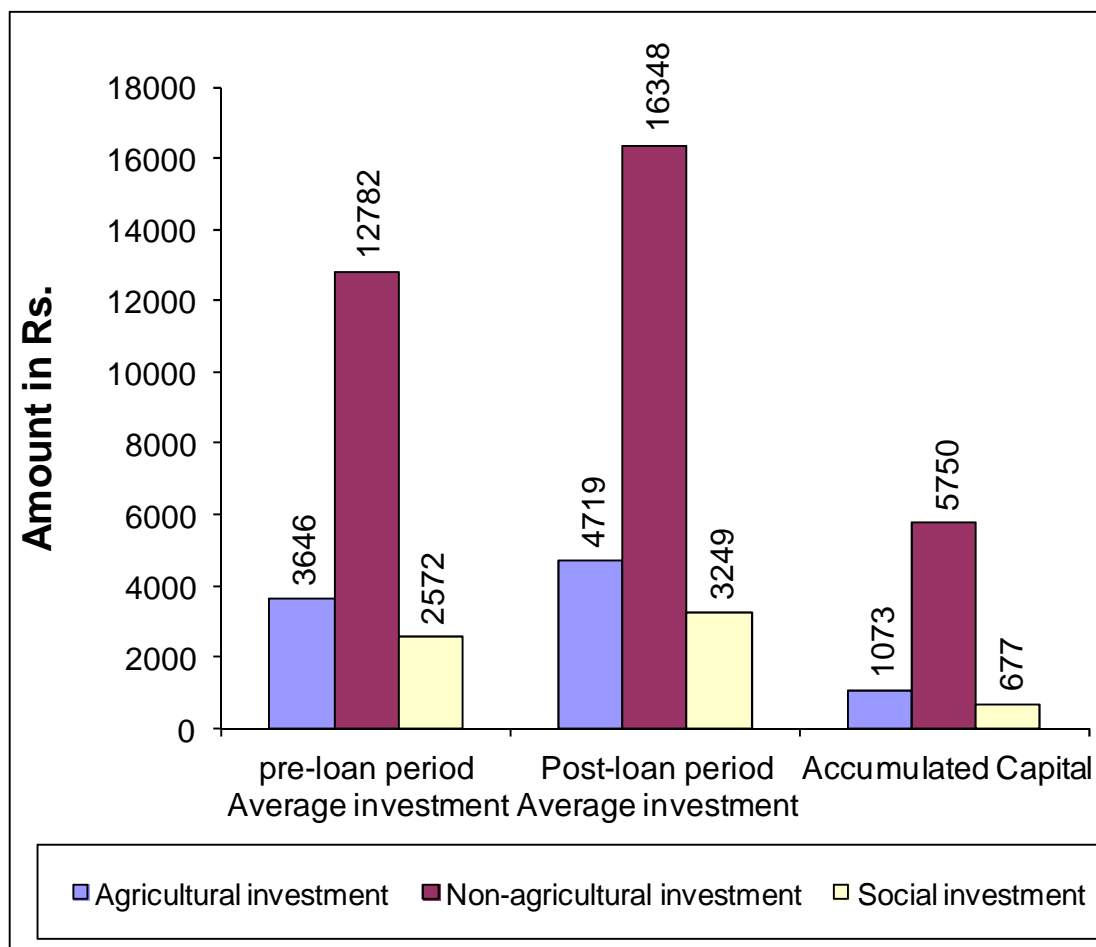
TABLE-3 SECTOR-WISE ACCUMULATION OF CAPITAL OF BORROWERS AFTER AVAILING BANK FINANCE

Sector	Pre-loan Period		Post-loan Period		Accumulated Capital	% Of increase
	Total Borrowers	Average investment	Total Borrowers	Average investment		
Agricultural investment	107	3646	58	4719	1073	29.43
Non-agricultural investment	62	12782	96	16348	5750	44.98
Social investment	31	2572	46	3249	677	26.32
Overall Average	200	6312	200	9963	3651	57.84

Source: Compiled from field data.

The information presented in Table-3 shows that there has been a tremendous change in the pattern of investment made by the beneficiaries during the post-loan period in the study districts. This is due to the shifting of investment from farm to non-farm assets since there is a vast scope for generating additional employment opportunities as well as enhancing of earning capacity of the beneficiaries.

FIGURE-3: SECTOR- WISE ACCUMULATION OF CAPITAL AFTER BANK FINANCE



As a result, out of 200 beneficiaries only 29 percent reportedly invested in farm assets during the post-loan period with an average investment of Rs. 4719. On the other hand, majority of beneficiaries reported that their investments were generally towards the accumulation of non-agricultural capital. It is therefore, observed that average amount of investment was higher in non-agricultural assets than the other assets, which accounted for Rs.16346. Such investment increased to 29 percent in agricultural sector and 45 percent in non-agricultural sector during the post-loan period as compared to pre-loan period. Moreover, a considerable number of beneficiaries indicated that they invested some part of their income in various assets of social purpose, which increased from Rs. 2572 in pre-loan period to Rs. 3249 in post-loan period with an increased of 26 percent. The overall capital accumulation of Rs. 9963 has been achieved during the post-loan period registering an increase of 58 percent from the pre-loan period.

IMPACT ON STANDARD OF LIVING

The level of standard of living of the people has been considered as one of the important criteria for measuring economic development of any region. Therefore, the raising of standard of living of the poor people particularly those who are living below poverty line has become one of the major objectives of economic planning in the country. The financial institutions, particularly the bank, can be an ideal institution to act as the agent of such economic and social change in the rural people. Generally, there are various factors determining the standard of living of the people such as annual income, level of occupation, educational status, housing condition, health and hygiene, social security and status.

In order to know the impact of bank finance on improving the standard of living of the people in the study area, some simple questions were put to the beneficiaries during the field survey based on their living conditions like, housing condition, income earned, possession of asset (movable and fixed), occupation, etc. The information has been collected directly from the 200 sample beneficiaries on the basis of 'now and then' approach. The response of the beneficiaries has been presented in Table-4.

TABLE-4 POSITION OF STANDARD OF LIVING OF THE BENEFICIARIES AFTER AVAILING LOAN

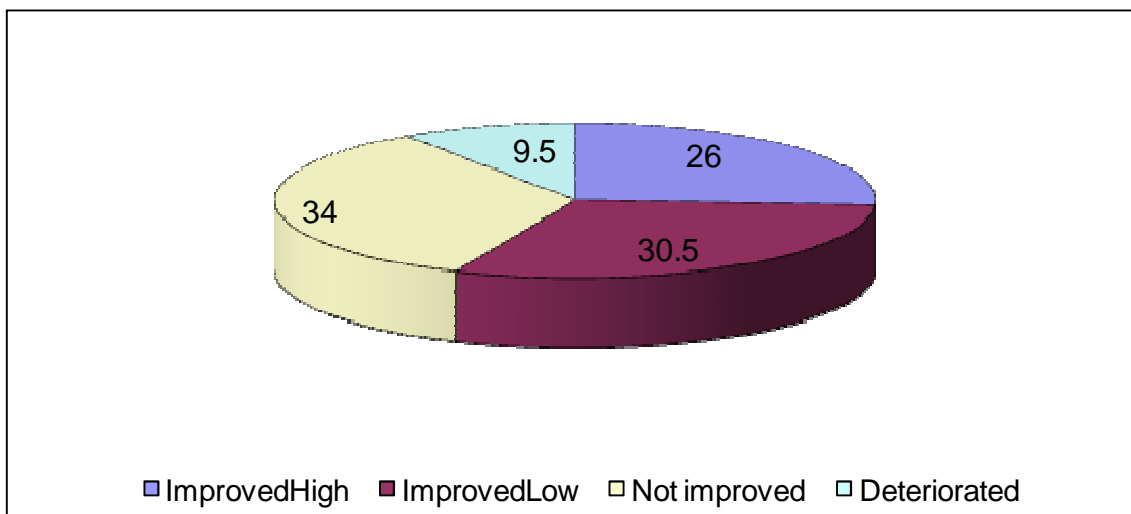
Activity and No. of Beneficiaries	Number of Beneficiaries			
	Improved (High)	Improved (Low)	Not improved	Deteriorated
Agriculture (58)	8	11	27	12
Horticulture (21)	6	5	10	-
Industry (16)	3	6	7	-
Transport (38)	14	14	9	1
Livestock (19)	3	5	9	2
Fishery (11)	3	4	2	2
S/ Business (37)	15	16	4	2
Overall (200)	52 (26.00)	61(30.50)	68(34.00)	19 (9.50)

Source: Compiled from field data.

It is apparent from Table-4 that there was a significant trend in improving standard of living of the rural people in the study area. About 57 percent of borrowers (113 beneficiaries) reported that their economic conditions and social status had improved. Out of 113 beneficiaries, 52 has attained better standard of living

with high income, better housing conditions and acquiring of good number of assets after availing loan from the APRB branch. In activity-wise, more improvement of standard of living has been observed with the beneficiaries of small business (84 percent) and transport sector (74 percent) followed by fishery and industrial sector with 64 percent and 56 percent respectively. The lowest improvement has been recorded with the beneficiaries of agriculture with only 33 percent. The stated primary reasons for the improvement was mainly found in increase of annual net income and incremental income, accumulation of assets, housing condition, etc.

FIGURE-4: CHANGE OF STANDARD OF LIVING IN PERCENTAGE



However, about 34 percent (68 beneficiaries) borrowers reported that there was no change in their living condition after availing loan. Moreover, around 10 percent of beneficiaries informed that their living condition has deteriorated after taking loan from the bank. It is mainly due to the loss or damage of the project.

CONCLUSION

From the above analysis it has been observed that the APRB loan has played an important role in improving the economic condition of the sample beneficiaries in particular and the rural economy of the Arunachal Pradesh state as a whole. The APRB branches were mostly found in the far flung rural areas of the study districts and are playing an important role in popularizing the bank credit. The bank helped the rural people to undertake different economic activities by granting credit through different schemes. More than half of the sample beneficiaries (113 beneficiaries) reported that the APRB finance helped them in increasing the annual income, acquisition of asset, generating additional employment and in improving their living standard. Hence, APRB finance is playing an important role in the process of reducing the level of poverty among the poor tribal people of the state by generating employment in the rural area, enhancing their income and creating assets. However, the APRB has to concentrate more on financing SHG, Cooperative and Small Business Entrepreneurs, etc for better returns and profits.

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FOREIGN DIRECT INVESTMENT AND RETAILING IN INDIA-ISSUES AND CONCERNS

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ABSTRACT

India enjoys a strong position as a global investment hub with the country registering high economic growth figure even during the peak of financial meltdown. As a result the investors rested their confidence in the economy which eventually pushed Foreign Direct Investment (FDI) in India. The retail industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The Indian retailing industry is gradually inching its way towards becoming the next boom industry. Successful retail organizations must understand their market, their customers and the importance of strategic location. Because of completion in the retail industry can be fierce, such organization need the best micro marketing tools available to analyse where to place new stores, establish customer profile, and determine best marketing practices in order to find new customers. Attracting FDI and forging more effective international linkage is the key to this objective. If there are policy obstacles, efforts should be made to overcome these in other ways.

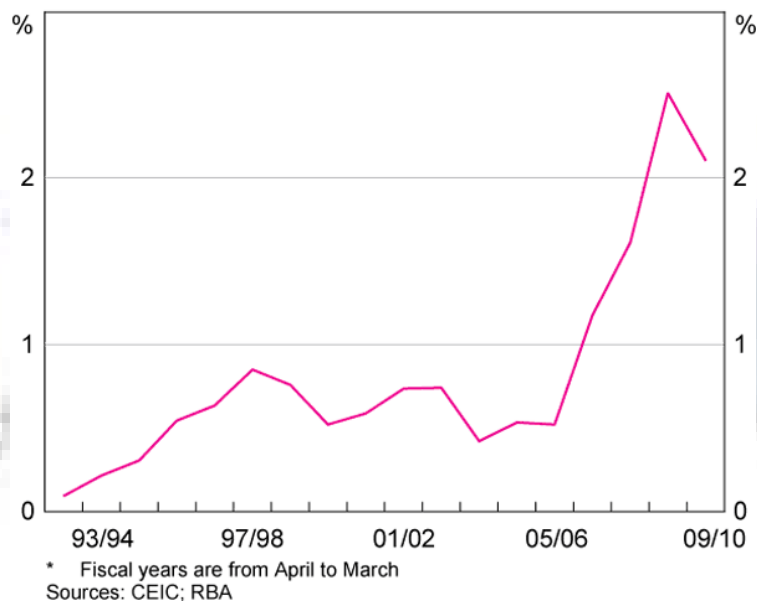
KEYWORDS

Capital flows, FDI, GDP, Investment Options, Retailing.

INTRODUCTION

The Indian investment scenario has undergone quick transformation in the post liberalization phase. India was ranked the ninth most attractive investment destination and is considered as an ideal destination for investment on the back of vibrant democratic setup. Presence of a vast network of bank branches, financial institutions, and a well organized capital market. The new regime did away with licensing, capital controls, quantitative restrictions on imports and decontrolled interest rates and reduced restriction on foreign imports. There fore these led to a noteworthy improvement in the investment climate creating incentive for private investors, both domestic and foreign. Moreover Central and state government continued to offer a number of incentives for investment projects as a result the share of private investment rose sharply from 12.5 percent of Gross domestic Product (GDP) in the eighties changed to 15.4 percent in last decades. India is gradually emerging as a popular investment destination because of quick paced economic growth and with more and more companies scaling up in small cities and towns, according to the investors at the recent India Economic summit of the world economic Forum in Mumbai. Other factors contributing to growth comprise an expanding middle class, a large population with its major chunk aged 15-35 years and increasing urbanization, investors felt that it is difficult to be bullish on investment opportunities in the short term, but India is extremely attractive from a long term perspective

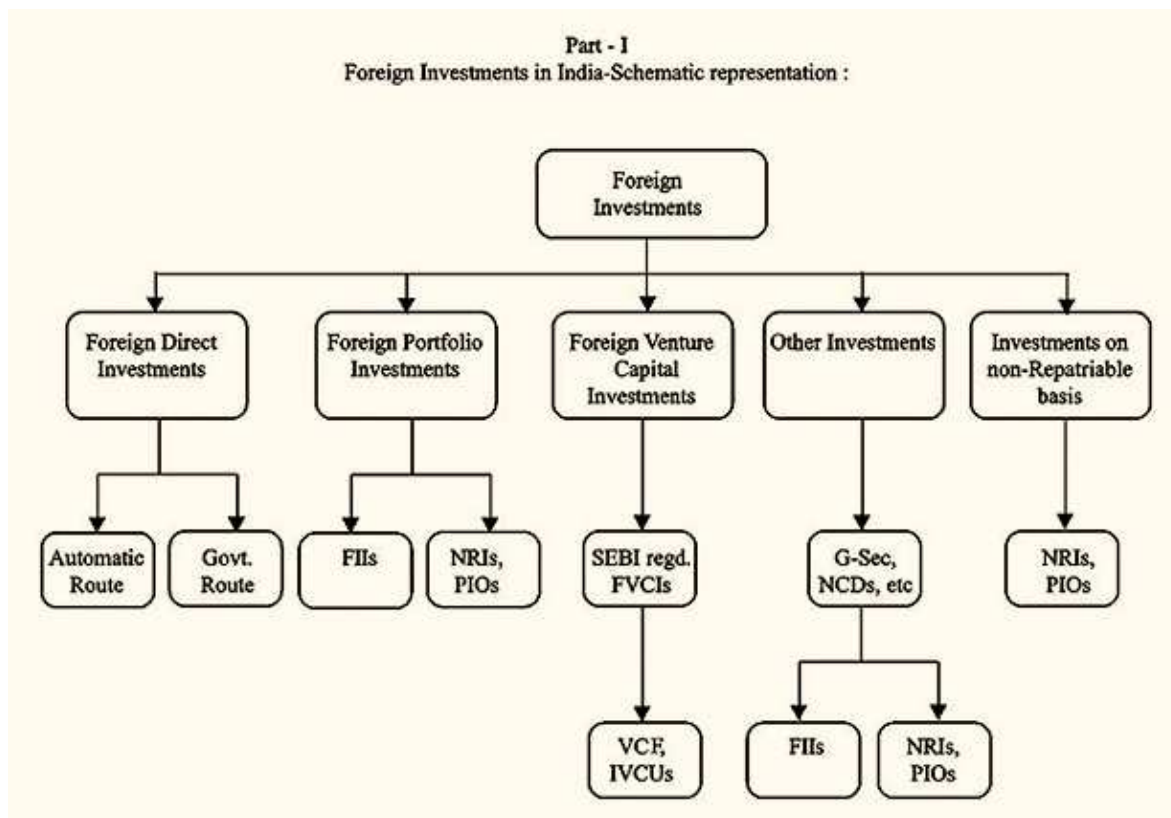
India – FDI Inflows
 Share of GDP*



INVESTMENT OPTIONS

There are various investment options available in India. The different domestic investment options in India includes Bank Fixed Deposits (FD), stock market, Mutual funds, National Saving Certificate (NSC), gold, real estate, equity and many more. Retailing is considered one of the largest industries in India .It has emerged as one of the most dynamic and past paced industries with several players entering in the market. Retail industry in India is expected to rise by 25% yearly as it is being driven by strong income growth, changing lifestyles, and favorable demographic patterns. Shopping in India has witnessed a revolution with the change in the consumer buying behaviour and the whole format of shopping also altering the growth of retail industry. An important aspect of the current

economic scenario in India is the emergence of organized retail. In recent years there has been considerable growth in organized retailing and has gained momentum. Major industrial houses have entered this area and have announced very ambitious future expansion plans. In India there are multi stored malls, huge shopping centers, and sprawling complexes which offer food, shopping, and entertainment, all under the same roof in the urban land scape across the country. Various investment options are given below.



FOREIGN DIRECT INVESTMENT (FDI) IN INDIAN RETAILING

Foreign companies would be allowed to own a majority share in Indian outlets conducting multi-brand retail trade. At political level it is approved that 51% shares for foreign companies. While commending India to go ahead with 'strategic Alliance with the US', which urged the Indian leaders to speed up the entry of foreign multi brand retail giants like Wal-Mart, Carrefour and Tesco into Indian retail trading of all products, including grocery, food and other consumebales. At present the foreign companies are only permitted to operate cash-and carry format stores catering to whole salers and business consumers. As a sop to critics, the committee has laid down the condition that foreign retailers should dedicate at least 50 percent of their proposed investment to back-end supply chain infrastructure. They would further have to commit a minimum of \$100 million. However, the demand from the domestic retailers that the foreign retailers should sell at least 30% of their total turn over to local retailers either as wholesaler in the cash-and carry model has been rejected. Another proposal to force the foreign retailers to source merchandise from the domestic small and medium scale producers need to be examined to see if it meets with the WTO norms. It is a fact that the entry of foreigners with their vast organizational power would seriously affect the domestic labour market has more than a grain of truth and it would ultimately lead to unfair competition and result in large scale exit of domestic retailers, especially small family managed outlets, leading to large scale displacement of persons employed in the retail sector.

INDIAN RETAIL SHOP



IMPACT OF RETAILING

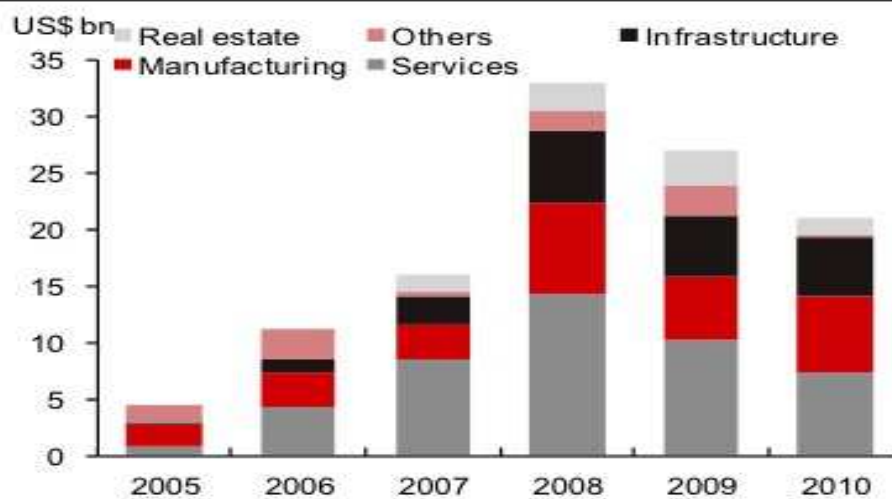
No one can deny the fact that the present retail sector is unorganized and the multiple point of sale between the farm-gate and the consumer leads to wide disparity between the price paid to the farmer, and the one paid to the consumer, but the setup also provides job to millions. The organized retail would control prices and contain inflation as is voiced by the reformers is unlikely to happen in India. Once they enter the country and setup shop, global retailers with their enormous monopolistic power to manipulate the markets can actually pay less and charge more. Also the big foreign retailer would have necessarily operated in urban milieu because he needs a large market and whatever benefit he would be for the urban elite. This surely would lead to further urban- rural socio economic tensions.

FDI IN SERVICE SECTORS

In India the service sector accounts for 55 percent of India’s Gross Domestic Product. It growing by 10 percent annually, contributes about a quarter of total employment and over one-third of total exports and then is growing at a fast rate. It is emphasized that we have to sustain a high growth of the service sector. It is true to say that to tap the full potential of the service sector, policy reforms are needed. Among the various policy reforms, the single one that can contribute most to the further growth and maturing of India’s service sector is making it easier for foreign direct investment in services. However the issue has become intensely contested. FDI window into services has been opened only slightly. Many areas of the services sector are altogether out of bounds for the foreign direct investment. But despite severe restrictions, the service sector has attracted not less than 44 percent of the total FDI equity flows between April 2000 and December 2010 in only four sectors, namely financial and non financial services computer hardware and software, telecommunications, housing and real estate. If the construction sector is included then the share of the service sector in the total equity flows will jump to 51 percent. Of these sectors financial and non financial companies have attracted the largest FDI equity flow with a share of 21 percent .Larger FDI flows can radically improve some of the India’s critical services sector and help overcoming the challenges that are before India’s service economy to day. The Economic Survey of 2010 clearly pointed out that the three challenges

FDI SECTORAL COMPOSITION IN INDIA 2005-10

Figure 1. FDI inflows by sector

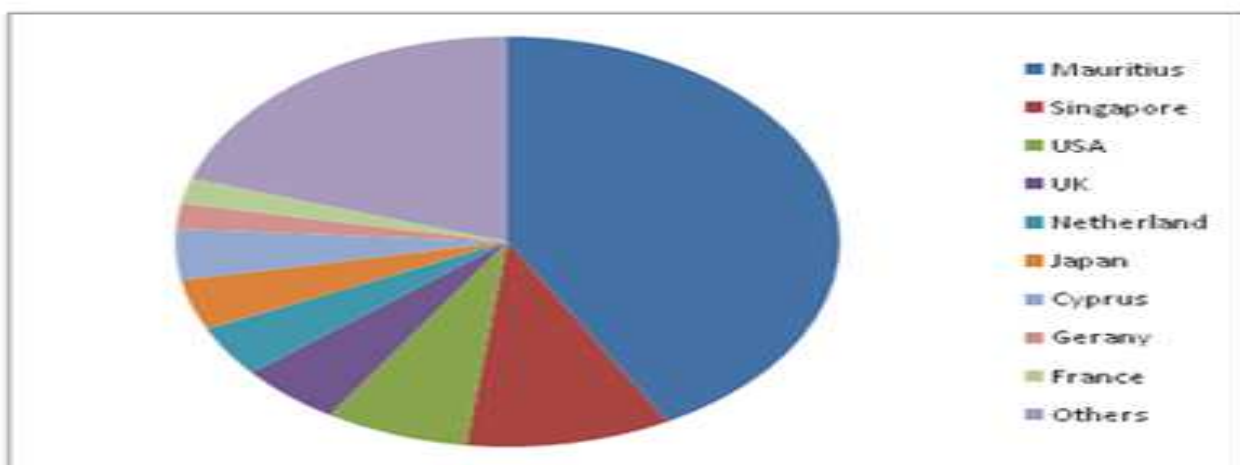


Source: CEIC and Nomura Global Economics.

CHALLENGES

- The biggest challenge is to retain India’s competitiveness in those sectors where it has already made a mark such as IT and communications.
- The second challenge lays making inroads in traditional services, such as tourism and shipping and other countries have already established themselves.
- The third is to make India’s presence felt in globally traded services such as financial services, health care, education, accountancy and other business services.

FOREIGN DIRECT INVESTORS IN INDIA



It should be noticed that greater integration with large global players through investment and international relationship building could help in overcoming these challenges and making India a service super power. Indeed the opportunities in this fast growing employment oriented sector are sticking. But allowing greater FDI into these activities is fraught with policy restriction. In the case of retail trade, FDI is prohibited excepting in single brand retailing subject to a 51 percent cap.FDI in cash and carry wholesale trading is however permitted. During the period , April 2006 to March 2010, FDI inflows into retail amounted to just about

195 million dollars accounting for 0.21 percent of total FDI flows during the period. FDI in retail is permitted in Brazil, Indonesia, Argentina, Singapore, China and Thailand with out any limit on equity participation. Permitting FDI retail in a phased manner beginning with the metros and incentivising existing retailer to modernize could help the interest of the consumers as well as farmers. FDI in retail can bring in latest technology and supply chain management into the country.

FDI IN SERVICE SECTOR INFLOW (2006-2010)

Rank	sector	2006-07	2007-08	2008-09	2009-10	Cumulative Inflow (2000-2010)	%age to total inflow
1	Service sector (financial & non financial)	4664	6615	6116	4392	23640	21
2	Computer software & hardware	2614	1410	1677	919	9872	9
3	Telecommunication (radio paging, cellular mobile, basic telephone service)	478	1261	2558	2554	8931	8
4	Housing & Real estate	487	2179	2801	2844	8357	8
5	Construction (including roads & highways)	985	1743	2028	2868	8059	7
6	Power	157	967	985	1437	4627	4
7	Automobile	276	675	1152	1177	4565	4
8	Metallurgical industry	173	1177	961	407	3130	3
9	Petroleum & Natural Gas	89	1427	412	272	2666	2
10	Chemicals	205	229	749	362	2496	2

Data Source: Department of Industrial Policy and Promotion, 2010
Ministry of Commerce and Industry
Government of India

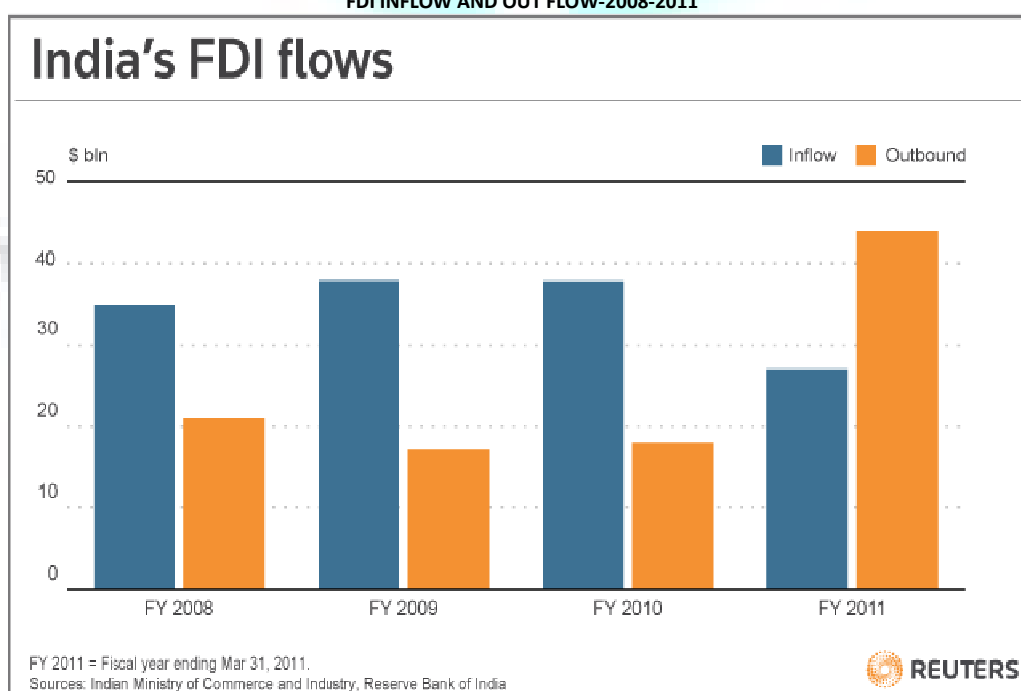
DEVELOPMENTAL CONSIDERATIONS

In the late 1990s the retail sector has witnessed marked transformation. Retailing is perceived as a beginner and as an attractive commercial business for organized business i.e. the pure retailer is began to emerging now. Organized retail business in India is very small but has tremendous scope. The total in 2005 stood at \$ 225 million, accounting for about 11 percentage of GDP. In this total market, the organized retail accounts for only \$8 billion of total revenue. Organized retailing will now grow faster than unorganized sector and growth speed will be responsible for its high market share, which is expected to be \$17 billion by 2010-2011. according to Confederation of Indian Industries, in New Delhi has the good resources and good condition for the retail sector. Out of the total earnings of the Government of Delhi Rs 11000 crore, Rs 6500 crore is achieved from the retail sector.

KEY STATISTICS

- FDI inflow rose by 50 per cent to US \$ 20.76 billion during January-August 2011, while the cumulative amount of FDI equity inflows from April 2010 to August 2011 stood at US\$ 219.14 billion, according to the latest data released by the Department of Industrial Policy and Promotion (DIPP).
- Services (financial and non- financial), telecom, housing and real estate, construction and power were the sectors that attracted maximum FDI during the first eight months of 2011 while Mauritius, Singapore, the US, the UK, the Netherlands, Japan, Germany and the UAE, among others, are the major investors in India.
- India's foreign exchange (Forex) reserves have increased by US\$ 858 million to US\$ 318.4 billion for the week ended October 21, 2011, according to the weekly statistical bulletin released by the Reserve Bank of India (RBI). In the considered week, foreign currency assets went up by US \$ 861 million to US\$ 282.5 billion, while the gold reserves stood at US \$ 28.7 billion.

FDI INFLOW AND OUT FLOW-2008-2011



Reuters graphic/Christine Chan

05/07/11

EMERGING TRENDS IN INDIAN RETAIL INDUSTRY

The Indian retail environment has been witnessing several changes on the demand side due to the increased per capita income, changing life style, and increased product availability. The traditional format like hawkers and grocers coexists with modern format like supermarkets and non store retailing channels such as multilevel marketing and tele-shopping. Modern stores tend to be large, carry more stocks, keeping units, and have a self service format and an experimental ambience. In recent years there has been a slow spread of retail chains in some format like supermarket, malls, and discount stores. Factors facilitating the spread of chains are the availability of quality products at lower prices. Improved shopping standards, convenient shopping and display and blending of shopping with entertainment. Cities like New York, Los Angeles, Vancouver, London, Paris, New Delhi, Mumbai etc are booming and expanding in retail business due to their strategic approach in deciding facilities, customer services, retail visual and their prompt responses on customer requirements.

DEVELOPMENT OF RETAILING

The Birlas have marked their presence by acquiring Madura Garments, while Reliance plans to develop its retail venture and fuel retail network simultaneously. Even the public sector companies like HPCL, IOCL, and BPCL realized their potential for entering in to retailing by leveraging their supply chain network. At the macro level factors such as rising disposable income, dominance of the younger population in spending, urbanization and shift of the traditional family structure towards the nuclear family are the factors responsible for the development of organized retailing in India. Being considered a sunrise sector of the economy, several large business houses are entering the retail industry under multiple modern formats. On the one hand, the advancement of information technology is improving end to end business processing by integrating the entire value chain, backward and forward, for operational efficiencies. On the other hand, rising real estate prices, infrastructural constraints, and expensive technology are making the retail industry capital intensive. The governments of India prohibit FDI in retail except for single brand joint ventures with up to 51 percent equity share. The recent growth of the retail industry has already made impact on the commercial real estate sector.

REGULATORY FRAMEWORK

As a result of shortage of land and rising property prices, finding property in commercial market is becoming difficult. The licensing process for organized retail is cumbersome requiring as many as 33 licensing protocols. Besides the lobby against modern retail is mounting in recent years from traditional retailers. Nevertheless, the macro-economic landscape indicates that the domestic retail industry has immense scope for the modern as well as the traditional retailers to coexist. Through a balanced regulatory framework and competition policy, both the traditional format and the modern format can continue to grow eventually closing the gap between the organized and unorganized retailing will promote quality employment, improve business process practices, higher investment in support industries, and enable the modernization of fragmented traditional retail industry. Modern retail business focuses on maximizing customer footfalls and capturing rising volume and shares of the customer budget. Retailing is not an activity that can boost GDP by itself. It is only an intermediate value-adding process. If there are not any goods being manufactured, then there will not be many goods to be retailed. This underlines the importance of manufacturing in a developing economy. One could argue that the alarmingly low contribution of industry is attributable to the structural adjustments going on the sector, getting rid of the flab and getting ready to compete, but that still cannot undermine the seriousness of the issue at hand, in that only 600 million is employed in organized manufacturing. The efficiency can be maintained through

- The retail sector in India is severely constrained by limited availability of bank finance. So the government and RBI need to evolve suitable lending policies that will enable the retailers to expand and improve their efficiencies.
- A National level commission must be established to study the problem of the retail sector and to evolve policies that will enable it to cope with FDI as and when it comes.
- The commission should evolve a clear set of conditionality on giant foreign retailers on the procurement of farm produce domestically manufactured merchandise and imported goods. This conditionality must be aimed at encouraging the purchase of goods in the domestic market, specify the details of standard to be maintained.
- Entry of foreign players must be gradual and with social safeguards so that the effects of labour dislocation can be analysed and policy must be implemented to control predatory pricing
- There has been a substantial fall in employment in the manufacturing sector. So it is imperative to develop and improve manufacturing sector to absorb the misplaced labour force.
- The government must encourage setting up of co-operative stores, ware housing units and cold chains to procure and stock their consumer goods and thereby lowering the capital cost for small retailers. From small producers for addressing the dual problem of limited promotion and marketing ability as well as market penetration for the retailer

IMPACTS OF ORGANIZED RETAILING

Organised retailing in India is gradually inching its way towards becoming the next boom industry. The whole concept of shopping has altered in terms of format and customer buying behaviour, ushering in a revolution in shopping in India. The Indian corporate retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth. The emergence of organised retailing has given rise to the need for a whole new set of business skills and competencies required to efficiently manage organized retail operations. Among the many issues, values of assortment, purchase experience, logistics and supply chain issues, financing options, channel consolidations, volume driven relationships and people strategies have acquired completely new dimensions.

NEED FOR ORGANISED RETAILING

The Indian retail sector is highly fragmented, consisting predominantly of small, independent, and owner managed shops. And most of the parts are untouched by corporate business principles. It was only in 1980s when the economy was opened, the situation began to change. Companies like Bombay Dyeing, Raymond and Grasim from the textile sector were the first ones from the corporate world to step into the retailing by opening their own outlets. Titan's another successful story of a corporate creates a great retailing concept, by establishing a series of elegant watch showrooms across the country. The post liberalization era witnessed new wave of entrants in the sector with large scale investment like Tatas, the RPG Group, Rahejas and the Piramals investing in the sector. Various other Indian corporate sectors like the Birlas, the Hero group, and the Reliance have expressed their intention of joining the Indian retail foray.

FOOD RETAIL SECTOR

The food retailing industries in India presents a focused opportunity to the government to catalyze growth and employment. It is a fact that with 3.6 million shops retailing food employing 4 percent of total work force and contributing 10.9 percent to GDP. The food retail sector can be improved through

- Provision of training in handling storing transporting storing grading maintaining hygiene standards by adopting appropriate measures.
- Creation of infrastructure for retailing at community centers in a hygienic way will enable greater employment and faster transport
- Quality regulation through certification and price administration bodies can be created at for upgrading the technical and human interface in the rural and urban supply chain
- Credit availability for retail traders must be encouraged with view to enhancing employment and higher utilization of fixed assets which would lead to less wastage.

- Integrating very long food supply chains in dairy, vegetables, fish, and fruits have been evolved in India. This integration of food supply chain will provide new products in new markets increasing consumer choice economic activity and employment.

PROSPECTS OF RETAILING

Indeed, the entry of large organized retail chain could benefit the small farmers to the unemployed youths in cities and towns. The government is reportedly working out a set of rules for operation of foreign retail chain. These will understandably include requirements of local procurement. As per the set rules it is said that the retailers will be obliged to procure at least 30 percent of their requirements locally. It could infact help export from the small sector. Besides the large retailer could help in stabilizing prices by going directly to the farmers for purchase of food, vegetables etc and thereby cutting out tiers of middlemen. In the case of banking there is the scope for attracting large investment from abroad and the issue of changing the relevant laws has been discussed threadbare. Presently foreign investment of 74 percent is allowed. Admittedly in the light of global financial crisis, the issue relating to FDI in banking and further liberalizing operation of foreign banks will have to be seen in the context of overall financial stability. In India banks are sound but there is no doubt that export of financial services could be increased substantially through global linkage. In this context, the principal of reciprocity could also be applied to countries that have allowed Indian banks to expand.

CONCERNS OF RETAILING

- Most of the consumers feel that the small scale retailers put in the more efforts to maintain good relation with the consumers. The organized retail outlet should consolidate their position by strengthening the advantages and the sector has to put more efforts to maintain good relation with the consumers.
- The message conveyed to the target consumers must be effective enough in differentiating the retail outlets offering them that of its competitors with out even naming them.
- The organized retailers have to give more emphasis on display visual communication strategy might be planned and also be brand positioned.
- Critical components of supply chain planning applications can help manufactures meet retailer's service level and maintain profit margins. They have to develop innovative solution for managing the supply chain problem.
- Retailers benefit only if consumers perceive their store brand to have consistent and comparable quality and availability in relation to branded products.

RETAILING AND EXCLUSION OF THE POOR

The real world does not always confirm to the finest rules of the market and optimality. The market efficiency brought in by the global value chain is most likely to drive out small and resource poor farmers, as happened during the proliferation of the retail giants in the presently developed economies. A direct implication of such an eventuality is formulation of policies that promote large scale farming and corporatisation so as to overcome the disadvantages of small scale farming. This may lead to displacing the poor from their land base and making them dependent on market forces is a tricky situation, especially when no other form of social protection is in place to take care of the interest of the poor. In the concern about resource sustainability, equity and food security of the poor will also receive their rightful consideration in the policy formulation, especially when food inflation in the country continue to push many poor to reduce their food intake both in terms of quantity and quality. It is thus important to shift the locus of the discourse on global value chain from its central thrust on the emerging middle class to addressing the larger developmental issues including that of employment generation and effective demand for the poor. This is particularly important because of the poor and their exclusion from development as well as market is a reality in India.

CONCLUSION

At present the organized retailing in India is witnessing considerable growth. A number of large domestic business groups have entered the retail trade sector and are expanding their operation aggressively. Several format of organized retailing like hyper market, supermarkets and discount stores are being set up by big business groups besides the ongoing proliferation of shopping malls in the metros and other large cities. Organised retail business is perhaps the best news for India's retail revolution. International consultants have declared India to be the world's second most attractive destination for retail investment after Russia. The retail industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The Indian retailing industry is gradually inching its way towards becoming the next boom industry. Successful retail organizations must understand their market, their customers and the importance of strategic location. Because of completion in the retail industry can be fierce, such organization need the best micro marketing tools available to analyse where to place new stores, establish customer profile, and determine best marketing practices in order to find new customers. Attracting FDI and forging more effective international linkage is the key to this objective. If there are policy obstacles, efforts should be made to overcome these in other ways. India enjoys a strong position as a global investment hub with the country registering high economic growth figures even during the peak of financial meltdown. As a result overseas investors rested their confidence in the economy with which eventually pushed Foreign Direct Investment (FDI). Considering the pace of FDI growth in India; it is believed that FDI in 2011-12 may cross \$35 billion.

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SOCIO-ECONOMIC PROFILE OF WOMEN ENTREPRENEURS: A CASE STUDY WITH REFERENCE TO NORTH DISTRICT OF GOA STATE

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ABSTRACT

In the present paper an attempt has been made to highlight the social profile of women entrepreneurs. The paper further study and analyze the idea to initiate a business, reason to select the business, source of finance, and ways of business transactions. An attempt has also been made to discuss the key issues related to the decision making activities specified by the women entrepreneurs with the help of rank order method.

KEYWORDS

women, age, marital status, finance, decision making, activities.

INTRODUCTION

It is an accepted fact now that women have to play a prominent role in the overall economic development of our nation, as they constitute around 50 per cent of the total population. This is one of the reasons for selecting women as a target group for promoting entrepreneurship. Women entrepreneurs' are around 8 per cent of the total entrepreneurs in India. Entrepreneurship has been acknowledged as one of the essential factors determining the growth and development of any country. Entrepreneurship development is essential for increasing production and productivity in the primary, secondary and tertiary sectors for harnessing and utilizing material and human resources, for solving problems of unemployment and under-employment, for effecting equitable distribution of income and wealth, for increasing the Gross National Product and per capita income.

RESEARCH OBJECTIVE

The present research was done with the following objectives:

- i. To understand the social profile of the women who turned into women entrepreneurs.
- ii. To study and analyze:
 - a. Idea to initiate a business;
 - b. Reasons to select the business;
 - c. Source of finance;
 - d. Ways of business transactions; and
 - e. Weightage specified by the number of respondents.

RESEARCH METHODOLOGY

The survey was carried out with 50 sample women entrepreneurs who were selected according to convenience sampling method from North district of Bardez Taluka. The data were collected by means of interview schedule. Open ended questions were provided for the sampled members to express freely of the problems faced by their business and extend messages to other aspiring entrepreneurs in the light of own experiences. This micro level reading was conducted among women entrepreneurs who have completed 5 years. Interview schedule was utilized as a tool of data collection as most of the respondents were literate.

The information collected directly by the researcher from the respondents' form as primary data and other details collected from text books, reports, various journals, published and unpublished texts, newspapers websites etc form as secondary data. Primary data has been collected by framing questionnaires. The collected data were analyzed by means of simple statistical technique and rank order method. The findings of this exploratory study are presented under the various aspects such as their profile, idea to initiate a business, reason to select the business, source of finance, ways of business transactions and key issues related to the decision making activities specified by the women entrepreneurs

SOCIAL PROFILE OF THE WOMEN ENTREPRENEURS

AGE-WISE DISTRIBUTION OF WOMEN ENTREPRENEURS

Age is closely associated with mental maturity, understanding situations, perception of things and other psychological features. Based on age, human beings are classified. The age particulars of the women entrepreneurs are shown in Table I

TABLE I AGE OF WOMEN ENTREPRENEURS

Activities	Age group in years				
	Above 25<30	Above 30<35	Above 35<40	Above 40<45	45 and Above
Stitching and tailoring	01	06	07	01	-
Agarbatti, candles and soaps manufacturing	-	-	-	-	02
Masala making	-	05	01	08	02
Cooking and catering	01	01	-	02	02
Beauty parlour	01	-	01	02	-
Embroidery, knitting, crochet	01	03	02	01	-
TOTAL	04(08)	15(30)	11(22)	14(28)	06(12)

Source: Compilation of Primary data

Note: Figures in parentheses represent percentage

As the data shows, 30 per cent of the women entrepreneurs belonged to age group above 30<35 years, followed by 28 per cent in the age group above 40<45 years and 22 per cent in the age group above 35<40. This implies that women from the age group i.e. above 30 but upto 45 years were highly involved in entrepreneurial activities rather than entrepreneurs below the age group 30 years. The 12 per cent women from age group 45 years and above started their business it means age is not the bar to dynamic women.

EDUCATIONAL QUALIFICATION

Education is a man-making and character building device. It is through education, one gets sharpened in one's outlook. The educational qualification of the women entrepreneurs is shown in Table II

TABLE II EDUCATION AND CHOICE OF BUSINESS

Educational Status	Family Business	Interest	forced	Experience	Total
Non-matriculation	06(54.55)	-	05(45.45)	-	11(22)
Matriculation	07(46.67)	-	08(53.33)	-	15(30)
H.S.S.C	02(15.38)	03(23.08)	07(53.85)	01(7.69)	13(26)
Graduate	03(27.27)	08(72.72)	-	-	11(22)

Source: Compilation of Primary data

Note: Figures in parentheses represent percentage

The table above reveals that 11(22 percent) and 15(30 per cent) of the respondents who are non-matriculation and matriculation respectively are engaged in family business and are involved in the business due to forced and are mostly involved in stitching and tailoring, cooking and catering. 13(26 per cent) of the respondents has secured Higher Secondary certificate and are engaged in Beauty Parlour'. 11 (22 per cent) of the respondents who are graduates are engaged in Embroidery, knitting, crochet; Cooking and catering and even Masala making.

MARITAL STATUS

Relating marital status to business is to find out the support received from their spouses. Spinsters find more time to undertake business whereas; the married women are burdened with family pressures.

TABLE III MARITAL STATUS OF WOMEN ENTREPRENEURS

Marital Status	Unmarried	Married	Widows
No of respondents	01(2)	42(84)	07(14)

Source: Compilation of Primary data

Note: Figures in parentheses represent percentage

The above table shows that out of 50 respondents 42(84 per cent) respondents are married. Remaining 08 (16 per cent) respondents include unmarried and widows, who started their own business. The study reveals that after marriage women entrepreneurs get good support from their husband and family members.

IDEA TO INITIATE THE BUSINESS

TABLE IV IDEA TO INITIATE THE BUSINESS

Items	Self	Husband	Friends and Relatives	NGOs
No of respondents	15(30)	25(50)	07(14)	03(06)

Source: Compilation of Primary data

Note: Figures in parentheses represent percentage

Out of the total 50 respondents 15(30 per cent) of the respondents took the decision on their own. 25 (50 per cent) of the respondents were supported by their husbands.07 (14 per cent) received advice and guidance from friends and relatives. Only 03(6 per cent) of the respondents was advised by non- government organizations. Apart from self motivation the role played by husbands in inspiring their wives is significant. It is evident that NGOs has played meager in motivating the women to go for a business.

REASONS TO SELECT THE BUSINESS

TABLE V REASONS TO SELECT THE BUSINESS

Activities	Family Business	Interest	forced	Experience	Total
Stitching and tailoring	07	-	08	-	15
Agarbatti, candles and soaps manufacturing	01	-	01	-	02
Masala making	07	-	09	-	16
Cooking and catering	02	04	-	-	06
Beauty parlour	01	02	-	01	04
Embroidery, knitting , crochet	-	05	02	-	07
TOTAL	18(36)	11(22)	20(40)	01(02)	50(100)

Source: Compilation of Primary data

Note: Figures in parentheses represent percentage

The table above shows that 20(40 per cent) of the respondents forcibly entered into their respective business as they treated this due to circumstances. 18(36 per cent) of the respondents preferred their own family business. 11(22 per cent) of the respondents selected the said business because of their interest and liking whereas 01(2 per cent) of the respondents choose her business due to work experience.

SOURCE OF FINANCE

TABLE VI SOURCE OF FINANCE

Sources of finance	Ranking number of respondents'					Weight score	Ranking	Average weighted
	I	II	III	IV	V			
PMRY	14	11	06	05	05	99	2.41	0.17(2)
CMRY	16	08	02	04	05	79	2.25	0.14(1)
CBs	10	11	07	04	02	79	2.32	0.23(3)
GSCB	07	15	05	03	05	64	1.82	0.26(4)
MHAPSAUCB	02	05	11	10	09	130	3.51	1.75(5)
RELATIVES AND FRIENDS	-	08	08	08	05	97	3.34	Infinite
SELF-FINANCING	-	-	03	02	02	17	2.42	Infinite

Source: Compilation of Primary data

Note: Figures in parentheses represent percentage

As the data shows, the main source of financing economic projects are represented by the Chief Minister Rozgar Yojana(1), Prime Minister Rozgar Yojana(2), Commercial Banks(3), Goa State Co-op Banks(4), and Mhapsa State Urban Co-op Bank(5). Social capital plays negligible role in helping the implementation of economic projects.

WAYS OF BUSINESS TRANSACTIONS

TABLE VII WAYS OF BUSINESS TRANSACTIONS

Type	Self	Husband	Jointly	Total
Stitching and tailoring	07	-	04	11
Agarbatti, candles and soaps manufacturing	07	03	05	15
Masala making	07	05	05	17
Cooking and catering	02	-	03	05
Beauty parlour	01	-	-	01
Embroidery, knitting , crochet	01	-	-	01
TOTAL	25(50)	08(16)	17(34)	50(100)

Source: Compilation of Primary data

Note: Figures in parentheses represent percentage

Table reveals that out of 50 women entrepreneurs 25(50 per cent) of the respondents independently handle their business transaction including marketing, handling bank documents, negotiating with their dealers in order to give discount on raw materials and so on.

WEIGHTAGE SPECIFIED BY THE NUMBER OF RESPONDENTS

Decision making activities has changed to a better extent due to association in venture. Approach towards different parameters of decision making actions has been revolutionized. Women entrepreneurs have learned how to list the activities whether it is related to family or business. Response has been collected from the entrepreneurs in order to be familiar with the activities they rank the first and activities they rank the last.

Entrepreneurs has specified weightage priority-wise the different decision making activities as below:

TABLE VIII WEIGHTAGE SPECIFIED BY THE NUMBER OF RESPONDENTS

Decision	Ranking of number of respondents'					Total of rank values	Average value	AdjustedAvg value
	I	II	III	IV	V			
Risk taking ability	11	09	07	09	05	111	2.70	0.24(2)
Use of loan	03	03	05	01	05	53	3.11	1.03(6)
Taking loan	06	01	06	05	17	131	3.74	0.62(5)
Purchase of assets	06	11	07	08	04	101	2.80	0.46(4)
Children's education	22	10	04	05	-	74	1.80	0.08(1)
Power to face challenges of daily life	08	14	11	09	01	110	2.55	0.31(3)
Self awareness	02	05	04	02	01	37	2.64	1.32(7)
Great relief from mental stress and anxiety	02	01	04	02	05	49	3.50	1.75(8)

Source: Compilation of Primary data

Note: Figure in brackets denotes overall ranks given to various decision making activities.

On the basis of the rank order method, the respondents revealed their priority for the different activities attached while taking decision are as follows: (1) Children's education, (2) Risk taking ability, (3) Power to face challenges of daily life, (4) Purchase assets, (5) Taking loan, (6) Use of loan, (7) Self awareness, (8) Great relief from mental stress and anxiety.

RESEARCH FINDINGS AND CONCLUSION

The analysis of data as above leads to major findings as given below:

1. Majority of the women entrepreneurs belonged in the age group of above 30<35 and above 40<45 years.
2. Majority of the women entrepreneurs has secured 10th standard (30 per cent) and 12th standard (26 per cent) respectively.
3. 84 per cent of the women entrepreneurs are married.
4. 50 per cent of women reveal that they have encourage by their husband whereas, 30 per cent of the women says that it is their own thought.
5. 40 per cent of the women has turn into an entrepreneurs due to circumstance whereas, 36 per cent of the women taken this business from their ancestral.
6. Women entrepreneurs have given first preference to CMRY as one among the rest top leading source of finance.
7. Majority of the women entrepreneurs (50 percent) handle the entire business transaction by themselves whereas 34 per cent of the strength shares the burden jointly and collectively
8. Women entrepreneurs' decision making ability has revolutionize to greater extent. Entrepreneurs started realizing the magnitude and be familiar with how to take decision in the best possible manner. According to them, business has taught them how to priorities their actions and rank them.
9. According to Women entrepreneurs, Children's education has the first priority, second to Risk taking ability, third to Power to face challenges of daily life, fourth to Purchase assets, fifth taking loan, sixth to Use of loan, seventh to Self awareness and eighth to Great relief from mental stress and anxiety.

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HUMAN SETTLEMENTS UNDER SRIPADA-YELLAMPALLY PROJECT AND SUSTAINABLE DEVELOPMENT STRATEGY

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ABSTRACT

In this paper, an initial attempt is made to analyze equity v/s efficiency objectives in human settlement under Sripada-Yellampally project. The estimated multiple regression (of total payment on affected agriculture land, affected abadi land and affected number of families, village-wise) with no heteroscedasticity, instructs a reasonable implications for fulfillment of equity objectives. Due to data deficiency neither technical and allocative efficiency nor asymptotic limits of various consumptions could be estimated. A small sample (247 families) of income –data is used to analyze efficiency and development. A simple dummy variable model of incomes (before and after settlement) is examined and it may be concluded that the average income per family has declined but not significantly. However, for sustainable development the average income should significantly increase. The system of priority of agriculture should now have an innovative approach of higher profitability and efficiency in order to match with the globalization and liberalization policy –objective. The policy option of efficiency in place of equity is very difficult to apply (in the case of agriculture and rural development) in the present system of socio-economic and political environment of India. It seems difficult in near future that equity objective (especially to remove rural poverty) would be out of list of Indian planning. And human settlement under irrigation and power generation project like Sripada-Yellampally Project will have priority of equity objective for at least another ten years to come. However, it is projected that after ten years the efficiency objective in human settlement under irrigation project, would be an essential condition, in order to fulfill our nation dreams of development by 2020.

KEYWORDS

Human settlement, sripada-yellampally project, development strategy.

INTRODUCTION

Over the past couple of years, issues of displacement and rehabilitation have become major focus in the public policy analysis as well as in governance. In fact there are different perspectives. Some would view “displacement is inevitable, although it is a painful process” due to deforestation of forest resources, river systems and mineral base that attract the ‘developmental projects’ have already seen a ‘displaced’ segment of the Indian society (Muzaffar Assadi – 2007). Development induced displacement and resettlement is a type of forced migration, and refers to the situation whereby people have to move to make way for infrastructure development projects. Some ten million people are displaced each year in the face of projects, such as the construction of dams, irrigation schemes, conservation areas, urban renewal and housing schemes, water or transport supply systems, energy generation projects and open cast mining (Downing – 2002).

People should be at the central axis of development is increasingly recognized. However, there may be occurrences where a development intervention such as a road or an irrigation dam should proceed for the greater benefit of society, in spite of its potential shows adverse effects on some people (World Bank -1994). In such cases, the development intervention should be consulted; compensated for their losses; and assisted to rebuild their homes and communities, reestablish their enterprises, and develop their potentials as productive members of society. At least equivalent measures to that are likely to be prevailed in the absence of the development intervention. Attention to such matters is especially important when the people who may be adversely affected are poor and vulnerable, do not have the capacity to absorb such adverse impacts, and cannot remain productive without significant help. (MoL-GOI:1948)

In the Indian context, developmental projects generally are unyielding not in cultural setting of local population rather “outside their realm” - the realm lies either in the capital cities or in the western multilateral institutions (Walter Fernandes: 2001:87). Further, such projects are paved a straightjacket way without taking into confidence of locality or cultural ethos. Eventually, the developmental projects may not flipside by an appropriate rehabilitation policy. In other words most of the time, the projects are implemented without a proper rehabilitation package or policy. It is interested to note that most of the developmental projects are located in the most backward areas and populated by various vulnerable sections (Roy Arundathi -2004). The project segments, with the enactment of land settlement laws, forest laws and commercialization of forest products and minerals, have undergone a metamorphosis, where legally the access to the various natural resources are denied and these segments are treated as hostages within their environment. Another productive segment was also a part of displacement due to the process of de-industrialisation and forced commercialisation of agriculture – these comprise the differentiated peasantry, the artisanal groups and the traditional service groups (Bharathi and Rao, 1999).

Implementation of development and infrastructure projects displaces people from their homes, land or their means of livelihood. Apart from depriving them of their land, livelihood and resources base, displacement has other psychological, social and cultural consequences also (Cernea -1999). The Government recognize the need to minimize large-scale displacement to the extent possible and where displacement is inevitable, the need to address the issue of displacement with almost care, human touch and forthright. Such an approach is especially necessary in respect of tribal, small and marginal farmers. Various policies relating to the Resettlement and the Rehabilitation (R&R) of displaced persons have been in place from time to time, varying from project to project and district to district (Kothari – 1996). The need has been felt for the evolution of a comprehensive policy on R&R to ensure uniformity of benefits across the state and also ensure the delivery of benefits in a transparent manner.

Displacement from one’s habitual residence and the loss of property without fair compensation can, in itself constitute a violation of human rights. In addition to violating economic and social rights, arbitrary displacement can also lead to violations of civil and political rights, including arbitrary arrest, degrading treatment or punishment, temporary or permanent disenfranchisement and the loss of one’s political voice (Ram Babu Mallavarapu - 2006). Finally, displacement carries not only the risk of human rights violations at the hands of state authorities and security forces but also the risk of public violence when new settlers move in amongst existing populations.

Rehabilitation on the other hand, involves replacing the lost economic assets, rebuilding the community systems that have been weakened by displacement, attending to the psychological trauma of forced alienation from livelihood, transition to a new economy which is alien to those from a predominantly informal society and preparing them to encounter the new society as equals and not just suppliers of cheap raw materials and labour that they are in today’s system of displacement without any transition (Asif - 2000).

Where population displacement is unavoidable, a detailed resettlement plan with time-bound actions specified and a budget are required. Resettlement plans should be built around a development strategy; and compensation, resettlement, and rehabilitation packages should be designed to generally improve or at least restore the social and economic base of those to be relocated. Monetary compensation for land alone may not be adequate (Parasuraman - 1999). Voluntary relocation by some affected persons may form part of a resettlement plan, but measures to address the special circumstances of involuntary resettlers should also be included. Preference should be given to resettlement of people dislocated from agricultural settings unto similar settings. This is particularly important for indigenous peoples whose degree of acculturation to mainstream society is limited. If suitable land is unavailable, other strategies built around opportunities for wage employment or self-employment may be used (Ibid).

The contents and level of detail of resettlement plans, which will vary with circumstances, especially the magnitude of resettlement, should normally include a statement of objectives, policies, and strategy, and should cover the following essential elements (Parasuraman 1999); (i) organizational responsibilities; (ii) community participation and integration with host populations; (iii) socioeconomic survey; (iv) legal framework including mechanisms for resolution of conflicts and appeals procedures; (v) identification of alternative sites and selection; (vi) valuation of and compensation for lost assets; (vii) landownership, tenure, acquisition, and transfer; (viii) access to training, employment, and credit; (ix) shelter, infrastructure, and social services; (x) environmental protection and management; and (xi) implementation schedule, monitoring, and evaluation.

PROFILE OF SRIPADA-YELLAMPALLY PROJECT

Andhra Pradesh is rightly called "A RIVER STATE" as it is blessed with major river system like the Godavari, Krishna, Pennar, Vamsadhara and 36 others. The state's share of dependable flows at 75% dependability from the river systems is estimated at 2,764 TMC (Thousand Million Cubic Feet). This breaks up into 1,480 TMC from the Godavari River system, 811 TMC (800 TMC + 11 TMC regeneration) from the Krishna, 98 TMC from the Pennar and the rest from other rivers. Entire dependable water share of Krishna River is fully harnessed through the construction of several reservoirs and barrages. Yield from Godavari River is being utilized to an extent of 700 TMC for the existing projects and the surplus flows aggregating to an average of 3,000 TMC are flowing to the sea, unutilized. Total utilization of river yields works out to 1,765 TMC only for the existing projects and thus there is a vast scope of tapping water resources for creating irrigation potential.²

There are PAF in (17) villages whose lands are coming under submersion of Sripadarao (Yeallampally) project, out of 17 villages; PAFs as well as PDFs are covered in (9) villages. Originally, a total number of 2,997 project displaced families are coming under submergence into the project. R&R scheme to PDFs will cover fully in (4) villages and partly in (5) villages. On the representations made by the PDFs of partly covered villages, the Government have issued orders in the G.O. Rt. No. 371 I&CAD dated 30-04-2008 to implement R&R scheme fully in five villages also on par with the other (4) villages. Hence, the displaced families in to total (9) villages are 3,597 i.e. 2997 + 600. In regard to 2,997 houses DN&DD have been approved and published in the District Gazette as well as in the respective villages. In respect of remaining (600) houses covered in (5) villages.

The government had planned to provide irrigated water to 8.11 lakh acres under 'Jalayagnam' in the districts of Karimnagar and Adilabad would take up more the irrigation projects to develop the backward areas in Telangana region. Sripada-Yellampalli Project (SYP) is constructing across river Godavari at Yellampalli village of Ramagundam Mandal bordering neighbouring Adilabad district is progressing at a rapid pace. The barrage works were taken up at a cost of Rs. 408.85 crore and about Rs. 153 crore was already spent on the project. After the construction of barrage to a height of 138.3 meters, tenders will be called for the erection of 62 crest gates to make full reservoir level of 148 meters of the project. The gates will be installed within 18 months after sanctioning of the work.

The lifting of about 7 tmcft of water from the prestigious Sripada Yellampalli project to the NTPC and the completion of the first phase of the project to lift water to NTPC would stabilize the ayacut under the D-83 canal of the SRSP in the Manthani and Peddapalli regions. On completion, Yellampalli barrage will support not only its 4.5 lakh acre ayacut but also serve Pranahita-Chevella project taken up to irrigate 12 lakh acres elsewhere in Telangana and supply 30 tmcft of water to Hyderabad. SYP has to providing 10 MWs for lifting of water from the project to NTPC. Nearly 65 lakh farmers were benefitted by the debt waiver to the tune of Rs 12,000 crore in the state. Finally, Yellampalli will put over 200 tmcft of Godavari water to use in Telangana region. On the other hand, the construction of pump house and approach channel for the lifting of 6.5 TMC of water to NTPC, Ramagundam and 2 TMC to Manthani Assembly segment to provide irrigation facilities to 20,000 acres was also progressing. About four pumps supplied by BHEL would be installed at the pump house for the lifting of water from the project. Against a total of 11.6 kilometer pipeline to lift water to NTPC, 9.6 kilometers of pipeline has been laid.

METHODOLOGY

EXAMINING EQUITY OBJECTIVE

Multiple regression of total payments (i.e., award / special rehabilitation grant /transport grant and truck facility) is considered as function of affected land (agriculture), affected abadi land and total number of families (village-wise). A proportionate stratified random sample (30 per cent from each stratum) us taken, out of an available data set of 13 villages.

Multiple liner regression of the form

$$U = \beta_1 + \beta_2X\beta_i + \beta_1 + \beta_3X\beta_i + \beta_1 + \beta_4X\beta_i + U_i \text{ ----- (1)}$$

is modeled for examining certain behavior of the total payment (Yi) with respect to X2i (affected agriculture land), X3i (affected abadi land and total number of shifted families (X4i)).

It is also proposed to test for the heteroscedasticity in estimated multiple regression, using following scheme:

$$| U | = a_1 + b_1 X_2i + W_1i$$

$$| U | = a_2 + b_2 X_2i + W_2i$$

$$| U | = a_3 + b_3 X_2i + W_3i \text{ ----- (2)}$$

If b1 is found significant, it suggests the presence of heteroscedasticity to X2i. Similarly b2 and b3 can be tested.

It is hypothesize that:

$$(i) \quad \beta_2 > 0, \quad \beta_3 < 0 \text{ and } \beta_4 > 0,$$

and $\beta_4 > \beta_2$,

In order to show equity objective in resettlement of the shifted families.

(ii) There is no heteroscedasticity (in regression 1), which reasonably confirms to fulfill equity objective in the government planning.

1. EXAMINING FOR DEVELOPMENT OF SETTLERS (EFFICIENCY OBJECTIVE)

Various indicator of socio-economic development viz. income, expenditure on entertainment, clothing, education, food and fuel etc can be examined. Especially before and after settlement situations of these indicators can be compared in order to assess for the efficiency and thereby sustainable development.

For such type of comparison a simple dummy variable models is proposed as follows;

$$Z_1 = \alpha + \alpha_2 D_1 + e_1$$

$$D_1 = 1 \text{ for post-settlement}$$

$$= 0 \text{ for pre-settlement} \text{ ----- (3)}$$

Z is an indicator – variable of development

$$E (Z_i | D_i = 1) = \alpha_1 + \alpha_2$$

$$E (Z_i | D_i = 0) = \alpha_1$$

If a2 becomes positive and significant it reveals efficiency and development.

Apart from this, it is proposed estimate asymptotic limit of consumption on clothing education, food, fuel and entertainment, using the reciprocal transformation.

$$C_i = \gamma_1 + \gamma_2 1/i + U_1i$$

$$C_i^1 = \gamma^1_1 + \gamma^1_2 1/i + U_2i$$

Where C1 is consumption on a particular commodity for pre-settlement, it is pre-settlement income; C1 is post-settlement income, in cross-sectional data sets of shifted families.

If the asymptotic limit $\gamma^1_1 > \gamma_1$ it reveals efficiency and development.

² A Document on Economical Infrastructure of Andhra Pradesh (2007)

DATA

The information of socio-economic survey regarding these shifted families of Sripada-Yellampally project is conducted by Social Welfare Department including R & R department of Andhra Pradesh. Data on affected land, number of families shifted and various types of awards and grants, villages-wise have been appropriately mentioned in the information of the resettlement. However, the data on socio-economic indicators on clothing, food, entrainment, fuel, education and income are rarely reported. During the survey the people have been helpful in providing such data, before and after settlement. People generally demand for more awards, grants, facilities and loans. And they do not promise for hard work in general.

Out of these socio-economic indicators, the data on annual income (before and after settlement) for 247 families are available. Due to deficiency of data, it is estimated only one dummy variable model for examining the development of the settlers. Reciprocal transformation model for asymptotic limits of consumption levels could not be estimated. However, consistent estimation of asymptotic limit (subject to availability of data) is a proposed future research methodology for examining the efficiency and sustainable development.

EMPIRICAL ANALYSIS**Estimation of Objective Estimation:**

The estimated multiple regression (equation – I)

Se (52,967)	(0.135)	(6.880)	(0.078)
t (3.164)	(8.540)	(2.751)	(24.543)
Sign. 0.0043	0.000	0.036	0.0000

$R^2 = 0.984$, $R^2 = 0.932$,

F = 473.543 (Sing 0.000)

= Total Payments (village-wise)

= Affected Agriculture Land

= Affected Abadi Land

= number of families shifted

A sample of 37 families is taken for the above estimations. All the parameters are significant at highly appropriate levels of significance. The R^1 and R^2 are very encouraging and the very high value of F statistic with 99 per cent confident level signifies the overall super validity of the estimated regression. Hence, it could be concluded that the most important factor in considering various payments is the affected abadi land. Relatively more affected abadi land is rewarded less by the government in resettlement process. However, it seems more payment is given to families having very less abadi land before settlement, or to families having nor proper abadi land with them. It reveals to a favour for poor families. On the other hand, number of families is considered more important than the affected agricultural land in payment for the resettlement.

TESTING FOR HETEROSCEDASTICTY

| U | = 181.205 – 0.172 X_{2i}
t (1.428)

| U | = 143.648 – 0.611 X_{3i}
t (0.126)

| U | = 111.612 – 0.078 X_{4i}
t (1.172)

The estimates of all the b coefficients are significant at 5 per cent level of significance (even at 10 per cent). This suggests that there is no heteroscedasticity in the multiple regressions of total payment. This result also reveals the fulfillment of equity objective in marketing various payment by government to the shifted families.

EXAMINING FOR DEVELOPMENT OF SETTLERS (EFFICIENCY OBJECTIVE)

In order to test for the efficiency objective, the following estimates of the dummy variable model (equation 3)

Z_i = 17.53 7.8254 – 3967 D_i
Se (3125.4)
t (1.29)

Reveals that the mean income of shifted families has declined but not significantly. But for efficiency and sustainable development a₂ should be positive and significant. Hence, efficiency and sustainable development is yet to be achieved. Development-induced displacement unleashes widespread social, economic and environmental changes that follow well-established patterns. Although they vary in severity, these patterns are remarkably consistent regardless of what type of project or industry is responsible for the displacement (ADB 1998a, 1998b; Mathur 2001).

CONCLUSION AND FUTURE POLICY IMPLICATIONS

Apart from depriving them of their lands, livelihoods and resource-base, displacement has other traumatic psychological and socio-cultural consequences. The Government of India recognizes the need to minimize large-scale displacement to the extent possible and, where displacement is inevitable, the need to handle with utmost care and forethought issues relating to Resettlement and Rehabilitation of Project Affected Families. Such an approach is especially necessary in respect of tribals, small & marginal farmers and women (Muzaffar Assadi – 2007)".

In this paper, an initial attempt is made to analyze equity v/s efficiency objectives in human settlement under Sripada-Yellampally project. The estimated multiple regression (of total payment on affected agriculture land, affected abadi land and affected number of families, village-wise) with no heteroscedasticity, instructs a reasonable implications for fulfillment of equity objectives. Due to data deficiency neither technical and allocative efficiency nor asymptotic limits of various consumptions could be estimated. A small sample (247 families) of income –data is used to analyze efficiency and development. A simple dummy variable model of incomes (before and after settlement) is examined and it may be concluded that the average income per family has declined but not significantly. However, for sustainable development the average income should significantly increase.

The system of priority of agriculture should now have an innovative approach of higher profitability and efficiency in order to match with the globalization and liberalization policy –objective. The policy option of efficiency in place of equity is very difficult to apply (in the case of agriculture and rural development) in the present system of socio-economic and political environment of India. It seems difficult in near future that equity objective (especially to remove rural poverty) would be out of list of Indian planning. And human settlement under irrigation and power generation project like Sripada-Yellampally Project will have priority of equity objective for at least another ten years to come. However, it is projected that after then years the efficiency objective in human settlement under irrigation project would be an essential condition, in order to fulfill our nation dreams of development by 2020.

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EFFICIENCY STUDY OF LARGE-SIZED BANKS IN INDIA – A DEA APPLICATION

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ABSTRACT

The purpose of this paper is to measure and evaluate the technical efficiency - pure technical and scale - of Indian top 22 large-sized commercial banks from the cross-section data of the financial year 2009-10 using two popular data envelopment analysis (DEA) models: CCR and BCC. The results reveal that average relative technical efficiency (CCR) of entire sample is 78.8% and that only 6 banks (27%) are found to be fully technical and scale efficient. So, there is a scope of efficiency improvement of 16 banks by reducing on an average 21.2 % of input resources presently used relative to the performances of 6 efficient banks under study. The study has found that, the banks which are using more labour for providing their services with lower exposure to off-balance sheet activities are relatively more inefficient. In order to improve the efficiency; most of the inefficient banks should follow the good operating practices of four efficient banks namely Axis Bank, HDFC Bank, Corporation Bank and Indian Bank. Most efficient bank is Axis Bank while most inefficient bank is Central Bank of India followed by Bank of Maharashtra, United Bank of India, UCO Bank based on the relative efficiency of 22 sample banks.

KEYWORDS

Data Envelopment Analysis (DEA), Relative technical efficiency, Reference Set.

INTRODUCTION

Banks are the highest financial intermediaries in our economy and therefore they deserve careful study. Over the years, the banking systems all over the world have witnessed a significant transformation underpinned by various factors – deregulation, globalization, technology innovation (RBI, 2008). The Indian banking industry has witnessed radical changes after the introduction of financial sector reform in 1991. With these initiations laid through the first and second generation reforms, there has been substantial improvement in efficiency and performances of the Indian scheduled commercial banks of our country (Mohan Ram, 2006, Reddy 2002). This development has resulted in increased competitive pressure among the banks in India. The resultant competitive forces, coupled with future challenges faced and more stringent regulatory framework, have created pressure on the Indian banks to perform efficiently. It has been empirically found that banks receiving high efficiency scores are much more likely to survive than banks which have relatively low scores (Barr et al., 1996). Efficiency, therefore, has become critical for banks' survival and growth (Omprakash et al., 2008) in the era of increased competition and high standard of customer oriented services. Therefore, in today's economy, efficiency analysis of banking sector attracts more and more attention of researchers, academicians, policy-makers and banks managers and customers. Thus, this paper aims at analyzing the technical efficiency of 22 banks.

In this background, the obvious questions arise whether Indian large banks utilize their resources efficiently. Which banks are relatively more efficient in utilizing their resources? How banks can improve their relative efficiencies? Pure technical inefficiency or scale inefficiency which one is the main source of overall technical inefficiency of Indian banks? Are Indian banks operating at appropriate scale of operation? Thus, this paper aims at measuring and analyzing the technical efficiency - pure technical and scale - of Indian 22 large-sized banks in relation to each other. For this, we utilize two popular Models – CCR and BCC of non-parametric, linear programming based methodology that is data envelopment analysis (DEA).

The remainder of the paper is organized in following ways. Section 2 briefly reviews the literature on the efficiency of Indian banks. Section 3 'Research Methodology' presents data and methodology used in the present study. Selection of inputs and outputs are also discussed in this Section. Section 4 presents and analysis the empirical findings. The final section concludes the findings of the study and recommends for efficiency improvement of Indian banks.

REVIEW OF LITERATURE ON EFFICIENCY OF BANKS

The measurement of financial institutions' efficiency using parametric and non-parametric frontier models has received considerable attention over the past two decades. Among the various approaches used, the use of Data Envelopment Analysis (DEA) approach has been frequent. There exists a great amount of literature on bank efficiency across the globe. But there has been little research effort in measuring and analyzing efficiency of banks in India using DEA approach. Several studies have analyzed the performance of the banking industry in developed and other countries. Berger and Humphrey (1997) reviewed the empirical studies of efficiency of banking industry in the world. Of the 130 studies of financial institutions efficiency, 116 were published between 1992 and 1997. They find that, overall depositor financial institutions/banks operate at an annual average technical efficiency level of around 77% (median 82%). The non-parametric technique has been extensively used to evaluate the efficiency of the US banking. Some notable studies on US banking efficiency are Rangan et al. (1988), Grabowski et al. (1994) concluded that pure technical inefficiency is the main source of total technical inefficiency. Miller et al. (1996) investigated technical efficiency of 201 large-sized banks from 1984 to 1990 and suggested that large and profitable banks have higher levels of technical efficiency. Barr et al. (1999) found strong and consistent relationships between efficiency and the inputs and outputs, as well as independent measures of bank performance.

Efficiency studies on banking firms operating in countries other than US have also been rapidly increasing over the last few years. Some notable studies are Jackson and Fethis (2000) for Turkish banks, Rezvanian et al. (2002) for Singaporean banks, Casu and Molyneux (2003) for European banking, Al-Faraj et al. (2006) for Saudi commercial banking, Deng, (2007) for Chinese commercial banks, REDA (2008) for Egyptian commercial banks, Ahmed & Ahmad (2008) for Pakistan, Roberto et al. (2009) for Brazilian banks, Astor, N (2010) for Uzbekistan banks, Khalid Al Khathlan et al. (2010) for Saudi banks. They used basic DEA models i.e. CCR and BCC to evaluate the relative efficiency of banks and they in general found the average efficiency were in the range of 80% to 95%. They also explored the factors responsible for variation in the efficiency level. Empirical results appeared to vary depending on the country; bank ownership, and size.

In Indian context, the literature of efficiency of the banking sector is mainly based on traditional measures. But, the studies analyzing the efficiency of Indian banks using frontier approach in India are far fewer. However, some recent studies that use non-parametric techniques mainly DEA are discussed below briefly. One of the first published studies using non-parametric production frontier approach was Noulas and Ketkar (1996). Some other important studies are Bhattacharya et al. (1997), Saha and Ravishankar (2000), Sathya (2003), Mohan Ram and Ray (2003), Shanmugam and Das (2004), Das A (1997, 2000), Das et al. (2004), Debasish (2006), Ray (2007). Kumar and Gulati (2008a, 2008b, 2009). There are many other studies since the 1990s in India, which have been confined to analyse the effect of deregulation on efficiency and productivity of banks.

However, the general conclusions that emerge from the above review of literature on banking efficiency in Indian context are: First, there is an increasing trend of efficiency level across all the bank groups over post reform period of time. There is still room for improvement in resource utilization by the Indian banks with the range of 5% to 30%. Second, efficiency variation among the banks is explained by exploring the various factors. Indian banking literature does not suggest a consistent relationship between size and efficiency, ownership and efficiency.

Most of the studies which use non-parametric DEA technique for Indian banks report their results at highly aggregated basis. They do not concentrate on the area of how an individual bank can improve its efficiency. Therefore, the present study will be able to throw further light on the existing banking literature in India by examining the relative technical efficiency Indian large-sized banks during the recent period of 2009-10. This study differs from other studies in at least

three ways: (i) the time period (2009-10) taken in the analysis (ii) the input-output variables specification in the DEA model and (iv) Efficiency improvement analysis for individual inefficient banks and (iv) Categorization of efficient and inefficient banks and their rankings.

RESEARCH METHODOLOGY

As already pointed out, the study has followed the technique- data envelopment analysis (DEA) to estimate the technical efficiency of Indian public sector banks. DEA is a non-parametric performance assessment methodology originally designed by Charnes, Cooper and Rhodes (1978) to measure the relative efficiencies of organizational units or decision making units (DMUs) under evaluation from the identical input output data set. This technique aims to measure how efficiently a DMU uses the resources available to generate a set of outputs. The DEA approach applies linear programming techniques to constructs an efficient production frontier based on best practices over the data set. Each DMU's efficiency is then measured relative to this frontier.

Several different mathematical programming DEA models have been proposed in the literature. Essentially, these models seek to establish which of *n* DMUs determine the *envelopment surface* or *best practice frontier* or *efficient frontier*. The geometry of this surface is prescribed by the specific DEA model employed (Kumar and Gulati, 2009). There are two types of efficiencies- input oriented and output oriented. Input oriented efficiency aims at reducing input amounts as much as possible while keeping at least the present output levels and output oriented technical efficiency maximizes the output level while using at least the present input levels. In the present study, we have utilized input oriented basic DEA model- CCR (named after its developers Charnes, Cooper and Rhodes, 1978) and BCC (named after Bankers, Charnes and Cooper, 1984).

MATHEMATICAL FORMULATION: CCR MODEL

Assuming that there are *n* DMUs to be evaluated [DMU_j (j = 1, 2... n)]. Each DMU consumes 'm' different inputs of identical nature for all DMUs [x_{ij} (i = 1,2, ...,m)] to produces 's' different outputs of identical nature for all DMUS [y_{rj} (r = 1,2,s)].

$$\text{Min } \theta_k - \epsilon \left(\sum_{i=1}^m s_i^- + \sum_{r=1}^s s_r^+ \right)$$

$$(\theta_k, \lambda, s_i^-, s_r^+)$$

Subject to

$$\sum_{j=1}^n x_{ij} \lambda_j + s_i^- = \theta_k x_{ik} \quad i = 1,2,\dots,m.$$

$$\sum_{j=1}^n y_{rj} \lambda_j - s_r^+ = y_{rk} \quad r = 1,2,\dots,s$$

$$\lambda_j \geq 0 \quad j = 1, 2,\dots, n$$

$$s_i^-, s_r^+ \geq 0 \text{ for all } i \text{ and } r$$

where,

x_{ij} = Amount of input of *i* utilized by the *j*th DMU

y_{rj} = Amount of output of *r* produced by the *j*th DMU

x_{ik} = Amount of input of *i* utilized by DMU_k

y_{rk} = Amount of output of *r* produced by DMU_k

θ_k = efficiency score of DMU 'k' being evaluated

λs represent the dual variables which identify benchmarks for inefficient units.

Slack variables - s_i⁻ (input slacks), s_r⁺ (output slacks)

Here ε > 0 is non-Archimedean element defined to be smaller than any real number and to be accommodated without having to specify the value of ε.

The above model is an input-oriented model and assumes constant returns to scale of operation to measure overall technical efficiency (OTE). Optimal value θ_k reflects the OTE score of DMU 'K'. It needs to solve 'n' times to get efficiency score for each DMU under evaluation. If θ_k = 1 and s_i⁻ = s_r⁺ = 0, then DMU_k is CCR efficient otherwise CCR inefficient.

MATHEMATICAL FORMULATION: BCC MODEL

BCC model differs slightly yet remarkable from CCR model with an additional constraint

$$\sum_{j=1}^n \lambda_j = 1$$

in the above CCR envelopment model. This constraint is called convexity constraint in mathematics literature. It imposes of assessing the efficiency under variable returns to scale.

SELECTION OF INPUT AND OUTPUT VARIABLES

The most challenging task to the researchers for estimating efficiency of banks through DEA methodology is to select appropriate and relevant inputs and outputs. The choice of inputs and outputs largely affects the derived efficiency level. There is no consensus on what constitutes inputs and outputs of banks. However, in the context of banking efficiency measurement, there are mainly two approaches to deal with this problem: Production Approach and Intermediation Approach. The main difference between these two approaches is the use of deposit as input or output. Berger and Humphrey (1997) pointed out that neither of these two approaches is perfect because they can not fully capture the dual roles of banks as intermediaries of financial services as well as service providers. Therefore none is universally accepted approach. Berger and Humphrey (1997) suggested that intermediation approach is best suited for analyzing bank level efficiency where Production Approach for branch level efficiency. Though, in a customers' oriented market economy particularly after 1996, Indian banks play both the role as intermediaries as well as providers of services but still now Indian commercial banks primarily mediate funds between depositors and creditors i.e., they play intermediating role much more than the service providing role. Therefore, given this and as a majority of the empirical literature, present study adopts Intermediation Approach for selecting input and output variables for estimating bank level efficiency.

Literature on inputs and outputs specification for measuring bank efficiency in India summarizes that most of the studies rely on three inputs: a) Fixed assets as a proxy of physical capital b)No. of Employees as labour c) Deposit and two outputs : a) Interest Income b) Non-interest Income. In place of interest income some studies choose advance and investment in the output vectors. With this existing literature, the study selects three input and three output variables (Box No.: 1). The choice of input and output variables is mainly guided by operational pattern, objectives of the Indian banking system in the post reform period and the availability of data.

BOX NO: 1

Input Variables	Output Variables
1. Fixed Assets	1. Net Interest Income
2. Number of Employees	2. Non-interest Income
3. Loanable Fund	3. Net Profit

'Fixed assets' are included in input variables as a proxy of physical capital. The variable 'No. of Employees' is selected in this study as a proxy of labour like previous researches. 'Loanable Fund' includes deposit plus borrowing. 'Deposit' includes all types of deposit: demand, savings and time. Most of the studies in India use it as an input.

'Net Interest Income' is also called spread computed by subtracting interest expenses from interest income. This variable represents the performance of the traditional activities of banking. The output variable 'Non-interest Income' accounts for income from off-balance sheet activities such as commission, brokerage and so on. The inclusion of this variable enables the capturing of recent changes in banking services. Most of the studies in India use it as an output.

The above input output variables set is almost same as in the study of Kumar and Gulati, 2008b with only exception of accommodating an output variable – net profit. This variable helps to capture the profitability aspect of Indian banks. This also incorporates indirectly non labour operating expenses which the banks are incurring heavily for technology upgradation.

SAMPLING AND DATA

SAMPLE BANKS

Yeh, Quey-Jen (1996) states that it is important to take into account the homogeneity condition during the choice of DMUs to make the DEA result more realistic. Giving more emphasis on the criteria of homogeneity condition, the present study selects top 22 large-sized commercial banks in India operating in 2009-10. Large –sized banks are determined based on two criterions – value of total assets greater than of Rs 59000 core and number of branches more than 1000. Though Axis bank has 966 branches it is also taken in the sample because of its 8th position as per total assets value. Selected 22 sample banks with their codes used have been provided in Table 4.1

DATA SOURCE

All the data are annual and secondary in nature. Annual bank level data are obtained from the published annual accounts (Balance Sheet and P&L Account) in Annual Reports of the individual banks, collected mainly from the 'Statistical Tables relating to Banks in India' and 'Report on Trend and Progress of banks in India' for the financial year 2009-10, available on the official website of Reserve Bank of India (<http://rbi.org.in>).

EMPIRICAL FINDINGS AND ANALYSIS

In this section, we examine the content of efficiency scores obtained by utilizing DEA models – CCR and BCC model. DEA scores are derived by using DEA software 'DEA-Solver Learning Version 3' designed by Cooper, W.W. et al., 2007.

Present study has selected three inputs ($m = 3$) and three outputs ($s = 3$) with a sample size of 22 ($n = 22$). Therefore, the sample size in this study exceeds the desirable size as per the rule of thumb ($22 > 18$) i.e. n (number of DMUs) equal to or greater than $\max\{m \times s, 3 \times (m + s)\}$ (Cooper, W.W. et al., 2007). Thus, selected number of input and output variables allows accepted number of degree of freedom i.e. efficiency discriminatory powers. It is also found that there is a high correlation between selected input and output variables. So, with this appropriate number of inputs and outputs, sample banks selected taking into account of more homogeneity condition and reasonable validation by high degree of correlation between input and output variables, the present study can demand more robust and reliable results.

EXAMINATION OF RELATIVE EFFICIENCY

TABLE: 4.1: EFFICIENCY SCORES OF BANKS DURING 2009-10

No.	DMUs	DMUs Code	OTE	PTE	SE
1	ALLAHABAD BANK	ALB	0.6680	0.8155	0.8191
2	ANDHRA BANK	ANB	1	1	1
3	BANK OF BARODA	BOB	0.7483	0.8019	0.9332
4	BANK OF INDIA	BOI	0.6825	0.6904	0.9886
5	BANK OF MAHARASHTRA	BOM	0.5091	0.9662	0.5269
6	CANARA BANK	CAB	0.7532	0.8119	0.9276
7	CENTRAL BANK OF INDIA	CBI	0.4270	0.5574	0.7660
8	CORPORATION BANK	COB	1	1	1
9	INDIAN BANK	INB	1	1	1
10	INDIAN OVERSEAS BANK	IOB	0.6568	0.7464	0.8801
11	ORIENTAL BANK OF COMMERCE	OBC	0.8186	0.9938	0.8237
12	PUNJAB NATIONAL BANK	PNB	0.9035	1	0.9035
13	SYNDICATE BANK	SYB	0.7206	0.7217	0.9986
14	UCO BANK	UCB	0.6158	0.6540	0.9416
15	UNION BANK OF INDIA	UNI	0.7065	0.7068	0.9995
16	UNITED BANK OF INDIA	UBI	0.5185	0.9244	0.5609
17	VIJAYA BANK	VJB	0.6741	1	0.6741
18	STATE BANK OF INDIA	SBI	0.9997	1	0.9997
19	STATE BANK OF HYDERABAD	SBH	0.9509	1	0.9509
20	AXIS BANK	AXB	1	1	1
21	HDFC BANK	HFB	1	1	1
22	ICICI BANK	ICB	1	1	1

NOTE: OTE – Overall Technical Efficiency measured by CCR model, PTE- Pure Technical Efficiency measured by BCC model and SE- Scale Efficiency measured by OTE/ PTE

From the descriptive statistics of OTE presented in Table 4.2 calculated from Table 4.1, only 6 of 22 banks under evaluation are found to be 100% technical and scale efficient i.e. OTE = 1. They together construct efficient frontier i.e. providing best practices among the sample banks. Efficiencies of other 16 banks which are inefficient (i.e. OTE < 1) are measured relative to this frontier. Average OTE score is 78.8%. This mean OTE (78.8%) suggests that inefficiency in resource utilization of the Indian banks is 21.2% implying that Indian banks (based on sample) could have saved 21.2% of present level of inputs used to produce present level of outputs.

TABLE 4.2: THE SUMMARY STATISTICS OF THREE TYPES DEA EFFICIENCIES

	OTE	PTE	SE
No. of DMUs evaluated	22	22	22
Average score	0.788	0.881	.895
SD	0.183	.146	.145
Maximum	1	1	1
Minimum	0.4270	0.557	.527
No of Efficient Banks	6	10	6

The results also indicate that there is still asymmetry between Indian large banks as regards their OTE as evidenced from the range between 42.7% and 100% and SD 18.3%. PTE (BCC scores) indicates 4 banks in addition to 6 CCR fully efficient banks are 100% technical efficient but not 100% scale efficient with a mean score 88.1%. Indian banks as represented by the sample banks have been experiencing slightly higher scale efficiency (89.5%) than PTE (88.1%).

EFFICIENT AND INEFFICIENT BANKS

TABLE 4.3: EFFICIENT AND INEFFICIENT BANKS

Categories	Banks
I. CCR and BCC efficient (OTE = PTE =1)	ANB, COB, INB, AXB, ICB, HFB
II. BCC efficient but not CCR efficient (PTE = 1 but OTE <1)	PNB, VJB, SBI, SBH
III. CCR as well as BCC inefficient (OTE & PTE < 1)	ALB, BOB, BOI, BOM , CAB, CBI , IOB, OBC , SYB, UBI, UCB, UNI,

Specialty of the DEA methodology is to discriminate the DMUs (banks) into efficient (efficiency score = 1 or 100%) and inefficient (efficiency score < 1) status. Thus, in this section, we segregate the 22 selected banks into efficient and inefficient banks based on CCR and BCC efficiency scores. Banks are categorized into three groups (Table 4.3).

DECOMPOSITION OF TECHNICAL EFFICIENCY

There is a relation among these three types of DEA efficiencies – OTE, PTE and SE. This relationship is popularly known as decomposition of efficiency in DEA literature. Following relationship demonstrates a decomposition of efficiency.

$$OTE = PTE \times SE$$

This decomposition depicts the sources of inefficiency i.e., whether inefficiency of a DMU is caused by inefficient operation (PTE) of the DMU itself or by the disadvantageous conditions under which the DMU is operating. Technical inefficiency of the Indian banks is found to be caused by both pure technical inefficiency (PTIE) and scale inefficiency (SIE). But it is observed that the pure technical inefficiency (PTIE) and scale inefficiency are almost equally responsible for overall technical inefficiency as indicated their summary statistics parameters.

Banks of category-I (Table: 4.3) are 100% technical and scale efficient. Inefficiency of four banks of category II and three banks bolded in category III is primarily caused by their operations with inappropriate size. That is their main source of overall technical inefficiency is scale inefficiency. While nine banks not bolded in category III are suffering mainly from inefficient operations or management.

With this analysis of the decomposition of efficiency, the study has found that the Indian CCR inefficient banks (banks of category II & III in Table 4.3) are facing the problem of mismatch between PTE and SE. 44% of the inefficient banks have higher PTE than SE by about 13.8%, while remaining 46% have higher SE than PTE by about 19.4%. This highly mismatch between PTE and SE of the inefficient banks can not increase mean OTE of all banks under study beyond 78.8%.

EFFICIENCIES AND RETURNS TO SCALE

Scale inefficiency appears to affect the overall inefficiency of Indian banks. Therefore, the issue of scale inefficiencies is explored with greater detail by considering returns-to-scale (RTS) properties of the individual banks.

TABLE 4.4: BANK WISE NATURE OF RETURNS TO SCALE

Nature of Returns-to scale	No. of Banks Belonging	Banks
Constant returns-to-scale (CRS)	8	ANB, COB, INB, OBC, UNI, AXB, HFB, ICB
Increasing returns-to-scale (IRS)	8	ALB, BOM, CBI, IOB, UCB, UBI, VJB, SBH
Decreasing returns-to-scale (DRS)	6	BOB, BOI, CAB, PNB, SYB, SBI

Note- Nature of returns to scale as identified by BCC mode is followed.

Returns to scale analysis suggest that globally efficient banks are 100% scale efficient and globally inefficient banks are operating in the region where IRS or DRS prevails. Banks with IRS have the possibility to improve their efficiency by scaling up their activities, whereas banks with DRS scaling down the operation to gain efficiency (OTE).

The study observes that out of 8 banks operating at CRS; only 6 banks (27%) with bold and italic which are CCR efficient are operating at most productive scale size (MPSS). Here it is also to mention that two banks namely OBC and UNI operating at CRS and three banks namely BOI, SBI, and SYB operating at DRS are very close to 100% scale efficiency. These findings indicate that 11 banks ie 50% of the sample banks under evaluation are operating at correct scale. Thus, they have a little scope of improvement of OTE by eliminating scale inefficiency. It is pointed out that SBI which is 100% BCC efficient can be 100% CCR efficiency only by increasing a little bit scale efficiency through scaling down its activities.

EFFICIENCY IMPROVEMENT PLAN FOR INEFFICIENT BANKS

DEA methodology provides how an inefficient DMU (bank) becomes fully efficient by indicating the level of inputs to be utilized and level of outputs to be produced. This is called projection in DEA literature which shows input and output improvement or input and output target for inefficient banks. Table 4.5 shows the CCR projection i.e., input output improvement plan for inefficient banks by reducing their present level of inputs and enhancing present level of outputs by the % mentioned in each of respective bank column in Table 4.5.

For interpreting the content of Table 4.5, let us consider the case of PNB (Punjab National Bank). PNB can be 100% CCR efficient through the three phases of input output improvements plan. OTE of this bank is 90.35% and OTIE = 9.65%

Phase I - It has to reduce its all inputs level by 9.65%. This proportional reduction is also known as radial adjustment in DEA. By this adjustment PNB becomes weakly efficient (fulfil the 'Farrell' or 'week' efficiency, W. Cooper et al., 2007).

Phase II – It has to reduce in addition to 9.65%, Input-II (No of Employees) by 10.99% (20.65% - 9.65%). No further reduction is required for Input I and III since slack values corresponding to these inputs are nil. Thus, the two inputs- 'Fixed Assets' and 'Loanable Fund' have the positive impact; whereas present level of input- 'No of Employees' has no any effect on efficiency evaluation of PNB during the study period.

Phase III - It has to enhance only Output II (Non- interest Income) by 57.22% as because of presence of non-zero slack corresponding to this output. No adjustment is required for other two outputs. Since we follow input oriented model, it does not need any radial adjustment for outputs by the OTIE. Thus, current level of 'Non-interest Income' of PNB has no effect while other two outputs ' Net interest income' and 'Net profit' play a positive role on the efficiency estimation procedure.

Phase II & III are known as slack adjustments in DEA. However these slack adjustments in Phase II & III after radial adjustment in Phase-I makes PNB strongly efficient (fulfil the 'Pareto- Koopmans' or 'strong' efficiency, Cooper et al., 2007). The similar explanation can also be extended for other inefficient banks.

Most of the inefficient banks have slack value corresponding to input – II and output- II. thus, efficiency improvement plan as a whole indicates that banks which are using more labour with lower exposure to off-balance sheet activities are relatively less efficient.

TABLE 4.5: INPUT & OUTPUT IMPROVEMENT PLAN FOR 16 CCR INEFFICIENT BANKS

Banks		ALB	BOB	BOI	BOM	CAB	CBI	IOB	OBC
OTE		66.80%	74.83%	68.25%	50.91%	75.32%	42.70%	65.68%	81.86%
OTIE (100% - OTE)		33.20%	25.17%	31.75%	49.09%	24.68%	57.30%	34.32%	18.14%
Inputs	I. Fixed Asset	-33.20%	-25.17%	-39.84%	-51.02%	-24.68%	-73.16%	-53.36%	-49.06%
	II. No of Employees	-35.60%	-28.10%	-31.75%	-49.09%	-28.06%	-61.05%	-34.32%	-18.14%
	III. Loanable Fund	-33.20%	-25.17%	-31.75%	-49.09%	-24.68%	-57.30%	-34.32%	-26.43%
Outputs	I. Net Interest Income	0.00%	3.43%	0.00%	0.00%	8.92%	0.00%	0.00%	0.00%
	II. Non-Interest Income	10.01%	58.80%	60.65%	31.70%	29.06%	0.00%	56.20%	91.02%
	III. Net Profit	0.00%	0.00%	57.44%	23.19%	0.00%	9.28%	79.72%	28.75%

Banks		PNB	SYB	UCB	UBI	UNI	VJB	SBI	SBH
OTE		90.35%	72.06%	61.58%	51.85%	70.65%	67.41%	99.97%	95.09%
OTIE (100% - OTE)		9.65%	27.94%	38.42%	48.15%	29.35%	32.59%	0.03%	4.91%
Inputs	I. Fixed Asset	-9.65%	-27.94%	-38.42%	-48.15%	-39.54%	-32.59%	-0.03%	-4.91%
	II. No of Employees	-20.64%	-31.08%	-38.42%	-48.15%	-29.35%	-32.59%	-37.27%	-12.36%
	III. Loanable Fund	-9.65%	-27.94%	-38.42%	-48.15%	-29.35%	-32.59%	-0.03%	-4.91%
Outputs	I. Net Interest Income	0.00%	0.00%	0.00%	0.00%	0.83%	0.00%	0.00%	0.00%
	II. Non-Interest Income	57.72%	3.98%	14.98%	35.65%	34.88%	29.10%	0.00%	1.77%
	III. Net Profit	0.00%	50.15%	1.98%	73.51%	0.00%	26.51%	30.32%	10.39%

Note -Input projection (%) = [Input Improvement */ Actual Input used] × 100.

Output Projection (%) = [Output Improvement** / Actual Output produced] × 100.

* = Actual Input values x (1 – efficiency score obtained) + Input Excess/ Input Slack if any.

** = Output shortfall (slack) if any.

Input projection is presented with a negative sign and output projection with positive sign as because of inputs to be reduced and output to be enhanced for efficiency improvement philosophy.

OTE - Overall Technical Efficiency, OTIE – Overall Technical Inefficiency,

Input reduction in excess of OTIE indicates presence of non-zero input slacks and output augmentation indicates presence of non-zero output slacks since we follow input oriented model.

PEER BANKS FOR INEFFICIENT BANKS

TABLE: 4.6: INEFFICIENT BANK WISE PEER BANKS WITH CORRESPONDING LAMBDA VALUES

SN	Banks	Peer Banks					
		1	2	3	4	5	6
		ANB	COB	INB	AXB	HFB	ICB
1	ALB			0.1203	0.3008	0.0891	
2	BOB			0.2706	1.0489		
3	BOI				0.9502	0.1193	
4	BOM				0.1136	0.0868	
5	CAB			0.8314	0.6875		
6	CBI				0.3463	0.0968	
7	IOB				0.2076	0.2538	
8	OBC				0.5810		
9	PNB			0.2177	1.0903	0.2799	
10	SYB	0.9407				0.0805	
11	UCB	0.2802	0.3516			0.1111	
12	UNI			0.4678	0.5359		
13	UBI		0.0425		0.0708	0.1124	
14	VJB		0.1075		0.1193	0.0733	
15	SBI		5.5332		1.9172	0.2202	
16	SBH	0.6742	0.1735				
	frequency	3	5	5	13	11	0

One of the important advantages of DEA methodology is to identify the reference banks or peer banks for each inefficient bank based on the positive lambda values of the efficient banks for an inefficient bank under consideration. The banks which provide the best practice of input utilization form a reference set of the inefficient banks. In DEA literature, these banks are called peer banks. Now, we mention inefficient bank-wise reference banks or peer banks i.e. a set of efficient banks (Table 4.6) based on CCR model

Peer banks for say PNB (SL No 9, Table 4.6) are AXB, HFB and INB since their lambda values are positive corresponding the efficiency score of the bank PNB. To improve efficiency, PNB bank should follow the good operating practices of AXB, HFB and INB since their input output configuration is similar with PNB, an inefficient bank. Lambda values of AXB, HFB and INB approximately 1.09, 0.2799 and 0.2177 respectively show the proportion contributed to the point used to evaluate PNB.

That is projected inputs value of PNB =

$$(Input\ value\ of\ AXB) \times 1.09 + (Input\ value\ of\ HFB) \times 0.2799 + (Input\ value\ of\ INB \times 0.2177)$$

Similarly projected output value =

$$(Output\ value\ of\ AXB) \times 1.09 + (Output\ value\ of\ HFB) \times 0.2799 + (Output\ value\ of\ INB \times 0.2177)$$

PNB has more similarity to AXB and then HFB, INB from magnitude of lambda values. This explanation for reference set of other inefficient banks is similar. However, in order to improve efficiency, most of the inefficient banks should follow the good operating practices of four banks namely AXB, HFB, INB and COB, which are frequently appeared in the reference set i.e. peer group.

CATEGORIES AND RANKING OF EFFICIENT AND INEFFICIENT BANKS

We categorise the CCR efficient banks on the basis of frequency count in reference set. Magnitude of frequency in reference sets measures the extent of robustness of efficient banks relative to other efficient banks. In other words, higher the frequency the more robust is.

TABLE: 4.7: CATEGORIES OF 6 CCR EFFICIENT BANKS

Category	N	Banks
I. Highly Efficient Banks (f ≥ 10)	2	AXB(13), HFB (11),
II. Efficient Banks (f >3)	3	COB (5), INB (5) ANB (3)
III. Efficient by default (f =0)	1	ICB (0)

Note: N – number of banks within a group, f = frequency count of efficient banks in reference sets of inefficient banks, average frequency is 6. The figures in the parentheses are number of frequency in reference sets of the respective efficient banks.

Two banks -AXB and HFB of category I (Table 4.7) are appeared frequently in the reference set of inefficient banks and they are likely to remain efficient unless there are major shift in their fortunes. These banks are highly efficient banks and may be termed as ‘well round performer’ or ‘global leader’ (Kumar Gulati 2008b) among the selected banks under study with specified input and output variables. Banks of category II appear seldom in the reference sets of inefficient banks. They are relatively less efficient than the banks of category I so far as robustness of efficiency is concerned. Therefore, they are weakly efficient bank or efficient. ICB with zero frequency are termed as ‘efficient by default’ in DEA terminology because it is somewhat odd or peculiar institution with characteristics. That is, this bank is like to possess a very uncommon input and output mix and thus they are not good examples of operating practice to emulate for inefficient banks. So, inefficient banks should not follow them to improve their efficiency. ICB may strike out from the efficient frontier in the coming years unless there is a substantial improvement in their operations.

An attempt is made to segregate the CCR inefficient banks (OTE<1) into three groups based on the OTE score distribution. This segregation helps to find better insights into efficiency of inefficient banks.

TABLE: 4.8: CATEGORIES OF 16 CCR INEFFICIENT BANKS

I. Marginally Inefficient (from 0.759 to < 1)	Banks	SBI, SBH, PNB, OBC, CAB,
	N	5
	MS	.885
II. Inefficient (from 0.699 to < 0.759)	Banks	BOB, SYB,UNI,BOB, VJB,ALB
	N	6
	MS	0.699
III. Distinctively Inefficient (from 0.426 to < 0.699)	Banks	IOB, UCB, UBI,BOM,CBI
	N	5
	MS	0.545

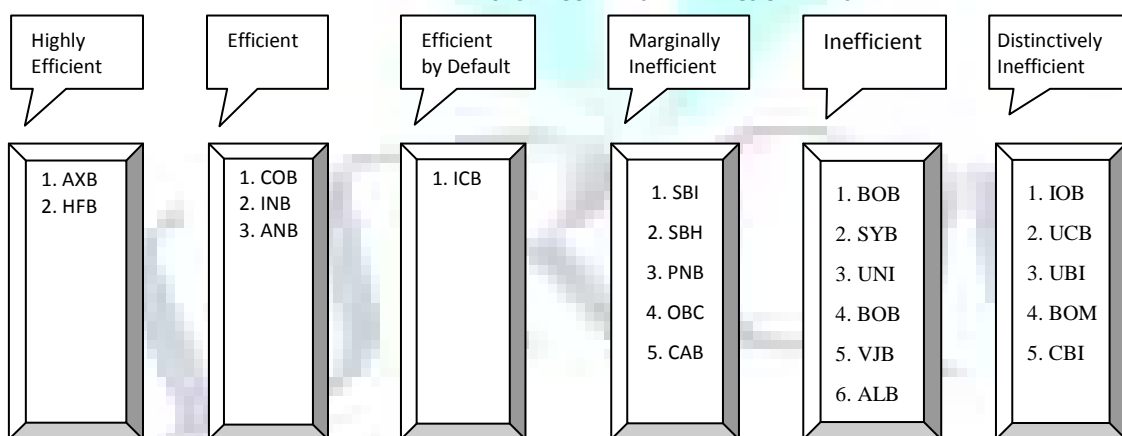
Note: N = No of Banks belonging to the group, MS = Mean Score (OTE) of the respective group, categorizations are based on percentile at 33.3 and 67.7 point of OTE distribution. Banks are listed in each group according to descending order of OTE score.

The group of marginally inefficient banks (Table 4.8) will have an efficiency rating in excess of 88.5% but less than 100% and could raise their score towards 100% with a relatively small amount of improvement in their operating results. Here, it is pointed out that SBI of this category is very close to 100 % CCR efficiency. Banks of this category can reach the efficient frontier by making radial reduction on an average 11.5% (1- 0.885) of the inputs they currently use where as banks of inefficient group by 30.1% (1- 0.699) and banks of distinctively inefficient by 45.5% (1- 0.545). Distinctively inefficient banks would have significant difficulties making them efficient in the short term. Banks of this group are required to reduce current input usage by 45.5% which is much higher than that of other two groups.

RANKINGS

Ranking is a well established approach in social science and thus it is a pertinent issue in the banking efficiency study. In DEA context, ranking of organizational units has become also a well established approach in the last decade. The present study has developed a humble approach for category wise ranking of the selected Indian banks.

TABLE: 4.9: CATEGORY WISE RANKINGS OF BANKS



Note - Rankings of efficient banks within each category are based on their frequency count in reference set. Rankings of inefficient banks are based on level of OTE score.

CONCLUSIONS AND RECOMMENDATIONS

It is to be pointed that DEA measures relative efficiencies. Thus, all the results, comparisons, categorizations, rankings of this study are based on the relative efficiency scores derived from the selected 22 sample banks.

The objective of this paper is to measure and analyse the technical efficiency of the Indian commercial banks. For this, the study has adopted two DEA models - CCR and BCC to estimate efficiency of the selected 22 large sized banks for the financial year 2009-10. The results reveal that 6 out of 22 banks (ANB, COB, INB, AXB, ICB, and HFB) are found to be fully technical and scale efficient banks with an average overall technical efficiency of 78.8%. Thus, Indian large-sized banks still have the opportunity to save on an average 21.2% of present input resources to produce the current level of outputs relative to the performances of 6 efficient banks. The study has also found out 4 other banks (PNB, VJB, SBI, SBH) are 100% technical efficient but not 100% scales efficient. Other 12 banks (Table

4.3 - Category III) are neither technical nor scale efficient. They are BCC inefficient banks. The study has observed that that pure technical inefficiency as well as scale inefficiency is both responsible for overall technical inefficiency as indicated their almost equal mean scores. The decomposition of technical efficiency analysis indicates the Indian CCR inefficient banks (banks of category II & III in Table 4.3) are facing the problem of mismatch between PTE and SE. 44% of the inefficient banks have higher PTE than SE by about mean score of 13.8%, while remaining 46% have higher SE than PTE by about 19.4%. This highly mismatch between PTE and SE of the inefficient banks can not increase mean OTE of all banks under study beyond 78.8%. This finding also makes a support of earlier observation that pure technical inefficiency is the main source of overall technical inefficiency. Nature of returns to scale analysis provides that 11 banks i.e. 50% of the sample banks (6 banks have 100% SE and 5 banks have very close to 100 % SE) are operating at appropriate size while out of remaining 50% banks, scale inefficiencies of 72% are caused by their operation with increasing returns to scale and only 28% for decreasing returns to scale. So, increasing returns to scale is the predominant form of scale inefficiency based on the evaluation of 22 top most large-sized banks of the present study. (See bank wise nature of returns to scale in Table 4.4). SBI fails to obtain 100% CCR efficiency status only because of its slight scale inefficiency which is caused by decreasing returns to scale of operation. Efficiency improvement plan as a whole indicates that banks which are using more labour for providing services with lower exposure to off-balance sheet activities are relatively less efficient. The study has found AXB as most efficient while CBI as most inefficient.

The study first recommends that all inefficient banks should follow their respective input output improvement plan (Table.4.5) and operating practices of peer banks (Table.4.6) for efficiency improvement. The study recommends that banks of distinctively inefficient banks should utilize their labour effectively and should go for adopting the strategy of 'capital substituted for labour' heavily by using more technology in operation which helps them to increase non-interest income. The regulators may consider these banks for capitalization scheme to enhance their efficiency level which ultimately will increase the overall efficiency position in resource utilization of the Indian banks. The study also recommends that banks of marginally inefficient group should concentrate on the effective use of labour and physical capital with higher exposure to off balance sheet activities. All other inefficient banks should concentrate more for generating income from other sources.

Particularly CBI should be very much careful about proper utilization of physical capital and labour for increasing managerial efficiency and should go for scaling up activities by opening new branches for gaining scale economies. BOM also should increase its size to a large extent which may remove its lowest scale efficiency. UCO and UBI which are using right proportion in their input output configuration should put emphasis on management efficiency and scale efficiency respectively. SBI should not go for opening new branches and be careful regarding new recruitment of employees. ICB should follow the practice of AXB with respect to proportion in which it utilizes its input resources.

We sincerely hope that this study opens a broad horizon for further researches to evaluate the relative efficiency of Indian banking sector, using frontier approach and in turn will contribute for the development of Indian banks particular large sized banks. The future research could extend our works by considering data for a longer period and other DEA models. Their analysis may go further by decomposing technical efficiency change and technological progress using DEA-based Malmquist productivity index and looking into determinants of technical efficiency by considering bank-specific and economic factors. In this regard we advise to use Tobit regression model for this analysis.

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GLOBALIZATION AND SMALL-SCALE INDUSTRIES: THE INDIAN PERSPECTIVE

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ABSTRACT

Ever since India opened its economy in early nineties, there has been significant growth in trade and industry in the country. Particularly by the turn of the century the economy has grown by leaps and bounds. This paper discusses the impact of globalization on growth of small scale industry by comparing the rate of growth of different parameters in pre globalization and post globalization periods. The findings are not encouraging but the trends show that the sector on the whole is in the process of organizing itself and despite of sturdy competition from its national and international contenders have sustained its growth. Thus although globalization has deterred the intensity of growth in small scale industrial sector, but has not debilitated it's perspectives of growth. Indian small scale industrial sector has been able to make its mark in era of globalization too.

KEYWORDS

Globalization, Growth, India, SSI, Trade Liberalization.

INTRODUCTION

 Originally trade was free but was logically bounded by territorial restrictions that were imposed by limitations of communications and commutation. Eventually free trade system that prevailed during the 19th century began to curtail sharply at the beginning of 20th century, due to revival of mercantilist's philosophy of national self sufficiency as opposed to interdependence and a free flow of trade. The major conservatism in the economy was predominantly visualized in the post –second world war period, when many less developed countries followed the path of import substituting industrialization, guided either by the Prebisch-Singer –Myrdal (PSM) thesis of autarkic development or by economic nationalism independent of PSM thesis {Prebisch (1950,1959,1964); Singer (1950); Myrdal 1956; Sarkar 2001}. Among these countries most countries were predominantly agricultural and exporters of primary products. Perhaps! Due to severe deficits in balance of payment, these countries become dependent on rich industrially developed countries and international institutions such as IMF and World Bank dominated by the rich countries. These economies were always under stress. From time to time they were advised to open up their economy not only to tide over their crises but also to experience a higher rate of growth. Due to their internal socio-economic conditions they took some time to open up. Consequently many economies of the world including Korea, Taiwan, Singapore, Malaysia and even China to some extent opened up their economies in 80's.

India in particular has undergone a tremendous change in political, social and economic spheres. Its economic regime has experienced two drastic transformations. With the establishment of the Planning Commission in March 1950, India launched upon a unique experiment in state-led 'growth with social justice' within the constitutional framework of parliamentary democracy. However, this policy came under significant pressure in the 1980s. Unprecedented balance of payments crisis in 1990–91 dragged the economy close to defaulting on loans. The response was a slew of domestic and external sector policy measures partly prompted by the immediate needs and partly by the demand of the multilateral organizations. The Indian government responded to this crisis with an equally forthright policy regime grounded in a reform trinity popularly referred to as 'Liberalization, Privatizations, and Globalization' (LPG).

After opening the economy to external sector (1991 onwards), large scale Indian sector started growing. Multinational Companies (MNC) entered Indian market with a bang, which made survival and performance of small scale industrial sector questionable, as on one hand their market share was outraged by mushrooming entrance of MNCs and on the other hand Indian small scale industrial sector also got global opportunities, which could lead to substantial increase exports and making them more vibrant and flourishing. Further, WTO directive has forced the Indian government to attach increasing focus on the elimination of import barriers from several key sectors. In the context of globalization, several macroeconomic measures were further undertaken during 2004-05. The aims of these measures were to boost industrial productivity, to raise foreign direct investment (FDI), promote exports/ Special Economic Zones (SEZ) and gear up to operating in a post-WTO environment specifically preparing the economy for the commitments that may emerge from the Doha Round of the World Trade Organization (WTO).

This paper carefully scrutinize the overall impact of globalization on growth of small scale industrial sector with respect to certain parameters such as growth of number of Small Scale Units in country, growth of employment in Small scale industrial sector in country, growth of output of small scale industrial sector in country, and growth of exports and per employee productivity of small scale industrial sector in country.

SMALL SCALE INDUSTRIAL SECTOR FROM INDIAN PERSPECTIVE: A REVIEW

Popular for its art and crafts small scale industrial sector is an integral part of Indian economy since medieval times. Indian handicrafts, textile and spices have been successfully attracting trade towards the country since the times of Mercantilists. Today also small scale enterprises hold a vital position in Indian economic scenario contributing around 39 percent of the country's manufacturing output and 34 per cent of its exports in 2004-05. It provides employment to around 29.5 million people in the rural and urban areas of the country. (Indian Economic Survey 2005-06). Although the process of economic globalization, liberalization and market reforms, exposes the Indian Small scale industrial sector to increasing levels of domestic and global competition affecting its growth performance, but this process has also opened attractive possibilities of access to larger markets and develop stronger and deeper linkages with larger enterprises. It ensures improvements in small scale manufacturing techniques, which makes them more competitive as well as innovative. Small scale industrial sector in India is growing and has become more competitive, but close observation of pre and post globalization period reveals that the growth trends of this sector are not as encouraging as they were before India opened up its economy. With economic globalization Indian economy on the whole has visualized alarming growth but the picture is not same for the small scale industrial sector of the country. Evaluation of the impact of globalization has become an important subject of study from Indian perspective, especially its impact on small scale industrial sector, as it was often a matter of concern that whether small will withstand and sustain its growth competing with its global as well bigger national contenders.

Nabiar, R. G, B.L. Mungekar and G.A. Tadas (1999) in their article "Is import liberalization hurting domestic industry and employment?" have analyzed the impact of liberalization on the parameters of industry and employment and revealed that trade has over the years shrunk India's manufacturing base, both in terms of value addition and employment. This conclusion was further supported by Bhavani T.A, (2001) in his paper "Small scale Units in the Era of Globalization", where he discussed that liberalization is exposing these units increasingly to market competition on one hand and on the other hand it is

intensifying the market competition. The existing policies on small scale units created preserve incentives to remain small and operate in isolated manner it is high time that policy measures to be revamped so as to encourage the growth of small units through collective efforts.

The above was further strengthened by Subrhamanian Mott Bala (2004), where he studied the impact of globalization on the domestic small industry, and showed that Small industry has suffered in terms of growth of units, employment aspects and exports. This clearly indicates the fear of deterring growth in Indian small scale industrial sector among the researches. This analysis will exclusively focus on growth trends of various parameters of small scale industrial sector (Number of units, production, employment, exports, per employee production output) for both pre and post globalization era of Indian economy.

METHODOLOGY

In order to clearly distinguish between pre and post globalization growth trends of Indian small scale industrial sector for the analysis period from 1974-1990 is taken as pre globalization period, and as policy of Liberalization, Privatization and Globalization (LPG) was initiated in Indian economy from 1991 onwards period from 1991 to 2006 is considered as post globalization era. (Year 1990-91 is excluded from the analysis because of macroeconomic disturbances and no exclusive data is available for SSI after 2006, as it has been merged with Ministry of Micro, Small and Medium Enterprises.). Entire analysis focuses on growth rates of different parameters such as number of units installed, employment, production and exports. In order to facilitate comparison between two periods average growth rates over the stipulated period are considered. In order to visualize growth trends between the considered years line graph is used for the parameters undertaken for study.

ANALYSIS

GROWTH RATE OF NUMBER OF UNITS IN SMALL SCALE INDUSTRIAL SECTOR

As small scale industrial sector demands less capital, facilitates easy establishment and enjoys many leverages from government and many of its institutional support. Every year prominent increase in small scale units is observed. This sector has observed rapid and impressive growth rate during the various plan period. The number of small-scale units has increased from an estimated 4.2 lakh units in the year 1973-74 to over 8.7 lakh in the year 1981 which further rose to 18.2 lakh units in 1990 and 101.1 lakh unit in 2001 and for the year 2006 there were 123.4 lakh units in Small scale industrial sector. Although constant growth has been observed in number of units in small scale industrial sector but growth trends of number of units have varied substantially when compared with pre and post globalization period. The graphs below closely reveal these growth trends for both the periods.

FIGURE 1: GROWTH TREND (NUMBER OF SMALL SCALE UNITS) BEFORE INDIA OPENED UP ITS ECONOMY

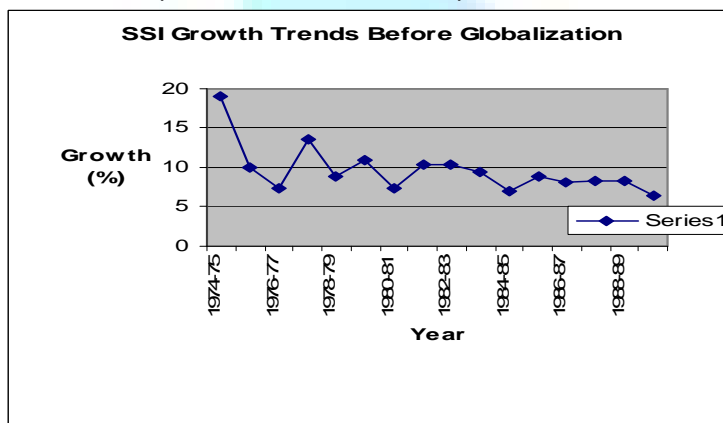


Figure 1 Indicates Growth trends of Number of units in Small scale industrial sector before India opened up its economy to Global Market. It can be observed because of less competition both internal and external and special government support many new firms entered small sector of the Indian economy. Thus growth rate of Number of units during the period from 1974 to 1989 remained between 6% and 19.04%. Average Growth Rate of units in small scale industrial sector for the given period was 9.64% with variance of 8.91. The growth trend (Figure 1) clearly indicates that growth trends were comparatively high in 70's and slowdown in growth towards the end of 80's is observed.

FIGURE 2: GROWTH TREND (NUMBER OF SMALL SCALE UNITS) AFTER INDIA OPENED UP ITS ECONOMY

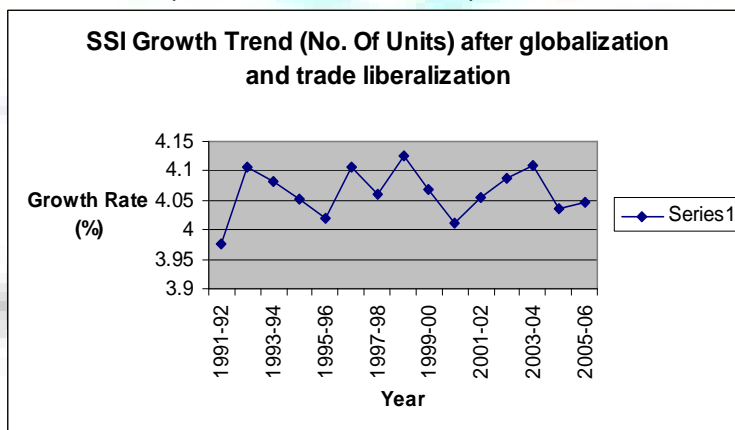


Figure 2 depicts growth rates of number of units in Small scale industrial sector after India opened up its economy to global world. The impact of high global competition and internal as well as external liberalization can be visualized hereby. As from the period 1991 to 2006 the growth rates of number of units in small scale industrial sector was in-between 3.9% to 4.13%. That is below 6% that was lowest recorded growth rate in number of units in this sector pre-globalization .During this period (1991-2006) average growth rate was 4.063 and variance was 0.00049969. The above trend analysis reveals that although growth rates of number of units are low in post liberalization and globalization period but these are much more consistent than that of pre liberalization and globalization period.

GROWTH TRENDS OF PRODUCTION OF SMALL SCALE INDUSTRIAL SECTOR

The small-scale industries plays important role in the success story of the economy. In India SSI alone add 40% to the gross industrial value. It has been estimated that 4.62 million worth of goods or services are produced with a million Rupees of investment in fixed assets in the small scale industries. As far as productivity of the sector is concerned it often improves with time. In order to evaluate performance of Small Scale Industry per year growth rate of production is considered for both pre and post globalization period.

FIGURE 3: GROWTH TREND OF PRODUCTION OF SSI SECTOR BEFORE INDIA OPENED UP ITS ECONOMY

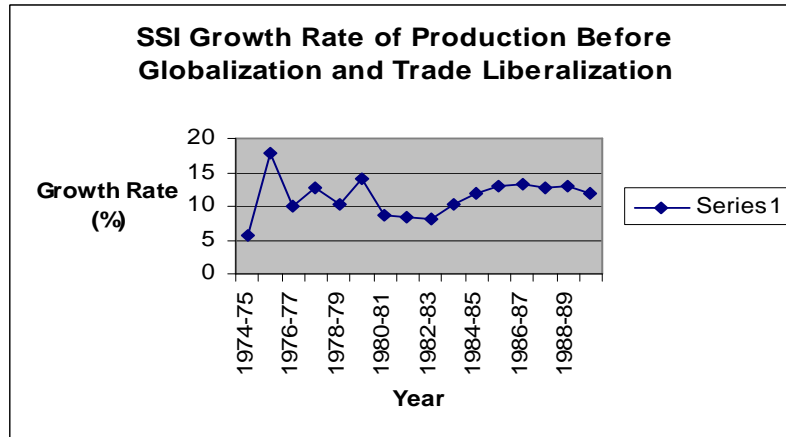


Figure 3 represents growth rates of production in small scale industrial sector in pre globalization and liberalization period from 1974 to 1989. The growth rate of production for the given period varied between 5.5% to 17.8% with the average growth rate at 11.34% and variance as 2.09. The above graph clearly indicates that growth trend varied highly from 1974 to 1981, but it shows a consistent increase from 1981 onwards. (In order to determine real growth trends Production recorded at constant prices is considered that is at 1993-94 Prices)

FIGURE 4: GROWTH TREND OF PRODUCTION OF SSI SECTOR AFTER INDIA OPENED UP ITS ECONOMY



Figure 4 depicts growth rates of production of Small Scale Industrial Sector after India opened up its economy. The growth rates of production during this period varied between 3.1% and 11.4%, with the average growth rate of production as 8.256 and small scale industrial sector production growth variance as 1.77. This figure reveals that immediately after liberalization and globalization production growth rate of small scale industrial sector had a robust growth till year 1997-98 but from 1998 to 2002 slackness in production growth rate is observed in Small Scale industrial Sector in India, However after 2002 Indian Economy is visualizing continuous growth trends in production of its Small Scale Industrial Sector. This ensures that innovativeness and flexibility backed up with exploration of new global opportunities had persuaded growth of overall production of small scale industrial sector currently. (In order to determine real growth trends Production recorded at constant prices is considered that is at 1993-94 Prices)

GROWTH TREND OF EMPLOYMENT IN SMALL SCALE INDUSTRIAL SECTOR: AFTER AGRICULTURE

Small Scale Industrial Sector in India creates large employment opportunities for the Indian populace as it is also labor intensive industry. According to estimates, we can create employment opportunity for 4 persons by investing around 1,00,000 rupees in fixed assets.

FIGURE 5: GROWTH TREND OF EMPLOYMENT IN SSI SECTOR BEFORE INDIA OPENED UP ITS ECONOMY

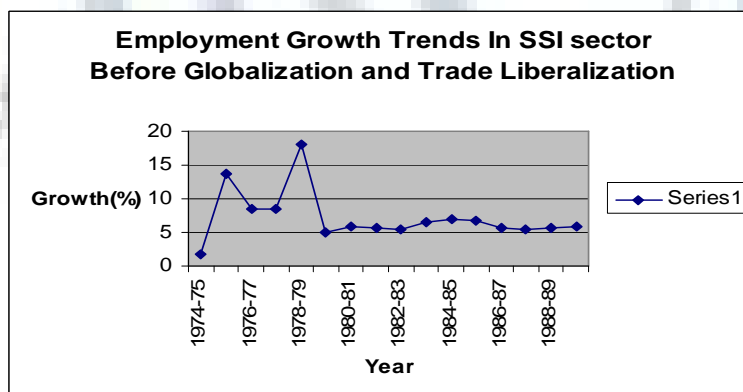


Figure 5 represents employment growth trends in Small scale industrial sector before Globalization and Liberalization. The growth rate of employment varied between 1.7% and 18.5% from the period 1974 to 1990. Highest rate is observed in year 1978-79. The average growth rate of employment in this sector for

the given period stood at 7.196% and variance as 13.53. Figure 5 clearly states that growth trends of employment during the stated period greatly varied from 1974 to 1980, however some consistency is observed after 1980s.

FIGURE 6: GROWTH TREND OF EMPLOYMENT IN SSI SECTOR AFTER INDIA OPENED UP ITS ECONOMY

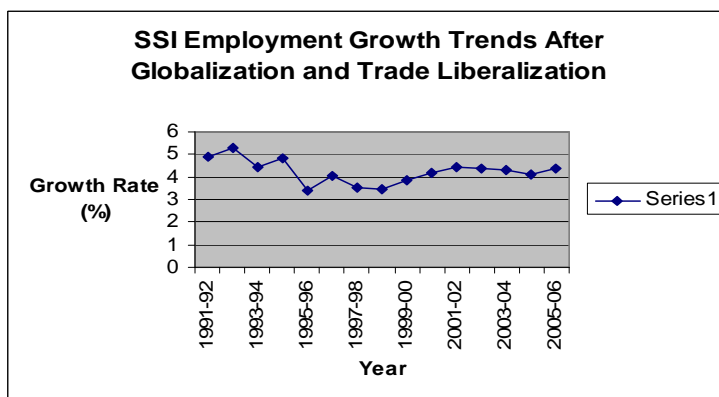


Figure 6 depicts employment growth trends in Small scale industrial sector after India opened up its economy to the global world. It can be clearly observed that from 1991 to 2006 growth rates of employment in small scale industrial sector is reasonably consistent ranging from 3.3% to 4.9%; this is slightly lower than accounted in last decade of the pre liberalization period considered above. The average rate of growth in small scale industrial sector during this period was 4.236% and variance as 0.2644. Thus slight impact of globalization is observed in this criterion of Indian small scale industrial sector too.

GROWTH TRENDS OF EXPORTS IN SMALL SCALE INDUSTRIAL SECTOR

Small Scale Industrial Sector plays a prominent role in India's present export performance. SSI sector contribute 45%-50% to the Indian Exports. 35% of the export is done directly by the SSI whereas 15% is done indirectly.

FIGURE 7: GROWTH TREND OF EXPORTS OF SSI SECTOR BEFORE INDIA OPENED UP ITS ECONOMY



Figure 7 Represents Growth Trends of exports of Small scale industrial sector In pre Liberalization period from 1974 to 1990. Export growth rates from this sector was extremely variable during this period they ranged from -4.76% to 38.182%, However after 1982 the trend of exports growth rates illustrates an continues increase from this sector.. The average growth rate of this sector during this period was 21.314 with variance as 273.663.

FIGURE 8: GROWTH TREND OF EXPORTS OF SMALL SCALE INDUSTRIAL SECTOR AFTER INDIA OPENED UP ITS ECONOMY



Figure 8 depicts growth trends of exports in small scale industrial sector after India opened up its economy. That is from the period 1991 to 2004. In this period too exports growth trends of this sector were highly variable but comparatively less from the former period. They ranged from 43.657 to 2.073 with mean export growth rate from this sector as 20.092 which was approximately same as pre globalization period and variance as 216.64, which is comparatively lower than the pre globalization export growth rate variance. This supports that despite global competition Indian small scale industrial sector has sustained its export demand in the world markets by maintaining its exclusivity and by venturing in new vistas of captive global opportunities.

PRODUCTION PER EMPLOYEE IN SMALL SCALE INDUSTRIAL SECTOR OF INDIA

Nabiar, R. G, B.L. Mungekar and G.A. Tadas (1999) in their article "Is import liberalization hurting domestic industry and employment?" feared that globalization could hamper value addition in Indian domestic industries. The best tool to analyze value addition in Indian small scale industrial sector is production per employee in this sector. Thus to analyze impact of globalization on efficiency and productivity (Value addition) of the employees in Small scale industrial sector production per employee is compared over the years for both pre and post liberalization period.

FIGURE 9: PRODUCTION (PER EMPLOYEE) TRENDS IN SSI SECTOR BEFORE INDIA OPENED UP ITS ECONOMY

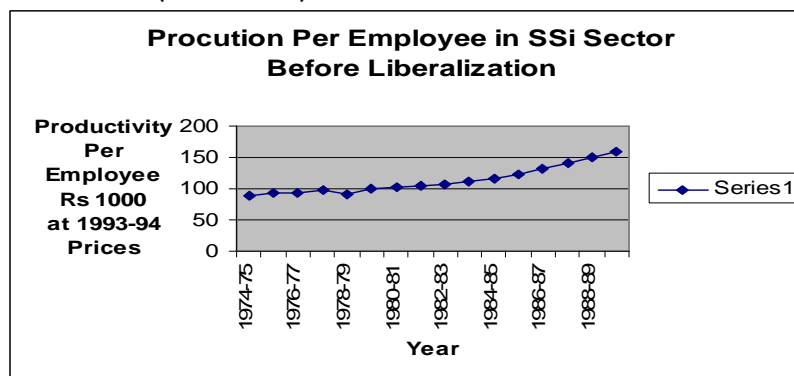


Figure 9 represents productivity per employee in Small Scale Industrial sector, before India opened up its economy. The productivity during this period from 1974 to 1990 followed an increasing trend. Average productivity during this period stood at 111.470588 thousand units per employee (Measured at 1993-94 prices). This was impressive for a country such as India in its initial stage of development.

FIGURE 10: PRODUCTION (PER EMPLOYEE) TRENDS IN SSI SECTOR AFTER INDIA OPENED UP ITS ECONOMY

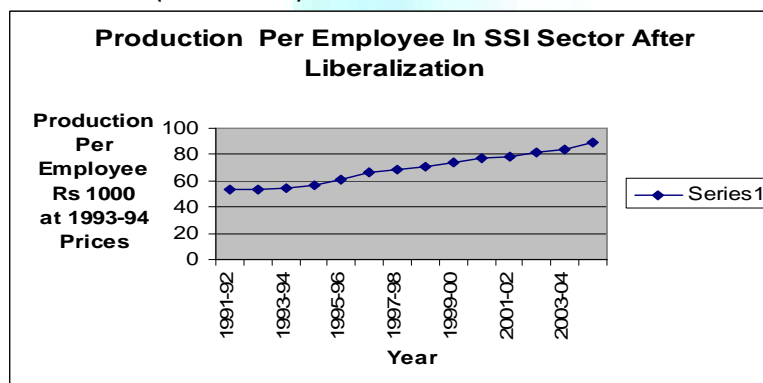


Figure 10 represents productivity per employee in Small Scale Industrial Sector after India opened up its economy to global world. The productivity per employee in small scale industrial sector ranged between 53 thousand 89 thousand measured at 1993-94 Prices, with an average at 69 thousand units per employee. Although productivity per employee showed a growing trend, but however it is not as much as it was during pre liberalization period. Thus this visibly depicts that globalization has deterred per employee value addition in small scale industrial sector of the country.

FINDINGS AND OBSERVATIONS

Growth trend in setting up of number of units was higher in pre-globalization (1974-89) period as compared to post- globalization era (1991-2006). It ranged between 6% and 19.04% during the period from 1974 to 1990 and 3.9% to 4.13% during the period from 1991 to 2004. Growth Variance for number of units was 8.9 % for the first period and 0.0005% for the second period. The growth rate of production for the pre globalization period (1974-89) varied between 5.5% to 17.8% with the average growth rate at 11.34% and variance as 2.09% and for the post liberalization (1991-2006) period the growth rate of production varied between 3.1% and 11.4%, with the average growth rate of production as 8.256% with variance as 1.77%. Thus it can be concluded that growth rate of production of small scale industrial sector was more rapid in pre globalization era. However it depicts continuous increase from the year 2001-02.

Small scale industrial sector is an important sector from employment perspective in Indian economy. Before India opened up its economy the employment growth rate in this sector ranged between 1.7% and 18.15% from the period 1974 to 1990 with average growth rate during the period as 7.196% and variance as 13.53. It has been observed that growth rate of employment in this sector has also deterred as a result of globalization of the economy as post globalization rates of growth of employment in this sector ranged between 3.3% to 4.9% (1991-2006) with average as 4.236% and variance as 0.2644. Pre globalization (1974-91) growth rate of exports in this sector was extremely variable it ranged between -4.76% to 38.182%, with average export growth rate from the sector as 21.314, and variance as 273.663. However, impact of globalization on growth of exports from small scale industrial sector has been very modest, as from 1991 onwards that are after India opened up its economy (1991-2004) growth of exports in this sector ranged between 2.073% to 43.657% with average as 20.092 and variance as 216.64. This is because globalization assists this sector to venture in many new global opportunities.

The impact of globalization has been deterring in per employee productivity in small scale industrial sector too, as average production per employee in pre globalization period (1974-89) was 111.470 (Rs 1000 at 1993-94 prices) which had plunged to 69 (Rs 1000 at 1993-94 prices) for the post globalization period (1991-2004).

A). REASONS FOR HIGHER GROWTH TRENDS IN INDIAN SMALL SCALE INDUSTRIAL SECTOR BEFORE INDIA OPENED UP ITS ECONOMY

At initial stage of development after country attained its independence, planning commission sought to develop small firms, as an integral part of the Mahalanobis Strategy which focused on encouraging small scale industry as it had better scope of rural employment. Protection from large firms and from cheaper imported goods was integral under this strategy. This made scope and growth of small scale industrial sector magnificent. Ever since the Mahalanobis plan of regional development was seen as integral to the development of small firms. Small firms were seen as locatable virtually anywhere as long as basic physical infrastructure such as water, electricity, roads etc. could be provided.

Further in the period of redistribution (1965- 1980) and continuing well in 1980s, small and medium enterprises were also promoted to diversify the social basis of capitalism. The important measures taken in public procurement, credit and equity support and increasing differentials in the taxes paid by small firms vis-a-vis the large (Desai and Taneja 1993, Morris 2001). Moreover existence of higher reservations and better incentives attracted manufactures not only small entrepreneurs but others who could afford to take up medium and larger units to get registered as small scale manufacturer. Thus a number of Industrial areas of small scale units were set up all over the country.

B). REASONS FOR COMPARATIVELY DETERRED GROWTH TRENDS IN SMALL SCALE INDUSTRIAL SECTOR AFTER INDIA OPENED UP ITS ECONOMY

The main reason for slow growth rates in small scale industrial sector after trade liberalization and globalization in India was unfavorable macro economic policies. In second half of 1990's monetary policies had been unduly conservative and were typically targeting money supply rather than interest rate. This started arresting growth impetus and needlessly curtailing demand. It strikingly hurt the manufacturing sector especially the small scale. Further nearly floating exchange rate of rupee, in recent time, has affected profitability of small firms which are producing goods for export. The effective exchange rate of the rupee is

higher than the value that prevailed at the end of the stabilization period. It is doubtful to move back to those values. The small firms involved in export items have to find some means to reduce the input costs to stay in competitive market. Or the State has to think of some subsidization or tax incentives to help such enterprises. Another thing which hampers the overall growth of small scale industrial sector is 'Dumping' practice of East Asian nations especially China. It has been responsible to outrage prominent market share of domestic small scale manufacturing sector deterring its growth prospects. Moreover when large capital flow both on accounts of portfolio flows and direct investment are sought to be sterilized to hold on monetary targets, tight credit conditions are imposed on domestic firms. Such credit tightening operates asymmetrically between firms that have access to foreign capital inflows and FDI and domestic firms that lack such access. Another factor that challenged growth of small scale industrial sector was de-reservation of many categories of commodities that were initially kept in exclusive arena of small scale industries. Because of their higher competency and ability to sell products at lower prices large scale industries and multinational companies mounted their market demand capturing large market share of their small contenders.

Thus considering all the above factors, the growth of small firms in India after liberalization has not been remarkable. However the growth of domestic markets and the input linkages (especially between small and large firms through a variety of networks) facilitated the evolution of modern small scale industries. It has been noticed that successful industrialists from densely populated economies like India, have also played crucial role to strengthen the standing of small scale industrial sector especially in export and ancillary market. Such industrialists have their own comparative advantages of innovation and exploration by remaining in touch with global markets and thus creating vibrant demand of their product.

CONCLUSION

Despite of open global competition and strengthening of parallel domestic large scale sector Indian Small Scale Industry has been competitive and innovative to ensure their growth and they not only maintained their importance in purview of Indian economy but also widened their spectrum of opportunities and areas of functioning. Apart from this, efficiency, cost effectiveness and constant innovations in Small scale industrial sector have propounded bright export opportunities for the sector. Indian small scale industrial sector has effectively made an impact and created its market in rest of the world. Thus there are many apprehensions concerning impact of globalization and liberalization on growth and competent existence of small scale industries in the country. As it was believed that in reign of globalization, BIG industries will flourish and will be powerful enough to subdue Small industries. But Indian small scale industrial sector has learned to withstand the pressures and competition imposed by its powerful internal and global contenders, as it is still growing and will grow in reign of globalization. And soon its innovativeness and cost effectiveness will increase its pace of growth in present era of globalization and liberalization.

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STRATEGIES FOR SMALL BUSINESS DEVELOPMENT: MICROENTERPRISE IN ORISSA: PRACTICES TO PROMOTE SUCCESS AMONG LOW-INCOME ENTREPRENEURS

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ABSTRACT

Unemployment is one of the most important challenges facing the poor people in our country. This has been made worse by the fact that over the last two decades, the formal economy has been shedding jobs and many workers were retrenched and it is accepted worldwide that the development and growth of small, microenterprises can play an important role in turning this situation around. The present article deals with microenterprises and their role in economic growth and employment generation in the Indian context. This article discusses about the programmes aiming not only development but also take care of livelihood sustainment. This paper analysis the work of promotional institutions for income generating activity and gives the most effective and desirable economic development strategy for many rural communities in small entrepreneurship development based on locally owned and owner operated small businesses, however, entrepreneurship stands as a vehicle to improve the quality of life for rural families and communities to promote healthy economy environment.

KEYWORDS

Anti-poverty programme, Community development, Microenterprise development, Unemployment.

INTRODUCTION

Orissa is one of the poorest States of the country. Compared to coastal region, the incidence of poverty is more in northern and southern regions of the State. It is higher among the scheduled tribes as compared to scheduled castes and general castes. Furthermore, the percentage of rural families living below the poverty line is found to be much higher in the State, the living conditions of the people of the State are considerably lower than the national average. There are a number of remedial measures to reduce the incidence of poverty among the people in the State. Economic growth is necessary to improve the living conditions of the people. For this, development of Microenterprise play important role in economic development of the people, it provides a pathway for opportunity and achievement in financial growth, job creation, and self-sufficiency and makes them different from other antipoverty programs. Whereas the anti poverty programme like Swarna Jayanti Gram Swarajgar Yojana (SGSY) aims at establishing a large number of micro-enterprises in the rural areas to provide sustainable income to the rural poor, how far these programmes are successful in checking the proliferation of poverty and reduce the magnitude of poverty is a big unanswerable question. Small business and microenterprise programs, on the other hand, are potentially efficient ways of helping people to help themselves. If the ownership society is to be expanded, small business and microenterprise are a natural, but not necessarily easy, place to start.

NEED OF THE STUDY

Microenterprise makes an important contribution to economic and social development, in many states they have been the major engine of growth in employment. In developing countries they are seen as a major 'self-help' instrument for poverty eradication. So there is a need of institutional, organisational and regulatory framework to encourage entrepreneurs by the Government to create an enterprise culture, in addition to this necessary guidance and support from financial institution is highly essential.

OBJECTIVES OF STUDY

1. Exploring opportunities in small business Microenterprise development according to availability of natural resources, raw material, market etc.
2. To analysis the work of promotional institutions for the development income generating activates, i.e. in establishing micro-enterprise.
3. To analysis the role of bank and Micro- Finance institution towards the development of micro-Enterprise.
4. To study the activities and Programmes being under taken by NGOs, & Government of India for Entrepreneur development.
5. To ascertain the strategies for small business development; Microenterprise in Orissa.

METHODOLOGY

Eight backward district of southern Orissa has been selected for the purpose of study where number of BPL category is higher as compared to other district of the state which consists of 1,80,8473 BPL house hold families which is approximately 40% of the state, several anti-poverty programmes in the State are driven by banks, the Government, Non-Government agencies and social workers. In the present study, 200 Microenterprise have been selected randomly from the eight backward districts through structured schedule in order to examine the role of Microenterprise in livelihood sustainment. Simple statistical tools such as percentage method have been used for the data analysis. Secondary sources of data viz. journals, newspapers, books and the internet have also been relied upon. The strategies are based on both primary and secondary data findings.

CLASSIFICATION OF SAMPLE UNITS BY THE TYPE OF ENTERPRISE

TABLE NO. 1.1: SECTORAL CLASSIFICATION OF MICROENTERPRISES

	Products	Types of Enterprise	No of Unit	% of unit
1	Forest Products Leaf Cups, Plate & Brooms Bamboo works/Floor mat Making Unit/Jute rope & coir foot mate making unit/Wood furniture making unit/Match box & Agarvati making Unit	Forest product unit	53	26.5
2	Vegetable Cultivation/Turmeric/ ginger Cultivation	Agriculture product unit	42	21
3	Appliqué & Tent Works/Dry Cleaning/Repairing & Servicing of Automobile/Saloon/Computer center DTP, Xerox, Screen Print & Job Works/Electric Repairing & motor winding unit	Service Unit	31	15.5
4	Ready-made Garment Shop/Village Pan-bidi Shop Foot wear Shop unit/Hardware shop/kirana	Retailing Unit	30	15
5	Chlorinated paraffin wax candle making unit/Steel Trunk & Allmirha making Unit/Ice candy making Unit/Bakery Unit/Chalk arryon Unit	Manufacturing Unit	27	13.5
6	Mini Floor & Spices Grinding Unit/Spices (Pickle & Papad) unit/Lia- Mudhi dobaja unit/Food processing Unit (Mixture)	Food & Agro processing unit	17	8.5
Total			200	100.0

Source: Field Survey

It can be inferred from the table no. 1.1 that nearly 26.5% of the established enterprise doing forest product unit small business because 47% of these backward districts are under forest cover where forests play a central role in the economic, cultural and socio-political systems and the entire lives and livelihoods of a majority of the people revolve around forest and forestry. Forest based microenterprises are mainly NTFPs (Non-timber forest products) such as sala seeds, kendu leaves, bamboo, Honey, sabai grass and mahua. About 21% of microenterprises are engaged in organic farming of turmeric, ginger, mustered, Cardamom, tamarind, Cumin Seed & chilli. With growing popularity of organic foods in Europe and North America, Kandhamal and Rayagada play important role in exporting these organic spices product by the help of KASAM's (Kandhamal Apex Spices Association for Marketing Kandhamal) & ORMS (Orissa Rural Development and Marketing Society). The analysis reveals that out of 200 microenterprise 31(15.5%) units have generate sustainable income through service units as required by the locality and market area on the other hand 15%(30 Units) has made the investment in retailing unit. The study observed that 22% (44 units) were made small manufacturing and processing industry fully funded by the SGSY & PMRY scheme of Government.

SOURCE OF WORKING CAPITAL

TABLE NO. 1.2: ASSISTANCE OF PROMOTIONAL INSTITUTIONS TO RAISE ENTERPRISE INCOME

Sl no	Financial Institution	No of Unit	%age
1	Bank-Linkage	104	52
2	MF (NABARD)	36	18
3	Informal Loan	34	17
4	Own	16	8
5	SFC	10	5
Total		200	100.0

Source: Field Survey

The above table deliberate that 52% (104) unit is having Bank- Linkage through various scheme of state and central government. About 18% (36) units get funds from NABARD microfinance for income generating activities. The data shows 25% (50) of microenterprise units has not availed any help from the promotional institutions

ROLE OF FINANCIAL INSTITUTION IN MICROENTERPRISE ESTABLISHMENT

Though majority of the microenterprise have felt that the promotional institutions have been found courteous in their dealings however there has been a feeling among a considerable number of them that there should be a change in the attitude of these institutions for the development of micro enterprise in the backward district of Orissa.

TABLE NO1.3: TYPE OF SERVICES RENDERED BY THE PROMOTIONAL INSTITUTIONS

Sl No	Type of Services	No of units	% age
1	Excellent	84	42
2	Very good	26	13
3	Good	62	31
4	Fair	6	3
5	Bad	22	11
Total		200	100.0

Source: field survey

The above table express the feeling of the sample units regarding the nature of response from the promotional institutions when they approach for help. Out of 200 units 84 (42%) have felt that the institutions were excellent and others are also satisfied by the service which constitute of 47% (94) and 11% (22) units feel that there should be change in the approach of promotional institutions.

Success of any scheme depends upon the responsibility and dedication works in implementing the scheme by the promotional institutions in the absence of involvement the plan fail to achieve its purpose. The opinion of entrepreneurs covered in the present study about the involvement of promotional institutions is shown in the table given below.

TABLE NO. 1.4: INVOLVEMENT OF PROMOTIONAL INSTITUTIONS IN DEVELOPMENT OF MICROENTERPRISE

Sl No	Involvement	No of units	% age
1	Very significant	92	46
2	Partial	84	42
3	Insignificant	24	12
Total		200	100.0

Source: field survey

From the above table it is clear that among 200 entrepreneur 84 respondents 42% is at partial stage and that there is still scope for improvement in other hand 24 respondents 12 % expressed the involvement is insignificant so them there is a need of immediate action for the development of business enterprise in the district.

ROLE OF GOVT. & NGOS IN MICROENTERPRISE DEVELOPMENTS

The success of microenterprise development depends upon the active participation and willing co-operation of Government, NGOs and voluntary agencies. In recent years the NGOs and voluntary agencies have greater importance and significance then before because the administration has not been able to reach the people especially the poor and weaker section. Govt, NGOs & voluntary agencies has designed several programmes in expanding and strengthening microenterprise for generation of both self-employment & wage employment some of these programmes are discussed below.

1. SWARNJAYANTI GRAM SWAROZGAR YOJANA (SGSY)

SGSY is a self-employment programme of Ministry of Rural Development launched on 1st April 1999 aims at providing assistance to the BPL rural poor for establishing micro-enterprises through bank credit and government subsidy to acquire an income-generating asset. Credits are fixed every year by a Committee having representatives from the Ministry of Finance, NABARD, Reserve Bank of India (RBI), State Bank of India (SBI) and Ministry of Rural Development. Under this programme Self Help Groups (SHGs) consist of 10-20 persons are formed through a process of social mobilization, with their training and capacity building, infrastructure build up, technology, credit and marketing enabling them to take decisions on all issues concerning poverty eradication. SGSY is being implemented by the District Rural Development Agencies (DRDAs) with the active participation of Panchayat Raj Institutions, the Banks, the line Departments, and Non-Governmental Organizations. Key activities are identified for each block in the district based on the resources, occupational skills of the people and availability of markets, key activities are given approval by Panchayat Samitis at block level and DRDA (District Rural Development Agencies)/ZP(Zilla Parishad) at the district level and forwarded district SGSY committee, after that proposal is scrutinize, individual and group members coming under poverty line are given financial assistance for the project proposal. Loans are given by the financial institutions comprising commercial banks, cooperative banks and regional rural banks. The loan amount is equal to the total project cost including the amount of subsidy admissible to the swarozgaris, Interest rates for the loans are notified by RBI/NABARD from time to time. SGSY emphasis on skill development through well designed training courses for the identified microenterprise projects.

In order to promote entrepreneurship SGSY provides Marketing promotions of goods produced by the Microenterprise which involves market intelligence, development of markets, consultancy services and institutional arrangements for marketing of the goods including exports. SGSY ensure reservation policy in the allotment of Swarozgaris 50% are given to SC/STs, 32% for women, 15% to Minorities and 3% to disabled in BPL Category.

NGOs & Voluntary agencies play the role of facilitators in providing training, capacity building and also formation of microenterprise.

2. PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP)

Prime Minister's Employment Generation Programme (PMEGP) is also a credit linked subsidy programme of Government of India. It has been introduced by merging the two schemes, namely, Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP). With an objective to generate employment opportunities in rural as well as urban areas of the country through setting up of new self employment ventures/projects/micro enterprises. Any individual above 18 years age and unemployment is eligible to get the assistance for setting of microenterprise projects under PMEGP; SHG (including those belonging to BPL provided that they have not availed benefits under any other scheme) are also eligible for assistance.

The scheme is implemented by Khadi and village Industries commission (KVIC), a nodal agency at national level and through district industries centres DICs in rural and urban areas.

TABLE 1.5: FINANCIAL ASSISTANCE THROUGH PMEGP

Categories of beneficiaries under PMEGP	Beneficiary's contribution (of project cost)	Rate of Subsidy (of project cost)	
		Urban	Rural
General Category	10%	15%	25%
SC / ST/OBC/Minorities/Women, Ex-servicemen, Physically handicapped,	15%	25%	35%

Source: www.kvic.org.in

3. SWARNAJAYANTI SHAHARI ROZGAR YOJANA (SJSRY)

The SJSRY came into operation in December 1997, through a restructuring and streamlining of the earlier urban poverty alleviation programs, the Nehru Rozgar Yojana (NRY), the Urban Basic Services for the Poor (UBSP) and the Prime Ministers Integrated Urban Poverty Alleviation Programme (PMIUPEP). It seeks to provide employment to the urban employed or underemployed living below poverty line and educate up to IX standard through encouraging the setting up of self – employment ventures or provision of wage employment. It is funded by the Centre and States on 75: 25 bases.

4. MICRO-FINANCE PROGRAMME

The main objective of the Scheme is to provide credit at the door step to the poor and low income category people in the country to enable them to carry on business or manufacturing activities. The Scheme is operate through NGOs and Self Help Groups, who provide credit at door step and also monitor the projects on regular basis. The Scheme is in operation from March, 2004. The scheme is implemented by SIDO through SIDBI, assistance is also provided by the Government of India for institution building through identification and development of 'intermediary organisations' which would help the NGOs/SHGs in identification of products, preparation of project reports, working out forward and backward linkages and in fixing marketing/technology tie-ups.

5. TRADE RELATED ENTREPRENEURSHIP ASSISTANCE AND DEVELOPMENT OF WOMEN (TREAD)

A revised scheme of TREAD was launched in May, 2004 In order to alleviate the problems faced by women entrepreneurs. The scheme envisages development of micro/tiny women enterprises in the country both in the urban and rural areas. The main objective of the scheme is to empower women through development of their entrepreneurial skills by eliminating constraints faced by them in their sphere of trade. For any kind of non-farm activity loan is provided through NGOs in making self-employment ventures. Under the scheme, NGOs, with the requisite experience in micro credit, prepare project proposals on behalf of individual women and submit the proposals to financial institutions in the prescribed form. Based on the appraisal by financial institutions, the project proposal is appraise in the Office of the DC (SSI) for final approval and release of grant to NGOs, which can be up to a maximum of 30% of project cost. The remaining amount will be provided by the financial institutions as loan. In terms of the existing guidelines in TREAD scheme, there is no monetary ceiling.

ASSESSMENT OF MICROENTERPRISE

As the study carried out in eight backward districts of Orissa with the objective to assess the status of microenterprise and to identify opportunities for strengthening and improve the livelihood of their members. The findings of the study are summarized below.

1. While discussing with the entrepreneurs many of them feel that a lot of difficulties have been faced to obtain the loan from the financial institutions. Even when the loan is sanctioned financial institutions do not have a liberal policy for the entrepreneur in the repayment of loan. officials of the institutions fix the schedule for repayment of loan even before production commence due to this the unit is suffering from shortage of working capital which has to face loss of production.
2. In some cases it was found that the rate of interest on loan becomes compounded this put a lot of hardship on the entrepreneurs of the micro enterprise suffers heavily due to high rate of the interest
3. The infrastructure facilities provided by the promotional institutions are inadequate. When the entrepreneurs approached them for any additional loan to meet the contingency/ cost their request are simply rejected even genuine request from the entrepreneurs is not entertained by the institutions.
4. In the case of PMEGP scheme Lack of co-ordination between funding agency and Government agencies is the another problems for the Microenterprise at the time of sanctioning loan, registration of District industries center DIC is not taken seriously by the financial institutions due to which the entrepreneurs are left for getting financial assistance.
5. A large portion of the sample units expressed that they are not getting any institutional benefit from the funding agencies whereas they have approached so many times to the promotional institutions to get the financial assistance beside giving them any assistance the officials harass them by lot of documents and certificates for getting the loan from the promotional institutions are saying that the target for the year have been achieved and to apply for the coming year.
6. The marketing problems experienced by the microenterprise mostly relates to low volume of sales, competition, seasonal fluctuation, pressure of credit sales, difficulty in locating a suitable market place etc. Among all the problems encountered in operating small enterprises, marketing problems are generally the most critical, since the size of the market and potentiality are relatively smaller. The promotional institution says that they help the entrepreneurs in marketing of their products but actually this is only the words for kindness to encourage the entrepreneurs
7. Entrepreneur can't effort the inventory of finished products so they manufacture the products according to the selling capacity due to which they cannot expand their units of productions.
8. Quality certificate & price fixation is not done by the government for the products for which they have to sale below the rate of competitors, if they have to stay in the market.

STRATEGIES FOR DEVELOPMENT OF MICROENTERPRISE

1. Technical assistance to enhance the management skills of current and would-be entrepreneurs in business development services such as entrepreneurship training, management and planning advice, and improved market information and access, are likely to be needed. Assistance in making loan applications and advice on dealing with financing agencies will also be required.
2. Business/consultants or advisers should be appointed in each district to strengthen links between Microenterprise producers other market intermediaries such as traders, processors and transporters of rural and urban area.
3. Develop simple enterprise models to illustrate the potential profitability and financial viability (cash flow generation) of sample Microenterprise investments; quantify potential job creation among the target group; work out appropriate lending conditions/grace periods and/or cater for the need for complementary small business-related financial instruments.

4. Assess, and reinforce as necessary, institutional capacities to provide specialised support to start-up and/or to existing entrepreneurs at national, regional or local level.
5. Commercial banks, micro-finance institutions, micro-leasing companies, etc., also non-financial service providers such as business counselling, must provide adequate support for the growth of microenterprise in their area.
6. The microenterprise sector must produce the product which in designs- quality and price can compete with organized sector output. The product must be available in right time and place so that consumer normally purchases it. For each product a strong brand image should be built up and projected through advertising in mass media and other promotional measures.
7. A link between supply of raw materials and marketing should be maintained by the promotional institutions and 50% of the product should be lifted by marketing society established by Government, NGOs and Voluntary organization.

CONCLUSION

By scanning the entire responses of objectively conducted study, it is pertinent to draw a conclusion that Microenterprise development projects can serve four major objectives: Poverty reduction, Employment generation, empowerment of women and Enterprise development for which an effective delivery system has to ensure people's participation at various stages of the formulation and implementation of the self-employment programmes, transparency in the operation of the schemes and adequate monitoring. Creating awareness among the public as well as district authorities regarding implementation of these programmes is of prime importance. The administrative authorities, stake holders and members of civil societies have to be sensitised for promotion microenterprise in the state. Anti-poverty programme are by large found to be success in the present study it was founds that the SGSY & PMREG scheme run by Government is effective in providing self employment opportunities to the rural poor is one of the yardstick in last session of five years. Finally, the study concludes with the observation that Microenterprise has a significant impact on poverty alleviation and economic development in the backward districts of Orissa. But this is not enough to sustain their well being more support is needed from the Government, NGOs and Voluntary organization to revive the growth of Microenterprise.

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TRENDS AND CHALLENGES BEFORE BANKING SECTOR: A STUDY

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ABSTRACT

Banks and financial institutions are playing major role in the economic development of the India and most of the credit- related schemes of the government to uplift the poorer and the under-privileged sectors, which have been implemented through the banking sector. IT plays a vital role in development of banking sector. Present study shows the growth and development of IT in banking sector also the role of different payment indicators like- ATMs, ECS, EFT/NEFT, Debit/Credit cards, MICR etc. from 2005 to 2010. The study focuses on major trends and challenges before the banking sector in India. Study shows that, adoption of new technology with attracting human talent will become very necessary in future.

KEYWORDS

Banks, Economic Development, Challenges, Information Sector (IT), Trends.

INTRODUCTION

The Indian money market is classified into the organized sector, comprising private, public and foreign owned commercial banks and cooperative banks, together known as *scheduled banks*, and the unorganised sector, which includes individual or family owned indigenous bankers or money lenders and non-banking financial companies. The unorganised sector and microcredit are still preferred over traditional banks in rural and sub-urban areas, especially for non-productive purposes, like ceremonies and short duration loans.

Prime Minister Indira Gandhi nationalised 14 banks in 1969, followed by six others in 1980, and made it mandatory for banks to provide 40% of their net credit to priority sectors like agriculture, small-scale industry, retail trade, small businesses, etc. to ensure that the banks fulfill their social and developmental goals. Since then, the number of bank branches has increased from 8,260 in 1969 to 72,170 in 2007 and the population covered by a branch decreased from 63,800 to 15,000 during the same period. The total bank deposits increased from ₹5,910 crore in 1970–71 to ₹3,830,922 crore in 2008–09. Despite an increase of rural branches, from 1,860 or 22% of the total number of branches in 1969 to 30,590 or 42% in 2007, only 32,270 out of 5,00,000 villages are covered by a scheduled bank.

India's gross domestic saving in 2006–07 as a percentage of GDP stood at a high 32.7%. More than half of personal savings are invested in physical assets such as land, houses, cattle, and gold. The public sector banks hold over 75% of total assets of the banking industry, with the private and foreign banks holding 18.2% and 6.5% respectively. Since liberalisation, the government has approved significant banking reforms. While some of these relate to nationalised banks, like encouraging mergers, reducing government interference and increasing profitability and competitiveness, other reforms have opened up the banking and insurance sectors to private and foreign players.

ROLE BANKING IN ECONOMIC DEVELOPMENT

Banking system and the Financial Institutions play very significant role in the economy. First and foremost is in the form of catering to the need of credit for all the sections of society. The modern economies in the world have developed primarily by making best use of the credit availability in their systems. An efficient banking system must cater to the needs of high end investors by making available high amounts of capital for big projects in the industrial, infrastructure and service sectors. At the same time, the medium and small ventures must also have credit available to them for new investment and expansion of the existing units. Rural sector in a country like India can grow only if cheaper credit is available to the farmers for their short and medium term needs.

Credit availability for infrastructure sector is also extremely important. The success of any financial system can be fathomed by finding out the availability of reliable and adequate credit for infrastructure projects. Fortunately, during the past about one decade there has been increased participation of the private sector in infrastructure projects.

The banks and the financial institutions also cater to another important need of the society i.e. mapping up small savings at reasonable rates with several options. The common man has the option to park his savings under a few alternatives, including the small savings schemes introduced by the government from time to time and in bank deposits in the form of savings accounts, recurring deposits and time deposits. Another option is to invest in the stocks or mutual funds. In addition to the above traditional role, the banks and the financial institutions also perform certain new-age functions which could not be thought of a couple of decades ago. The facility of internet banking enables a consumer to access and operate his bank account without actually visiting the bank premises. The facility of ATMs and the credit/debit cards has revolutionised the choices available with the customers. The banks also serve as alternative gateways for making payments on account of income tax and online payment of various bills like the telephone, electricity and tax. The bank customers can also invest their funds in various stocks or mutual funds straight from their bank accounts. In the modern day economy, where people have no time to make these payments by standing in queue, the service provided by the banks is commendable.

While the commercial banks cater to the banking needs of the people in the cities and towns, there is another category of banks that looks after the credit and banking needs of the people living in the rural areas, particularly the farmers. Regional Rural Banks (RRBs) have been sponsored by many commercial banks in several States. These banks, along with the cooperative banks, take care of the farmer-specific needs of credit and other banking facilities.

IT IN BANKING SECTOR

Entry of automated teller machines (ATMs) has changed the profile of front offices in bank branches. Customers no longer need to visit branches for their day to day banking transactions like cash deposits, withdrawals, cheque collection, balance enquiry etc. E-banking and Internet banking have opened new avenues in "convenience banking". Internet banking has also led to reduction in transaction costs for banks to about a tenth of branch banking.

Technology solutions would make flow of information much faster, more accurate and enable quicker analysis of data received. This would make the decision making process faster and more efficient. For the Banks, this would also enable development of appraisal and monitoring tools which would make credit management much more effective. The result would be a definite reduction in transaction costs, the benefits of which would be shared between banks and customers.

While application of technology would help banks reduce their operating costs in the long run, the initial investments would be sizeable. IT spent by banking and financial services industry in USA is approximately 7% of the revenue as against around 1% by Indian Banks. With greater use of technology solutions, we expect IT spending of Indian banking system to go up significantly.

One area where the banking system can reduce the investment costs in technology applications is by sharing of facilities. We are already seeing banks coming together to share ATM Networks. Similarly, in the coming years, we expect to see banks coming together to share facilities in the area of payment and settlement, back office processing, data warehousing, etc. While dealing with technology, banks will have to deal with attendant operational risks

Payment and Settlement system is the backbone of any financial market place. The present Payment and Settlement systems such as Structured Financial Messaging System (SFMS), Centralised Funds Management System (CFMS), Electronic Clearing Systems (ECS), Centralised Funds Transfer System (CFTS) and Real Time Gross Settlement System (RTGS) will undergo further fine-tuning to meet international standards. Needless to add, necessary security checks and controls will have to be in place. In this regard, Institutions such as IDRBT will have a greater role to play.

COMPUTERISATION IN BANKING SECTOR

Technology has charged the face of the Indian banking sector through computation while new private sector banks and foreign banks have an edge in this regard, of the total number of public sector bank branches, 97.8 percent are fully computerized at end – March 2010. Whereas all branches of SBI are fully computerized.

TABLE-I. COMPUTERIZATION IN PUBLIC SECTOR BANKS

Category	2007	2008	2009	2010
Fully computerized Branches	85.6	93.7	95.0	97.8

Source: Report on Trend Progress Report, RBI, Dec.10

TABLE- II. DEVELOPMENTS IN PAYMENT AND SETTLEMENT SYSTEMS Value (Rupees Crore)

Item	2005-06	2006-07	2007-08	2008-09	2009-10
1. RTGS	1,15,40,836	1,84,81,155	2,73,18,330	3,22,79,881	3,94,53,359
2. MICR Cleaning	44,92,943	54,01,429	60,28,672	58,49,642	66,64,003
3. Retail Electronic Cleaning	1,06,598	1,86,160	9,71,485	4,16,419	5,98,740
4. Cards (Debit / Credit)	39,783	49,533	70,506	83,903	89,516
5. ECS Credit	32,324	83,277	7,82,222	97,487	1,17,833
6. ECS Debit	12,986	25,441	48,937	66,976	69,819
7. EFT / NEFT	61,288	77,446	1,40,326	2,51,956	4,11,088

Source: Report on Trend Progress Report, RBI, Dec.10

DEBIT/ CREDIT PAYMENTS

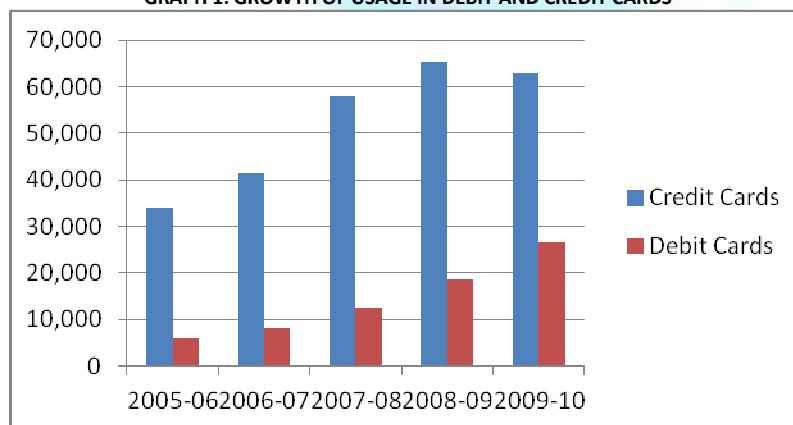
The use of card based payment rose by 22.3 percent in volume and by 19.0 percent in value during in year 2008 – 2009

TABLE-III. CARD BASED PAYMENT TRANSACTION Value (Rupees Crores)

Item	05-06	06-07	07-08	08-09	09-10
Credit Cards	33,886	41,361	57,985	65,356	62,950
Debit Cards	5,897	8,172	12,521	18,547	26,566

Source: Report on Trend Progress Report, RBI, Dec.10

GRAPH 1: GROWTH OF USAGE IN DEBIT AND CREDIT CARDS



Major technological development, which has revolutionized the delivery channel in banking sector, has been the Automated Teller Machine (ATMs). ATMs Particularly off – site ATMs act as substitutes for bank branches in offering a means of anytime cash with withdraw to customers. Growth in ATMs which has been generally on a study nice in the year's was observed to be 37.8 percent in 2009-10

TABLE-IV. NUMBER OF ATMS OF SCHEDULED COMMERCIAL BANKS (As at end March 2010)

Banks	On Site ATMs	Off – Site ATMs	Total ATMs 2010	2005-2006	2006-2007	2007-2008	2008 -2009
1.Public Sector banks							
1.1 National banks	12,655	7,047	19,702	7,165	9,888	13,355	15,938
1.2SBI group	11,142	9,836	20,978	5,443	6,441	8,433	11,339
2.Private sector banks							
2.1 Old Private sector banks	2,266	1,124	3,390	1,547	1,607	2,100	2,674
2.2 New Private sector banks	6,337	8,720	15,057	6,112	8,192	9,867	12,646
3. Foreign banks	279	747	1,026	880	960	1,034	1,054
Total	32,679	27,474	60,153	21,147	27,088	34,789	42,597

Source: Report on Trend Progress Report, RBI, Dec.10

MAJOR TRENDS AND CHALLENGES

MAJOR TRENDS

The major trends are:

1. Retail banking will be immensely benefited from the Indian demographic dividend.
2. "The Next Billion" consumer segment will emerge as the largest in numbers and will accentuate the demand for low cost banking solutions.
3. Branches and ATMs will need to grow. Low cost branch network with smaller sized branches will be adopted.
4. Mobile banking will come of age with widespread access to internet on mobile.
5. Banks will adopt CRM and data warehousing in a major way to reduce customer acquisition costs and improve risk management.
6. Margins will see downward pressure both on retail and corporate banking spurring banks to generate more fees and improve operating efficiency.
7. Banks will discover the importance of the Small and Medium Entrepreneurs (SME) segment for profitability and growth and new models to serve.

8. Investment banking will grow, driven by demand from corporate for transaction support and capital market access.
9. E-banking has wide scope in future so banks should have to provide proper security measures for transactions (use of biometric technology for authentication).
10. Mobile usages in India are more, so banks should have to take advantage of that technology to enhance better customer satisfaction.

CHALLENGES FOR BANKING SECTOR

Banks ability to deliver product depends on stream-lining HR. The HR challenge facing the public sector has reached a tipping point. The initiatives are:

1. Banks have exploited productivity enhancement for growth so far, but now they need to induct new talent in large numbers to maintain growth. Recruitment machinery is required to attract talent (as against evaluate applicants) and to retain them through well planned on-boarding programs.
2. Banks also need to explicitly tackle the generation gap.
3. Banks must start with credible target setting, group based incentive systems, appraiser training, and HR process discipline.
4. Technology should be used to optimize placements and maintain the skill inventory of the organization. People need to be moved to career tracks that suit their aptitude and the organization's needs. Career committees should be set up to discuss people's careers.
5. Innovative HR practices should be utilized to reduce employee share of total costs.
6. Skill development is required at each level for the banks to move from predominantly back office roles to predominantly sales and service roles. Banks need to create "virtual universities" with a very diverse range of programs for each level in hierarchy round the year.
7. HR departments need new technology and skills. Top management must begin by challenging their own mindset.
8. Generating awareness regarding e-banking among the peoples, especially in rural areas leads to better banking business.

CONCLUSION

Banks plays a major in economic development. By adopting new technology and re-engineering processes in banking sector it is quite possible to achieve visions of banks. New technologies like ATM, Internet, Mobile banking, Data Warehousing with management techniques like Customer Relationship Management (CRM), Human Resource Management (HRM), Management Information System (MIS), Decision Support Systems (DSS) and e- Marketing etc. will enhance the functioning of banking.

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INDIA & CHINA: THE RISING POWER IN GLOBAL ECONOMY

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ABSTRACT

The purpose of this paper is to study about the rising power of 21st century. As we know India & China widely recognized as rising power, with its track record of fast economic growth in the last two decades, China is already a global economic power. Based on India's more recent growth performance; India is steadily catching up with china as an economic power. As both these emerging nations have celebrated 60th anniversary of Independence, both have acquired oriented reforms, despite the fundamental differences in their political set up. This paper highlights the facts that represent their economies, scope, strategies, progress, weaknesses, competition & their mutual cooperation. It depicts how & to which extent India & China are becoming rising power in global economy. After analyzing the existing & projected strength & weakness to both countries lead us to conclusion that both the countries have the potential to become global powers: China most probably by 2020 & India by 2050. To sum up this paper we can say that they must work together to fulfill their responsibilities as major drivers of global prosperity in the 21st century. Despite the existing deficit of political trust between India & China they can become strategic partners and this partnership can be initiated by strengthening co-operation at the international level for enhancing national energy security & co-operation in negotiations at the W.T.O..

KEYWORDS

Global economy, Indian economic growth, Chinese economic growth.

INTRODUCTION

Globalization is the catchword often used to describe the current era, and one of those evocative terms that everybody tends to grasp in quite different ways: some as a threat, others as an opportunity. This also applies to one important ingredient of globalization, which everyone would probably recognize as its most distinctive feature today the impressive rise of countries such as china and India in the world economy. These are only the most prominent Economies in a much broader group which are labeled as emerging nations?

There was a time when economist thought that America will always be a Global power in world's Economy, but in the last few years due to depression American economy suffered a lot, meanwhile India and China's economies flourished and showed larger participation in world's economy. Due to their faster growth of economy economist think differently and they believe that soon India and China will become Global Power because they have potential to chase and surpass the American Economy.

India and China are not only just two countries sharing a long border but have a lot more in common. Now India and China are widely recognized as rising powers in 21st Century. Both of these countries have made track record of faster economic growth in last two decades. The emergence of India and China, their Impact on the global economy has both been well documented. As you all know this topic has in recent years attracted the attention of public opinion and researcher especially with regard to impact on world economy of these emerging rising powers. In this paper we have focused on both economies strategic co-operation, competitiveness and extended the views of different researchers which prove the inevitable emergence as world power in future years, of these two giant economies.

HISTORIC PREVIEW: INDIA AND CHINA

India and China are two most populous developing countries with nearly 40% of world's population living here. They represent two of the most Ancient Civilizations. India as the "Golden Sparrow" and China as the "Middle Kingdom" had historically attracted the attention of the traders both in the east and the west. The "Silk trade route" connecting China to Europe via India is legendary. In Middle Ages both, China and India had accounted for significant shares in the world trade around (34% and 24%) respectively. The spread of Buddhism from India to China and to other countries of South East Asia had added a cultural dimension to their historic interaction. Unfortunately, in the contemporary world history both these countries were classified among low income developing countries based on the per capita criteria in 1950.

China and India took different political paths to their planned economic development. China planned its Socialist Economy and India its "Socialist Pattern of Society". In practice, in India, this involved a mixed economy working through private Sector with the socialist element typically represented by establishing public enterprises fully owned by the Govt. in selected core Industrial and infrastructural activities. Both countries initially relied on the Russian style import substitution as the key strategy for there planned Eco-development. These economic systems resulted in a relative stagnation in Eco-growth and wide spread poverty, especially in rural and backward areas of both countries. Despite fundamental differences in their political systems both countries are acquiring economic power due to open market economy oriented reforms. China has the advantage of an earlier start than India in this respect. China started its economic reforms in 1978 and India in 1991.

CHINA AS AN EMERGING GLOBAL POWER

There is no doubt China's economy is flourishing these days in spite of world depression China has maintained its economic growth on 10%. Due to depression, American and Japanese economics are losing their economic power and struggling for their existence, meanwhile China is appearing as an emerging global power. China has taken 60 years to reach on this economic level. In this paper we discuss how China started its economic journey and how it reached on this present level. Now China has surpassed Japanese economy become the second largest economy in the world. However, to understand how China achieved this position, we will through light on different aspects:-

CHINA'S SECRET OF SUCCESS

In the past China's economy was not so much strong. It was struggling for its existence in Global scenario. It was very difficult for China how to attain higher economic growth with its largest population. That is why China initiated the path of revolutionary economic reforms in 1978 under the leadership of 'Deng-Xiaoping'. These reforms in the socialist market economy of China were based on opening up of the economy of china initially in the coastal areas through special economic Zones (SEZ). In the Southern and South East China, these were followed by further moves at integration of Chinese economy with the global economy. This change in strategy proved successfully by attracting continuously increasing inflows of export oriented foreign direct investment (F.D.I.). in all

priority industries. The ethnic Chinese based in Hong-Kong and the neighboring countries and territories played a significant role in increasing inflow of FDI into main land China. China started its economic reforms in the agricultural sector (including the establishment of town and village enterprises) partially financed by FDI. This was followed by the dramatic pursuit of economic reforms for raising its economic power in the global economy.

STRATEGY OF CHINA FOR ECONOMIC GROWTH

The strategy behind its progress has led it to emerge, as a global economic power is that China enhanced its competitiveness in its entire economic sector and fulfilled liabilities for financial standards. By its economic reforms, China included in the race of globalization and liberalization in the global scenario, which is an urgent requirement for its economic development. China has developed its infrastructure road rail networks, fly over, airways, ports and tele-communication for enhancing its economic powers.

In the series of economic development, China has made strategies for governing the world economy or market based on its low price product. China understands that its export will govern in world market only when their cost will be minimum. On this base China started to take part in Global Economy. There are many objectives behind the strategy of China. First, it wants to save its economy from the fluctuation of commodity prices, especially the prices of petroleum and it is searching for the way out. By searching the resources in different countries, it wants to enhance its eco-relation with other countries.

The present Chinese grand strategy for managing its rising power has initially targeted the Asia Pacific region for achieving dominance. This strategy is based on the primacy of augmenting capabilities simultaneously through sustained high economic growth and visible pace of military modernization. The Chinese Govt. fully knows that it needs time for reaching its grand strategic vision. In the medium term prospective, therefore it would not like to get involved in war with any country. Its calculative strategy is premised on the 'peaceful Rise of China'.

According to 'Swaine and Tellis (2000) China's calculative strategy as reinterpreted by Balakrishan (2003) is characterized by the following four basic elements:-

- Emphasis on the primacy of internal eco-growth and stability.
- Nurturing of amicable international relation with pragmatic give and take approach without sacrificing core national interests.
- Relative restraint in the use of force with efforts to create a modern military.
- A constant search for Asymmetric gains internationally through more active participation in regional and global politics.

CHINA'S CONTRIBUTION TO GLOBAL ECONOMY

In spite of increasingly unsettling factors and slow recovery of the global economy, China's economy has maintained vigorous development which has attracted attention from the international community. China's contribution to global economy can be explained through different heads:-

1. China's fast eco. Development has made great contribution to the progress and prosperity of the Global economy, and particularly to the stabilization and recovery of the world economy in recent years. Poverty, a problem plaguing many countries worldwide, has seriously affected the steady and sustainable development of the Global economy. The sustained and rapid development of China's economy and the continuous improvement in the Chinese people's living standards has made great contribution to the sustainable development and prosperity of mankind. The latest calculation of Morgan Stanley indicated that the rate of China's contribution to Global development rose to 17.5 percent in 2002.
2. China has become the most attractive commodity market in the world. China used to be huge 'potential market'. Today however with the sustained and rapid development of its economy. China has become the most vigorous 'available market' in the world. Numerous Chinese products have gone out of the world while large quantities of foreign products have poured into China. The low cost but good products exported by China have benefited many consumers worldwide, helping the consumes in the United States along save Us \$ 15 billion annually. Moreover, they help overseas purchasers lower their production cost, thereby enhancing the competitiveness of their products. The swift increase in China's imports has created numerous job opportunities for the world. The vigorous development of China's foreign trade has propelled the free circulation and optimized distribution of global resources.
3. China has become the world's most favored investment destination. Due to global recession, development countries now have surplus productive capacity and funds. China's rapid eco-growth, gigantic domestic market and ever-improving investment environment have attracted many transitional companies that are seeking a way out. They have made investment in different parts of China. Thereby sharing the results of country's rapid economic growth. Accordingly, to fortune more than 80 percent of the global top 500 companies had made investment in China by 2001. It is wroth noting that a growing number of Chinese companies have made their way into the world by Chinese making investment and setting up factories in various parts of the world. Though Chinese funded business abroad is small in number, they have contributed to the economic development of the countries and regions in which they are located.
4. China has become a main force promoting economic co-operation in Asia and economic recovery in East Asia. Since the 1990s with the bursting of its bubble economy Japan has undergone economic stagnation, which weakened its ability to support the economic growth in East Asia. The Asian financial crisis that broke out in 1997 hit East Asia's economy severely. China' as a responsible large country, tightened up its co-operation with the countries and regions in East Asia to help them get rid of their difficulties. China's Swift economic growth provided them with a huge export market and promoted the recovery of East Asia's economy. China was not only the main source of surplus trade for East Asian countries and regions of but also a main destination of their overseas investment.
5. In addition, China has adopted a series of correct macro-control policies, including the policy of expanding domestic demand and pro-active fiscal and prudent monetary policies, to facilitate its economic growth, which has provided some developing countries with valuable experiences and promoted in depth study of development economics.

In conclusion, there is no doubt that the global economy has benefited enormously from the emergence of China and that this new giant has brought new opportunities as well as challenges to other economies. In order for both China and the world economy to continue to reap this benefits it is essential that China increasingly assumes the Global responsibilities that inevitably accompany its growing economic influence.

CHINA IN GLOBAL SCENARIO

China as a fast growing developing economy is increasingly entering the international stage that was previously dominated by Europe, United States and Japan. This rising power is bringing with it as completely set of new experience and perspectives for Global economy. As the largest 'Rising Power' China has attracted tremendous efforts on the part of European policy makers to create co-operative mechanism with other countries to address policy changes. China, therefore serves as a particularly important case study for co-operating with rising powers in a multilateral framework.

China is the only country that has been able to maintain its double-digit growth rate. China's rapid growth over the decades has been spectacular and riveting. It is none the 2nd largest economy in the world with a GDP of \$5.7 trillion. China has begun to deal in the currency of global power, and its economic success is affecting its foreign, defence and security policies. The appellation of assertiveness is frequently applied to China's profile in global affairs today. China has generally implemented reform in a gradualist fashion. As its role in world economy has steadily grown, its importance to the international economy has also increased a space. China's foreign trade has grown faster than GPD over 25 years. China's increasing integration with the international economy and its growing efforts to use market forces to govern the domestic allocation of goods is influencing the world. In the second quarter of 2010 Chinese economy was valued at \$ 1.33 trillion ahead of \$ 1.28 trillion that Japan's economy was worth. China could become the world's largest economy (by nominal GDP) sometime as early as 2020. China's economy developed at an unprecedented rate and that momentum has been held steady in the 21st Century. Thus, there is wide scope for Chinese economy for vigorous development, as its exports increase at an exponential rate. China's low cost, abundant supply of Labour, stage of development, productivity level and govt. effort in welcoming international trade contribute significantly in rapid growth of china's share in global total exports.

INDIA AS AN EMERGING GLOBAL POWER

India is an emerging economic power with a large pool of human and natural resources and a growing large pull of skilled professionals. A revival of economic reforms and better economic policy growth rate. In recent years, Indian cities have continued to liberalize business regulations. By 2008, India has established itself as the word's second fastest growing major economy. India's fastest growth attracted the attention of developed countries like America and Japan for investing in this developing country. The main factors behind the glittering picture of Indian Economy are as follows:-

INDIA'S SECRET OF SUCCESS

India had followed a socialistic pattern of society and an import substitution model on planned economic development from 1951 until 1990 with a resultant sustained low rate of growth. In 1991, Indian economy trapped into financial crisis. In order to pull the economy out of economic crisis and to put it on path to rapid and steady economic growth. It was most essential to correct financial disequilibrium, curb rising prices, correct adverse balance of payment and replenish foreign exchange reserves. To achieve all this objectives introduction of economic reforms (LPG) was the need of the hour.

The economic liberalization of 1991, initiated by the then Indian Prime Minister P.V. Narsimha Rao and his Finance Minister Manmohan Singh in response to balance of payment crisis, did away with the license Raj (investment, India and import licensing) and ended many public monopolies, allowing automatic approval foreign direct investment in many sectors.

These economic reforms proved a boon for Indian economy and put it on a higher trajectory of trend growth rate of 7% per annum for post 1991 period.

Because of economic reform India's position in international scenario has undergone a gradual change. It proved helpful for strengthening the roots of its economy at world level. These changes help in emerging India as one of the wealthiest economies in the developing world.

INDIA'S GRAND STRATEGY

After independence it was very difficult for India, how to achieve economic development with its limited resources and huge population. Therefore, there was need of appropriate strategy at that time. India has also prepared a strategy for the development of its economy. In its strategy, it paid attention to whole aspects that affects its economic development. As India was considered a under developed country. Therefore, it was necessary for India to choose such a path that can lead it into the race of globalization. First, 'Jawaharlal Nehru' the first Prime Minister along with the statistician "P.C. Mahalanobis" formulated and oversaw economic policy. They expected favorable outcomes from this strategy, because it involved both public and private sector and was based on direct and indirect state intervention, rather than more extreme Soviet Style central command system. Because of predominance of rural economy there was an urgent requirement to develop its infrastructure, trained and skilled laborers, scientific research and accountable administration and many other such factors that may boost the economy growth and take the economy from its initial stage of the stage to prosperity. India enhanced its global competitiveness by pursuing the path of globalization, liberalization and privatization. By doing so Indian economy, more interacted with other economies and feel them to its emergence as an economic power. In order to compete with other countries India has simultaneously stressed on capital and technology intensive heavy industries subsidizing manual low-skill cottage Industries, foreign investment, domestic consumption and domestic entrepreneurship. India also made strategies for improving the quality of human resource for that purpose it led stress on the development of social infrastructure i.e. education, health and environment.

Due to this grand strategy, India began its journey to development after independence and these strategy involving different areas help India to reach the present economic level.

INDIA'S CONTRIBUTION TO GLOBAL ECONOMY

India as becoming new economic powerhouse, it indicative of the global confidence and its economic performance and prospects for the world. The changes in Indian economy in the past five years seem dramatic. India as a nation has been diligently working to exhibit its image at global level. The world is appreciating India and it is fulfilling the expectation by contributing through its accelerated growth momentum. India's contribution to global economy can be illustrated through these points:-

1. India's trade with the world has grown faster than its overall trade growth. India has maintained its trade relation with European Union (U.K. Germany, Italy, France, France etc.) North America (U.S.A. Canada), OPEC (Organization of Petroleum Exporting countries) and developing nations. The engagement of Indian firms with the world has acquired new dimensions apart from its leading edge in the software services. India is also becoming a major hub for manufacturing and export of manufactured products. That is why every country wants to maintain its trade relation with India.
2. Indian agriculture has contributed a lot in world economy. Due to green revolution the production of food grain is increased and India has become the main exporter of agriculture based products. India is exporting spices, milk, jute, pulses, butter and ghee, cashew nuts to other countries. India is supplying rice, wheat, sugar, fruits, vegetables, tea, tobacco etc to the different nations. They are mainly based on India for the production of these products to fulfill their countries requirement. India's ranking in the world in agriculture is shown below in the table :-

India is ranking in World in Agriculture (Selected Indicators)

Crop/Criteria	Rank	Crop/Criteria	Rank
Pulses	1	Wheat	2
Jute	1	Rice	2
Spices	1	Sugarcane	2
Milk	1	Tea	2
Butter and Ghee	1	Tobacco	2
Cashew Nuts	1	Fruits and Vegetables	2

3. Indian's small-scale industries gave the production of Artistic goods to the all nations, which is most popular in the world. India is the main spot of the production of Artistic goods like gems and jewellery, handicrafts, banarasi saris etc. There is great demand of these products in foreign countries.
4. Due to increased specialization, availability of large pool of low cost, but highly skilled, educated and fluent English speaking workers on supply side and on demand side increased demand from foreign consumers, interested in India's service exports of those looking to outsource their operations. Thus, India's I T industry is contributing significantly. The excellent infrastructure in service sector and the lowest communication cost has helped India to be a dominant player in these sectors on the global level.
5. The healthy fundamentals of the domestic financial sectors have enhanced the interest of foreign investors. Thus India is contributing in broad way in global economy by providing better quality of delivery of services, economics of scale and higher outward foreign direct investment. That's why India has become the main center of attraction to the foreign countries for setting up multinational companies (MNC) there. Aiming at self-sufficiency in production & protection from foreign competition, have encouraged a diverse industrial base that led to an expansion in production of fast moving consumer goods in the world.

Thus Indian economy's evolving economic and business environment exhibits a number of encouraging signs that suggest the robust economic growth of the whole world.

INDIA IN GLOBAL SCENARIO

India's position in Global order has undergone a dramatic change after independence. Now India is emerging as an global power. India's economic power has increased more due to the impulses generated by the entrepreneurs in knowledge intensive service and manufacturing activities in the private sector than due to the government pursuit of a grand vision accompanying comprehensive grand strategy to realize the vision of becoming a global power. Due to strong economic reforms from the socialist inspired economy of post independence Indian nation, the country began to develop a fast paced economic growth, as free market principles were initiated in 1990 for internal competition and foreign investment. India's position in global scenario is well documented. The economy of India is the eleventh largest economy in the world by nominal GDP and fourth largest by purchasing power parity (PPP). India's GDP per capita (nominal) is US \$ 1124 ranked 142 in the world while its per capita of US \$ 3176 (PPP) is ranked 127th in 2010 according to CIA fact book.

According to the researcher of India is fastly catching up with China with its large pool of human & natural resources, and a growing large pool of skilled & knowledge full professionals. According to the economist there is a great possibility that India can catch up with China in coming years. To catch up with china India will have to more attention especially in terms of the state of its infrastructure, raising its domestic saving rates and investment rate to GDP attracting FDI, achieving export-orientation and outward FDI for the presence of each country's business corporation, only than India can reach the current status of China. But there is no doubt by showing the India's tremendous growth performance that Indian economy will lead the global economy in future years.

Thus there is a wide scope in the coming years for Indian economy that by perfecting a strategy of cooperation & competitiveness, at the regional as well as global level this country can lead the world.

CHINA & INDIA ARRIVAL OF BIPOLAR WORLD AND FUTURE PREDICTIONS

The simultaneous rise of China & India shows that both these economies are becoming the bipolar of world instead of U.S.A's and Japan's economies. It is relevant here to recall the remarks of Deng Xiaoping the architect of Chinese economic reforms. He had told the then visiting Indian Prime Minister 'Rajiv Gandhi' in 1988 that "Unless both China & India rise up, there would be no Asian century none the time has come for both countries to plan together to shape the 21st century as the Asian century. Undoubtedly both China and India are among the foremost rising economic Powers (with spillover to Political Power) at the beginning of 21st century. According to the report prepared by the national intelligence council of U.S.A (2004) has also identified china and India among the new major global powers.

Global powers symbolize those countries which have global capacity and strength to influence the events of world affairs. They achieve their status through economic power military might and political influence. For them the world's surface is like giant chess board where the moves and counter moves indicate the changing balance of power. Thus, there aim is to incorporate as much of world as possible into their sphere of influence. However the sphere of influence may be in areas of strategic importance in which a global power can wield effective power. As an global power China and India try to maintain and improve there geopolitical position by extending there relative sphere of influence by maintaining control in their respective cores. Thus the actions of both these economies are codified in geopolitical strategies which legitimize their international role. China and India are emerging as important sources of the world economic growth & the drivers of international integration in global scenario and proving themselves as bipolar of the world economy.

India & China are poor but powerful countries whose rise to global prominence is challenging both developed & developing countries alike. Their rapid growth, large size and increasing assertiveness in global affairs demand attention .The world is now talking about both china and India as the rising global powers. According to the economist there is large scope for indo-china economies for enhancing the economic power in coming years .There have been made many research on this topic .According to the Goldman Sachs in the paper, " Dreaming with bricks: the path to 2050" published in 2003: china's economy will surpass Germany in the next few years, Japan by 2015 and the united states by 2041".

India's growth will be the highest not china's and it will overtake Japan by 2032.

Another report which is known as "second follow up report 2007". This report compiled by lead authors Tushar Poddar and Eva Yi insight into "India's rising growth potential". It reveals updated projection figures attribute to the rising growth trends in India over the last four years .Goldman Sachs assert that "India's influence on the world economy will be bigger and quicker than previous researches ". They noted significant areas of research and development and expansion that is happening in the country, which lead to propriety of the growing middle class.

A Goldman Sachs predicts that from 2007 to 2020, India's GDP per capita in US \$ term will quadruple and that the Indian economy will surpass the United States by 2043.

The latest predictions after global financial, crisis occur, Nov 2010: 'Standard chartered plc says', China will overtake the US to become the World's largest economy by 2020. And then china's economy will be twice as large as the U.S.A. by 2030 and account for 24% of global output, up from 9 percent in 2010. And with India accounting for 10 of the 30 fastest growing urban areas in the world and 700 million people moving to the cities by 2050. This will have significant implications for demand for urban infrastructure, real estate and services.

After analyzing the future predictions for both countries given by researchers, there is a tremendous scope for these countries to become global powers. Both the countries have the potential to surpass the leading economies of present time .China has proved some of this prediction because the size of China's economy overtook Germany's economy in 2007, a year earlier than expected, and have over taken Japan's in July 2010. India also has potential to become a global power at a later time (say by 2050) than China (say 2020). Both these countries have their own strengths of economies; On the basis they will achieve their path to become the global powers. China and India are moving forward with a vision to eventually surpass the current superpower the U.S, to become the No. 1 global power and make its presence felt in the international relations arena. But the path to become the superpower for both these economies is not smooth. There are so many hindrances and weaknesses to fulfill this dream .The projected strengths and weaknesses of both these economies will be later discussed in this paper.

CHINA AND INDIA: COMPARATIVE POTENTIAL

China and India are similar in many ways. Both are the countries of Asian continent. Earlier both of these countries was considered as low level income countries and facing the problem of population explosion .After getting their independence both have adopted the different political paths to their planned economic development as we studied earlier in this paper .Both countries have acquired rising global powers due to open market economy oriented reforms. China has the advantage of an earlier start than India in this respect .china started its economic reforms in 1978 and India in 1991. Now both of these countries have celebrated their 60th anniversaries of independence .In these 60 year china and India both use their strengths in positive way so that they can become global powers. But they have to face many weaknesses and challenges to reach this present level. china and India will be potential competitors and will also display complementarities through common strategic interests in their ongoing quest to become global power of consequence by the year 2020 (and beyond) .Both have their relative strengths and weaknesses .Despite the highly authoritarian political system of china and the soft system of democratic governance in India, both countries have the requisite potential to emerge as global powers. Much will depend on the suitable policy choices each country makes for managing its global role in the ever changing complex set of international relations to reach the goal in the 21st century.

CHINA'S MAIN STRENGTHS

China's rapid growth in its economy and its emergence as a global power plays an important role in world economy development. China's main strengths which led its economy to this present level are:-

- Clear vision and pragmatic approach to policy making and effective implementation of its policies for delivering results
- China's calculative Strategy.
- Providing large markets for imports and propelling growth of countries in Asia and in the rest of the world.
- Commitment to sustain high growth.
- Largest exporter of goods in world.
- Fastest growing major economy
- High level of foreign exchange reserve allowing leverage for economically and politically befriending developing countries in Asia, Africa and Latin America.
- China's large pool of manpower and low cost of Labour
- Well developed world class infrastructure
- Business friendly policies and procedures for encouraging FDI
- Productive and disciplined workforce.

CHINA'S MAIN WEAKNESSES

In spite of these strengths, there are many weaknesses which continue to constrain its progress. The main weaknesses are:-

- Lack of synchronization between economic liberalization and political liberalization / democratization (unwillingness to give up highly centralized political regime backed by huge armed forces to crush domestic dissent).
- Poor human rights record (illustrated by the Tie amen Square event of 1989; restrained civil liberties, execution for dissenters / corrupt officials)
- Very large disparities in the levels of economic development (least developed provinces, e.g., Xinkiang)
- Growing unemployment and restrictions on movement of Labour (causing resentment especially among rural landless laborers)
- Large number of loss-making state-owned enterprises (SOEs)
- Unsatisfactory legal protection system (for property and intellectual property rights).
- Available energy is insufficient to run at fully installed industrial capacity.
- The transport system is inadequate to move sufficient quantities of such critical items as coal.
- The lack of rule of law

- Widening income disparities
- An inefficient banking system
- Over dependence on exports
- Lack of business morality

CHALLENGES BEFORE CHINA'S ECONOMY

China is still a developing country; despite the relatively positive outlook for its economy, China face a number of difficult challenges that, if not addressed, could undermine its future economic growth and stability.

Some of these challenges are:-

- Pervasive government corruption
- Fragility of the financial system and SOES
- China's growing population
- Unemployment ,poverty and rural & industrial social rest
- Global warming and environmental concerns
- Taiwan ,Tibet ,south-china sea and other potential conflicts
- The incongruence between political and economic liberalization will some day turn explosive for china's internal stability
- Growing shortage of water resources
- Rising prices or inflation
- Rising wages
- Social instability

Thus after studying the china's strengths, weaknesses & challenges; we can say that china has the requisite capacity to meet all the challenges; in spite of its weaknesses. The praises that liken china to an "engine" or a "locomotive" of the regional economy serves to encourage the Chinese people to work even harder. Only then china fulfill its dream to become a global power by 2020.

INDIA'S MAIN STRENGTHS

Like china India has also some strong points for its economy to be a global power in coming years. India's main strengths are:-

- Higher arable area per sq. k.m. of national territory than China (54% arable land compared to 15% of China's mainland), abundant natural resources, and all season agricultural activities (but higher agricultural productivity in china than in India.
- Skilled manpower (scientific, technical, managerial and professional)
- Demographic dividend (riding population in working age group to the year 2020)
- Growing affluent middle class.
- English language proficiency
- Vibrant democracy.
- More dynamic private entrepreneurs
- Rising confidence for India's participation in regional / bilateral FTAs
- Well-functioning financial markets
- Political stability.
- India's large & growing service sector
- India's national heritage & culture
- Major service outsourcing hub for the world
- Public and private sector compete and coexist in a dynamic balance which is imparting competitive strength to the economy
- Export of food grains
- Global suppliers of manufactured goods and services

INDIA'S MAIN WEAKNESSES

There are many weaknesses, which are faced by India in the path of its progress.

- Lower ranking in the lower ranking in the human development Index (HDI) in the United Nations Report.
- Large absolute number of poor and illiterates.
- Infrastructural bottlenecks (much less developed infrastructure than China)
- Implementation problems due to political and administrative hassles (delay and corruption at all levels of government – especially at the grass root level)
- Regional disparities in levels of economic development of the states.
- Internal conflicts especially in Jammu and Kashmir and the Northeastern states (which are exploited by unfriendly neighbours of India)
- South Asian politics: India-Pakistan relations restraining faster progress towards South Asian economic integration.
- Great inefficiency in energy use
- Black marketing
- Lack of social infrastructure
- Shortage of resources with comparison to its growing population
- Increasing debt problems
- Slow speed of decision making under its democratic set up
- Huge loss in public sector industries

CHALLENGES BEFORE INDIA'S ECONOMY

There are many challenges before India's in the way to become a global power. These are:-

- Growing population
- Widespread corruption
- Unemployment ,poverty & economic in equality
- Environmental concern (global warming, loss of biodiversity, climate change etc.)
- Rising prices
- Brain drain in India
- Terrorism

There is no doubt India's way to become a global power is not smooth. But India has a strong capacity to fight with these challenges & problems on the basis of its positive strengths .That's why in recent years India's faster growth attracted the attention of economist to think that India has potential to become a global power. But it will take some years to surpass the world's leading economy .According to researchers India will become a superpower by 2050.

CHINA & INDIA: AS COMPETITORS AND COMPARATIVE PERFORMANCE

Asia's Giants: - India and China are emerging as global powers. Both of these countries are competing with each other in the race of globalization. No doubt China is surging ahead of India. China is the strongest competitor of India, because India is still behind from China in this race. India has higher arable area (54%) per sq. k.m. than compared to China (15%). It has abundant natural resources, all season agriculture activities which is big threat to China's growing economic

powers. India is main competitor of China in food grain textiles & steel. The prominence of China and India as major manufacturing countries with realized potential has been widely recognized. The view that India and China are rivals is as over generalization and over-simplification of a complex relationship. As India and china continue to pursue their interests and so long as their overwhelming preoccupation remains their domestic transformation & both understand that this goal requires a peaceful periphery it is firm conviction that the elements of competition in the bilateral relationship can be managed and the elements of congruence can be built upon.

Once all the irritants between the two are removed, their trade and economic partnership may gain momentum. After examining the future of India & china the wider point is that India has more prospects & potential to surpass china & become no. one. Its main strength in coming period is its younger population which will help India to shine on world. Despite of china's one child norm policy, it will be behind India in respect of young population. The other main factor that will take china's economy in downward direction is lack of business morality in a large no. of its importable like medicine, Chinese toy & Mix of melamine milk products. If situation remains the same & Chinese product doesn't fulfill the requirement for international standard then the day is not far for its doom. India can take advantage of China's this policy.

COMPARATIVE PERFORMANCE

Indicator	CHINA	INDIA
1) GDP	\$ 4.98 Trillion	\$1.367 Trillion (Nominal; 2010)
2) GDP Growth	9.1% (1 st ; 2009)	8.8% (2010)
3) GDP Per capital	\$3.735 (Nominal; 2009)	\$ 1124 (Nominal; 2010)
4) Inflation	5.1% (Nov. 2010)	8.62% (Sept. 2010)
5) Labour Force	813.5 Million (1 st , 2009)	467 Million (2 nd , 2009)
6) Unemployment	4.2% (July 2010)	9.4% (2009-2010)
7) Gini Index	46.9 (List of countries)	(36.8) (List of countries)

Source: (CIA World Fact Book)

SCOPE FOR MUTUAL CO-OPERATION

It is in the mutual interest of both India and China to cooperate and move forward. It is heart warning to see that for the first time, China has opened up to Indian agricultural produce. Further, the Indian embassy in Beijing will now have an economic wing that will push among other things, cooperation in areas from infrastructure to positions taken at multilateral forums. Also, we would suggest that China must permit its huge market to be opened more for Indian Pharma, engineering, IT among others.

Asian's giants – India and China must further join hands in all respects and strengthen each other by working together. In this context it is most refreshing to see that China has taken the lead and made its intentions clear by unequivocally backing India's candidature for a non-permanent seat in UN Security Council for 2011-2012.

We would also like to mention here that India & China on May 27, 2010 discussed a wide range of bilateral issues and signed three agreements related to visas, sports and civil administration. These agreements were signed after an hour's meeting between the presidents of both countries. This would increase mutual understanding and friendship and advance the development of China – India strategic partnership. Both countries should utilize the bilateral & multilateral for a to increase cooperation & coordination. As for instance, we all witnessed the close coordination between India and China at the Climate change talks in Copenhagen. India & China are also considering an developing close coordination on other global issues like reform of the international financial institution & trade issues. There is enough space for both countries to grow and prosper together. Our bilateral relations have gained strength and momentum and have assumed global & strategic dimensions through our joint efforts. There are regular high levels visits between us, trade and investment flows have risen sharply, cultural interaction has flowered and People to People ties have strengthened. Our close cooperation is conducting to peace and stability in Asia and the World. On the occasion of the 60th anniversary of the establishment of diplomatic relations, we in India look forward to continue working closely with China in taking our relations to new level.

Cheng Ruisheng, a veteran diplomat and former Chinese ambassador to India recently said the two countries should restore the border dispute under a framework of compromise and spirit of mutual respect and understanding, which is a key to enhancing trust between them. He said conditions are ripe for the final settlement of the border dispute between two Asian giants. "The final settlement of the China – India boundary question will be the most important key to greatly enhancing mutual trust between the two countries". India and China have completed 13 rounds of talks on border disputes and more progress is likely in coming days ahead. India has already recognized Tibet as part of China and took resolute measures to let Olympic torch pass through without any hindrance from Tibetan protestors without in 2008. China for its part recognized Sikkim as part of India and made positive remarks on India's desire to become permanent member of United Nations Security Council. The two countries enhanced their cooperation in the Climate change talks he said, adding that being emerging economies of both needed support of each other on a number of issues in the future.

We too must realize and appreciate the fact that we cannot ignore China which has in last few decades emerged as an economic and military super power with its reserves of foreign exchange alone exceeding double of India's entire Gross Domestic Product.

In the Context of continuously rising global economic status of both China and India and the existing and potential complementarities in the Asian and the global markets, it would be ideal for India and China to forge mutually beneficial and mutually rewarding strategic partnership at business to business level in both countries.

Cooperation for Energy Security: - Both India and China display high deficit in meeting their fast growing energy requirements from their respective domestic energy resources. It makes business sense for both countries not to bid for acquisition of foreign energy resources without coordinating their positions. Joint bidding in such cases where national interests permit. Coordinated action will benefit both countries. The case in point is a collaborative joint venture between China and India for this purpose. India's oil and Natural Gas Commission (ONGC) and China's China Natural Petroleum Corporation (CNPC) had set up the first 50:50 equity partnership venture named as Himalaya Energy. Both India & China in accordance with the priority to their own national interest, both countries can further cooperate in this area of cooperation in energy imports in negotiating mutually profitable swap deals in oil procured globally to save transport costs.

COOPERATION IN WTO

Both India and China is member of the world Trade organization. A new world trade and investment order is evolving through continuous negotiations among the member countries of this organization. China & India share common interest in negotiations for future liberalization of world trade. The common areas and to other like minded developing countries for future negotiations at WTO including the following major areas:-

- Agriculture.
- Non-agriculture market access.
- Intellectual property rights.
- Linkage of trade with Labour policies.
- Movement of natural person's policies.
- Movement of natural persons (mobility of skilled Labour across countries)

The scope for mutually beneficial cooperation between India and China can also be extended to negotiations in several other multilateral fora.

CONCLUDING REMARKS

To conclude this paper, we can say that China & India are emerging as Global powers in these days. These emergent economics raise new challenges and opportunities for other developed & developing countries. In our conclusion we consider the four following inter-related themes to be essential to an understanding of why these emergent economics are called the rising powers:-

- First, the Rising power states are increasingly more engaged in defining international and regional standards. On this basis we can say that China & India are rising powers because their economies influence and shape the governance of global standards, particularly on bilateral and regional trade.
- Secondly, Rising Powers are global player. No doubt China & India are global players. They are taking on more substantive roles in global production networks and becoming lead firms in their own right. As global players China & India contributed a lot in the development of world as we studied in this paper..
- Third, Rising Power consumers are not only gaining Prominence in terms of scale, they are also more demanding both in terms of the quality of products and the variety of choices they seek. India & China is trying their best to satisfy their consumer as well as world's consumers. China is famous for its low price products in all over the world. India is also attaining the good variety and quality of the products which was earlier not good.
- Fourth, changing regulatory frameworks – both globally and regionally through the agreements. China & India also changing their regulatory frameworks for becoming global power. For this purpose they are more and more interacting with other economies & have included in the race of globalization.. They are making trade relations and agreements with rest of the world. They are also changing their domestic policies for the development of their economies.

These points indicate that China & India are fulfilling all the conditions to become a superpower. After analyzing the predictions given by different researchers we can say that China can become the global power by 2020 and India by 2050.

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PROTECTION OF CHILDREN - ROLE OF PANCHAYATS IN INDIA**R.ARUNAJAYAMANI****LECTURER****SCHOOL OF GOVERNANCE & PUBLIC POLICY****RAJIV GANDHI NATIONAL INSTITUTE OF YOUTH DEVELOPMENT****SRIPERUMBUDUR****ABSTRACT**

Children below 15 years constitute about 40% of the total population in India. If all of them are happy and healthy, they can make a positive contribution to the progress and development of our country. However, the reality is disturbing when we see and hear about so many children who do not have access to health services, care, protection and education. The girl children are not allowed to be born and if they are born, they are not given the same treatment and opportunities as boys. Children are exploited, abused, sold, punished or are made to work in hazardous industries. In other words, millions of children in India and across the nations do not enjoy their childhood. Many efforts are being made at international, national and grass root level. Gram Panchayats have an important role to play in the protection of children's rights in the country. They are ideally suited for this task because Gram Panchayats have direct access to children. At the level of Gram Panchayats, children are not numbers and statistics, but real names and faces in the knowledge of all in the neighborhood. They are to be equipped to monitor all the public institutions such as schools, Anganwadi Centers, Sub-centers of Health Departments and the Primary Health Centers. They have the authority to engage with officials of all the concerned Departments and hold them accountable to the Gram Panchayat and the constituency, in the best interests of children.

KEYWORDS

child protection, role of panchayats in India.

INTRODUCTION

India is having a larger number of child populations. It possesses almost 19 percent of the world's children. The total children population may be approximately 440 million of the age group of below 18 years, which is one third of Indian population (UNICEF). According to one assumption, around 40 percent of these children are in need of care and protection in one way or other, which indicate magnitude of the problem. India has heterogeneity culture, ethnicity and different religion population; in this society, problems of socially marginalized and economically backward groups are immense. Within such groups the most vulnerable section is always the children. Independent India has taken large strides in addressing issues like child education, health and development. However, child protection has remained largely unaddressed. There is now a realization that if issues of child abuse and neglect like female feticide and infanticide, girl child discrimination, child marriage, trafficking of children and so on are not addressed, it will affect the overall progress of the country. The following quote reflects the plight of our development efforts of child exclusive in nature of process of children protection strategies.

"While taking decisions about any adult group, decisions are taken with the participation of those directly concerned. But when it comes to taking decisions about children's lives, adults consider themselves most eligible to make the decisions. All the mistakes in the world are a result of the decisions made by adults. When adults hand over this world to children, I hope that they will be modest enough to ask us about what kind of a world we would like to live in." ('Our Story Our Dreams' by Nagaraja Kolkere, President, Namma Sabha, Kundapur, India).

CHILD PROBLEMS RELATED VITAL STATISTICS

The following some of the statistics will show the magnitude of the problem, which needs special attention from all dimensions.

1. India is home to the largest child labour force: 12.59 million children according to official Indian statistics, and 35 million according to UNICEF, accounting for about 14% of children in 5 - 14 years age group.
2. 11 million children are on the streets in India without adequate parental support, 2 out of 3 children are physically abused, 53.2% children reported having faced one or more forms of sexual abuse - as per the findings of a recent study on Child Abuse conducted by Ministry of Women and Child Development, Government of India, Save the Children and UNICEF,
3. 65% of school going children reported facing corporal punishment and 50.2% children worked 7 days a week.
4. In the last 10 years, 40% increase in intra state migration (India Statistics report, 2004). The migrant workers and their children mostly work in the unorganized sector and thus remain outside the formal delivery of public services. Therefore, these children are often un-counted, have little or no access to basic services, falling through any existing safety nets and are at high risk of exploitation and abuse.

INDIA'S COMMITMENT TOWARDS CHILDREN'S RIGHTS

The Constitution of India, the National Policy for Children, many other policies and legislation accord priority to children's needs. The Government of India ratified the Convention on the Rights of the Child on 2nd December, 1992. Accordingly, the government is taking action to review the national and state legislation and bring it in line with the provisions of the Convention. In pursuance of the commitment made at the World Summit, the Department of Women and Child Development under the Ministry of Human Resource Development has formulated a National Plan of Action for Children. Most of the recommendations of the World Summit Action Plan are reflected in India's National Plan of Action.

The National Plan of Action has been formulated keeping in mind the needs, rights and aspirations of children in the country. The priority areas in the Plan are health, nutrition, education, water, sanitation and environment.

WHY CHILDREN NEED SPECIAL ATTENTION

1. Children are more vulnerable than adults, to the conditions under which they live.
2. They are more affected than any other age group by the actions and inaction of governments and society.
3. In most societies, including ours, views persist that children are their parents' property, or are adults in the making, or are not yet ready to contribute to society.
4. Children have no votes or political influence and little economic power. Too often, their voices are not heard.
5. Children are particularly vulnerable to exploitation and abuse.

CONSTITUTIONAL PROVISIONS AND CHILD RIGHTS

Indian Constitution provides some guarantees to protect the children rights with special treatment. These include:

1. Article 21 A - Right to free and compulsory elementary education for all children in the 6-14 year age group.
2. Article 24 - Right to be protected from any hazardous employment till the age of 14 years.
3. Article 39(e) - Right to be protected from being abused and forced by economic necessity to enter occupations unsuited to their age or strength.

4. Article 39 (f) - Right to equal opportunities and facilities to develop in a healthy manner and in conditions of freedom and dignity and guaranteed protection of childhood and youth against exploitation and against moral and material abandonment.

Besides these they also have rights as equal citizens of India, just as child, these provisions are mentioned under:

1. Article 14 - Right to equality.
2. Article 15 - Right against discrimination.
3. Article 21- Right to personal liberty and due process of law.
4. Article 23 - Right to being protected from being trafficked and forced into bonded labour.
5. Article 46 - Right of weaker sections of the people to be protected from social injustice and all forms of exploitation.

The above constitutional provisions are effective, because government or any other agencies are not taking much effort to enforce the legal sanctions and there is no specific monitoring bodies to make follow up actions against the violators of these rights. The central and state governments should come forward with adequate support to implement the legal provisions with appropriate strategies.

Government protection is the most vulnerable to crisis and conflict, with its disruption hindering both enforcement law and provision of services. This failure almost immediately increases the protection burden on communities. Initiatives to train teachers and offer reporting mechanisms for violation can extend the government's influence in protecting children. Disintegration of governmental systems places an increasing burden upon the community to provide services and protection. While communities do have traditional ways of protecting their children, during emergencies these structures often breakdown.

Competition for limited resources forces families to concentrate on their own needs rather than those of the larger community. In many cases, children take on a substantial role raising their siblings, contributing economically to the family, and in the case of child-headed households, overseeing the family's well-being. Offering a range of education alternatives linked with protection measures is essential in reaching many children not able to attend traditionally structured formal schooling.

AREAS OF CHILD PROBLEMS AND ROLE OF PANCHAYATS

Children are in general facing problems in the forms of

- Exploitation.
- Abuse.
- Inhuman or degrading treatment.
- Neglect.
- Some children are more vulnerable than others. They need special attention. These children are:
- Homeless children (pavement dwellers, displaced/evicted, refugees).
- Migrant children.
- Street children.
- Orphaned or abandoned children.
- Working children.
- Children of prostitutes.
- Child prostitutes.
- Trafficked children.
- Children affected by conflict.
- Children affected by natural disasters.
- Children affected by HIV/AIDS and Children suffering from Terminal Diseases.
- Disabled children.
- Children belonging to the Scheduled Castes & Scheduled Tribes.

Major problems are discussed in detail in the following sections and suggestive measures to be carried out by the Local Panchayats are follows. These suggestions are drawn from the book titled "Child Protection- a hand book" by the Ministry of Women and Child Welfare, Government of India.

CHILD SEXUAL ABUSE

Child abuse is a state of emotional, physical, economic and sexual maltreatment meted out to a person below the age of eighteen and is a globally prevalent phenomenon. However, in India, as in many other countries, there has been no understanding of the extent, magnitude and trends of the problem. The growing complexities of life and the dramatic changes brought about by socio-economic transitions in India have played a major role in increasing the vulnerability of children to various and newer forms of abuse. Child abuse has serious physical and psycho-social consequences which adversely affect the health and overall well-being of a child. According to WHO: "Child abuse or maltreatment constitutes all forms of physical and/or emotional ill-treatment, sexual abuse, neglect or negligent treatment or commercial or other exploitation, resulting in actual or potential harm to the child's health, survival, development or dignity in the context of a relationship of responsibility, trust or power." Child abuse is a violation of the basic human rights of a child and is an outcome of a set of inter-related familial, social, psychological and economic factors.

PANCHAYAT INTERVENTION

1. The first step towards dealing with the problem of child sexual abuse is recognition and acceptance that boys and girls are abused and need assistance and support.
2. Create awareness about the problem. This will help in prevention as well as encourage victims to come forward.
- Create forums where children can be given information and support within the village with the help of the school teacher, the anganwadi worker and the ANM.
- Listen to the child.
- Maintain confidentiality of the child.
- Ensure that a complaint and FIR is filed in the nearest police station. Seek legal advice.

CHILD TRAFFICKING

India has been identified as a source, transit and destination point in the international circuit; large numbers of children are also trafficked within the country. According to a study conducted by Shakti Vahini in 2006, "Trafficking in India", 378 of the 593 districts in India are affected by human trafficking. 10% of human trafficking in India is international, while almost 90% is interstate. Andhra Pradesh, Karnataka, West Bengal and Tamil Nadu are the states from where the maximum numbers of people are trafficked to other states. Intra state/inter district trafficking is high in the states of Rajasthan, Assam, Meghalaya, Bihar and Uttar Pradesh, Andhra Pradesh, Karnataka, Tamil Nadu and Maharashtra. States like Delhi and Goa are 'receiver' states. Trafficking of women and children from the North-Eastern states of India and the bordering countries in the north-east is a serious issue but has so far not drawn public attention.

The first step towards dealing with the problem of child trafficking is widespread awareness about the issue. Panchayat members must make themselves and people in their village aware of the dangers of child trafficking and the harm it causes to the child.

PANCHAYAT INTERVENTION

1. Every Panchayat member should ensure that his/her Panchayat maintains records of people migrating out of the village.

2. Birth registration and registration of marriages can also go long way in protecting children from being trafficked. All Panchayats must take on the responsibility of keeping such records.
3. Ensure that a complaint is filed in the nearest police station if you find a child missing or if a child is kidnapped or you suspect a case of trafficking.
4. Strict vigilance by Panchayats can help children from being trafficked and will also deter the traffickers.
5. Seek legal advice.
6. Build support and a conducive environment for the trafficked victims to ensure that they can be successfully repatriated and reintegrated with their families and community. The decision of the Panchayats is very important in the village. You can take some positive steps and help trafficked children return to their communities. If you stop seeing it as the child's fault, the others in your constituency will follow you.

CHILD LABOUR

The complex issue of child labour is a developmental issue worth investigating. The notion that children are being exploited and forced into labour, while not receiving education crucial to development, concerns many people. India is the largest example of a nation plagued by the problem of child labour. Estimates cite figures of between 60 and 115 million working children in India the problem of child labour continues to pose a challenge before the nation. Government has been taking various pro-active measures to tackle this problem. However, considering the magnitude and extent of the problem and that it is essentially a socio-economic problem inextricably linked to poverty and illiteracy, it requires concerted efforts from all sections of the society to make a dent in the problem. The percentage of the population of India living in poverty is high. In 1990, 37% of the urban population and 39% of the rural population was living in poverty

PANCHAYAT INTERVENTION

1. Create awareness about the pitfalls of putting children to work.
2. Motivate parents to send their children to school.
3. Slowly create an atmosphere where children are pulled out of work and into school.
4. Ensure that children are enrolled in school without difficulty
5. Ensure that schools are accessible and available and that the infrastructure is adequate.
6. Inform employers about labour legislation banning child labour and the consequences of flouting the law; thus discourage them from employing children and encourage them to employ adults.
7. Ensure that adults are paid minimum wages.
8. Use your official capacity to create infrastructure for day care through government's ongoing programmes such as the Balwadi and Anganwadi programmes, so that mothers can go to work and older children are not forced to drop out of school to take care of younger siblings.
9. Unite against touts and middle-men that come looking for child labour in the villages and take them away.
10. Activate the Village Education Committee to take up issues of improving access to schools and quality of education, teacher absenteeism, enrolment and drop-out rates, mid-day meals, provision of water and sanitation facilities in schools etc.

SEX SELECTIVE ABORTION AND INFANTICIDE

A classic case of conflicting principles exists in the case of sex-selective abortions. One horn of the dilemma has the "women's movement" enshrining the right to abortion as fundamental. The other horn of this dilemma is the indisputable fact that this "right" is consistently used against women. Women are victimized in many ways because of our societal, cultural and legal treatment of abortion, but most notably in the case of sex-selective abortion. These are abortions in which the fetus is destroyed solely because it is a little boy or a little girl. Females are affected disproportionately worldwide because of sex-selective abortions. The action points are

1. Educate people about the law.
 2. Be alert and use the law to stop feticide and infanticide and ensure registration of cases against the accused.
 3. Ensure registration of all births and deaths in the village under the supervision of your Panchayat.
 4. Raise awareness and gender sensitivity through Public Education Programmes.
 5. Mobilize the community to act against such heinous crimes.
 6. Liaise with ANMs and dais in the village. They can be your informants.
- The Campaign against all quacks and clinics that misuse the ultra-sound technology to the detriment of the girl child and for their profit.

CHILD MARRIAGE

Child marriage is a harmful traditional practice that weds young people, almost exclusively girls to men who are usually significantly older than their new bride. Prevalent in many developing countries, child marriage puts girls, some as young as 7 or 8, at risk for detrimental economic, health and educational consequences.

- Create awareness about the violation of rights of children, and the health hazards arising out of early marriage.
- Encourage people to wait for their children to reach the age of maturity before they are married.
- Be alert and use the law to stop marriages. You must give proper details to the police and get them to believe you.
- If the marriage cannot be stopped, negotiate with the parents of the bride and the groom to postpone it till the girl and the boy reach the legal age of marriage and encourage the parents to send them to school till then.

HIV/AIDS

Everybody has a part to play: local and national governments, communities, businessmen, universities, foundations, individuals - people like you. As with all other issues, HIV/AIDS too calls for recognition of the problem and a political will to fight it. The Panchayats are the most basic unit of decentralized form of governance in our country. As an elected representative every Panchayat member counts in forming the political will.

Discriminating against HIV positive persons or those affected by it will not solve the problem but only let it spread. So act right now! Work in your constituencies to help dispel the myths and propagate the reality about HIV/AIDS. Spread awareness and information, mobilize community action and build an environment conducive for ensuring people's human rights. Help prevent the spread of HIV/AIDS. It is true that when we talk about prevention, we raise very sensitive

STREET AND RUNAWAY CHILDREN

The first step is to inform police because if Police and information gathered from her/him. NGO workers at different places identify your child; they will inform your local Police Station on the basis of Inform Child line, a helpline for children, nearest to your village by calling them up on 1098. Watch television and read newspapers, especially missing columns continuously for three, four months. When a runaway child is restored to her/his family by Police, NGOs or other sources or when such a child returns on her/his own Talk to the child and parent(s) and try to identify the child's problems within the family. Support the family in taking care of the child by linking them with required services. Ensure a conducive environment at home so that she/he does not runaway again. Thank the agency that brings the child back. To prevent every child in your Panchayat from running away Establish a missing child information system at the panchayat level just as you establish a birth registration system or maintain population records. Children can be the best source for procuring such information, so give them the leadership role. Mobilise other Panchayats in your district to lobby with your State Government for establishment of a Child Welfare Committee and a Juvenile Justice Board in your district. Make more and more people aware of child line. Create neighborhood watch dog bodies or vigilance committees to

address the issues of domestic violence, alcoholism, corporal punishment, sexual abuse, discrimination based on gender, caste and disability and other factors that force children to run away from home.

THE DISABLED CHILD

- The first activity that is required is for members to get to know more about disabilities, physical as well as mental. Only then will they be able to help others because different types of disabilities may need special and specific interventions.
- Establish contact with organizations providing services for the disabled and connect them with disabled children and their families.
- Create awareness in the community in order to disassociate the stigma associated with disability. They can play an important role in ensuring that the peer group as well as the community understand the challenges which the child is already facing and help him or her to overcome the difficulties and the barriers which otherwise may hamper the development of the child.
- Sensitize parents, families, and caregivers about the special needs of children with disabilities. Speak to parents in meetings as well as on a one-to-one basis. Actively involve parents of young children with disabilities as full team members in planning school and after school activities.
- Sensitize anganwadi workers and teachers about the special needs for disabled children and create awareness and sensitivity about their rights.
- Monitor schools and other service providing institutions to ensure that children with disabilities are not discriminated against and their special needs are addressed.

CONCLUSION

Child Protection sensitization and training for partners. Follow-up trainings and on the field support would be very important. Consult community and children to list their viewpoints on Child Protection and if possible a definition as understood by them. This is very important Child Protection should be understood in their perspective. It does not mean that families are the safest place for Children's wellbeing. Because many a times it happens that the perpetrator of violence/abuse is known person to the child. It would be important to look at all the programs and events from 'child safety' angles for partners and communities based on the definition agreed by them to keep the dialogue going on Child Protection regularly rather than "waiting" for some incidence of violence, abuse or manipulation to take place. The role of the Children's groups would play an important part in mitigation of Child Protection issues in the long run too since Child Protection participation with a view to empower children to 'question', 'say no' and understand their 'responsibility' would yield positive results. This does not mean taking away the responsibility from the adults.

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BASEL III: A TOOL OF RISK MANAGEMENT IN BANKING SECTOR

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ABSTRACT

In response to the dynamic and extremely risky global environment, the present paper attempts to analyze the need of third generation banking sector reforms i.e. Basel III norms. Indian banks are not likely to be impacted much by the new capital rules, the aggregate capital to risk-weighted assets ratio of Indian banking system stood at 13.4 per cent as at the end of June 30, 2010 of which Tier-I capital constituted 9.3 per cent. Therefore, Indian banking system need not to be significantly stretched in meeting the proposed new capital rules, both in terms of capital requirement and the quantity of capital. But there may be some negative impact arising from shifting of some of deductions from Tier-I and Tier-II capital to common equity. However, increasing level of NPAs in public sector banks means higher capital requirement. Given that Indian banks are better managed than their counterparts in US/UK, there would be little concern, but still a worry to raise capital cheap. As the Basel III is a comprehensive set of reforms measures, therefore it will strengthen the regulation, supervision and risk management, and governance of the Indian banking sector, which in turn will improve the banking sector's ability to absorb shocks arising from financial and economic stress.

KEYWORDS

Basel III, Tier-I and Tier-II capital, third generation reforms, risk-weighted assets ratio, financial and economic stress.

INTRODUCTION

In the pre-reforms period, the Government ownership of the public sector banks, commanding about 90 percent of the banking business, was considered adequate for maintaining public confidence. The level of international banking business was also limited and there was little pressure to conform to the international norms. More importantly, with low level of profits, the banks could not plough back adequate resources to shore up their net worth. Therefore, the question of building up adequate level of capital and resources in PSBs did not receive enough attention in the past. As far back as 1961, the RBI had advised the banks to aim at a ratio of 6 percent of paid-up capital and reserves to total deposits, because banks had been increasing their assets without a corresponding augmentation of their capital base. The ratio had declined from 9 percent in 1950 to 4 percent in 1960 and further to 1.5 percent by 1978 (for PSBs). Since income was recognized on accrual basis rather than on actual recovery of cash and banks were not required to make sufficient provisions for non-performing loans (the system of classifying advances as per health code was itself subjective), the actually deteriorating financial health of banks did not get reflected in banks' balance-sheets. It was only after the introduction of prudential and accounting norms in 1992-93 following the Ghosh Committee recommendations, the losses were shown clearly on banks' balance sheets. By 1992-93, 20 nationalized banks (now 19 after the merger of NEWBK with PNB in 1993-94) reported combined losses of Rs.3648.92 crore with equity nearly being wiped out or becoming negative in case of several banks. Against this, the Government accepted the Narasimham Committee recommendations for adoption of the BIS norms on capital adequacy to improve the financial health of the banks and enable them to compete both at home and abroad. The RBI introduced the norms in a phased manner from April 1992, covering all banks (PSBs, PSIBs and FBs) by March 1996.

In the present study, an attempt is made to analyse the achievement of Indian banking sector during the post reforms period regarding the capital adequacy requirements i.e. under the regime of Basel I & II and the effectiveness of the provisions of Basel III as a tool of risk measurement and their likely impact on Indian banking.

BASEL COMMITTEE – ORIGIN

The Basel Committee has played a leading role in standardizing bank regulations across jurisdictions. Its origins can be traced to 1974. Bank Herstatt, a German bank was liquidated in 1974. On the day of liquidation, some banks had released payment of DM to this Bank in Frankfurt, in exchange for US Dollars. However, due to difference in time-zone, Bank Herstatt received payments but it ceased its operations before the counterparty banks could receive their USD payments. The cross-jurisdictional problems, led the G-10 countries (at present G-10 consists of eleven countries, namely Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States) and Luxembourg to form a Standing Committee under the auspices of the Bank for International Settlements (BIS). This Committee is called the "Basle Committee on Banking Supervision". The Committee comprises of representatives from Central Banks and Regulatory Authorities of different countries. During the last few decades, the major focus of the committee has been to define roles of regulators in cross-jurisdictional situations; ensure that international banks and bank holding companies are under comprehensive supervision by a "home" regulatory authority; and promote uniform capital requirements so as to ensure that banks from different countries compete with one another on a "level playing field".

BASEL - I ACCORD

In 1988, the Basle Committee published a set of minimal capital requirements for banks. These became law in G-10 countries in 1992, with Japanese banks permitted an extended transition period. The requirements have come to be known as the 1988 Basle Accord. The 1988 Basle Accord mainly focused on the core banking in the sense of deposit taking and lending and its focus remained on credit risk. Bank assets were assigned "risk weights" e.g. Government debts were assigned 0 per cent risk weight and bank debts were assigned 20% risk weight, and other debt were assigned 100 per cent weights. Banks were asked to hold capital at least equal to 8% of the risk weighted value of assets. Additional rules applied to contingent obligations, such as letter of credits and derivatives. Slowly it was felt that Banks have become more aggressive and are taking higher risk. Thus, the Basle Committee decided to update the 1988 accord to include bank capital requirements for market risk.

The objective was to have common norms for all the banks, which would strengthen the capital resources of international banks in order to improve the stability of the international banking system and to reduce the competitive inequalities arising from the differences in capital requirements across nations. This forced the banks of G-10 countries to implement a credit risk measurement framework. For the first time, restrictions were placed on the exposures that a commercial bank could hold in relation to its capital base. The Basel-I provided for the implementation of a credit risk measurement framework with a Minimum Regulatory Capital (MRC) of 8 percent by end of 1992.

The Basle Committee has defined the capital in two tiers: Tier-I and Tier-II. Tier-I capital, otherwise known as Core capital, provides the most permanent and rapidly available support to a bank against unexpected losses, whereas Tier-II capital contains elements that are less permanent in nature or less rapidly available. The RBI identifying Tier-I and Tier-II capital for Indian and foreign banks has established Norms. Tier-I capital means (i) Paid-up capital, (ii) Statutory reserves and (iii) Other free reserves, if any. Capital reserves representing surplus arising out of sale proceeds of assets will also be reckoned for this purpose. Equity investments in subsidiaries, intangible assets and losses in current period and those brought forward from the previous periods will be deducted from

Tier-I capital. Tier-II capital consists of (i) Undisclosed Reserves and Cumulative Perpetual Preference Shares, (ii) Revaluation Reserves, (iii) General Provisions and Loss Reserves, (iv) Hybrid Debt Capital Instruments and (v) Subordinated Debt.

In order to strengthen the capital base of Indian banks, RBI introduced in April 1992, a system of assigning risk weights for different kinds of assets and relating capital strength to Risk Weighted Assets (RWA) of commercial banks. It was stipulated that all the Indian banks with international presence should achieve Capital Adequacy Ratio (CAR) of 8 percent by 31st March, 1994 (later on extended to 31st March, 1995), foreign banks by 31st March 1993, other banks to achieve 4 percent by 31st March, 1993 and 8 percent by 31st March, 1996. Capital Adequacy Ratio is defined as ratio of Capital Funds to Risk Weighted Assets. The RBI increased Capital Adequacy Ratio to the level of 9 percent from the year ending on 31st March, 2000.

In April 1993, the Basle Committee released a package of proposed amendments to the 1988 accord. This included a document proposing minimum capital requirements for banks' market risk. Banks were also required to identify Trading Book and hold capital for trading book market risks and organization-wide foreign exchange exposures. VaR (Value at Risk) was to be used for capital charges for the trading book. However, these proposals received certain adverse comments. Thus, in April 1995, the Basle Committee released revised proposals. Under these proposals, a number of changes including the extension of market risk capital requirements to cover organization-wide commodities exposures were proposed. Another important provision allowed banks to use either a regulatory building-block VaR measure or their own proprietary VaR measure for computing capital requirements. The Basel Committee's new proposal was adopted in 1996 as an amendment to the 1988 accord, which went into effect in 1998.

BASEL-II ACCORD

The banking industry has changed in many ways since the implementation of Basel-I in 1988. Two specific changes - the expanded use of securitization and derivatives in secondary markets, and vastly improved risk-management systems had significant implications for Basel-I. It has been criticized to be a "one size fits all" model, lacking in sophisticated measurement and management of risks. The capital regime recommended by Basel-I could not keep pace with either due to the complex nature of the operations of the large banks or the substantial changes in both the concepts and technology of risk management. It has also been criticized as being inflexible due to its focus on primarily credit risk, ignoring market risk and operational risk and treating all types of borrowers under one risk category regardless of credit worthiness.

The Basel Committee on Banking Supervision (BCBS) released the Third Consultative Paper (CP3) on the New Basel Capital Accord (Basel-II) in July 2003, applicable to all member countries from January 1, 2007 and India is no exception. The framework of Basel II can be viewed from a three-pillar format. The first pillar is compatible with the credit risk, market risk and operational risk. The minimum regulatory capital (MRC) will be focused on these three risks. The second pillar gives the bank responsibility to exercise best ways to manage the risk specific to that bank. The third pillar on market discipline for greater transparency, disclosure and encouraging best international practices.

The Minimum Regulatory Capital (MRC) is set by the Capital Ratio which is defined as "(Total Capital -Tier-I + Tier-II + Tier-III)/(Credit Risk + Market Risk + Operational Risk)". Basel-I provided for only a credit risk charge. A market risk charge was implemented in 1996. The Committee has proposed operational risk capital of 12 per cent of minimum regulatory capital is provided i.e., MRC will be 9 per cent + 12 per cent of 9 per cent i.e. 10.08 per cent. In this ratio, the denominator represents the bank's assets weighted according to the following three separate types of risk i.e. credit risk, market risk and operational risk.

The ratio of capital to risk weighted assets registered a rising trend and increased from 11.5 per cent (1997-98) to 13.6 per cent (2009-10) which is above the internationally accepted standards. But this ratio is higher in new private sector Indian banks (PSIBs) and foreign banks (FBs) than the public sector banks (PSBs) and old private sector Indian banks (Old PSIBs). In view of the financial crisis at the international level, the issues still exists, i.e. having achieved the capital adequacy ratio, will the PSBs, especially the nationalized banks, be able to sustain in the new regime? Should all the banks hold the same level of capital or should the weaker banks be asked to hold more?

BASEL III ACCORD

The Basel Committee's reform programme includes the measures finalized by the Committee dealing with stronger trading book capital standards along with higher requirements for complex securitisations and exposures to off-balance-sheet vehicles. In addition, fundamental strengthening of the Basel II framework and introduce for the first time minimum global standards for liquidity risk. These reforms are designed to respond to key pre-crisis shortcomings, which became painfully evident during the crisis. The banking sector entered the crisis with too much leverage and inadequate liquidity buffers. These were accompanied by poor governance and risk management as well as inappropriate incentive structures, especially related to compensation. The combination of these factors was manifest in poor underwriting, the mispricing of credit and liquidity risk and excess credit growth. When the crisis hit, these shortcomings and weaknesses in the banking sector amplified and deepened the downturn. The outcome was huge, rapid deleveraging; big losses by banks; a deep recession; and massive direct support from the public sector in the form of capital injections, guarantees and liquidity. Now, in the face of this experience, minimum standards for capital and liquidity need to be raised substantially so that the banking sector can withstand future periods of stress, thus enhancing financial stability and promoting more sustainable growth. The banking sector must serve as a stabilizing force and not as an amplifier of shocks.

At present, the minimum standard for the highest quality capital is just 2 per cent of common equity to risk weighted assets - it is even less when you factor in necessary deductions from capital. And with respect to liquidity, no global minimum standard currently exists. Leading up to the crisis, liquidity buffers were inadequate and excessive reliance was placed on short-dated wholesale money to fund long term illiquid assets. Banks have made progress to strengthen capital levels and liquidity buffers but more needs to be done. In addition, when competitive pressures reassert themselves, there is the risk of a renewed race to the bottom to the unacceptable pre-crisis status quo. Moreover, public sector finances have been stretched and must be consolidated. There is no public sector appetite to engage in the types of banking sector support measures of the past three years. Banks therefore must use their return to profitability - which is due in part to public sector support - to boost capital and liquidity buffers. Significant risks remain in the economy and the financial system, and it would be unacceptable if banks did not use this opportunity to bolster their resilience to future shocks. Finalizing the Basel Committee capital and liquidity, reforms will raise resilience and provide greater certainty and stability in the markets as to the new standards towards which the sector must move.

Basel III is comprised of the following building blocks, which were agreed and issued by the Committee and its governing body between July 2009 and September 2010:

- higher quality of capital, with a focus on common equity, and higher levels of capital to ensure banks can better absorb the types of losses like those associated with this past crisis;
- better coverage of risk, especially for capital market activities;
- an internationally harmonized leverage ratio to constrain excessive risk taking and to serve as a backstop to the risk-based capital measure;
- capital buffers, which should be built up in good times so that they can be drawn down in periods of stress;
- minimum global liquidity standards to improve banks' resilience to acute short term stress and to improve long-term funding; and
- stronger standards for supervision, public disclosures and risk management.

Basel III is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance and strengthen banks' transparency and disclosures. The reforms target bank-level, or micro prudential, regulation, which will help raise the resilience of individual banking institutions to periods of stress and macro prudential i.e. system wide risks that can build up across the banking sector as well as the pro-cyclical amplification of these risks over time. These two approaches to supervision are complementary as greater resilience at the individual bank level reduces the risk of system wide shocks.

ELEMENTS OF THE REFORM PROGRAMME**(1) Capturing all the Risks**

The first objective is to capture all significant risks in the capital framework. During the initial phase of the financial crisis, the majority of losses and the build up of leverage occurred in the trading book. At the same time, the trading book rules did not adequately capture all of the key risks to which banks were exposed. As a consequence, capital for trading book exposures was distressingly inadequate. The crisis also exposed weaknesses in banks' risk management and measurement of securitization and off-balance-sheet exposures. This shortcoming resulted in large, unexpected losses. The Committee's July 2009 enhancements included new rules to strengthen the treatment for certain securitizations in Pillar-1 by introducing higher risk weights for resecuritisation exposures. Counterparty credit risk is another key risk for which the regulatory capital improvement is needed. The enhancements proposed by the Committee are meant to strengthen the resilience of individual banking institutions and reduce the risk that shocks are transmitted from one institution to the next through the derivatives and financing channel.

(2) Raising the Quality of the Capital Base

The Committee's efforts to improve risk coverage are a crucial element of the capital adequacy equation but this is only half the story. The other half relates to the quality of the capital base backing banks' risk exposures. The Committee has proposed a series of measures that would overhaul the definition of capital. This is the second objective of the reform programme and it is set out broadly along two lines. First, the level and the share of the highest quality capital in Tier-1, namely, common equity and retained earnings, will rise substantially. During the crisis, losses came directly out of retained earnings but because of other forms of financial instruments in the capital base, some banks maintained deceptively high Tier-1 capital ratios. Moreover, in the case of many banks, non-common Tier-1 capital instruments ultimately had to be converted into common equity before confidence was restored. Second, the proposal introduces a rigorous set of deductions and exclusions from common equity to arrive at a more transparent, meaningful definition of capital and to restore the credibility of the Tier-1 capital base. Basel III is a micro prudential and firm-specific approach, which considers the three elements of the capital equation: the numerator of the new solvency ratios, i.e. capital, the denominator, i.e. risk-weighted assets, and finally the capital ratio itself.

(A) The Numerator: A Strict Definition of Capital

Regarding the numerator, the Basel III framework substantially raises the quality of capital. Basically, in the old definition of capital, a bank could report an apparently strong Tier 1 capital ratio while at the same time having a weak tangible common equity ratio. Prior to the crisis, the amount of tangible common equity of many banks, when measured against risk-weighted assets, was as low as 1 to 3 per cent, net of regulatory deductions. That's a risk-based leverage of between 33 to 1 and 100 to 1. Global banks further increased their leverage by infesting the Tier-1 part of their capital structure with hybrid "innovative" instruments with debt-like features. In the old definition, capital comprised various elements with a complex set of minimums and maximums for each element, i.e. Tier-1 capital, innovative Tier-1, upper and lower Tier-2, Tier-3 capital, each with their own limits which was sometimes a function of other capital elements. The complexity in the definition of capital made it difficult to determine what capital would be available when losses arise. This combination of weaknesses permitted tangible common equity capital, the best form of capital, to be as low as 1 per cent of risk-weighted assets. In addition to complicated rules around what qualifies as capital, there was a lack of harmonization of the various deductions and filters that are applied to the regulatory capital calculation. And finally, there was a complete lack of transparency and disclosure on banks' structure of capital, making it impossible to compare the capital adequacy of global banks. During the crisis, credit losses and write downs come directly out of retained earnings and therefore common equity. It is thus critical that banks' risk exposures are backed by a high-quality capital base. This is why the new definition of capital properly focuses on common equity capital.

The concept of Tier-1 capital will continue to exist and will include common equity and other instruments that have a loss-absorbing capacity on a "going concern" basis. Innovative capital instruments which were permitted in limited amount as part of Tier-1 capital will no longer be permitted and those currently in existence will be phased out. Tier-2 capital will continue to provide loss absorption on a "gone concern" basis and will typically consist of subordinated debt. Tier 3 capital, which was used to cover a portion of a bank's market risk capital charge, will be eliminated and deductions from capital will be harmonized. With respect to transparency, banks will be required to provide full disclosure and reconciliation of all capital elements. With respect to the numerator of the capital equation, the focus is on tangible common equity, the highest-quality component of a bank's capital base and therefore the component with the greatest loss-absorbing capacity.

(B) The Denominator: Enhanced Risk Coverage

Regarding the denominator, Basel III substantially improves the coverage of the risks, especially those related to capital market activities: trading book, securitization products, counterparty credit risk on OTC derivatives and repos. In the period leading up to the crisis, when banks were focusing their business activities on these areas, a significant increase in total assets was observed. Yet under the Basel II rules, risk-weighted assets showed only a modest increase. This phenomenon was more pronounced for some countries and regions than for others. For global banks, the enhanced risk coverage under Basel III is expected to cause risk-weighted assets to increase substantially. This, combined with a tougher definition and level of capital, may tempt banks to understate their risk-weighted assets. The relationship between risk-weighted assets and total assets with a view to promoting a consistent implementation of the global capital standards across jurisdictions should be monitored very closely.

Risk Weighting Challenges

Many asset classes may appear to be low-risk when seen from a firm-specific perspective. But it is seen that the system-wide build-up of seemingly low-risk exposures can pose substantial threats to broader financial stability. Before the recent crisis, the list of apparently low-risk assets included highly rated sovereigns, tranches of AAA structured products, collateralized repos and derivative exposures etc. The basic approach of the Basel capital standards has always been to attach higher risk weights to riskier assets. The risk weights them and the methodology was significantly enhanced as we moved from Basel I to Basel II and they have now been further refined under Basel III. Nonetheless, as the crisis has made clear, what is not so risky in normal times may suddenly become very risky during a systemic crisis. Something that looks risk-free may turn out to have rather large tail risk.

Trading Books and Securitizations

Basel II focused primarily on the banking book, where traditional assets such as loans are held. But the major losses during the 2007-09 financial crisis came from the trading book, especially the complex securitization exposures such as collateralized debt obligations. The revised framework now requires the introduction of a 12-month stressed VaR capital charge; incremental risk capital charge applied to the measurement of specific risk in credit sensitive positions when using VaR; similar treatment for trading and banking book securitizations; higher risk weights for re-securitizations (20 per cent instead of 7 per cent for AAA-rated tranches); higher credit conversion factors for short-term liquidity facilities to off-balance sheet conduits and SIVs (the shadow banking system); and more rigorous own credit analyses of externally rated securitization exposures with less reliance on external ratings. Eradication the trading book loophole, i.e. eliminate the possibility of regulatory arbitrage between the banking and trading books.

Counterparty Credit Risk on Derivatives and Repos

The Basel Committee is also strengthening the capital requirements for counterparty credit risk on OTC derivatives and repos by requiring that these exposures be measured using stressed inputs. Banks also must hold capital for mark to market losses (credit valuation adjustments – CVA) associated with the deterioration of a counterparty's credit quality. The Basel II framework addressed counterparty credit risk only in terms of defaults and credit migrations. But during the crisis, mark to market losses due to CVA (which actually represented two thirds of the losses from counterparty credit risk, only one third being due to actual defaults) were not directly capitalized.

(C). Capital Ratios: Calibration of the New Requirements

With a capital base whose quality has been enhanced, and an expanded coverage of risks both on- and off-balance sheet, the Basel Committee has made great strides in strengthening capital standards. But in addition to the quality of capital and risk coverage, it also calibrated the capital ratio such that it will now be able to absorb losses not only in normal times, but also during times of economic stress. To this end, banks will now be required to hold a minimum of 4.5 per cent of risk-weighted assets in tangible common equity against 2 per cent under Basel II. In addition, the Basel Committee is requiring a capital conservation

buffer of 2.5 per cent. Taken together, this means that banks will need to maintain a 7 per cent common equity ratio. When one considers the tighter definition of capital and enhanced risk coverage, this translates into roughly a sevenfold increase in the common equity requirement for internationally active banks.

(D). Capital Conservation

It is prudent for banks to build capital buffers during times of economic growth. Then, as the economy begins to contract, banks may be forced to use these buffers to absorb losses. But to offset the contraction of the buffer, banks could have the ability to restrict discretionary payments such as dividends and bonuses to shareholders, employees and other capital providers. Of course they could also raise additional capital in the market. In fact, what is witnessed during the crisis was a practice by banks to continue making these payments even as their financial condition and capital levels deteriorated. This practice, in effect, puts the interest of the recipients of these payments above those of depositors, which is not acceptable. To address the need to maintain a buffer to absorb losses and restrict the ability of banks to make inappropriate distributions as their capital strength declines, the Basel III will now require banks to maintain a buffer of 2.5 per cent of risk-weighted assets. This buffer must be held in tangible common equity capital. As a bank's capital ratio declines and it uses the conservation buffer to absorb losses, the framework will require banks to retain an increasingly higher percentage of their earnings and will impose restrictions on distributable items such as dividends, share buybacks and discretionary bonuses. Supervisors now have the power to enforce capital conservation discipline. This is a fundamental change. Banks will no longer be able to pursue distribution policies that are inconsistent with sound capital conservation principle.

The above discussion outlined that the implementation of Basel III will reduce the probability and severity of financial crisis and thus promote higher growth over the long term. With regard to the long term implications, it is observed that there are clear economic benefits from increasing the minimum capital and liquidity requirements from their current levels. The benefits of higher capital and liquidity requirements accrue from reducing the probability of financial crisis and the output losses associated with such crisis. The evidence suggests that there is a substantial room to strengthen capital and liquidity standards in a way that does not jeopardize near term growth, but enhances long term stability and economic output. In such circumstances, Indian banking system cannot afford to continue to operate with such thin minimum regulatory capital and liquidity requirements as the system does not have the capacity for another round of bail outs, nor does the public have the tolerance for it. However the impact of the Basel III norms on the Indian banking system is expected to be marginal. Most of the Indian banks compiled (as on 31st March, 2011) with Tier I capital ratio of 6 per cent, which banks have to achieve in 2015 (based on Basel III). Also, Indian banks will go through less pain than the counterparts in western economies. However, there will be areas where the banks may have to review its liquidity guidelines. For instance, after an observation period beginning in 2011, the liquidity coverage ratio (LCR) will be introduced on 2015. The revised net stable funding ratio will move to a minimum standard by 2018. These new rules will force the banks to hold more capital to prevent another financial crisis. To ease the burden arising out of Basel III, the regulators have given the banks transition periods to comply. These periods, extending in some cases to January 2019 or later, are longer than many analysts had expected. Global banks have liked the news that they have been given an extended period and there is no immediate need to go to market to raise capital. Government also has earmarked Rs.150 billion for recapitalization of state-owned banks in 2010-11 to shore up their Tier-I capital to at least 8 per cent.

CONCLUSION

Basel III will not only enhance the micro prudential framework for capital, but it also adds a macro prudential approach that is system-wide and systemic. The nine regulatory breakthroughs will reduce the probability and severity of future financial crises and thus, promote higher growth over the long-term. Raising capital and liquidity standards will reduce the probability and impact of crises and bring with it large benefits. Basel III is a comprehensive set of reforms measures, which will improve the Indian banking sector's ability to absorb shocks arising from financial and economic stress, improve risk management and governance and strengthen banks' transparency and disclosures.

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MGNREGA: ITS DRAWBACKS IN J&K 2010

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ALMORA

ABSTRACT

Mahatma Gandhi national rural employment guarantee act was passed with a view to provide hundred days of guaranteed wage employment to the venerable sections of the society in order to raise the living standard of these sections of society. Realization of the venerability of these sections particularly in rural areas as 72% of population living in rural areas the Government of India passed an Act known as Mahatma Gandhi Rural employment Act in 2005 notified by Ministry of Rural Development, Government of India on 7th September 2005. Based on the fact that MGNREGA can do wonders in order to raise the living standard of rural India a study was carried out In order to find the drawbacks which the act faces in rural areas in Jammu and Kashmir. The basic objective of the study is to find the drawbacks of MGNREGA in J&K. The study is carried out by the utilization of both primary (observational & telephonic interview) and secondary data. Finally the paper provides some suggestions whom if implied will definitely help in removing the drawbacks which will help in realizing the mission for which the act was passed.

KEYWORDS

Drawbacks, J&K, Mgnrega, Venerability.

INTRODUCTION

Ioyal and efficient work in a great cause, even though it may not be immediately recognized ultimately bears fruits".

Pt. Jawaharlal Nehru

Empowerment and upliftment of human population is the basic foundation stone to any economy. Indian population which is predominantly rural population accounts to 72.18% according to 2001 census lags far behind from their counterparts in urban India accounts to 27.82% in many areas such as purchasing power, infrastructure, connectivity, employment etc, prone to seasonal fluctuations because rural economy is predominantly agricultural economy. So a need was felt to improve the living condition of the rural India. In order to address this policy was conceptualized and subsequently formulated which came to be known as National Rural Employment Guarantee Act (NREGA) 2005 notified by Ministry of Rural Development, Government of India on 7th September 2005. This law which gives a legal guarantee of at least 100 days of wage employment to rural household whose adult members volunteers to do unskilled and manual work in a financial year. Apart from providing the 100 days guaranteed employment the act is having excellent provisions for the planning, social audit, grievance redressal mechanism, payment of wages if implemented suo motto would bear excellent results.

MGNREGA has given the largest economic resources in our country, some amount of work and plenty of dignity. In state after state workers have testified that guaranteed employment and enabled them to fight many battles including a system of oppression where they have no choice but acquiesce to forced labour indebtedness & the indignity of having to beg for the survival. The unemployed are becoming workers and workers are raising issues of citizenship.

Jammu and Kashmir is the northern most hilly state of India situated between 32.15 degree & 37.05 degree North latitude & 72.35 degree & 83.20 degree east longitude. J&K state is the 11th largest having a geographical area of 101387* Sq. Kms. accounting to 3.20% of the total area of India. It is the 19th most populous state having a population of about 101.44 lakh souls (2001 census) of which 75.19% residing in rural areas in comparison to 102861.10 lakh total population & 72.18% rural population of India. The state is divided into three distinct regions based on the geography of the state and two administrative regions namely Kashmir division which includes Ladakh also and Jammu division.

The state is having two capital's summer capital Srinagar and winter capital Jammu. The climate of J&K exerts a profound influence on the inhabitants of any region. The social, cultural, economic and other aspects of life are directly and indirectly governed by climate. The climate ranges from burning & scorching heat of plains of Jammu to snow capped heights of Gulmarg (Kashmir) & the mud peaks of the mount Godwin Austin (Ladakh), 21265 feet above sea level , the 2nd highest in the world. From Alpine (Ladakh region) the extremely variants of climate in Jammu & Kashmir are due to its location & topography. Broadly the state of J&K comprises three distinct regions cold arid desert areas of Ladakh, temperate Kashmir valley & the humid subtropical region of Jammu. For the climate of Kashmir Lawrence's quotation stands out " every hundred feet of elevation brings some new phase of climate & the vegetation, and in a short side of thirty miles one can pass from over powering heat to climate delightfully cold".

J&K economy is a high cost mountain economy & has a number of characteristics that pose special development challenges. J&K possess numero uno position in Saffron production. The state is also largest producer of Apple, Walnut, Almond & many other dry & fresh fruits. It is also a major exporter of superior quality carpets wooden art; embroider clothes & many other valuable crafts. The state is especially vulnerable to external events, natural disasters that cause high volatility in state domestic product and it suffers from limited capacity in the public and private sectors, remoteness & isolation, limited capacity, income volatility, access to external capacity, limited diversification, susceptibility to natural disasters and environmental change, law & order and above all terrorism are the characteristics that define the special development challenge and vulnerability that J&K faces. As the number of educated youth is increasing in the state, the avenues for employment generation have not increased proportionately. High incidence of unemployment among the youth & the educated has emerged as a concern in the state.

J&K states geographical study reveals that the state's most of the population lives in hilly terrains which pose special threats to the development of the state. According to 2007 BPL census of the state conducted by Directorate of Economics & Statistics the total population falling under BPL category is 21.63% which includes 26.14% rural population & 7.96% urban population shown under table no 1. :-

TABLE NO. 1

	Estimated no. of persons (in lakhs)	BPL Population (in percentage)
Rural	22.00	26.14
Urban	02.21	07.96
Combined	29.21	21.63

Source: BPL survey 2007, Directorate of economics & statistics, J&K Government

NREGA IN JAMMU AND KASHMIR

Because of the special status of Jammu and Kashmir conferred upon by the constitution under Article 370, it was imperative on the part of J&K Government to come up with a scheme by which various activities were to be addressed besides evolving a workable framework in order to make dent in implementation of the scheme and to achieve underlying goals and objectives in conformity with the legally non negotiated parameters laid down in Schedule 1 & 2 of Act.

The state Government accordingly prepared a scheme known as Jammu & Kashmir National Rural Employment Guarantee Scheme (JKNREGS) which was notified after the approval from the state cabinet by virtue of Government order No; 99-RD of 2007 Dated: 13-03-2007.

The scheme encompassed all the provisions of the National Rural Employment Guarantee Act and because of the lagging economic stability of the state due to the prevailing conditions of terrorism, law & order problems, state government take the matter simultaneously with Ministry of Rural Development, Government of India for extension of National Rural Employment Guarantee Act 2005 to J&K state to ensure effective implementation of the scheme. After concerted efforts and follow ups NREGA 2005 was extended to Jammu and Kashmir in May 2007. The scheme was launched in Jammu & Kashmir in February 2006 initially in 3 Districts namely Poonch, Doda and Kupwara under Phase 1, subsequently during 2007-08, two more District viz Jammu and Anantnag under phase 2 and later it was notified for the extension in the remaining Districts with effect from April 2008 under phase 3.

OPERATIONAL BOTTLENECKS

1. POLITICAL INSTABILITY

Jammu & Kashmir is the strategically most important because the state is bounded from all sides with international borders whether it may be Pakistan, China or Afghanistan all nations wanting to show cause there impact on policies adopted by the state to overcome these hurdles. The state is gifted with abundant water resources, but resources tend to be useless because of Indus Water Treaty signed between India and Pakistan which results in huge deficit in energy requirement of the state. MGNREGA which allows only certain works which restricts its scope of operation. NREGA workers should be utilized in the sector of energy development. Any government of Jammu and Kashmir at the time of elections raises the issue of employment but when the time for execution comes all turns their backs. The state is worst in employment generation as the number of unemployed youth has reaches to an alarming figure of 5 lakhs. The central government which spends about 13% of its budgetary provisions on Jammu & Kashmir should also focus on policies which not only provide employment but should also focuses on the development while as keeping the accountability and transparency as the prima facie for the policies. State is also passing through a phase of worst hit terrorism from the last two decades which is from militants and the government sponsored terrorism. The implementation is thus not fully in operation or implemented as we are hearing on daily basis regarding problems of law and order.

2. NON EXISTANT PANCHAYAT

TABLE NO 2

Total number of Districts	Total number of Panchayats	Functional Panchayats	Percentage of functional Panchayats
22	4136	1563	37.80%

Source: Government of J&K

Panchayat Raj institutions are the primary principle institutions for the planning and implementation of the scheme under National Rural Employment Guarantee Act. They are the implementing Agency and also 50% of the works in terms of cost will be allotted to Gram Panchayats. Thus if about 50% of the works are permissible to Gram Panchayat we can easily conclude what could be the position of NREGA in Jammu and Kashmir where out of total 4136 Panchayat raj institutions only 1563 Panchayats are existent and that too in only one region, while as rest of the two regions (Kashmir & Ladakh) these primary institutions are non-existent shown in table no 2 as per the data used for i.e., primary and secondary for a long. The existence of these units do play a vital role in the development of rural areas because Panchayat raj institutions are the primary implementing agency of NREGA then how we can expect the proper implementation of Act in this state. At present total NREGA in the state is dancing in the hands of bureaucracy and so called separatists as only 37.80% Panchayat raj institutions are existent.

3. SOCIAL AUDIT

Social audit is the auditing of the works done by an auditor or by gram Panchayat, but because of the limited existence of Gram Panchayats this provision is not implemented properly or if implemented lacks the transparency. Also the centre Government has amended the Social Audit provision on Dec. 31, 2008 which empowers the Panchayats to conduct its own Audit, so the concept of external audit was removed in order to give the room for corruption. By the analysis of the data obtained from the official website of the MGNREGA shown in table no 3, we can easily say that in as much of 1563 Panchayats only 498 GPs have done the social audit which accounts to the dismal percentage 31.87% which points out towards lack of transparency of the scheme

TABLE NO 3: STATE NAME: JAMMU AND KASHMIR

S.No.	District name	Total GP	No. of Panchayat Covered	No. of Social Audit	Issue Raised and action taken	Verification of Documents	Greivence Submitted and action taken	Minutes of meeting
1	ANANTNAG	293	0	0	0	0	0	0
2	BADGAM	283	0	0	0	0	0	0
3	BANDIPORA	115	0	0	0	0	0	0
4	BARAMULLA	365	0	0	0	0	0	0
5	DODA	232	232	262	232	0	0	232
6	GANDERWAL	104	0	0	0	0	0	0
7	JAMMU	297	51	51	0	0	0	0
8	KARGIL	95	0	0	0	0	0	0
9	KATHUA	244	32	32	0	0	0	0
10	KISHTWAR	134	0	0	0	0	0	0
11	KULGAM	162	0	0	0	0	0	0
12	KUPWARA	359	0	0	0	0	0	0
13	LEH (LADAKH)	93	0	0	0	0	0	0
14	POONCH	191	47	44	0	0	0	0
15	PULWAMA	186	0	0	0	0	0	0
16	RAJOURI	296	51	51	0	0	0	0
17	RAMBAN	124	0	0	0	0	0	0
18	REASI	147	0	0	0	0	0	0
19	SAMBA	99	85	85	2	0	0	0
20	SHOPIAN	103	0	0	0	0	0	0
21	SRINAGAR	10	0	0	0	0	0	0
22	UDHAMPUR	204	0	0	0	0	0	0
Total		4136	498	525	234	0	0	232

Sources:www.nrega.nic.in

4. SHIFTING OF FOCUS FROM LABOUR INTENSIVE TO MATERIAL INTENSIVE PROJECTS:

The basic aim of MGNREGA was to generate as much as possible labour days both in lean and non-lean seasons so that the seasonal impact on the earning could be minimized. But this provision was also amended by a notification on Nov11, 2009 giving room to material intensive projects by the consequence of this the labour days will get decreased and also gave a room & eroded the powers granted to Panchayats under the Act and allowed material contractors to get a foot in the door and also opened the door of corruption.

5. WAGES

Living in the current inflationary situation to meet both ends meat has become so difficult even for most of the middle class individuals. So by fixing wages are comparatively lower than the prevailing market rates is also loophole of the Act. MGNREGA which gives 100 days of guaranteed employment is not only violating the Minimum Wages Act came up with a notification issued on Jan1,2009 has bought out the unbridled discretionary powers conferred on the Center by Sec6(1) of the act to fix wages lower than minimum wages. As per available data available from the primary data collected and also from the Ministry of Employment Labour, Government of India in Jammu and Kashmir State notified minimum wages are Rs110 (100 +10) in which 100 stands for the minimum wages and 10 is state contribution for MGNREGA workers, but if we look on political stability and geographical condition still a worker has to confine with hundred ten rupees wage. It is unjustified when other persons can earn more than doing unorganized/ agricultural labour then why to turn out to MGNREGA.

6. ENGAGEMENT OF INADEQUATE SUPPORTING STAFF FOR MIS AS WELL AS IMPLEMENTATION OF SCHEME:

Jammu and Kashmir Government at the time of launching of the scheme, conceptualized and imperative that instead of providing separate staff for implementation decided to launch the scheme with existing available staff with rural development department although if they would have hired professional staff on that would have not only removed the time lag in the planning but also would have helped in proper implementation and evaluation of the scheme. Another benefit for the state government would have been that it would not have to bear the expenses for the salaries as 75% administrative costs are borne by the central government. Non engagement of staff acts as a double edged sword for MGNREGA.

7. GRIEVANCE MANAGEMENT

Grievances of the labourers working under MGNREGA or the job card holders were to resolved/solved by an ombudsman but the powers of the ombudsman are so that he cannot pass any order like an RTI counterpart. So the ombudsman should be provided with such powers so that he can actually act a person that will be there for the cause of workers. As far as Jammu & Kashmir is concerned as per primary data there is not any person appointed to actually work as ombudsman.

SUGGESTIONS

1. The political system, law and order, effective implementation of article 370 should be prima focus for the success of MGNREGA because unless and until situation of doing work is not conducive, how can we expect the effective planning and efficient implementation of the Act, So the first suggestion is solve the problem of uncertainty and law & order in the state.

2. As the state is strategically located having international influences, the relations with our neighbors should be smoothened so as to create an environment for a better life.
3. The policy should not be homogenized policy for the whole nation, rather it should be formulated keeping in mind the geographical conditions, climate, inflation, purchasing power so that a sense of equality can be arisen among the citizens.
4. Although some districts have Panchayats while as most of the districts are without Panchayats, so Panchayat elections should be held as early as possible.
5. Wherever the Panchayat raj institutions are functional the social audit is not held in all of the GPs, so social audit should be held strictly according to the laid down provisions as it may reduce the delicacy and enhance transparency.
6. The act should be provided with adequate staff as provided in other states so that effective and efficient planning and implementation can be achieved.

CONCLUSION

Based on the analysis of the data both primary and secondary it can be concluded that MGNREGA is still in a distant dream of achieving for what it was meant with special reference to that of J&K and that too with respect to 2010. The scheme is flooded a lot of operational loopholes from planning to the implementation of the act.

*Excluding area under illegal occupation of Pakistan and China

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