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# A STUDY ON THE SATISFACTION OF SOCIAL MEDIA ADVERTISEMENTS ON YOUNG CUSTOMERS BUYING BEHAVIOURS

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## ABSTRACT

*One of the most important advantages of the use of social media is the online sharing of knowledge and information among the different groups of people. It is practically impossible to design a marketing strategy without considering social networks. Increasingly, consumers are looking at websites, as well as the habits and behaviors of peers before making a decision on a purchase or in selecting a type of entertainment. Social networking breaks down barriers between individuals and builds communities. The study was to analyze the satisfaction of social media advertisements on young customers buying behaviors. Internet has proven to be a lucrative communication channel linking the customers and the organizations. As results, for marketers had emerged as a impressive network or channel to interact with young consumers through social media tools. Social media revolution, it is more than obvious that social media like Facebook, Twitter, Orkut, MySpace, Skype etc., are used extensively for the purpose of communication. The study group consisted of a total of 100 young consumers between the age group of 18-24 years who use social media platforms and have an account in any of the social networks. Random sampling method was used to determine the study group.*



## KEYWORDS

marketing strategy, young consumers, social media tools.

## JEL CODE

M37


## INTRODUCTION

Today, while large-scale businesses use social media with the purposes of drawing attention, standing out amongst other competitors and creating brand commitment, small-scale businesses can target to use social media opportunities effectively in order to make their names and create brand awareness. Consumers started to use Internet and web tools more today thanks to the rapid development of technology and communication channels. The most important one of these tools is social media. Consumers access to information that they need about goods and services to be purchased by means of social media to a great extent. It is clear that today especially the popular social networks of social media elements such as Facebook and Twitter have been great consumer markets. Consumers' satisfaction or dissatisfaction reported on social networking sites offer important opportunities for businesses to predict the buying decisions of other consumers. Businesses should closely follow, understand and efficiently use social media in order to have a sustainable competition advantage. For this purpose, the development of strategies and policies specific to social media environments is crucial for the business world.

## REVIEW OF LITERATURE

Forbes and Vespoli (2013) investigates consumers who made a purchase of an item based on the recommendation of a peer or contact via social media results indicate that consumers are buying either very inexpensive, or very expensive items, and are doing so based on recommendations from people they would not consider "opinion influencers or leaders". In addition, results indicate a slow shift from more traditional forms of social media like Facebook to quicker types of social media like Twitter. Numerous respondents indicated their desire for information now, not even a day or two old, and this research indicates a shift towards that form of social media which is consistent with general themes of today's social media.

The concept of customer-oriented marketing from 1980 on with focus on customer satisfaction has boon the main subject of investigations on marketing and the starting point for transition from transaction –oriented marketing to relation –oriented marketing. The main philosophy of relation oriented marketing considers as entity that creates a current of income for the firm and where long-term relationships is considered a fundamental part of the long- term net assets list of the firm (Berger, et al 2002) in managerial view the main focus of relation –oriented marketing is on the profitability potential of individual customers and profits made by creating relation with customers (hyun, 2009:18).

## METHODOLOGY

The study group used in this study is made up of young consumers in Chennai city. The study group is very large; the study sample consists of 100 students from different studies (Arts & Science). These students, who are within the age range of 19-24 years of age, and visit social media as members or users, were selected by a random sampling method. In order to determine the effect of social media on consumer buying behavior, questionnaires prepared by the researcher were conducted using a face-to-face interviewing technique. Secondary data was collected from journals, reports, books, records, magazines and internet.

## OBJECTIVES OF THE STUDY

1. To study the satisfaction of social media advertisements on young Customers buying behaviors.
2. To measure the awareness of social marketing in the young customers of Chennai.

## ANALYSIS & INTERPRETATION OF DATA

**Regression Analysis of Overall Satisfaction of Social Media Advertisements**

In this study, the dependent variable is Overall Satisfaction of social media advertisements and Independent variables are factors of satisfaction such as Delivery of Goods and Feedback, Trust and Accessibility are discussed as follows:

| | |
|---|---|
| Dependent variables | : Satisfaction of Social Media Advertisement (Y) |
| Independent variables | 1. Delivery of Goods and Feedback ($X_1$) |
| | 2. Trust and Accessibility ($X_2$) |
| Multiple R value | : 0.392 |
| R Square value | : 0.154 |
| F value | : 8.832 |
| P value | : <0.001** |

**TABLE 1: VARIABLES IN THE MULTIPLE REGRESSION ANALYSIS**

| Variables | Unstandardized Coefficients | | Standardized Coefficients | t value | P value |
|---|---|---|---|---|---|
| | B | SE | Beta | | |
| Constant | 22.080 | 4.907 | - | 4.500 | <0.001** |
| $X_1$ | 0.718 | 0.213 | 0.333 | 3.376 | 0.001** |
| $X_2$ | 0.241 | 0.188 | 0.127 | 1.284 | 0.202 |

Note: ** Denotes Significant at 1% level

The multiple correlation coefficient is 0.392 measures the degree of relationship between the actual values and the predicted values of the Satisfaction of Social Media Advertisements. Because the predicted values are obtained as a linear combination of Delivery of Goods and Feedback ($X_1$), Trust and Accessibility ($X_2$) the coefficient value of 0.392 indicates that the relationship between Satisfaction of Social Media Advertisements and the two independent variables is quite strong and positive.

The Coefficient of Determination R – square measures the goodness-of-fit of the estimated Sample Regression Plane (SRP) in terms of the proportion of the variation in the dependent variables explained by the fitted sample regression equation. Thus, the value of R square is 0.154 simply means that about 15.4% of the variation in Satisfaction of Social Media Advertisement is explained by the estimated SRP that uses Delivery of Goods and Feedback ($X_1$), Trust and Accessibility ($X_2$) as the independent variables and R square value is significant at 1% level.

The multiple regression equation is given below:

$Y = 22.080 + 0.718X_1 + 0.241X_2$

Here the coefficient of $X_1$ is 0.718 represents the partial effect of Trust and Accessibility on Satisfaction of social media advertisements, holding the other variables as constant. The estimated positive sign implies that such effect is positive that Satisfaction of social media advertisements would increase by 0.718 for every unit increase in Trust and Accessibility and this coefficient value is Significant at 1% level.

The coefficient of $X_2$ is 0.241 represents the partial effect of Delivery of Goods and Feedback on Satisfaction of social media advertisements, holding the other variables as constant. The estimated positive sign implies that such effect is positive that Satisfaction of social media advertisements would increase by 0.241 for every unit increase in Delivery of Goods and Feedback and this coefficient value is not significant at 5% level.

**TABLE 2: CHI-SQUARE TEST FOR ASSOCIATION BETWEEN LEVEL OF SATISFACTION OF SOCIAL MEDIA ADVERTISEMENTS AND LEVEL OF EFFECTIVENESS OF SOCIAL MEDIA ADVERTISEMENTS ON COSMETICS OF WOMEN STUDENTS**

| Level of Satisfaction of Social Media Advertisements | Level of Effectiveness Social Media Advertisements | | | Total | Chi-Square value | P value |
|---|---|---|---|---|---|---|
| | Low | Moderate | High | | | |
| Low | 14 (43.8%) [66.7%] | 13 (40.6%) [27.7%] | 5 (15.6%) [15.6%] | 32 (100.0%) [32.0%] | 38.951 | <0.001** |
| Moderate | 3 (8.3%) [14.3%] | 27 (75.0%) [57.4%] | 6 (16.7%) [18.8%] | 36 (100.0%) [36.0%] | | |
| High | 4 (12.5%) [19.0%] | 7 (21.9%) [14.9%] | 21 (65.6%) [65.6%] | 32 (100.0%) [32.0%] | | |
| Total | 21 (21.0%) [100.0%] | 47 (47.0%) [100.0%] | 32 (32.0%) [100.0%] | 100 (100.0%) [100.0%] | | |

Notes:

1.The value within () refers to Row Percentage

2. The value within [ ] refers to Column Percentage

3. ** Denotes significant at 1% level

Since P value is less than 0.01, the null hypothesis is rejected at1% level of significance. Hence concluded that there is association between level of satisfaction and effectiveness of social media advertisement on cosmetic of women students. Based on the row percentage, 43.8% of women students have low level of satisfaction with low level of effectiveness, 15.6% of women students have low level of satisfaction with high level of effectiveness, 12.5% of women students have high level of satisfaction with low level of effectiveness, 65.6% of women students have high level of satisfaction with high level of effectiveness. Hence low level of satisfaction of social media advertisement on cosmetics of women student's leads with low level of effectiveness and high level of satisfaction of social media advertisement on cosmetics of women students leads with high level of effectiveness.

## FINDINGS

From the above data analysis by applying Statistical Technique **Regression** analysis and **Chi-Square Test** it can be stated that there is between Social media marketing the consumer behavior and awareness regarding social media marketing, that customers are aware regarding various social media marketing strategies is satisfied. It is evident that social media is the right place to communicate with consumers and so businesses should immediately use social media tools effectively for marketing communication. The groups and sites used by people who make comments should be explored and other brands that these people are interested in should be analyzed.

Considering that consumers research products/services on social media, businesses should share their introductory information related to their products/services, brands and companies on social media. Each minute that the consumer is not satisfied, s/he will write more and more negative comments. As negative brand comments are indexed by Google, it will be more difficult to save the image of the brand within an online environment. For this reason, an immediate response can prevent loss of reputation which otherwise, can take months to repair.

## CONCLUSION

Social media marketing is an extremely powerful marketing tool that not every business knows how to use properly yet. It is still very new and it needs to be implemented through a real and concretely defined strategy. Social media such as Face book, twitter and YouTube are dynamic tools that facilitate online relationships. It is a relatively low cost firm of marketing and allows organizations to engage in direct and end -user contact. It is found to be positive and all objectives are satisfied with the collected data. Social media is a satisfaction tool of marketing. Now a days due to usage of internet by large population and positively related with consumer purchase reaction. Frequency of spreading the message is also very fast and economical via social media.

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# A STUDY ON CONSUMERS PERCEPTION ON E-RETAIL STORES WITH SPECIAL REFERENCE TO ERNAKULAM CITY

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## ABSTRACT

*The retail sector is modernising and expanding rapidly along with the growth of Indian economy. Now a day's most of the consumers have changed their preferences from organized sectors to organized e-retail formats. Electronic retailing is the sale of goods and services through internet. E-tailing can include business-to-business (B2B) and business-to-consumer (B2C) sale of product and services, through subscription to website content or through advertising. This study aims to measure the consumer preference of mobile phones through e retail format, which product do consumer purchase most, the reason behind their choices, to identify various factors or determinants that influence the consumers, at the same time the level of satisfaction which the consumer receive from this transitions. This study also throws a light on the merger of the organized retail sector with e-retailing formats. The pedagogic tools used are percentage analysis and by preparing questionnaire, personal interviews have also been taken. This study is limited to Cochin City.*

## KEYWORDS

e-tailing, digitalization, consumer preference, consumer satisfaction, organized retail sector.

## JEL CODE

M30

## INTRODUCTION

"**The challenge of the retail business is the human condition**"

***Howard Schultz***
CEO of Starbucks

The human condition is getting advanced day to day. Electronic retailing is the sale of goods and services through the internet. Electronic retailing or e-retailing can include Business to Business (B2B) and Business to customer (B2C) sale of product and services, through websites or through advertising. The technological advancement like smart-phones, connectivity, network, Artificial intelligence etc. made the transformation of organized retailers to e-tailing formats. Getting through unorganized to organized retail and to organized e-retailing formats is one of the major changes that took place in evolution of Indian retail economy. Recently an American based company, Walmart had merged with Flipkart an Indian e-commerce platform which is a big revolution in the retailing sector of India. The e-retail 'head' Flipkart who had pioneered e-retailing in India, merging (with Walmart) indirectly involved into a FDI and also it increases the economic development of the country and consumer satisfaction through providing good quality product and services, providing skilled jobs and fresh opportunity for small and medium enterprise(SME).

"Consumers are the king of the business". As the time passes consumer became more practical and hence brands need to find innovative ways to enhance customer experience through online. Consumerism is having a huge impact on these e-retailing sectors. Consumers prefer the goods according to their needs, quality, at lowest prices and more than that without wasting time, overall what they really expect is transparency in providing accurate information with easy access to the review and information provided. Consumers are able to do their 'branded and quality' shopping without any geographical boundaries.

E-commerce giants like Flipkart, Amazon is also playing a major role in providing consumer satisfaction selling of electronic goods. Especially in the selling of 'smart-phones'e-retailing increased tremendously. The reason behind this is lower price rates of the same products in online as well as offline market which creates change in the consumer behaviour. Brands like Xiaomi; Moto who have a huge customer base is growing tremendously through e-retail sales. There is a huge gap between offline and online due to the introduction of GST regime. The prices of smart-phones in stores have risen as compared to prices of e-retail platforms.

The world of technology and digitalization has a big impact on Consumers. Consumers move from or they are in search of more adoptable methods of shopping in their busy life. Hence e-retail stores play a major role in the life of people today. Also the introduction of e-wallets and e-payments like e-pay, paytm also is a huge benefit for the e-commerce operators. The transformation of economy through digitalized money or cashless economy is holding hands together with e-retailers for providing a better customer satisfaction.

## REVIEW OF LITERATURE

In order to have a proper knowledge of the subject, it is essential to know other academic researcher's publications. Thus the planning and execution of any research should be done by thorough review of literature in related topics, since it helps to understand the work that has been done in that area. It eliminates the possibility of unnecessary duplication of efforts, provides valuable information on research techniques. In this part of the review, various national and international literatures related to retail industry and shopping are studied. Topics such as, consumer market, pricing service, convenience, upcoming e-retail formats, shopping goods, e-retail service quality, online shopping service, consumer perception, preferences and attitude towards e-retailing etc. are studied. The studies provided insight to understand the mind-set of the informed consumers and various retailing activities that enhance the customer satisfaction. Following are some of the literature reviewed in this direction:

- **G.S. Suresh Chander, Chandrshekharan Rajendran, R.N. Antharaman (2002**) "The relationship between service quality and customer satisfaction" The study reveals that customer satisfaction and service quality has emerged as a big concern relating to retailing. It reveals the dependence of consumer satisfaction and service quality.
- **Cygnus (2008)** "Indian Retail Industry" in his findings stressed on the changing consumers trends and preferences and their impact on organized retailing. Study says that retail sector is at a crossroads where the growth of organized retailing and growth in the consumption by the Indian consumers is going to take an elevated growth curve.
- **Singh Sumanjeet (2009)** "Emergence of payment system in the age of electronic commerce" The study discusses on the emergence of electronic cash system, electronic payment system, and electronic cheque system on introduction of e–commerce. It has analysed the difference between each electronic payment system by evaluating their requirements and applicability
- **Ali et al (2010)** "Consumers buying behavior with respect to food and grocery items". It reveals to develop a marketing strategy for a modem food/grocery market based on consumer preferences and behavior. The author is the view that the consumers are in a relatively advantageous position in terms of purchasing power and awareness of health and nutrition. Higher income and educational levels of consumers influence their decisions on product and market attributes, while gender and age seem to have no significant impact. The preferences of the consumers clearly indicate their priority for cleanliness/freshness of food products followed by price, quality, variety, packaging, and non-seasonal availability. The consumers' preference of market/place largely depends on the convenience in purchasing at the market/place along with the availability of additional services, attraction for children, basic amenities and affordability.
- **Monika Gupta and Amit Mittal (2010)** "Consumer perceptions towards different retail format in India". The past study attempts to identify perceptions of consumers towards existing retail formats in India. To have in-depth study of consumer perceptions, the basis on which consumers have been segmented keeping in view the products to be sold. The customers remain in dilemma about outlet choice vs. brand choice. Customers are highly influenced by image of the retail outlet, its attributes, product range, variety, services, employee's behavior, decor, music and marketing strategies. For this, we need to understand the process of outlet selection, consumer choice and shopping behavior, the shopping process, shopper types and shopping strategies, choice decisions during shopping choice, attempts made by marketers to close the gap between expectation and performance. The retailers should put in efforts focusing on attracting the customers towards the store outlets on continual basis by focusing on their distinct features, thus, adding to the retail formats, followed by persuasion of paying a visit to the store causing a positive impact on the prospects by their effective formats.
- **Sudha Vemaraju (2011**) "Changing waves in Indian retailing: Impact of customer perception and CRM on Indian Retailing in the changing Business scenario" reveals the current changing business scenario, retail industry has witnessed major revolution and global attention. The Indian retail industry is the 5th largest and the 3rd attractive destination in the world and account over 10% of the country's GDP and 8% of the total employment. Customer perception towards quality, variety services and customer relationship management and also to know the changing waves in retailing.
- **Deepika Jhamb and Ravi Kiran (2012)** "Emerging Retail format and it's Attribute: An insight to convenient shopping". The outcome of the research reveals that the improvement in retail sectors in India especially the modern retail format, its attributes, and types of goods and impact of consumer demography on the choice of emerging retail formats.
- **Kall Lyytein and Richard.J.Boland (2012)**: In their study they have discussed the importance of "digital technology platform, the emergence of distributed innovation". They have deeply studied the changes in the nature of product and services innovation. The fundamental properties of digital technology are re-programmability and data homogenization. Together they provide an environment of open and flexible affordance that is used in creativity innovation.
- **Piyush Kumar Sinha, Srikant Gokhale and Sujo Thomas (2012)** in "Development of Modern Retailing in India. It's Impact on distribution and procurement network and changing consumption pattern" they analysed that entry of retailers in different format including online, has affected an irrelevant change in consumer buying habits and business related to serving these retailers.
- **Arun Thamizhvanam, M.J. Xavier (2013)** "Determinants of customers' online purchase intention: An empirical study in India" the study discusses about the impact on the customer purchase intention and consumer behavior on online retailing
- **Nirankushdutta, Anil.k.Bhat (2014)** "Flipkart: Journey of an Indian ecommerce start up", This study reveals the new strategy or trend introduced by 'Flipkart' a ecommerce site,in-order to capture success till now, they have overcome the hurdles to attain success.
- **Jayakrishnan S Nair (2015)** "E-retailing in India: Opportunities and challenges". The research reveals that e-retailing or online is growing at faster pace in India but along with that growing challenges are also discussed.

## NEED AND IMPORTANCE OF THE STUDY

The history of retail industry can be dated back to the economic reforms in India during 1990's. From there onwards there was a tremendous change in market situation with the Indian as well as International cooperate entry into Indian retail scenario, the market has been divided between the unorganized and organized sector and now another big revolution is the bifurcation between organized retail to e-retail. This study will contribute to the understanding of organized retailer's perception towards organized e-retailing justifying the need for research, as this could help retailers to strategize accordingly. An attempt has been made to explore the way e-retailing have dramatically changed not only the Indian organized retailing structure but also the consumption behaviour of the people. The Indian Retail Industry has been fast growing and consumers have started to shift towards e-retailing. The change in the e-retail system and the effect on the organized retailers need an in depth study to access the impact on these e-retailing sites on the present retail system. This study will look into the factors affecting the organized retailers. Also this study will extend towards identifying the reasons of the consumer shift towards e-retail stores.

## STATEMENT OF THE RESEARCH PROBLEM

Researchers have introduced various concept and relevant models about e-retails formats and consumer behaviour, most of the studies have focussed on consumer shopping or buying behaviour through e-retail stores and consumer choice on e-retail format. Customers are mainly concerned about the security problem that they may face during the transactions. At present, the net capacity to handle all the transactions is not sufficient, when everyone starts using e-retail stores. So, in some cases e-retail stores are time consuming and late delivery to inner most parts of India. Consumer are very difficult to understand and their expectation due to their various factors influences purchase of merchandise thus, this made us to conduct the study on consumer preference on e-retail stores and awareness regarding e-retail stores and factors affecting the consumers adopting the e-retail shopping.

## OBJECTIVES OF THE STUDY

Before the start of any research, it is essential to define the objective of the study.
The present study will be undertaken with the following broad objectives:

1. To analyse the trend in e-retailing
2. To study the impact of organized e-retail stores up to the organized malls.
3. To know the consumer preference on mobile phones through e-retail format.
4. To know the factors which influence consumer preference and the level of satisfaction they get
5. To analyse the responses of organized retailers and to identify various strategies undertaken by organized retail sector to help them build and sustain competitive advantage.

## RESEARCH METHODOLOGY

**Source of data:** The data for the study will be collected from both primary and secondary source. The primary data will be collected by way of well-structured questionnaires and the secondary data will be collected with reference to various online websites.

**Population:** The sample for the study will be selected from the youth which include both working and non-working class, with the advent of technology and political reforms, more number of people are adopting e-retailing.

**Sampling design:** Sampling design refers to the technique or procedure that researcher would adopt in selecting item from the sample. The sampling design used for this study is Probability Sampling.

**Sample Size:** In order to get complete picture of the topic data will be collected from both the users and non-users of e-retailing.

**Sampling Method:** Random Sampling method is used to collect the data from the respondent.

**Tool for analysis:** Analysis of the data, which will be collected, is an important aspect of any study. This can be done using various statistical tools. In this study the tool to be used is percentage analysis.

**Presentation:** The collected data primarily will be presented in the forms of tables, to provide a better understanding of the data. After tabulation, a pictorial representation of the tabulated data is made with the help of graphs, pie charts and bar charts etc. This will provide ease in case of analysis of data.

## ANALYSIS AND INTERPRETATION

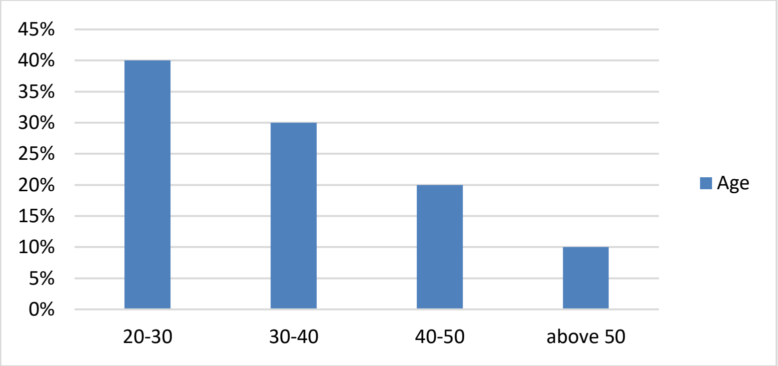
The study is conducted on consumer preference on e-retail stores in Ernakulam city with a sample size of 50 who were consumers of e-retail formats. The results were as stated below.

**TABLE 1: SHOWING PREFERENCE OF CUSTOMERS BASED ON AGE COMPOSITION**

| AGE | RESPONSES | PERCENTAGE |
|---|---|---|
| 20-30 | 20 | 40% |
| 30-40 | 15 | 30% |
| 40-50 | 10 | 20% |
| Above 50 | 5 | 10% |
| **TOTAL** | **50** | **100** |

Source: Primary Data

**CHART 1: SHOWING PREFERENCES OF CUSTOMERS BASED ON AGE COMPOSITION**




Source: Table 1

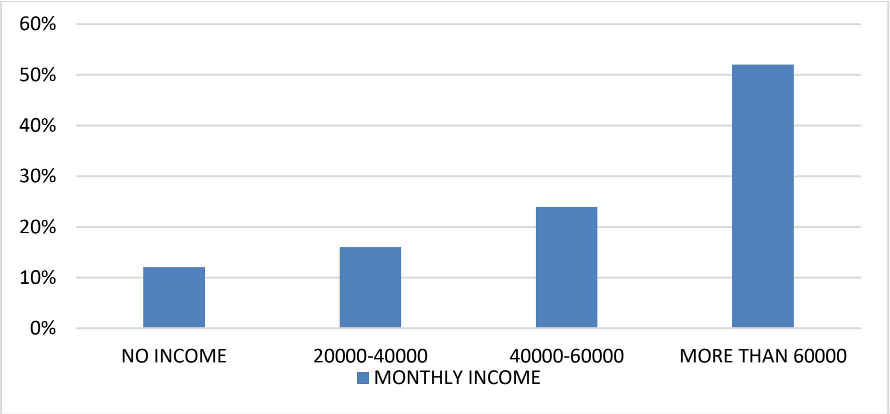
**INTERPRETATION:** From the above table or chart which shows the preferences of customers based on age composition, a majority of 40% under the age of 20-30 prefer e-retailing format whereas minority of 10% under the age of above 50 prefer less over e-retail stores.

**TABLE 2: SHOWING MONTHLY INCOMES**

| MONTHLY INCOME | RESPONDENTS | PERCENTAGE |
|---|---|---|
| NO INCOME | 6 | 12% |
| 20000-40000 | 8 | 16% |
| 40000-60000 | 12 | 24% |
| MORE THAN 60000 | 26 | 52% |
| **TOTAL** | **50** | **100** |

Source: Primary Data

**CHART 2: SHOWING MONTHLY INCOME**




Source: Table 2

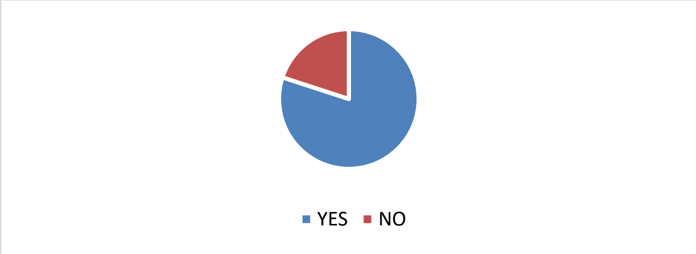
**INTERPRETATION:** From the above table or chart which shows the preference of customers based on income level, majority of 52% of the consumers are earnings above 60000 prefer e-retail stores and the number of preferences decreases in direct proportion with income level.

**TABLE 3: SHOWING THE USAGE OF E-RETAIL STORE AS A CUSTOMER**

| USAGE | RESPONDENTS | PERCENTAGE |
|---|---|---|
| YES | 40 | 80 |
| NO | 10 | 20 |
| **TOTAL** | **50** | **100** |

Source: Primary Data

**CHART 3: SHOWING CUSTOMERS USING E-RETAIL STORE**




Source: Table 3

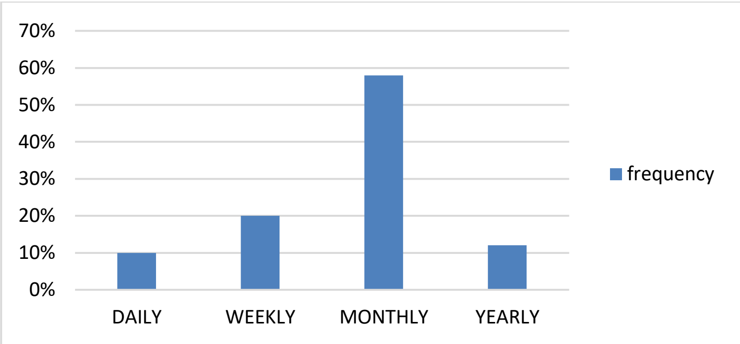
**INTERPRETATION:** From the above the table or chart which shows the number of customers who purchase through e-retail stores 80% of the total respondents agreed that they purchase through e-retail stores and 20% of the respondent disagreed that they are the customers of e-retail stores.

**TABLE 4: SHOWING FREQUENCY OF SHOPPING**

| FREQUENCY | RESPONDENT | PERCENTAGE |
|---|---|---|
| DAILY | 5 | 10% |
| WEEKLY | 10 | 20% |
| MONTHLY | 29 | 58% |
| YEARLY | 6 | 12% |
| **TOTAL** | **50** | **100** |

Source: Primary Data

**CHART 4: SHOWING FREQUENCY OF SHOPPING**




Source: Table 4

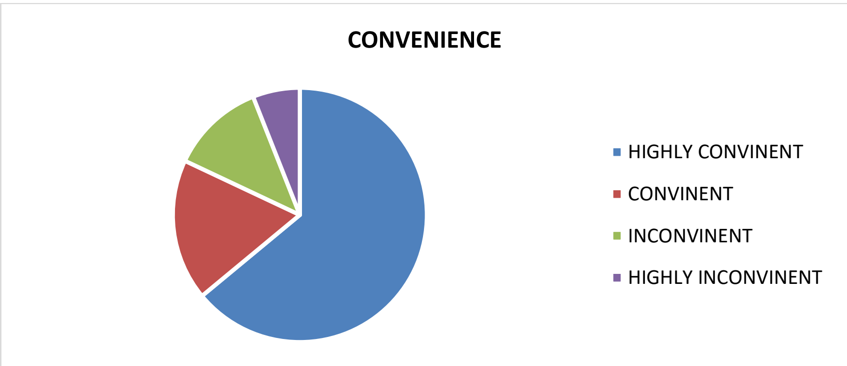
**INTERPRETATION:** From the above table or chart which shows the frequency of shopping it was found that majority of 58% of the customers shop monthly and minority of 10% of the customers used to shop daily.

**TABLE 5: SHOWING THE CONVENIENCE OF USING THE E-RETAIL APP**

| CONVENIENCE | RESPONDENT | PERCENTAGE |
|---|---|---|
| HIGHLY CONVENIENT | 32 | 64% |
| CONVENIENT | 9 | 18% |
| INCONVENIENT | 6 | 12% |
| HIGHLY INCONVENIENT | 3 | 6% |
| **TOTAL** | **50** | **100** |

Source: Primary Data

**CHART 5: SHOWING CONVENIENCE LEVEL WHILE USING E-RETAIL APP**




Source: Table 5

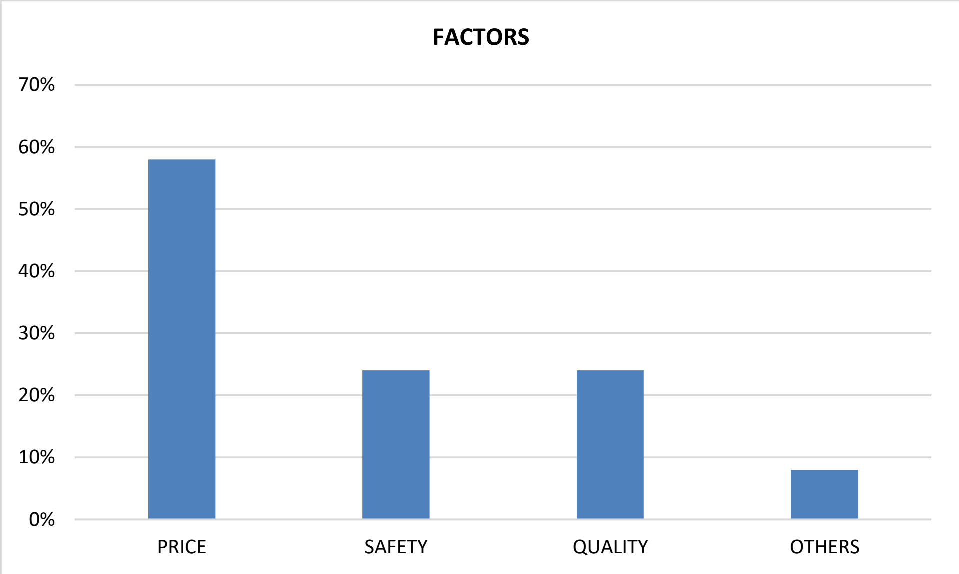
**INTERPRETATION:** From the above chart or table which shows the convenience level of using e-retail app after considering the usage of smart phones, internet connections. In this arena 64% of the total respondent agree with highly convenient of using the e-retail app. The least of 6% have agreed that it is highly inconvenient to use the e-retail app due to lack of internet connections and fear of safety.

**TABLE 6: SHOWING FACTORS WHICH INFLUENCE THE SHOPPING THROUGH E-RETAIL STORES**

| FACTORS | RESPONDENT | PERCENTAGE |
|---|---|---|
| PRICE | 29 | 58% |
| SAFETY | 12 | 24% |
| QUALITY | 12 | 24% |
| OTHERS | 4 | 8% |
| **TOTAL** | **50** | **100** |

Source: Primary Data

**CHART 6: SHOWING THE FACTORS WHICH INFLUENCE THE SHOPPING THROUGH E-RETAIL STORES.**




Source: Table 6

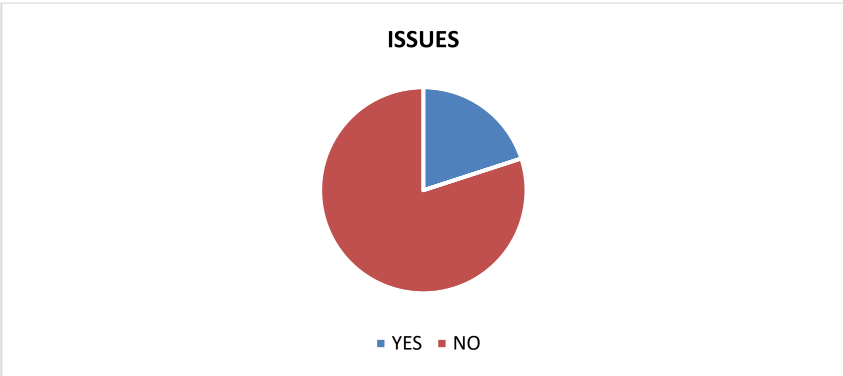
**INTERPRETATION:** From the above mentioned chart or table which shows factors which influence the shopping through e-retail stores a majority of 58% prefer to shop due to price and the minority of 8% consider others as a factors which include delivery issues etc.

**TABLE 7: SHOWING ISSUES WITH THE APPLICATION OR SERVICES OF E-RETAIL STORES**

| ISSUES | RESPONDENTS | PERCENTAGE |
|---|---|---|
| YES | 10 | 20% |
| NO | 40 | 80% |
| **TOTAL** | **50** | **100** |

Source: Primary Data

**CHART 7: SHOWING THE ISSUES WITH THE APPLICATION OR SERVICES OF E-RETAIL STORES**




Source: Table 7

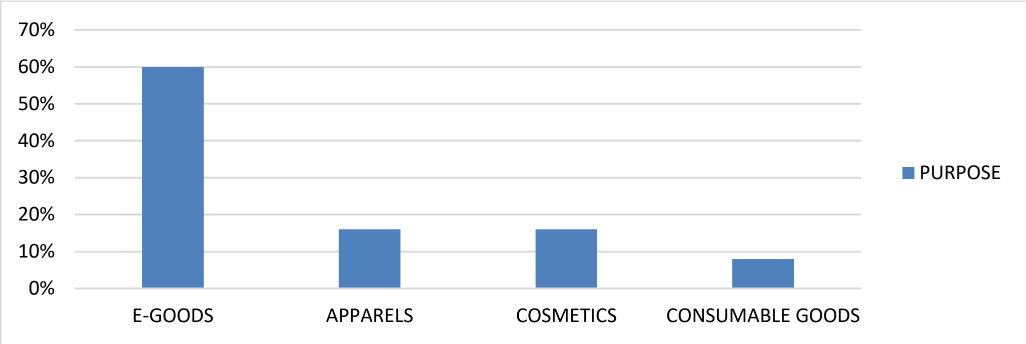
**INTERPRETATION:** From the above table or chart which shows that any issues with the application or services with e-retail store shows that 80% of the respondent did not had any issues with the e-retail stores and 20% of the respondents had issue with the services.

**TABLE 8: SHOWING THE PURPOSE FOR WHICH E-RETAIL STORE IS RELIED UPON**

| PURPOSE | RESPONDENT | PERCENTAGE |
|---|---|---|
| APPARELS | 8 | 16% |
| COSMETICS | 8 | 16% |
| E-GOODS | 30 | 60% |
| CONSUMABLE GOOD | 4 | 8% |
| **TOTAL** | **50** | **100** |

Sources: Primary Data

CHART 8: SHOWING THE PURPOSE FOR WHICH E-RETAIL STORE IS RELIED UPON




Source: Table 8

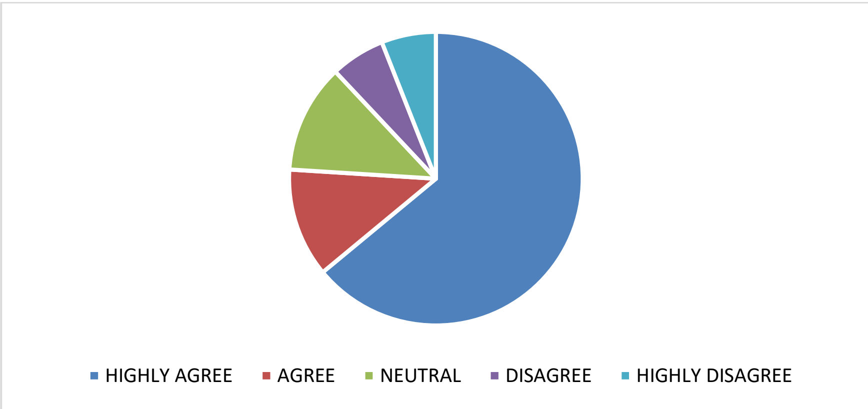
**INTERPRETATION:** From the above mentioned table or chart which shows the purpose for which consumer rely on e-retail store. 60% of the respondents prefer E-Goods and minority of 8% prefer for consumable goods through e-retail stores.

TABLE 9: SHOWING E-RETAIL MEETS THE NEEDS OF THE CUSTOMERS

| OPINION | RESPONDENTS | PERCENTAGE |
|---|---|---|
| HIGHLY AGREE | 32 | 64% |
| AGREE | 6 | 12% |
| NEUTRAL | 6 | 12% |
| DISAGREE | 3 | 6% |
| HIGHLY DISAGREE | 3 | 6% |
| **TOTAL** | **50** | **100** |

Sources: Primary Data

CHART 9: SHOWING E-RETAIL STORE MEETS THE NEEDS OF THE CUSTOMERS




Source: Table 9

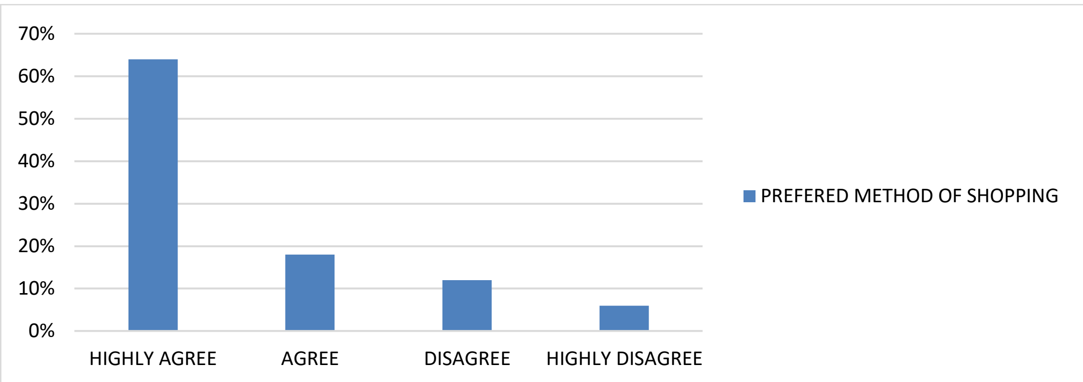
**INTERPRETATION:** From the above mentioned table or chart which shows the e-retail store meets the needs of the customers a majority of 64% rated it with highly agree and a minority of 6% rated it as highly disagreeing to it.

TABLE 10: SHOWING E-RETAIL STORE IS THE PREFERRED METHOD OF SHOPPING

| LEVEL | RESPONDENTS | PERCENTAGES |
|---|---|---|
| HIGHLY AGREE | 32 | 64% |
| AGREE | 9 | 18% |
| DISAGREE | 6 | 12% |
| HIGHLY DISAGREE | 3 | 6% |
| **TOTAL** | **50** | **100** |

Source: Primary Data

CHART 10: SHOWING E-RETAIL IS THE PREFERRED METHOD OF SHOPPING




Source: Table 10

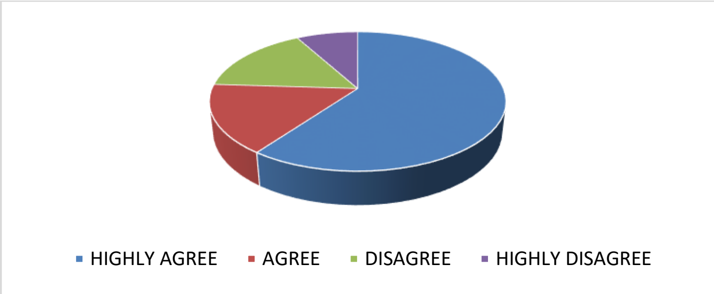
**INTERPRETATION:** From the above mentioned table or chart which shows that E-retail is the preferred method of shopping majority of 64% highly agrees with the fact and a minority of 6% highly disagrees with the fact.

**TABLE 11: SHOWING E-RETAIL STORE PROVIDES MORE AFFORDABLE E-GOODS**

| AFFORDABLE E-GOODS | RESPONDENTS | PERCENTAGES |
|---|---|---|
| HIGHLY AGREE | 30 | 60% |
| AGREE | 8 | 16% |
| DISAGREE | 8 | 16% |
| HIGHLY DISAGREE | 4 | 8% |
| **TOTAL** | **50** | **100** |

Source: Primary Data

**CHART 11: SHOWING E-RETAIL STORE PROVIDING MORE AFFORDABLE E-GOODS**




Source: Table 11

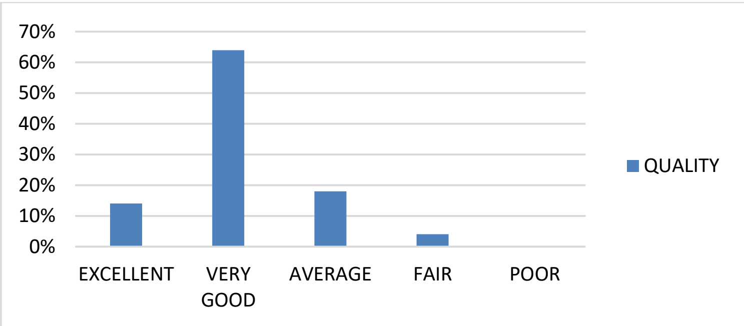
**INTERPRETATION:** From the above mentioned table or chart which shows that e-retail provides more affordable e-goods and 60% of the total respondents agreed that e-retail provides affordable e-goods.8% highly disagree to this point.

**TABLE 12: SHOWING E-RETAIL STORES QUALITY AND SERVICES PROVIDED BY THEM TO THE CUSTOMERS**

| RATING | RESPONDENTS | PERCENTAGES |
|---|---|---|
| EXCELLENT | 7 | 14% |
| VERY GOOD | 32 | 64% |
| AVERAGE | 9 | 18% |
| FAIR | 2 | 4% |
| POOR | NIL | NIL |
| **TOTAL** | **50** | **100** |

Source: Primary Data

**CHART 12: SHOWING E-RETAIL STORES QUALITY AND SERVICES PROVIDED BY THEM TO THE CUSTOMERS**




Source: Table 12

**INTERPRETATION:** From the above mentioned table or chart which shows the rating of quality of e-retail stores a majority of 64% rated it as very good and a minority of 2% rated it as a fair.

**TABLE 13: SHOWING CUSTOMERS WILLING TO USE E-RETAIL STORES IN FUTURE**

| USAGE | RESPONDENT | PERCENTAGE |
|---|---|---|
| YES | 40 | 80% |
| NO | 10 | 20% |
| **TOTAL** | **50** | **100** |

Source: Primary Data

**CHART 13: SHOWING CUSTOMERS WILLING TO USE E-RETAIL STORE IN FUTURE**


Source: Table 13

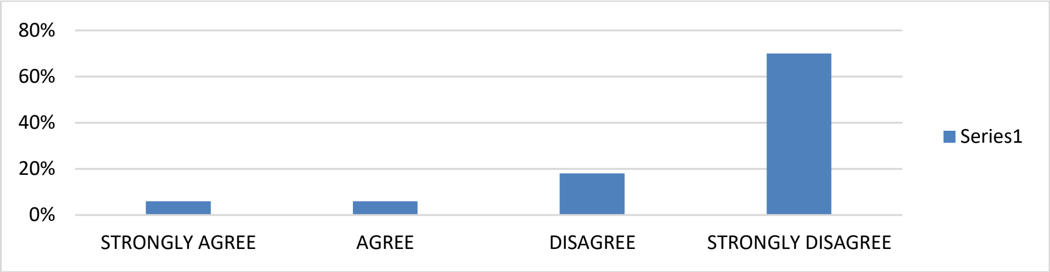
**INTERPRETATION:** From the above mentioned table or chart which shows customers are willing to use e-retail stores in the future, a majority of 80% have agreed to the notion and a minority of 20% have disagreed to it.

**TABLE 14: SHOWING WHETHER E-RETAIL STORES HAVE OVERCHARGED THE CUSTOMERS FOR ANY PRODUCTS**

| LEVEL | RESPONDENT | PERCENTAGES |
|---|---|---|
| STRONGLY AGREE | 3 | 6% |
| AGREE | 3 | 6% |
| DISAGREE | 9 | 18% |
| STRONGLY DISAGREE | 35 | 70% |
| TOTAL | 50 | 100 |

Source: Primary Data

**CHART 14: SHOWING WHETHER E-RETAIL STORES HAVE OVERCHARGED THE CUSTOMERS FOR ANY PRODUCTS**




Source: Table 14

**INTERPRETATION:** From the above mentioned table or chart which shows whether the customers have been overcharged by e-retail store on the products a majority of 70% have strongly disagreed to the fact and a minority of 6% have agreed to the mentioned above.

A business can use variety of pricing strategies when selling a product or service. Hence, it is assessed that whether the pricing strategy provided by the e-retail stores is responsible or not.

**TABLE 15: SHOWING REASONABLE PRICING STRATEGY**

| OPINION | RESPONDENTS | PERCENTAGE |
|---|---|---|
| YES | 38 | 76% |
| NO | 12 | 24% |
| **TOTAL** | **50** | **100** |

Source: Primary Data

**CHART 15: SHOWING REASONABLE PRICING STRATEGY**


Source: Table 15

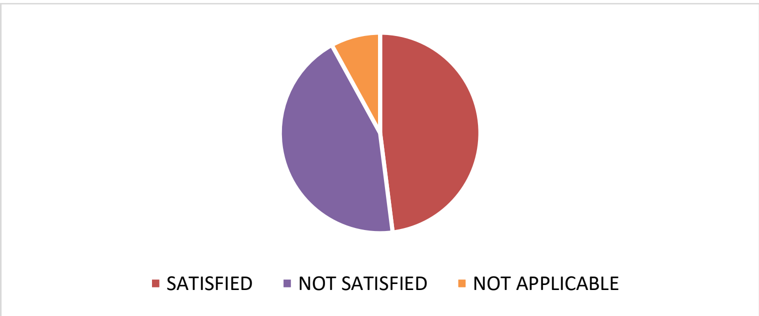
**INTERPRETATION:** From the above chart or table which shows the reasonability in the pricing strategy of the e-retail stores 76% of the total respondents agrees that there is reasonability in the pricing strategy of the e-retail stores while 24% disagree with the fact that there is reasonability in the pricing strategy of the e-retail stores.

**TABLE 16: SHOWING SATISFACTION OF PRICING STRATEGY**

| LEVEL OF SATISFACTION | RESPONDENT | PERCENTAGES |
|---|---|---|
| SATISFIED | 24 | 48% |
| NOT SATISFIED | 22 | 44% |
| NOT APPLICABLE | 4 | 8% |
| **TOTAL** | **50** | **100** |

Source: Primary Data

**CHART 16: SHOWING SATISFACTION OF PRICING STRATEGY**




Source: Table 16

**INTERPRETATION:** From the above chart or table which shows the satisfaction level of the consumers relating to pricing strategy of the e-retail stores after considering various discounts, sales and other offers. In this arena 48% of the total respondents are satisfied with the pricing strategy adopted by e-retail stores. This means that consumers are not fully satisfied with the pricing strategy of the e-retail stores.

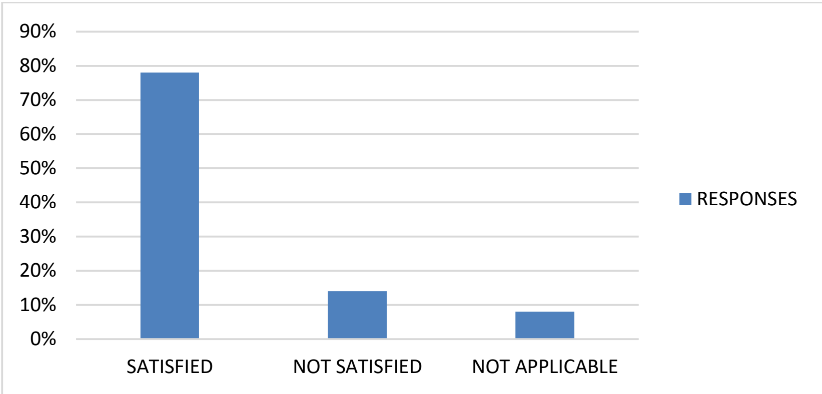
There are four levels of customer satisfaction, all based on the degree to which you meet customer expectation. The higher the level you achieve, the more you will build customer loyalty and greater the success.

**TABLE 17: SHOWING THE CUSTOMER LEVEL OF SATISFACTION**

| LEVEL OF SATISFACTION | RESPONDENT | PERCENTAGE |
|---|---|---|
| SATISFIED | 39 | 78% |
| NOT SATISFIED | 7 | 14% |
| NOT APPLICABLE | 4 | 8% |
| **TOTAL** | **50** | **100** |

Source: Primary Data

**CHART 17: SHOWING THE CUSTOMER LEVEL OF SATISFACTION**




Source: Table 17

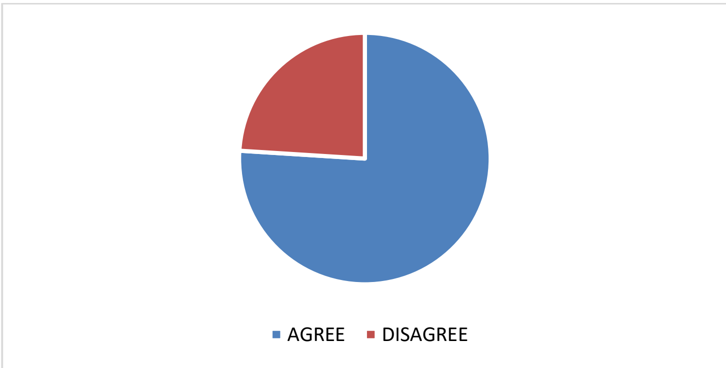
**INTERPRETATION:** From the above mentioned table or chart which shows the level of satisfaction level of the consumers towards e-retail stores a majority of 76% are satisfied towards e-retailing format a minority of 14% is not satisfied.

**TABLE 18: SHOWING THE NECESSITY OF DELIVERY OF PRODUCTS BY E-RETAIL STORES IN EVERY PART OF INDIA**

| RESPONSES | RESPONDENTS | PERCENTAGES |
|---|---|---|
| AGREE | 38 | 76% |
| DISAGREE | 12 | 24% |
| **TOTAL** | **50** | **100** |

Source: Primary Data

**CHART 18: SHOWING THE NECESSITY OF DELIVERY OF PRODUCTS BY E-RETAIL STORES IN EVERY PART OF INDIA**




Source: Table 18

**INTERPRETATION:** From the above mentioned table or chart which shows the opinion of the consumers regarding the necessity of the delivery of products by e-retail stores a majority of 76% of the consumer agree with the fact that e-retail store should reach every part of India including rural and under developed area and a minority of 24% disagrees with the fact.

## FINDINGS

- The study shows that basically younger generation and middle aged prefer e-retail stores while the older generation sticks to local convenient store.
- With reference to attitude and behaviour of customers towards E-Retail sectors it was found that a majority of 58% used to shop monthly. A majority of 60% prefer to shop E-goods through online shopping. A majority of 48% are satisfied with the pricing strategy of e-retail stores. All these data states that the consumers are having a positive attitude and are inclined towards e-retail stores formats in their purchase decision making process.
- With reference to the assessment of the level of satisfaction of consumers with the features of the e-retail sectors it was found that as a whole of 78% of the consumer are satisfied with features of e-retail stores.
- The different determinants of the customer satisfaction in e-retail stores were found are product quality, providing affordable e-goods, acceptable pricing strategy. In specific 64% of the consumers are satisfied with product quality. 60% of the consumer agrees that e-retail store provide more affordable e-goods which influence their purchase decision. Along with that 76% of the consumers are satisfied with reasonable pricing strategy.
- In determining the relationship between income level and preference of the consumer towards e-retail store it was found that 52% of the consumer agrees to the fact that income level influences their purchase decision from e-retail stores. Hence there is a direct relationship between the income level and preferences of the consumer.

## SUGGESTIONS

- After the introduction of cashless economy e-retail stores have witnessed drastic change which made the customers the king of the market. But the customers should be careful while making purchase decisions. They should not be carried away by promotional strategy of retailers; they should make proper analysis and make the purchase.
- The major aspects that have been found from this study are that organized retail stores are preferred for their quality, pricing strategy, discounts, offers etc. So the e-retail sectors should concentrate more on improving these aspects.
- E-retail stores also improve their customer relation strategy by implementing some measures.
- India has the maximum population residing in rural area and it is also observed that the consumers are price sensitive. In India there exists a diversified culture. Therefore, a crucial analysis needs to be done of all the environmental needs on a continuous basis by making sufficient opportunities for the people in the rural areas.

## CONCLUSION

Retailing provides a crucial link between producers and consumers in the modern market economy. Retail in India is the most dynamic industry and represents a huge opportunity both domestic and international retailers. E-retailing is not a threat to the organized retail stores as most of the consumers told that they never stopped visiting organized retail stores. They strongly agree on the coexistence of both and its requirement in a day. E-retailing is beneficial for India because it is not alarming to create conflict with organized stores but it is the hybrid form which includes all the advantages of organised retailing. Modern Retailing has a long way to go in India. The growth and development of the sector is restricted by the presence of regulatory constraints and lack of confidence of people and lack of technology. Based on our study we conclude that over the next decade the e-retail market has high growth potential and e-retailers would fiercely compete to increase their market share. The study was to identify the attitude and behaviour of customer towards e-retail sectors various attributes of e-retail sites such as price, services, gift hampers and availability of payment modes. Along with this the study was able to assess the level of satisfaction of consumers with the features and services of e-retailing sites, determinant of the customer satisfaction in the e-retail shopping and also to determine the relationship between income level and the preferences of the consumer towards e-retailing. From these it was able to identify various scenarios which would have high impact on the e-retail platform. The firms operating in this area should keep an eye for this development in order to be ready to face and come along with consumers in such scenarios. Furthermore, the present study has been successful to the extent of revealing the key areas where retailers have to concentrate in order to remain ahead of the competition.

## LIMITATIONS OF THE STUDY

- This study is conducted within the Ernakulam region hence the data is constrained within the region.
- The study is conducted within a short period of time.
- Findings of the study cannot be generalized because it is subjective to the person conducting the study.
- The respondents were unwilling or unable to answer certain questions.

## SCOPE OF THE STUDY

The study is conducted on the "Consumer preferences on e-retail stores with special reference in Ernakulam city" was limited to a few retail stores like flipkart, amazon and snapdeal etc. and few other local stores. This study aims to analyse why consumers choose these e-store and the reason behind their choices, also this study is limited to Ernakulam city.

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# OPPORTUNITIES AND CHALLENGES IN CASHLESS TRANSACTIONS: A STUDY OF FISHER WOMEN IN UNORGANISED SECTOR

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## ABSTRACT

*The earlier perception of e-banking, mobile banking and more such technology or cashless transactions was that the pressure for making business environment green and behaving in a more responsible manner especially comes from Government and its legislations. Now that old perception is changing throughout the globe as studies performed on consumers reflect that in most countries consumers are becoming more aware and willing to act on environmental concerns. There is a radical change in consumer preferences and life styles. World is moving towards cash to cashless economy. Many countries like Sweden, Norway, Denmark, Kenya, Canada, and South Korea are listed for less cash transactions. Now a days smart phone are heavily used for making payment. These changes for digital payment are increased due to penalizing cash transactions and preferential tax rates boosted electronic transaction. Apart from these vast benefits also e- banking facing challenges such as lack of support at point of sale, network issues, security threats, increasing cost, lack of knowledge etc. Millions of people rely on small-scale fisheries for survival; nearly half of them are women. The success or failure of these people who serve as the main source of food and income, directly affect to those who rely on them. This study attempts to interpret the impact of cashless transaction on them. The present study focus on the impact of cashless economy on the people in unorganized sector especially the women in unorganized sector. 200 respondents from rural area were selected for the purpose of study.*

## KEYWORDS
e-banking, cashless transactions, unorganized sector, fisher women.

## JEL CODE
O33

## INTRODUCTION

Financial transactions are handled by the way of credit card, cheque, bank transfer without exchange of cash from one person to another is called cashless transactions. Cashless transaction intended to reducing cash transactions and settlement rather doing transactions digitally. It doesn't mean shortage of cash. In modern economy money transferred digitally. The technology introduced internet banking, mobile banking, prepaid instruments, credit and debit card and electronic payment system. The financial safety over the digital payment channel is important for pushing the cashless economy idea. A major obstacle for the quick adoption of alternate mode of payment is mobile internet penetration, which is crucial because point of sale terminal works over mobile internet connection, while banks have been charging money on card-based transaction which is seen in hurdle. India has been using electronic payment system for many years now, However the retail sector still has predominance of cash transaction and payment through cash is yet to pick up card is the one of the most secure, convenient mode of cashless payment in retail market. What is Cashless Transaction-: "A cashless economy is one in which all the transactions are done using cards or digital means. The circulation of physical currency is minimal." A Cashless Society describes an economic state whereby financial transactions are not conducted with money in the form of physical banknotes or coins, but rather through the transfer of digital information (usually an electronic representation of money) between the transacting parties. 4.2 Process of Cashless Transaction-: In this increasingly digital world, it's not surprising that money will follow suit as well. Recent trends show that digital money kept in mobile wallets will soon replace physical cash and even credit cards.

## IMPORTANCE OF CASHLESS TRANSACTION

- **Taxation**: with lesser availability of hard cash at homes and more in banks, there is lesser scope of hiding income and evading taxation and when there are more tax payers it ultimately leads t o a lesser rate of taxation for the whole country.
- **Transparency and accountability**: it becomes a lot easier to track the flow of money with every transaction being recorded with the buyer, seller as well as regulatory bodies, making the system much more transparent and compliant. In the long term it leads to better business and investment prospects for the economy as a whole. More currency in bank will mean more circulation of money in the economy, leading to greater liquidity and would eventually mean lesser interest rates (according to the monetary policy of the country).
- **Reduced red tapism and bureaucracy**: with cashless transactions through electronic means the wire transfers are tracked and people are accountable which in turn reduces corruption and improves service time.
- **Less availability of cash for illegal activities**: when people are encouraged to go cashless, there is lesser cash available with the people and there won't be a means to invest in other activities to use the idle cash. Channels like hawala (illegal remittance) will ultimately suffer the brunt of a cashless economy.
- **Pack of cards**: No need to carry bulky notes in a case. Just carrying the required cards or mobile banking will suffice. More sense of safety with a PIN protected card etc. which will work only with your own credentials. No fear of being robbed unlike carrying cash and letting everyone know that there could be some-thing worth snatching.
- **Tracking of expenses**: it becomes easier to determine how much was spent where. The exact amount in small denominations can be paid. Unlike cash transactions, there is no need to pay fringe amount in case the exact amount is not available with either of the parties. An important, though seemingly insignificant issue is that of hygiene of the notes.
- **Easier accounting** Direct payment to bank account. You don't need to go every day to deposit cash to your current account.
- **Easier transactions**: We can easily do any transaction with security.

## CASHLESS MODES

MOBILE BANKING: Access and operate your bank account via the banks app or browser
MOBILE WALLETS: Digital payments mechanism available on mobile phones.
WALLETS: User loads wallet by linking to debit or credit cards and if he wants it back in his account, Wallet Company charges 1% Net Banking.
NEFT, RTGS, UPI, IMPS, USSD OPTIONS National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) help one-to-one & business-to-business funds transfer Immediate Payment Service (IMPS) is a real time electronic funds transfer system using mobile phones. It is on 24x7x365.
Unified Payments Interface (UPI) Inter connects banks to help transfer funds. Both the money sender and receiver need a UPI identity.
Unstructured Supplementary Service Data (USSD) helps link mobile number and bank account to make payment.

## CHALLENGES OF CASHLESS TRANSACTIONS

Lack of acceptance at the point of sale and the risk of fraud is the main challenge faced by the buyer in cashless transactions. As Huge part of the population works in unorganized sector, it's not easy to become cashless to them.

There is a lot of security risk those who already use E-banking at present.

Acceptance of cash everywhere has reduced cashless transaction at present, cash transactions gives more sense of security compared to other modes of payment. Since women responsible for much of household purchases, digital payment is not convenient to them. Moreover, if digital payments are used to buy goods indirect tax cannot be avoided.

Indirect tax record can be traced by use of card, which compels the seller to pay direct tax on sales.

Problem of network congestion and Internet connectivity also reason to avoid digital payment. Merchants are also not fully aware of the policies and regulations about digital payments. These confusions are definitely with the buyers also.

Confusions even with the banks, different authentication systems, combination of ATM PIN, password, One-Time Password (OTP), security questions etc.

## REVIEW OF LITERATURE

**Chakravorti (2003),** "Theory of credit card networks: A survey of the literature" shows that credit card provides benefits to customers and merchants not provided by other payment instruments as evidenced by their explosive growth in the number and value of transactions over the last 20 years. Recently, credit card networks have come under scrutiny from regulators and antitrust authorities around the world. The cost and benefits of credit cards to network participants are discussed. Focusing on interrelated bilateral transactions several theoretical models, have been constructed to study the implications of several business practices of credit cards networks.

**Gupta (2003)** "Legal and regulatory framework of credit cards" asserts that the regulations of credit card business in India is diffused and need to be streamlined. Whereas in developed countries the law on credit card business in comprehensive and straight forward, its Indian version requires a structural change. Hence, there is a need to explore that various legislative premises of the inferior and unclear Indian version for protection of interest of cardholders and healthy growth of the industry.

**Saha (2003),** "The booming credit card business of Indian banker." In this study analysis has been done of the credit card business in India. Article is both from the banker point of view and from the users point of view. It is estimated that the credit card volume is increasing around 15% p.a. on average for last 10 years and volume of transaction increased by 20% on an average in last 10 years in India. Various hypothesis and objectives are set to find out which bank offer varieties of services to consumer in relation to credit card. A comparative analysis is made for all the credit cards. In general, most of the credit card is doing very well and the competition is cut throat.

**Bhargava (2004)** title "Debit cards: A new generation plastic money" analyses that debit cards are fast catching up with the customers. A combination of factors like ease of availability, debit-averse profile of customer and zero interest rates are propelling the usage of Debit Cards. The study emphasizes to increase the usage of these cards, bank will need to improve infrastructure and continues to focus an increasing installations of point of sale [POS] in smaller cities and on the locations which are frequently used by cardholders, and to develop new marketing programmers that educate customers on the benefits of replacing cash with plastic.

**Humphrey (2004)** "Replacement of cash by cards in US consumer payments" Authors uses over the past 25 years' time series data. The results show that the share of cash in consumer payments appears to have fallen from 0.31 in 1974 to 0.20 in 2000, cheques replaced cash during the 1970, credit cards replaced some cheques during the 1980, while debit cards replaced both cash and cheques in the 1990s. Author feels even though, cash is not projected to go to zero anytime.

## OBJECTIVES OF THE STUDY

1. To understand the concept of cashless economy.
2. To understand the impact of cashless economy on fishing women
3. To study the challenges faced by fishing women on cashless transactions

## METHODOLOGY

### DATA COLLECTION

For the purpose of the present study primary data was collected through a structured questionnaire. 200 respondents were selected from rural area for the purpose.

Secondary data was collected with the help of journals, books etc.

Simple random sampling method was applied.

### TOOLS OF ANALYSIS

Importance of concept of cashless transaction is identified from the reaction of respondent. The systematic interpretation has been drawn from finding of the study. Here author made an attempt to find the reality of cashless transactions impact on fishing women.

## FINDINGS, ANALYSIS AND INTERPRETATION

**TABLE 1: AGE GROUP OF RESPONDENTS**

| | No. of Respondents | Percentage |
|---|---|---|
| **Up to 30** | 00 | 00 |
| **31-40** | 43 | 21.5 |
| **41-50** | 104 | 52 |
| **Above 50** | 53 | 26.5 |
| **Total** | 200 | 100 |

It can be interpreted from table1 that, out of the total respondents 21.5% are in between 31-40 age group, and 52% of them are in 41-50 age while 26.5% are above 50 and no fishing women with young age up to 30 years.

**TABLE 2: NUMBER OF MEMBERS IN THE FAMILY**

| | No. of Respondents | Percentage |
|---|---|---|
| **1-3** | 38 | 19 |
| **4-5** | 48 | 24 |
| **More than 5** | 114 | 57 |
| **Total** | 200 | 100 |

Source: Primary Data

In the above diagram that majority of the respondent i.e. 57% has more than 5 members in the family and 24% have 4-5 members and 19% of them have 1-3 members in the family.

**TABLE 3: RESPONDENTS INCOME PER WEEK**

| | No. of Respondents | Percentage |
|---|---|---|
| **1,000-3,000** | 40 | 20 |
| **4,000-5,000** | 102 | 51 |
| **6,000 and above** | 58 | 29 |
| **Total** | 200 | 100 |

Source: Primary Data

In the above table 20% of the fishing women earns up to 3,000 per week, 51% of them earn 4,000-5,000 whereas only 29% of them can get more than 6,000.

**TABLE 4: RESPONDENTS WITH BANK ACCOUNT**

| | No. of Respondents | Percentage |
|---|---|---|
| **Yes** | 200 | 100 |
| **No** | 00 | 00 |
| **Total** | 200 | 100 |

Table 4 shows that all the respondents have bank accounts irrespective of their earnings.

**TABLE 5: ACCESS TO DEBIT/CREDIT CARD**

| | No. of Respondents | Percentage |
|---|---|---|
| **Yes** | 13 | 6.5 |
| **No** | 187 | 93.5 |
| **Total** | 200 | 100 |

Even though all the respondents have the bank account only 6.5% of them have Debit card. But none of them accessed credit card. They won't have any intention to have it in future also.

**TABLE 6: USAGE OF DEBIT OR CREDIT CARD FOR PAYMENT**

| | No. of Respondents | Percentage |
|---|---|---|
| **Yes** | 09 | 4.5 |
| **No** | 191 | 95.5 |
| **Total** | 200 | 100 |

The above table shows the use of card for payment. Where it shows that 4.5% of them used it, but it should be noted that they used with the help of their children.

**TABLE 7: EDUCATIONAL QUALIFICATION**

| | No. of Respondents | Percentage |
|---|---|---|
| **Up to 5$^{th}$ Std** | 164 | 82 |
| **6$^{th}$ to SSLC** | 36 | 18 |
| **PUC or More** | 00 | 00 |
| **Total** | 200 | 100 |

No.7 in the diagram depicts that 82% of respondents have studied up to 5th standard, which even includes illiterate also. 18% of them studied up to 10th standard, and that is the highest qualifications observed among the respondents.

**TABLE 8: USE OF MOBILE PHONES**

| | No. of Respondents | Percentage |
|---|---|---|
| **Yes** | 191 | 95.5 |
| **No** | 9 | 4.5 |
| **Total** | 200 | 100 |

More or less all around the 200 respondents nearly 95.5% has been using mobile phones. Whereas only 4.5% of them are not. And the observation of the author is that they are not educated and they are above 60 age.

**TABLE 9: RESPONDENTS REACTION ON USE OF E- BANKING**

| | No. of Respondents | Percentage |
|---|---|---|
| **Yes** | **00** | **00** |
| **No** | **200** | 100 |
| **Total** | **200** | **100** |

Source: Primary Data

It is being identified that no awareness especially about E-Banking in mind of fishing people. Our query based on developing country in respect of cashless transactions is not at all supported.

**TABLE 10: PEOPLE MORE OR LESS LIKELY TO USE CASHLESS SYSTEM ON INTRODUCTION**

| | No. of Respondents | Percentage |
|---|---|---|
| **More** | 16 | 08 |
| **Less** | 184 | 92 |
| **Total** | 200 | 100 |

Respondents feel that nearly 8%of them in case cashless system introduced they may use it. But majority 92% of them prefers cash in their day to day business.

**TABLE 11: OPINION ON AVAILABILITY OF INFORMATION TO MAKE INFORMED DECISION**

| | No. of Respondents | Percentage |
|---|---|---|
| **Yes** | 00 | 00 |
| **No** | 200 | 100 |
| **Total** | 200 | 100 |

In the above table it is being observed that declining the cashless transaction is not supported by proper information, lack of knowledge made them to resist any kind of change in payment method in their business.

**TABLE 12: BELIEFS ABOUT BENEFITS OF CASHLESS SYSTEM TO THEM**

| | No. of Respondents | Percentage |
|---|---|---|
| **Yes** | 22 | 11 |
| **No** | 178 | 89 |
| **Total** | 200 | 100 |

In the table 12, 89% of the respondents believe that cashless system is not beneficial to them in any way, whereas 11% of them feel it may help them in avoiding bank visit frequently with other benefits.

**TABLE 13: PAYMENT METHOD USED TO CREDIT BANK ACCOUNT**

| | No. of Respondents | Percentage |
|---|---|---|
| **Cash** | 189 | 94.5 |
| **Cheque** | 11 | 5.5 |
| **SMS** | 00 | 00 |
| **On-line** | 00 | 00 |
| **All of the above** | 00 | 00 |
| **Total** | 200 | 100 |

In the above table it is being observed that majority 94.5% of the respondents prefer cash to credit their bank account, where only 5.5% of them even use cheque in their bank transactions.

## INTERPRETATION

Education makes everything possible', developing country like India suffers with many problems such as illiteracy, poverty, lack of knowledge etc. Respondents reaction depict that the concept of cashless transaction or E-banking is not preferred by the fishing women at present and to adopt this system in their daily business awareness can be created by scheduling education programmes.

Based on the above information it could be identified that there are more hesitation and lack information that brings huge gap for usage of cashless system, it seems to be tough for fishing women to adopt the system in coming days. It is observed that mindset of them also hold back them from using any new platform. Authors tried to notice the challenges faced by the fishing women on introduction of cashless economy.

## CONCLUSION

A change into to a cashless economy will depend on a various factor. like, the availability telecom network and security provided by the bank for E-Banking to the customers. People will prefer cashless only when it's easy, quick and safe to make cashless transactions.

There is a need to reduce its dependence on cash as much as possible for transference and efficiency There is a need of transition in users' habits related to online transactions and usage needs to undergo a drastic change. A large part of the population is not in position to reduce the use of cash. Immediate switch to digital transactions to all the sections of population is very difficult. It takes time and effort to transform the mind set to cashless. The digital and physical infrastructure is required to be managed to bring cash equilibrium.

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# INDIA & TAX TREATIES

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## ABSTRACT
*The purpose of this seminar paper is to highlight the influence of DTAA (Double Taxation Avoidance Agreement) on foreign investments in India. India had recently amended its DTAA with Singapore, Belgium and Cyprus so as to plug certain loopholes and this paper focuses on its impact on cross border transactions. Double taxation is considered as one of the major obstacles to the development of international economic relations since the fiscal jurisdiction will be always heavily guarded. Nations are often force to discuss and settle the claims of other means of double taxation avoidance agreements, I order to bring down the barriers of international trade.*

## KEYWORDS
Indian taxing, tax treaties, Double Taxation Avoidance Agreement.

## JEL CODES
F38, K34

## 1. INTRODUCTION
A DTAA is an agreement entered into between two countries in order to avoid taxing the same income twice. Commonly, the two legal criteria for taxability under any tax law are "residence" and "source". As a result of this whenever the resident of a country derives income from a source in another country, he is likely to get taxed in both the countries, i.e. the source country and the country of residence. The double liability is often mitigated by providing bilateral relief which is granted through the aforesaid tax agreements known as tax treaties.

With the advent of globalization and increased growth in international trade and commerce, residents of countries are concentrating on doing business not only in their own countries but also extending their area of operations to other countries. In such a situation the major impact will be on the countries' domestic taxation policy on the economy of another. This has led to assessing and amending a country's tax policies time and again according to the change in other countries. Double Tax Agreements are also known as Double Tax Treaty or Double Tax convention. India had recently amended its' DTAA with Mauritius, Cyprus and Singapore so as to eradicate various inconsistencies existing between these nations.

## 2. OBJECTIVES OF THE STUDY
1. To identify the growing relevance for tax avoidance treaties with the advent of globalisation and increase in international trade
2. To determine the operation of double tax treaties by identifying and applying their main rules on allocation of taxing rights and thresholds for source taxation
3. To note the key features of double tax relief under double tax treaties and model tax conventions
4. To identify the key stages of double tax treaty negotiations
5. To delineate the scope of tax treaties

## 3. RESEARCH METHODOLOGY
The study is based on secondary data. Published and unpublished article, ongoing academic working paper and internet are used extensively as a source of information.

## 4. STRUCTURE OF DTAA
Normally, the articles of DTAA are structured in a standardized manner, although all DTAAs are not identical in nature. Some DTAAs, the OECD model is followed while in some, the Un model is adopted with or without modifications. Articles 1 & 2 and 30 & 31 explain the scope of DTAA determining the persons eligible to access DTAA, taxes covered, period for which the agreement is in operation and termination. Definitions are covered in the Article 3 including general terms used in DTAA such as person, company, national etc., are defined. Article 4 defines resident and lays down tie breaker rule. Article 5 covers the meaning of permanent establishment. Article 24 provides conditions for relief from double taxation to the tax payer. Articles 25 to 29 are miscellaneous provisions dealing with double taxation relief, non-discrimination, EOI, collection of taxes and other related aspects.

### 4.1 PERMANENT ESTABLISHMENT
Article 5 of every DTAA specifically defines a permanent establishment. It means a fixed place of business of an enterprise is wholly or partly carried down. Article 5 (2) stipulates various instances pf PE. PE includes (i) place of management; (ii) a branch; (iii) An office; (iv) a factory; (v) a workshop; (vi) a sales outlet; (vii) a warehouse; (viii) a mine, an oil or gas well; (ix) a quarry or any other place of extraction of natural resources. If business activities involve insufficient economic activity like preparatory or auxiliary activities within the country in which they occur, it will not constitute PE. A place to be considered as a PE needs to fulfil the following criterion:

i. The physical criterion
ii. The subjective criterion
iii. Functional criterion

### 4.2 TIE BREAKER RULE
The status of a person as a resident or otherwise shall be determined in accordance with Article 4 of the DTAA. It is possible that a person is resident in two contracting states in a year as per the domestic law of either country. In such a case, an issue arises as to which country shall be entitle to treat the person as a resident for the purpose of levying tax on income. In such situations the tie breaker rule shall apply on the basis of following criterion in a sequential manner:

i. The place of permanent home
ii. The centre of vital interest – economic and personal interest
iii. The place of habitual abode
iv. Nationality
v. Mutual agreement between contracting states

Only if the tie is not resolved by the first criterion then the second shall be applied. Again, only if the second criteria does not resolve, then the third shall apply and so on.

## 5. CROSS BORDER INVESTMENTS

Cross border investments are happening on a large scale since the implementation of new economic reforms, in terms of inbound investments, non-residents comprising of individuals, various entities including MNCs channelize their investments into India in the form of FDI, FII, FPI, QFI and FVCI. Residents of India making investments outside India by acquiring business or assets form part of outbound investments. On the basis of above mentioned facts, there is a possibility for double taxation of the same income in two jurisdictions.

## 6. TRENDS IN TAX TREATIES

DTTs are aimed at not only avoiding double taxation but it also paves a way for the exchange of tax information between treaty countries. Treaties also serve the purpose of gaining international economic recognition. Thus bilateral treaties prevent double taxation and tax evasion of residence of one country who earn income in another country. There are several merits and demerits pertaining to tax treaties. On the positive side, DTTs serves to standardize taxable income definitions and jurisdiction between treaty countries, where they are useful in clarifying actual income taxability for multinationals and reducing relating ambiguities. On the negative side there may be a cost associated in negotiating and ratifying the treaties. Some treaty provisions might conflict with domestic tax laws, curtailing national fiscal sovereignty. On the controversial side DTTs help in exchange of tax information between authorities. Such transparency may compromise privacy and trade secret protection apart from the desirable consequence of preventing tax avoidance and tax rate shopping. However, it also suggests that countries and governance with lower tax rates may lose their advantage in attracting foreign business after signing a tax treaty.

### 6.1 INDIA AND TAX TREATIES

India has signed DTAAs with 93 countries and limited agreements with 8 countries. It provides for the income that would be taxable in either of the contracting states, depending on the understanding of the nations and conditions for taxing and the exemptions from tax. The Union Government has set a key priority area for fighting the menace of black money stashed in offshore accounts. To further this goal India has either signed or amended International agreements, declarations or conventions for the DTAA and prevention of fiscal evasion with respect to taxes in income and EOI with Mauritius, Cyprus and Singapore during the financial year 2016-17.

### 6.2 TAX RESIDENCY CERTIFICATE

For the purpose of claiming a tax treaty benefit, it is necessary for a person no resident in India to obtain a certificate of it being resident of the other country or specified territory. In this connection, as an additional requirement, the Government of India has notified Form 10F, where in the person has to self-declare prescribed details.

## 7. KEY HIGHLIGHTS OF TAX TREATIES ENTERED INTO BY INDIA DURING THE FINANCIAL YEAR 2017-18

### 7.1 CYPRUS

- The new DTAA provides for source based taxation instead of resident based taxation with respect to capital gains arising from alienation of shares with effect from 1st April 2017.
- Revision of provisions regarding the exchange of information between the two countries in order to bring information exchange in line with international standards
- Tax rate on royalty payments has been reduced from the existing rate of 15% to 10% thereby bringing the tax rate I line with that under Indian tax law
- Declassification of Cyprus as a non-cooperative jurisdiction ratifying previous classification made in November 2013 due to its failure to provide information to the Indian tax authorities
- Scope of the term PE has been broadened under the new amendment

### 7.2 MAURITIUS

- India gets taxation rights on capital gains arising from alienation of shares in accompany resident in India acquired on or after 1st April 2017 and protection of investments made prior to 1st April 2017.
- Tax rates for the transition period from 1st April 2017 to 31st March 2019 will be limited to 50% of India's domestic tax rate. Taxation in India at full domestic rate will take place from financial year 2019-20
- Interest arising in India to Mauritian resident banks will be subject to the withholding tax in India at the rate of 7.5% with respect to debt claims or loans made after 31st March 2017
- Update of EOI, a tool for prevention of fraud or evasion of taxes and assistance in collection in taxes and source based taxation of other income

### 7.3 SINGAPORE

- Source based taxation of capital gains in DTAA will help to curve revenue lose prevent double no-taxation and streamline the flow of investments
- Two year transition period from April 1st 2017 to March 31st 2019 during which capital gains on shares will be taxed in source country at half the normal rate
- Facilitates relieving of economic double taxation in transfer pricing cases as it is tax payer friendly measure and is in line with India's commitments under BEPS action plan
- Enables application of domestic law and measures concerning prevention of tax avoidance or tax evasion

## 8. CONCLUSION

A key motivation for entering into DTTs is the elimination of double taxation so as to increase the flow of FDIs flows. Developing economies that are in need of foreign investments may however be exposed to significant cost from the tax exemptions that are made by entering inti DTAAs. Complementing the Governments effort to plug tax evasion ant tax avoidance and its fight against the black money the recent amendments will help curve revenue laws emerging due to round tripping funds and treaty abuse; prevent double non taxation; streamline the flow of investment and stimulate the flow of EOI. It will also help in increasing transparency in tax matters.

Since the implementation of the amendment in a prospective basis, the economy will soak in short term tremors in the foreign investor community looking at India. Considering the certainty attached to the amended tax regime, India will continue to receive good FDI inflows despite the amendments. The Indian economy is now strong enough to depend on any tax incentivized route and will attract more foreign investments in the long run. Stable environments will auger well for the Indian rupee which would make the tax cost look insignificant.

Lastly, although the amendments may have closed few windows for tax exemptions and black money, impish investors will sooner or later find new routes to counter the steps undertaken by the government. Policymakers would therefore need to reassess the competitiveness of India's taxation system periodically.

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# EFFECTS OF THE MANDATORY ADOPTION OF IFRS ON EARNINGS MANAGEMENT IN QUOTED MANUFACTURING COMPANIES IN NIGERIA

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## ABSTRACT

*Information contained in accounting reports is expected to reflect economic reality because virile economic decisions are based on accounting information. However, accounting reports sometimes, are distorted through earnings management with the aim to deceive users of the reports thereby, making accounting reports to be less dependable. This study examined the effects of the mandatory adoption of the IFRS on earnings management and also, the relationships between earnings management and performance indicators in quoted manufacturing companies in Nigeria. Financial statements for 2011 prepared under Nigerian Statements of Accounting Standards (SAS) and the restated 2011 financial statements using IFRS guidelines were used for the study to ensure effective comparison. In line with previous studies, discretionary accruals were used as earnings management variable, while, leverage, cash flow, growth, return on assets (ROA) and loss were performance indicators. The t-test statistic was used to test the hypothesis on the effects of the mandatory IFRS adoption on earnings management. Multiple regression was conducted to examine the relationship between earnings management and performance. The results showed that there is a significant difference in earnings management between pre and post adoption period of the IFRS in the manufacturing sector of the Nigerian economy. The results also revealed that there was an insignificant relationship between earnings management and the performance indicators before and after the mandatory adoption of the IFRS. It was recommended that regulatory authorities should increase supervision of financial reporting of quoted manufacturing companies in Nigeria.*

## KEYWORDS
IFRS, earnings management, financial performance, discretionary accruals.

## JEL CODES
M41, M42, M48.

## INTRODUCTION

Accounting information enables users of accounting reports to evaluate the performance of the firm in order to have a picture of how well or badly the firm is doing. Managers, therefore, owe it a duty to the various stakeholders especially, investors to prepare accounting reports that express the true and fair view of the business transactions for the period specified. As explained by Fisevora (2011), the information in accounting reports must show the economic reality 'faithfully'.

Sometimes, however, when businesses are doing badly, managers are tempted to use accounting techniques to enhance the apparent performance of the firm in an unjustified way (Jones, 2011). Flexibility in accounting rules allows management of various organizations to determine the direction of accounting reports by adopting accounting policies that serve the interest of management. Jones (2011) states that "managers may wish to use flexibility within accounting practices to serve a range of managerial interests by boosting profits or increasing assets through creative accounting". This is one of the reasons why different accounting information can be generated from the same business data. The adjustment of accounting figures in order to produce a desired earnings is earnings management. Rudra and Bhattacharjee (2012) state that the current idea among accountants, regulators and standard setters is that earnings management is detrimental as it deceives investors and reduces the dependability of financial reporting. Akenbor and Ibanichuka (2012), suggested harmonisation of Generally Accepted Accounting Practices (GAAP) as a means of curbing earnings management. Harmonisation of GAAP has been done by International Accounting Standards Board (IASB) by introducing International Financial Reporting Standards (IFRS) to replace GAAP of different countries.

Nigeria adopted IFRS for quoted companies in the year 2012 thereby making it mandatory for all quoted companies to prepare their financial reports in line with IFRS guidelines from 2012 financial year. Okafor and Ogiedu (2011) found evidence that IFRS have the potential for yielding greater benefits such as better information for equity holders and regulators, enhanced comparability and improved transparency of results than current GAAP, improve business performance management and impact on other business functions apart from financial reporting.

The introduction of IFRS is to improve the quality of financial reporting by providing greater disclosure, thus, improving accountability and transparency. Aker, Giacomino and Bellovary (2007) state that if earnings management is not explicitly prohibited, it means that anyone who uses information on short-term earnings is vulnerable to misinterpretation, manipulation or deliberate deception.

Onalo, Lizan and Kaseri (2014) examined the effects of changes in accounting standards on earnings management in Malaysia and Nigeria, the study, however, focused mainly on the banking industry. In addition, findings by previous researchers on the impact of IFRS on earnings management is contradictory, thereby making study on the subject inconclusive. While Jeno (2011) reported that earnings management reduced after the post-adoption period in Hungary, Xu (2014) found evidence that IFRS adoption did not reduce the level of earnings management but that earnings manipulation is intensified after the adoption of new accounting standards among United Kingdom private firms.

The fundamental objective of this study is to examine the difference in earnings management between pre and post mandatory adoption period of the IFRS in quoted manufacturing companies in Nigeria. The study focuses on the manufacturing sector because the sector is the engines of development for countries as it brings into existence outcomes of scientific discoveries, and also provides employment opportunities for greater number of members of the society.

## CONCEPT OF EARNINGS MANAGEMENT

Earnings management could either be real earnings management or accrual-based earnings management. Doorn (2013) explains earnings management as a manager's choice of accounting policies or actions affecting earnings, so as to achieve some specifically reported objectives. On his part, Jones (2011) explains that managers do also go outside the rule to falsify records or even record fictitious transactions. Nejad, Zeynali and Alavi (2013) describe earnings management as the manipulation of reported earnings that will not represent economic earnings at every point in time. This means that earnings management involves adjustment of earnings to ensure that it reaches a desired level. On their part, Moehrle and Reynolds-Moehrle (2005) state that managers might increase earnings to reach benchmarks rather than reporting a net loss or decline relative to the same quarter of the prior year. These are real earnings management.

Earnings management can also be practiced by accruals. Accrual–based earnings management involves adjustment for earnings through discretionary actions taken by management in bringing some expenses not yet paid for into accounts or excluding certain expenses from the accounts of a particular year although, such expenses may be adjusted for in subsequent years.

In the view of Lev (1989), earnings indicate the extent to which a company has engaged in value-added activities and a signal that helps direct resources allocation in capital markets. Increased earnings represent an increase in company value. Graham, Harvey, and Rajgopal (2005) state that earnings management is an everyday process of corporate governance with excellent management during which management determines a reasonable budget.

Schippers (1989) state that un-managed earnings are noisy measures of a performance, and that managed earnings changes the properties of the noise, such as its amount, bias or variance. This view is supported by Arya, Glover and Sunder (2003) that in decentralized organisations, managed earnings stream can convey more information than unmanaged earnings since a smooth car ride is comfortable and reassures the passengers of the driver's expertise. Chen (2009) however, described earnings management as manipulation of the structure of equations in order to change the financial reporting. In this study, earnings management is liken to drug addiction which usually starts well but ends in disaster.

Whichever way earnings management is defined; it involves adjustment of real numbers either to favour manager's interests or to enhance company's value in the eyes of outsiders. Earnings management is like artist make-up that shows the fake beauty on one hand and ugliness in another.

#### AUDITOR'S ROLE IN EARNINGS MANAGEMENT

Auditors are believed to compromise when they discover earnings management. However, there are specified functions and responsibilities for auditors in the preparation and presentation of accounting reports. In addition, the auditor is limited by the rule of non-divulge of client's information except compelled by the Court. The role of management letters in the auditing procedure is important in this instance. The auditor is required to highlight his view about earnings management practices discovered in the course of audit in the management letter, although, the auditor also has the option of qualifying the audit report. Unfortunately, many users of financial reports do not take the time to read audit report even if it is qualified.

Prior researchers on earnings management, such as Doorn (2013) factored audit firms into their analyses of discretionary accruals. A dummy of 1 is used for the four leading firms usually called the 'big four' and 0 for others. It was suggested that the 'big' four audit firms are independent and will not compromise when earnings management is discovered in the course of their audit. The 'big four' audit firms in Nigeria are Akintola Williams, Deloitte & Touche; Price, WaterHouse, Coopers; Ernest & Young and KPMG Services. In this study, Audit firms were excluded from the analysis as it was found that almost all the quoted manufacturing companies in Nigeria are audited by the 'big four' audit firms as shown in the Appendix.

#### INTERNATIONAL FINANCIAL REPORTING STANDARDS

From 2001, IASB assumed the accounting setting responsibilities by working actively with national standard setters to bring about the convergence of national accounting standards such as Nigerian Statements of Accounting Standards (SAS) and IFRS to high-quality solutions. According to Umoren and Ekwere (2015), as at December 2013, over 150 countries had adopted IFRS. IFRS as principle based standards are designed to apply to the general purpose financial statements and other financial reporting of all profit-oriented entities with specificity at the level of details sacrificed for clarity (BPP, 2012).

IFRS, therefore, requires the use of more professional judgment unlike the rules-based approach of many GAAP. The question is whether this approach has resulted in better quality financial reporting or not. Although Umoren and Ekwere (2015) report that the equity value and earnings of banks are relatively value-relevant to share prices under IFRS than under the previous Nigerian SAS and that earnings per share is incrementally value relevant during post-IFRS period, their study however, focused on the banking industry only. The banking industry is highly regulated than other sectors of the economy. The results may not be applicable to other sectors that are not as regulated.

**On the basis of the above, the following hypotheses are formulated:**

- $H_{01}$: There is no significant difference in earnings management between pre and post mandatory adoption period of the IFRS in quoted manufacturing companies in Nigeria.
- $H_{02:}$ There is no significant relationship between earnings management and financial performance of quoted manufacturing companies in Nigeria before the mandatory adoption of IFRS.
- $H_{03:}$ There is no significant relationship between earnings management and financial performance of quoted manufacturing companies in Nigeria after the mandatory adoption of IFRS.

### PERFORMANCE MEASUREMENT

Operations of companies are not known until being evaluated. There are various indexes used to evaluate the performance of companies. In this study, five of such indicators are used.

#### LEVERAGE

Leverage represents the extent to which external financial assistance have been given to the company in relation to the companies' assets. It is the ratio of total liability of the company to its total assets. The higher the ratio, the lower the claim of ownership of the company by equity owners. Leverage is a veritable reason for the manipulation of accounting numbers. According to Duke and Hunt (1990) as cited in Xu (2014), leverage is a proxy for tightness of debt covenant restraints and the higher the leverage, the higher the probability for the firm to violate debt covenant. Consequently, firms with high leverage have the incentive to manipulate earnings to be favoured. Callao and Jarne (2010) supported this view that higher leverage causes greater earnings management.

#### CASH FLOW

Cash flow represents the actual cash generated from operations of the company. Net cash flow from operating activities as represented in the statement of cash flow is used for this study. Cash flow is included in the study because earnings equal cash flows plus accruals. Earnings are manipulated either through accruals or cash flows, (Liu, 2011).

#### GROWTH

Growth is the increase in the index used for its determination by the company in one year over another year. Growth is a variable used for performance differences. In this study, growth is determined as percentage change in revenue in the year under study over the preceding year revenue. Skinner and Sloan (2002) as cited in Xu (2014) argue that firms that experience growth engage more in earnings management because market have higher expectations for growing firms. Managers in such firms would want to report certain earnings to avoid disappointment from shareholders.

#### RETURNS ON ASSETS

Return on Assets (ROA) is a test of financial profitability of an enterprise. Financial profitability involves generation of revenues and controlling expenses. It is the combination of an ability to make a sale at a price that exceeds the total costs to the business. ROA is measured as a ratio of profit after Interest before tax to total assets. ROA is included because firms that have not been able to generate enough profit to cover the cost of assets may be tempted to engage in earning management.

#### LOSS

The income statements of companies compare revenue against expenses incurred in generating the revenue. The essence is to determine the reward for the efforts of the owners of the company. However, there are times when the expenses are more than the revenue resulting in a loss. Loss is therefore, depletion of equity-owners' fund. Loss incurring companies may want to engage in earnings management so as to impress the equity-owners.

### THEORETICAL FRAMEWORK

#### AGENCY THEORY

One of the features of public limited liability companies is, the separation of ownership from management thereby creating a principal-agent relationship. The central idea behind the principal-agent model is that the principal is too busy to do a given job and so hires the agent and cannot also monitor the agent perfectly. This relationship, most often, results in a conflict of interest. Management may make self-interested decisions and manipulate information on performance through earnings management by presenting figures which the shareholders cannot easily verify (Eisenhardt, 1989). Beattie, Brown, Ewers, John, Manson, Thomas, and Turner (1994) state that 'a basic assumption in positive accounting theory is that agents are rational individuals concerned with furthering their own self-interest'.

**INFORMATION THEORY**

The important attribute of accounting numbers is their information content and it provides useful signals to stakeholders (Schipper, 1989). However, in some business relationships, one party may have information advantage over the other. Information asymmetry occurs when a party to a transaction has information advantage over the other party to the transaction. Vladu and Matis (2010) as cited in Fagbemi, Abogun and Salami (2013) argued that information asymmetry has the potential to explain the multiple incentives found on the financial market to manipulate accounting data and to assess the consequence of such behaviour. Ibiyeomie (2015) posited that information is the greatest asset of any decision-maker whether in business or individual endeavour; an uninformed mind is unusually deformed in decision-making.

## RESEARCH METHODS

**RESEARCH DESIGN**

This study used the quasi-experimental design. This is considered most appropriate since the study evaluates the effects of IFRS on earnings management covering two periods; before and after the mandatory adoption. Asika (1991) states that quasi-experimental design is most appropriate when there is no variation group in the design and the group is compared only with itself.

**DEFINITION OF VARIABLES AND MODEL SPECIFICATION**

Based on prior studies, (Jones, 1991; Scholer, 2005), discretionary accruals is used as earnings management variable which is the dependent variable. Performance indicators employed as independent variables are leverage, cash flow, growth, return on assets (ROA) and loss. The modified Jones model was adopted for this study. Return on assets (ROA) was factored into the model in line with Kothari, Leone and Wasley (2005) modified Jones model.

To estimate discretionary accruals, total accruals using Kothari modified Jones model is first estimated as follows:

$$TAit = \underline{\Delta}\text{Non-cash Current Assets less } \underline{\Delta}\text{Current Liabilities less depreciation} \qquad (1)$$

The next step is to estimate non-discretionary accruals as follows:

$$NDA = \beta_0 \frac{1}{A_{t-1}} + \beta_1 \frac{\Delta REVit}{A_{t-1}} + \beta_2 \frac{PPEit}{A_{t-1}} + \beta_3 ROAi_{t-1} + v_{it} \qquad (2)$$

The last step is to determine discretionary accrual as the difference between total accruals and non-discretionary accruals. The discretionary accruals is used to test hypothesis one. Discretionary accrual model is as follows:

$$DAit = \frac{TA_{it}}{A_{t-1}} - \left[\frac{1}{A_{t-1}} + \beta_0 \frac{1}{A_{t-1}} + \beta_1 \frac{\Delta REVit}{A_{t-1}} + \beta_2 \frac{PPEit}{A_{t-1}} + \beta_3 ROAit\text{-}1 + vit\right] \qquad (3)$$

Where TAit is total accruals for firm i in year t; $\underline{\Delta}$Non-cash current assets is change in current assets less change in cash and cash equivalent; ΔCurrent liabilities is change in current liabilities; NDA is Non-discretionary accruals; and ΔREVit is change in revenue divided by total assets in preceding year; PPEit is net property, plant and equipment divided by assets in the preceding year; ROAit is returns on assets in period t; $A_{t-1}$ is total assets in the preceding year and vit is error term.

In order to test hypotheses two and three, the following regression model was employed:

$$P_{it} = B_o + B_1 Leverage_{it} + B_2 Cashflow_{it} + B_3 Growth_{it} + B_4 ROA_{it} + B_5 Loss_{t-1} + vit \qquad (4)$$

Where $P_{it}$ is the earnings management resulting from absolute value of discretionary accruals in year$_t$, Leverage$_{it}$ is ratio of total liability to total assets in year$_t$, Growth$_{it}$ is percentage change in revenues in year$_t$, Cash flow$_{it}$ is ratio of cash flow from operations in year$_t$ to total assets at the end of the year, ROA is ratio of profit after tax to total assets while loss is represented by 1 if the firm incurred loss in year$_{t-1}$ and 0 if no loss was incurred. The performance variables are used based on their roles in earnings management as explained in the conceptual framework.

**SAMPLE SIZE AND SAMPLING PROCEDURE**

Judgmental sampling was adopted in selecting the companies. Only companies that have adopted IFRS in the year 2012 and have filed their audited accounts with the Nigerian Stock Exchange (NSE) at the appropriate time were selected. A total of 20 companies met our need.

**DATA COLLECTION**

Secondary data was employed for the analysis. Audited financial statements of the companies for the year 2011 prepared under SAS and re-stated financial statements for 2011 prepared using IFRS guidelines were collected from Nigeria Stock Exchange (NSE). A total of 20 companies meet our definition for the analysis. This gives a 40 data year base. The years covered were the years the various companies changed from using SAS rules to using IFRS guidelines.

**METHODS OF DATA ANALYSES**

Descriptive and inferential statistics were employed in answering the research questions. In analysing the effect of IFRS on earnings management before and after the mandatory adoption of IFRS, t-test statistic was carried out on the discretionary accruals for the two periods. Relationships between earnings management and performance were determined using multiple regression and correlation analysis.

## DATA ANALYSES, PRESENTATION AND INTERPRETATION

**HYPOTHESIS 1**

$H_{01}$: There is no significant difference in earnings management between pre and post mandatory adoption period of the IFRS in quoted manufacturing companies in Nigeria.

Based on equation 3, discretionary accruals for the two periods and the t-tests for hypothesis 1 is as presented in the Appendix.

**INTERPRETATION OF RESULTS**

Based on the SPSS results of the t-test, it was found that before the mandatory adoption of IFRS, manufacturing companies in Nigeria had a significantly lower earnings management of -0.437 ± 0.49 at the end of 2011 using Nigerian statements of accounting standards (SAS), compared to the value of -0.875 ± 0.44 at the beginning of 2012 using IFRS. t(19) = 3080, p-value = 0.006. Since the p-value is less than 0.05, the null hypothesis is rejected while the alternative hypothesis that there is a significant difference in earnings management is accepted.

**HYPOTHESIS 2**

$H_{02:}$ There is no significant relationship between earnings management and financial performance of quoted manufacturing companies in Nigeria before the mandatory adoption of IFRS.

Hypothesis 2 was analyzed using multiple regression to examine the relationship between earnings management and performance indicators as stated in equation 4 at 5% level of significance. Results of regression analysis carried out are as follows:

Regression Model 1

$$P_{it} = -.434 + .576Leverage_{it} - .043Cashflow_{it} + .043Growth_{it} - 2.061ROA_{it} - .540Loss_{t-1}$$

The *F-cal* of 0.916 is less than the *F-critical value f(5,14)= 2.96.* (p = 0.499 > 0.05). This shows that performance indicators used in the regression model is statistically insignificant in estimating the variation in the discretionary accruals. Since all the five independent variables are statistically insignificant in relation to discretionary accruals, the null hypothesis (H0) is accepted and it was concluded that there was insignificant relationship between earnings management and performance indicators used in this study in the Nigerian manufacturing sector before the mandatory adoption of IFRS.

**HYPOTHESIS 3**

$H_{03:}$ There is no significant relationship between earnings management and financial performance of quoted manufacturing companies in Nigeria after the mandatory adoption of IFRS.

The results of regression analysis carried out are as follows:

$$P_{it} = -.497 - .110Leverage_{it} - 1.267Cashflow_{it} - 1.323Growth_{it} + .870ROA_{it} + .122Loss_{t-1}$$

The *F-cal* of 1.231 is less than the *F-critical value f(5,14)= 2.96.* ($p = 0.346 > 0.05$). This shows that performance indicators used in the regression model is statistically insignificant in estimating the variation in the discretionary accruals. Since all the five independent variables are statistically insignificantly related to the discretionary accruals, the null hypothesis (H0) is accepted and it was concluded that there was insignificant relationship between earnings management and performance indicators used in this study in the Nigerian manufacturing sector after the mandatory adoption of IFRS

## DISCUSSION OF THE FINDINGS

Based on the analysis of the research hypotheses, the following findings were made:

1. There is a significant difference in earnings management between the period before and after the mandatory adoption of IFRS by quoted manufacturing companies in Nigeria. Earnings management increased from an average of -0.4896 to -0.8750. This indicates that the mandatory adoption of IFRS has given more freedom to managers to engage in earnings management. This is in line with the findings of Xu (2014) that IFRS adoption does not reduce the level of earnings management but that earnings manipulation is intensified after the adoption of new accounting standards among UK private firms. Jeanjean and Stolowy (2008) also empirically found that the pervasiveness of earnings management did not decline after the introduction of IFRS, and in fact increased in France.
2 There is an insignificant relationship between earnings management and financial performance in quoted manufacturing companies in Nigeria before the mandatory adoption of IFRS. This means that performance indicators did not have strong influence on earnings management before the mandatory adoption.
3 There is an insignificant relationship between earnings management and financial performance in quoted manufacturing companies in Nigeria after the mandatory adoption of IFRS. This result indicates that pervasiveness of earnings management in quoted manufacturing companies in Nigeria is not strongly influenced by the performance variables employed in this study. Earnings management is likely to be influenced by other factors apart from leverage, cash flow, growth, ROA and loss.

## CONCLUSION

It can be concluded that there is a significant difference in earnings management between the pre and post mandatory adoption periods of IFRS in quoted manufacturing companies in Nigeria. Earnings management increased after the mandatory adoption of IFRS. It was also revealed that there is an insignificant relationship between earnings management and performance of quoted manufacturing companies in Nigeria before and after the mandatory adoption of IFRS. This suggests that performance indicators used in this study have no strong bearing on earnings management in the quoted manufacturing companies in Nigeria, before and after the mandatory adoption of IFRS.

## RECOMMENDATIONS

Findings from this study call for some recommendations.

1. Regulatory Authorities such as Financial Reporting Council of Nigeria (FRCN) should enforce total compliance with IFRS guidelines.
2. Members of top management of quoted manufacturing companies in Nigeria should be made to hold a minimum percentage of shares in companies they manage. This will reduce the conflict of interest between managers and shareholders.
3. Researchers in Nigeria should consider other performance indicators such as dividend per share, earnings per share and return on equity in examining the relationship between earnings management and performance.

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## APPENDIX

**TABLES**

**TABLE 1: LIST OF COMPANIES SAMPLED AND THEIR AUDITORS**

| COMPANIES | AUDITORS |
|---|---|
| 1ST ALUMINIUM | BDO |
| BERGER PAINTS | Akintola Williams, Delloit & Touche |
| CHEMICAL & ALLIED | PWC |
| DANGOTE CEMENT | Akintola Williams, Delloit &Touche /Zakari |
| DANGOTE FLOUR | Akintola Williams, Delloit & Touche |
| DANGOTE SUGAR | Akintola Williams, Delloit & Touche |
| DN MEYER | Akintola Williams, Delliot & Touche |
| FLOUR MILLS | Akintola Williams, Delloit & Touche |
| GUINNESS | KPMG SERVICES |
| NATIONAL SALT | Akintola Williams, Delloit & Touche |
| NBL | KPMG Services |
| NESTLE | KPMG Services |
| NGC | Akintola Williams, Delliot |
| PAINTS & COATINGS | Olokun-Obafemi |
| PORTLANDS PAINTS | PWC |
| PZ CUSSON | PWC |
| UAC | PWC |
| UNILEVER | PWC |
| VITAFOAM | Akintola Williams, Delliot & Touche |
| VONO | Ernest & Young |

**TABLE 2: PRE AND POST ADOPTION DISCRETIONARY ACCRUALS**

| COMPANIES | PRE-NDA | PRE-DA | POST-NDA | POST-DA |
|---|---|---|---|---|
| 1ST ALUMINIUM | 0.59269585 | -0.553198416 | 1.167621035 | -1.15842436 |
| BERGER PAINTS | 0.477732045 | -0.513386097 | 0.574021548 | -0.780963248 |
| CHEMICAL & ALLIED | 0.299260526 | -0.259827982 | 0.564060282 | -0.506975549 |
| DANGOTE CEMENT | 0.722715472 | -0.81317773 | 1.092581943 | -1.128058203 |
| DANGOTE FLOUR | 0.341808721 | -0.343591127 | 0.672795417 | -0.676667067 |
| DANGOTE SUGAR | 0.478020091 | -0.48580959 | 0.528210586 | -0.548559386 |
| DN MEYER | 0.783316072 | -0.800698767 | 0.748549924 | -0.778792449 |
| FLOUR MILLS | 0.260462754 | -0.054758103 | 0.404164639 | -0.198459988 |
| GUINNESS | 0.655217652 | -0.597330248 | 0.899511021 | -0.841623617 |
| NATIONAL SALT | 0.407617261 | 0.522895053 | 0.788026426 | -1.019702846 |
| NBL | 0.57687956 | -0.6137455 | 0.911689019 | -1.236360296 |
| NESTLE | 0.944973977 | -1.006142555 | 1.192206823 | -1.87730155 |
| NGC | 0.701269428 | -0.631283883 | 0.858454308 | -0.914015684 |
| PAINTS & COATINGS | 0.522766371 | -0.522127806 | 0.467477112 | -0.467027551 |
| PORTLANDS PAINTS | 0.389832126 | -0.389902579 | 0.318688177 | -0.318758629 |
| PZ CUSSON | 0.508249315 | -0.318580873 | 0.535472929 | -0.359308007 |
| UAC | 0.666131544 | -0.733102992 | 1.647431358 | -1.568011236 |
| UNILEVER | 0.703594534 | -0.807288871 | 0.820145847 | -0.929298566 |
| VITAFOAM | 0.646719046 | 1.081427968 | 0.602207369 | -1.442110444 |
| VONO | 0.872638198 | -0.90480363 | 0.916991704 | -0.750351148 |
| **TOTAL** | | -8.744433729 | | -17.50076982 |
| **MEAN** | | -0.437221686 | | -0.875038491 |

PRE-NDA = Pre-Adoption non-discretionary accruals
PRE-DA = Pre-Adoption discretionary accruals
POST-NDA = Post-Adoption non-discretionary accruals
POST-DA = Post-Adoption discretionary accruals

**Detailed Data Analysis of Hypothesis 1**
**T-TEST RESULTS**

**TABLE 3: PAIRED SAMPLES STATISTICS**

| | | Mean | N | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|---|
| Pair 1 | PRE-ADOPTION DAit | -.4372 | 20 | .49175 | .10996 |
| | POST-ADOPTION DAit | -.8750 | 20 | .43664 | .09764 |

**TABLE 4: PAIRED SAMPLES TEST**

| | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|---|---|---|---|
| | | | | 95% Confidence Interval of the Difference | | | | |
| | Mean | Std. Deviation | Std. Error Mean | Lower | Upper | | | |
| Pair 1 PRE-ADOPTION DAit – POST-ADOPTION DAit | .43782 | .63578 | .14216 | .14026 | .73537 | 3.080 | 19 | .006 |

Detailed Analysis of Hypothesis 2

**TABLE 5: DESCRIPTIVE STATISTICS**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| $P_{it}$ | -.4896 | .43683 | 20 |
| LEVERAGE | .5352 | .14339 | 20 |
| CASHFLOW | .1213 | .16148 | 20 |
| GROWTH | .1814 | .15122 | 20 |
| ROA | .1255 | .09233 | 20 |
| LOSS | .2000 | .41039 | 20 |

**TABLE 6: CORRELATIONS**

| | | Pit | LEVERAGE | CASH FLOW | GROWTH | ROA | LOSS |
|---|---|---|---|---|---|---|---|
| Pearson Correlation | $P_{it}$ | 1.000 | .060 | -.242 | -.060 | -.228 | -.262 |
| | LEVERAGE | .060 | 1.000 | .093 | -.012 | -.036 | .282 |
| | CASHFLOW | -.242 | .093 | 1.000 | -.309 | .577 | -.024 |
| | GROWTH | -.060 | -.012 | -.309 | 1.000 | .109 | .059 |
| | ROA | -.228 | -.036 | .577 | .109 | 1.000 | -.437 |
| | LOSS | -.262 | .282 | -.024 | .059 | -.437 | 1.000 |
| Sig. (1-tailed) | $P_{it}$ | . | .401 | .152 | .401 | .166 | .132 |
| | LEVERAGE | .401 | . | .349 | .480 | .441 | .114 |
| | CASHFLOW | .152 | .349 | . | .092 | .004 | .459 |
| | GROWTH | .401 | .480 | .092 | . | .324 | .402 |
| | ROA | .166 | .441 | .004 | .324 | . | .027 |
| | LOSS | .132 | .114 | .459 | .402 | .027 | . |
| N | $P_{it}$ | 20 | 20 | 20 | 20 | 20 | 20 |
| | LEVERAGE | 20 | 20 | 20 | 20 | 20 | 20 |
| | CASHFLOW | 20 | 20 | 20 | 20 | 20 | 20 |
| | GROWTH | 20 | 20 | 20 | 20 | 20 | 20 |
| | ROA | 20 | 20 | 20 | 20 | 20 | 20 |
| | LOSS | 20 | 20 | 20 | 20 | 20 | 20 |

**TABLE 7: MODEL SUMMARY[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | | Durbin-Watson |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change | |
| 1 | .496[a] | .246 | -.023 | .44175 | .246 | .916 | 5 | 14 | .499 | 2.515 |

a. Predictors: (Constant), LOSS, CASHFLOW, LEVERAGE, GROWTH, ROA
b. Dependent Variable: Pit

**TABLE 8: ANOVA[b]**

| Sum of Squares | Df | Mean Square |
|---|---|---|
| .894 | 5 | .179 |
| 2.732 | 14 | .195 |
| 3.626 | 19 | |

a. Predictors: (Constant), LOSS, CASHFLOW, LEVERAGE, GROWTH, ROA
b. Dependent Variable: Pit
Detailed Analysis of Hypothesis 3

**TABLE 9: DESCRIPTIVE STATISTICS**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| Pit | -.8750 | .43664 | 20 |
| LEVERAGE | .5452 | .17272 | 20 |
| CASHFLOW | .1343 | .17782 | 20 |
| GROWTH | .2118 | .21849 | 20 |
| ROA | .1244 | .10567 | 20 |
| LOSS | .2000 | .41039 | 20 |

**TABLE 10: MODEL SUMMARY[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .553[a] | .305 | .057 | .42393 | .305 | 1.231 | 5 | 14 | .346 |

a. Predictors: (Constant), LOSS, GROWTH, LEVERAGE, CASHFLOW, ROA
b. Dependent Variable: Pit

**TABLE 11: ANOVA[b]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 1.106 | 5 | .221 | 1.231 | .346[a] |
| | Residual | 2.516 | 14 | .180 | | |
| | Total | 3.622 | 19 | | | |

a. Predictors: (Constant), LOSS, GROWTH, LEVERAGE, CASHFLOW, ROA
b. Dependent Variable: Pit

**TABLE 12: CORRELATIONS**

| | | Pit | LEVERAGE | CASHFLOW | GROWTH | ROA | LOSS |
|---|---|---|---|---|---|---|---|
| Pearson Correlation | Pit | 1.000 | -.013 | -.196 | -.385 | -.285 | .081 |
| | LEVERAGE | -.013 | 1.000 | .080 | -.167 | -.334 | .273 |
| | CASHFLOW | -.196 | .080 | 1.000 | -.371 | .398 | -.052 |
| | GROWTH | -.385 | -.167 | -.371 | 1.000 | .398 | -.041 |
| | ROA | -.285 | -.334 | .398 | .398 | 1.000 | -.361 |
| | LOSS | .081 | .273 | -.052 | -.041 | -.361 | 1.000 |
| Sig. (1-tailed) | Pit | . | .478 | .204 | .047 | .111 | .367 |
| | LEVERAGE | .478 | . | .369 | .241 | .075 | .122 |
| | CASHFLOW | .204 | .369 | . | .054 | .041 | .413 |
| | GROWTH | .047 | .241 | .054 | . | .041 | .432 |
| | ROA | .111 | .075 | .041 | .041 | . | .059 |
| | LOSS | .367 | .122 | .413 | .432 | .059 | . |
| N | Pit | 20 | 20 | 20 | 20 | 20 | 20 |
| | LEVERAGE | 20 | 20 | 20 | 20 | 20 | 20 |
| | CASHFLOW | 20 | 20 | 20 | 20 | 20 | 20 |
| | GROWTH | 20 | 20 | 20 | 20 | 20 | 20 |
| | ROA | 20 | 20 | 20 | 20 | 20 | 20 |
| | LOSS | 20 | 20 | 20 | 20 | 20 | 20 |

**TABLE 13: COEFFICIENTS[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | | 95.0% Confidence Interval for B | | Correlations | | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. | Lower Bound | Upper Bound | Zero-order | Partial | Part | Tolerance | VIF |
| 1 | Pit | -.497 | .403 | | -1.235 | .237 | -1.361 | .366 | | | | | |
| | LEVERAGE | -.110 | .628 | -.043 | -.175 | .864 | -1.458 | 1.238 | -.013 | -.047 | -.039 | .803 | 1.245 |
| | CASHFLOW | -1.267 | .816 | -.516 | -1.552 | .143 | -3.017 | .484 | -.196 | -.383 | -.346 | .449 | 2.227 |
| | GROWTH | -1.323 | .648 | -.662 | -2.041 | .061 | -2.714 | .067 | -.385 | -.479 | -.455 | .471 | 2.122 |
| | ROA | .870 | 1.532 | .211 | .568 | .579 | -2.416 | 4.156 | -.285 | .150 | .126 | .361 | 2.772 |
| | LOSS | .122 | .265 | .115 | .459 | .653 | -.447 | .691 | .081 | .122 | .102 | .798 | 1.253 |

a. Dependent Variable: Pit

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