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A STUDY ON MANAGEMENT OF CONFLICTS AMONG THE EMPLOYEES IN BUSINESS UNITS OF ANDAMAN & NICOBAR ISLANDS - AN EMPIRICAL ANALYSIS

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J N R MAHAVIDYALAYA

PORT BLAIR

ABSTRACT

Economic development of any country depends greatly on the growth and development of its business units which play an important role in the development of backward areas and in removing disparity. Employees of such sectors are very important and play a vital role in the development of business. However, the employees do have difference of opinion among them and create major issues for the management. In many situations, one person's view does not match with that of others but at the same time the conflict is an inevitable aspect of life and so, is the case of the business units also. The end result of the hard work and contributions is called performance and such performance has direct relationship with the conflict among employees in organizations. Difference of opinion among individuals, among groups of employees, and employees and management etc. The causes are many like political influence, sharing of tangible and intangible resources, issues of ego etc. All these conflicts affect production in business units and the productivity of sincere employees which leads to the closure of business units. This is a very serious issue for the economy of sensitive places like Andaman & Nicobar (A & N) islands. They are to be managed effectively along with their differences of opinions. An attempt has been made by analyzing related data to find out the growth of the business units, causes of conflicts, consequences of conflicts, and the present practice of managing the conflicts. Suitable suggestions are offered to manage the conflict among the employees and to increase the production and productivity in the business units of the A & N islands.

KEYWORDS

HRM, Andaman & Nicobar Islands, management of conflicts.

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INTRODUCTION

Economic development of any country depends greatly on the growth and development of its business units which play an important role in the development of backward areas and in removing disparity. Business in modern society is a complicated one presenting many facets¹. Human resource for such sector is very important and plays a vital role in the development of the business sector. However, sometimes the human resources create one or other some other problems for each other and finally, they become inefficient which affects the business strongly. They are to be managed effectively along with their difference of opinions. Such difference of opinions is called as conflict. It is a situation that one person's view will not match with that of others but at the same time the conflict is an inevitable aspect of life and so, is the case with the business units also. The end result of the hard work and contributions is called performance and such performance has direct relationship with conflict among the employees of organizations.

STUDY AREA

For the present piece of research work, the Andaman and Nicobar Islands (A & N Islands) as one of the union territories was taken as the study area since it is a miniature India. It is situated in the Bay of Bengal and is located between 6° and 14° of North Latitude, and 92° and 94° of East Longitudes surrounded by Burma, Thailand, Malaysia, and Indonesia constitute the most isolated part of the Indian Union, separated from the Mainland of India by vast stretches of sea. These islands comprise two separate groups, namely, the Andaman groups of islands and the Nicobar groups of islands. The seat of administration of this territory is Port Blair, the capital of A & N Islands, which is connected with Kolkata by a sea distance of 1,225 kms, with Chennai by 1,191 Kms, and with Vishakhapatnam by 1,200 Kms. Once it was coined as KALAPANI² (the black water). But now these islands are developing in all the sectors and become green paradise³. These islands are full of resources for business activities and invite entrepreneurs to start the business ventures.

STATEMENT OF THE RESEARCH PROBLEM

Generally, business units play a vital role in the growth and development of any particular place like Andaman and Nicobar Islands. This is because the business units supply all essential goods to the people of these islands. Today people at the work in the organisation are treated as resources comprising of components like knowledge, skill, ability, attitude, aptitude, values, beliefs etc.⁴. The efficiency of the human resources is the basis for the growth and development of the business units namely, trade, commerce, and industry. The success or failure of the business units particularly in these islands fully depends on the efficiency of the employees in general and management in particular, that is, the managerial quality possessed by the manager of the unit. "No human resource means no sales", and "No sales means no business and no business means no life" in these islands. Therefore, employees are very important for the business units. Though there are plenty of opportunities to produce, market, and do business due to the negative conflicts, the business sector could not grow in these islands. Due to the differences of opinions, some sort of negativity in the name of conflict, badly affects business organizations, and thereby, the business units find it very difficult to satisfy the customers. A sales representative, who will be calling on customers, has to have patience, endurance and tolerance⁵. The technique of Customer Relationship Management and Supplier Relationship Management are becoming meaningless. Due to conflict and misunderstanding, a number of problems are arising in business units, and ultimately this affects production and productivity. It is also to be verified through the particular statistical tools. Here, in these islands the business units face problems due to conflicts among the employees. So, in the present study, an attempt has been made to study the causes for the conflicts among employees by tracing the growth of business units in these islands, consequences of such conflicts, and to offer suitable suggestions to solve problems as well as minimize to conflicts.

OBJECTIVES OF THE STUDY

The present study was undertaken with the objectives of tracing growth of business units, to study, and analyze the present conflicts in the business units by testing the hypothesis framed for this purpose, to identify the consequences facing the business units due to the conflicts, and to offer suitable measures to manage and minimize the conflicts in business units with a view to improve their performance.

SCOPE OF THE STUDY

The present study will be helpful in understanding the problems of Human Resource Management in the business units in Andaman Islands. The understanding of the Human Resource Management system, the business structure, their growth and problems will help the Government of India, interested investors and development agencies like the Island Development Authority, the Integrated Development Corporation, etc., in understanding the present status of the industrial,

business, trade and tourism entrepreneurs, and the institutions dealing with them. An understanding of the solutions and suggestions given and the future prospects identified in the present study will help in augmenting the knowledge of academicians and others interested in these aspects in A & N islands.

PERIOD OF THE STUDY

The study covers a period of 7 years from the year 2010 to the year 2017. The research work started in the month of January 2018 and was completed by July 31, 2018. Due to the changing climatic condition, the field work was delayed. The data collected were classified, tabulated, analyzed, interpreted, proved, and presented in the form of the present article.

LIMITATIONS OF THE STUDY

This study suffers from various limitations. The study cannot cover the entire units due to the constraints of resources both technical, personnel, and time at disposal. This is because the islands are located in very distant places and interior places where reaching is really very difficult. Moreover, the climatic conditions are also often changing and hence contacting the respondents becomes very difficult. Hence, attempt has been made to throw light on the character of the employees of the business units through the limited sample coverage. Some business units cannot be included in the sample because of their inaccessibility as they were located in very remote areas of the inter-islands. Thus, analysis in this project work is as good as the data provided by the respondents.

HYPOTHESIS

The hypothesis framed for the present research work is that *the conflicts among the employees in business units do not affect productivity and production.*

METHODOLOGY

In this study to collect the primary data, and to identify the problems, the statistical tools of questionnaire and informal interview were used. The data were collected from the employees through questionnaire and from the employers through informal personal interviews. For this purpose, a sample of 200 employees was selected and questionnaires were distributed. However, only 173 questionnaires were received which were considered for the study purpose. The secondary data was collected from the records of the basic statistics, books, and other published documents, and from elderly persons of different localities. By using the statistical methods, the analysis was done, interpretations were drawn, and the final results are given in this report form.

ANALYSIS

BUSINESS UNITS

In A & N Islands all business units are small in size and scale. Generally, the small businesses have certain unique features, such as flexibility, labour intensive, local area of operation, personal character, and short gestation period. The A & N islands cannot just be compared with the mainland for many reasons like limited transport facilities, remote location etc. The meaning and definition for the business unit for the present research work in the A & N Islands is a service or business enterprise/unit with investment upto Rs. 20 lakhs in fixed assets in the business, excluding land and building,

GROWTH

To trace the growth of business units, data from 2010-11 till 2016-17 was collected. The base year was 2010-11, and the current year has been taken as 2016-17. The growth was calculated over the previous year (PY) and over the base year (BY) This is given in the following table:

TABLE 1: NUMBER OF BUSINESS UNITS IN A & N ISLANDS

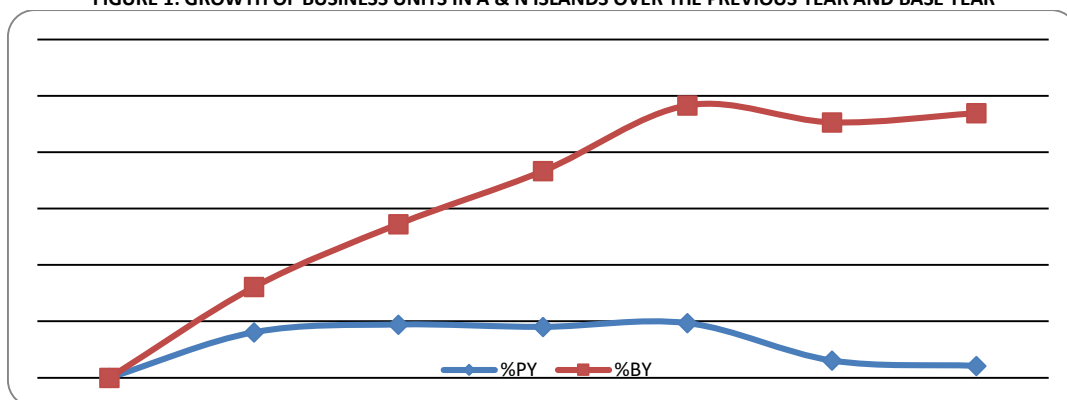
Year	Number of Business Units		% IPY	% IBY
	In this Year	Total		
2010-11	78	2039	0.0	0.0
2011-12	82	2121	04.02	04.02
2012-13	100	2221	04.71	08.92
2013-14	100	2321	04.50	13.83
2014-15	112	2433	04.83	19.32
2015-16	37	2470	01.52	21.13
2016-17	26	2496*	01.05	22.41

Source: Basic Statistics, A & N Administration. * Provisional

Note: %IPY: Percentage Increase over Previous Year; %IBY: Percentage Increase over Base Year

Table 1 shows the growth of business units in A & N islands since 2010-11. It is very clear from the table that the number of business units are increasing but the growth rate is very low. However, the table recorded a gradual growth rate of 04.02% in 2011-12 to 04.83 in 2014-15. However later, the growth rate reduced to 01.52% in 2015-16 and 01.05% in the year 2016-17 over the respective previous years. The growth rate of the business units over the PY is very low. Comparing with the BY, the growth rate of the business units in the A & N islands is excellent since the growth rate is gradually increasing by recording the smooth growth of business units. The growth rate of 04.02% in 2011-12 has been gradually growing to 08.92% in 2012-13, to 19.32 in 2014-15, 21.13% in 2015-16, and 22.41% in 2016-17.

FIGURE 1: GROWTH OF BUSINESS UNITS IN A & N ISLANDS OVER THE PREVIOUS YEAR AND BASE YEAR



CONFLICT

The meaning of the conflict means difference of opinion between persons. It is a situation that one person's view does not match with that of others, but at the same conflict is an inevitable aspect of life, and so is the case of the business units also. Conflict arises from disagreements over goals to attain or the methods used to accomplish these goals. In business organizations conflict among employees and in their interests is inevitable. Conflict is an integral part of life and may occur within the individual, between individuals, between the individuals and a group or between groups. The conflicts may also be developed due to the perceptual

differences of the individuals. Conflicts may also be encouraged by actions, constraints, and demands of the organization and responsibilities to be performed by the worker. There are five⁶ types of conflict namely, conflict within the individual; conflict between individuals; conflict between Groups; and between Organizations. The data were collected on educational levels and experiences and the present system of solving conflicts among employees since these data are very important for the present work.

TESTING THE HYPOTHESIS – CHI- SQUARE TEST

The hypothesis framed for the present study is that conflicts among employees in business units do not affect productivity and production. To test this hypothesis, data was collected from employees regarding whether the production and productivity are highly affected by the conflict among employees or the conflict among employees has no effect on the production and productivity. It was decided to discontinue the analysis of the data if the hypothesis is proved. Also, it was decided to continue the research analysis if the hypothesis is not proved.

TABLE 2: CONFLICT AND PRODUCTIVITY

Conflict & Production	Actual (O)			Expected (E)		
	Yes	No	Total	Yes	No	Total
Production is Highly Affected	98	18	116	78	38	116
No Effect on Production	18	39	57	38	19	57
Total	116	57	173	116	57	173

Applying x² Test

O	E	(O-E) ²	(O-E) ² /E
98	78	400	5.1
18	38	400	10.5
18	38	400	10.5
39	19	400	21.5
Total			47.2

Degree of Freedom is 1. The Table Value for v=1 (Chi- Square) x² 0.05 = 3.84

The calculated value of Chi-Square is higher than the above table value. So, the hypothesis is rejected. So, the conflict among the employees in the business units affects productivity. Hence, the analysis was continued.

Conflict – Sources & Types

There are many sources for conflict like misunderstanding, eagerness to attain or obtain limited resources, ego, over valuation of one’s or self’s status or power etc. Misunderstanding is the first phase of the conflict. This is followed by an eagerness to have all the available materials without giving to anyone. The normal, traditional, and the most common source of conflict is competition for limited resources. Conflict may also be due to competition for intangibles assets such as power, prestige or status. Sometimes, differences in attitude, values, and perception lead to conflicting situations. Diversity of goals may sometimes bring conflict between affected parties. Conflict may be broadly categorized as (a) Intra-personal; (b) Inter-personal; and (c) Group conflicts.

a) Intra-Personal Conflict: These conflicts can occur within an employee, between individuals and groups, and across the organization due to competing roles. Actually, this self generates conflicts that lead to a variety of complications.

b) Inter-Personal Conflict: This is a very serious problem for many people because they deeply affect a person’s emotions. There is a need to protect one’s self-image and self- esteem from damage by others.

c) Group Conflicts: This conflict occurs between different groups, sections of employees, and different departments. The conflict occurs when one party perceives that the other party is frustrated, or is about to get frustrated when accomplishing a goal.

EDUCATION AND EXPERIENCE

Education particularly higher education⁷ has been given a supreme place of special importance because it can provide ideas to the men. Education and experience levels occupy the first position. Education and experience are the major factors that play a vital role in the life of employees and is very much essential for the learning of any job or work. Experience and education are the important work-qualifying factors for everyone, especially employees that determine their skill of labour, ability to tackle problems, and interest in job. Tolerance, understating, adjustability, accountability, responsibilities etc. are more important for the highly experienced persons when compared with freshers. Table 3 gives the education levels and experience levels of employees.

TABLE 3: EDUCATIONAL LEVEL

Educational level	No.	%
Below Metric	81	46.9
Metric	54	31.2
Graduation	16	9.2
Post-Graduation	02	1.1
Diploma	02	1.1
Technical	18	10.5
Others	00	00
Total	173	100

Source: Primary Data 2018

TABLE 4: EXPERIENCE LEVEL

Experience Level	No.	%
Less than 1 year	09	05.2
1-4 years	14	08.1
4-7 years	29	16.8
7-10 years	31	17.9
10-15 years	42	24.3
15-20 years	46	26.5
20 years and Above	02	01.2
Total	173	100.0

Source: Primary Data 2018

As per the analysis of education level in Table No.3, majority, that is, 46.9% of the employees were below metric, 31.2% were metric, 10.5% were technical, 9.2% were graduates, and 1.1% each were post graduates, and diploma holders. According to the analysis of experience level, majority, that is, 26.5% of the employees had experience of 15-20 years. Many employees, 24.3% had worked for 10-15 years, 17.9% had an experience of 7-10 years, 16.8% had an experience of 4-7 years, 8.1% had an experience of 1-4 years, 5.2% had an experience of about less than 1 year, and remaining 1.2% of the employees had an experience of 20 years and above. Table No. 4 gives the experience levels of the respondents. 26.5% of the respondents are having the work experience of 15-20 years; 24.3% are having 10-15 Years; 17.9% are having 7-9 Years; 16.8% are having only 4-7 years and only 01.2% of the respondents are having more than 20 years experience.

POLITICAL INFLUENCE

This is another dangerous factor contributing to the conflicts among employees of the business units. Local politics, party politics, and office politics also affect employees seriously. Table 5 shows political influence.

TABLE 5: EXTENT OF POLITICAL INFLUENCE ON CONFLICTS

S. No.	Particulars	Yes	No	Total	Yes %	No %	Total %
1	Conflicts are due to local politics	26	147	173	15.0	85.0	100.0
2	Conflicts are due to party politics	18	155	173	10.4	89.6	100.0
3	Conflicts are due to office politics	38	135	173	22.0	78.0	100.0
4	Conflicts are not due politics	91	82	173	52.6	47.4	100.0
5	Conflicts are due to individuals	92	81	173	53.2	46.8	100.0
6	Conflicts are due to groups	81	92	173	46.8	53.2	100.0
7	Conflicts are politically motivated	99	74	173	57.2	42.8	100.0
8	Conflicts are not politically motivated	74	99	173	42.8	57.2	100.0
9	Are you member in any association	71	102	173	41.0	59.0	100.0
10	Production highly affected due to conflict	116	57	173	67.1	32.9	100.0

Source: Primary Data 2018

Table No.5 clearly says that majority of the employees (52.6%) had told that no politics or no political influence was involved in the conflicts, 22.0% of the employees told that they were influenced by office politics, 15.0% were influenced by local politics, and the remaining 10.4% of the employees were influenced by party politics. 53.2% of the employees said that the conflict was among the individuals and 46.8% said that the conflict was among groups. 57.2% of the employees said that there were some conflicts in the business organization and environment was politically motivated. The remaining 42.8% said that these conflicts were not at all politically motivated. 41.0% of the employees said that they are the members of different associations and the remaining 59% of the employees told that they do not have any association. 67.0% said that due to the political influenced conflicts in business units, production is highly affected whereas, the remaining 33.0% said that these conflicts do not have any link with the production of the products, thus, saying that they have no effect on production.

TYPES OF CONFLICTS

Table 6 shows the types of conflicts among human resources of business units in A & N islands.

TABLE 6: TYPES OF CONFLICTS

S. No.	Particulars	No.	%
1	Conflict within you	19	11.0
2	Conflict with other individuals	59	34.1
3	Individuals & group	28	16.2
4	Between the groups	62	35.8
5	Between the organization	5	2.9
	Total	173	100.0

Source: Primary Data 2018

As far as the types of conflict prevailing in the Andaman islands, 35.8% of the total employees expressed that conflicts were between groups; 34.1% with other individuals; 16.2% individuals, and groups and 11.0% and conflicts within employees, and 2.9% of the total employees expressed that another type was between organizations.

CAUSES & CONSEQUENCES OF CONFLICT

The following were the main causes of conflict among the human resources in the business units in the A & N Islands.

TABLE 7: CAUSES FOR CONFLICT

Causes of Conflict	YES	%	NO	%	Total	%
Unequal relationships	98	56.6	75	43.4	173	100.0
Disproportionate status	102	59.0	71	41.0	173	100.0
Partiality in treatment	156	90.2	17	9.8	173	100.0
Dependence of common resources	92	53.2	81	46.8	173	100.0
Informational causes	87	50.3	86	49.7	173	100.0
Personal skill & traits causes	103	59.5	70	40.5	173	100.0
Awarding wrong persons	159	91.9	14	8.1	173	100.0

Source: Primary Data 2018

Table No. 7 presents the causes of the conflicts among the employees in the business units. These causes of Unequal relationships (56.6%), Disproportionate status (59.0%), Partiality in treatment (90.2%), Dependence of common resources (53.2%), Informational causes (50.3%), Personal skill & traits causes (59.5%), and Awarding wrong persons (91.9%) are prevailing in A & N islands. Such causes creates a lot of consequences. Table 8 is the shows the consequence of conflict among employees in the business units of A & N islands.

TABLE 8: CONSEQUENCES OF CONFLICT

Consequences of Conflict	YES	%	NO	%	Total	%
Unproductive wages	124	71.7	49	28.3	173	100.0
Increase the differences	133	76.9	40	23.1	173	100.0
Unable to attain business goal	155	89.6	18	10.4	173	100.0
Democratic to autocratic	161	93.1	12	6.9	173	100.0
Hostility increases	101	58.4	72	41.6	173	100.0
Wastage of time	99	57.2	74	42.8	173	100.0
Cut-throat decision making	153	88.4	20	11.6	173	100.0
Less interactions & communication	132	76.3	41	23.7	173	100.0
Loss of profit	169	97.7	4	2.3	173	100.0
Loss of Justice	157	90.8	16	9.2	173	100.0
Leads to the closure of the business	128	74.0	45	26.0	173	100.0

Source: Primary Data 2018

Table No.8 gives the consequences due to the conflicts. The respondents have expressed the consequences of Unproductive wages (71.7%), Increase the differences (76.9%), Unable to attain business goal (89.6%), Democratic to autocratic (93.1%), Hostility increases (58.4%), Wastage of time (57.2%), Cut-throat decision making (88.4%), Less interactions & communication (76.3%), Loss of profit (97.7%), Loss of Justice (90.8%), and Leads to the closure of the business (74.0%) in these islands.

PRESENT SYSTEM OF MANAGING CONFLICTS

As per the information collected, management principles of avoidance, cooperation, compromise, negotiation, and settlement through political parties are being adopted in the business units of the A & N islands. This is given in Table 9.

TABLE 9: PRESENT TOOLS OF MANAGING CONFLICTS

Present Management	No.	%
Avoidance	11	6.4
Cooperation	14	8.1
Compromise	41	23.7
Negotiation	38	22.0
Settlement through political parties	69	39.8
Total	173	100.0

Source: Primary Data - 2018

Table 9 clearly shows the details and the information about the present system of management of the conflicts in the business units. Cooperation respectively. Finally, the minority of the respondents i.e. 6.4% of the employees say that by Avoidance, the conflicts are tolerated whereas 23.7% expressed as the conflicts are settled through the compromise, 22.0% through the negotiation, and 39.8% told that the conflicts are settled through the political parties. This is shown in Figure 2.

FIGURE 2: TOOLS OF MANAGING CONFLICTS



SUGGESTIONS

Due to conflicts among employees in the business units in these islands, the consequences are the loss of profit, shifting of democratic style of management to autocratic style of management, loss of justice, inability to attain the goal, cut-throat decision making among different levels of management, increasing differences of opinions among employees, decreasing interactions, and communication among employees, leading to closure of business, payment of unproductive wages, and wastage of time. Moreover, the test of hypothesis is very clear that the conflicts among employees adversely affect productivity of business units. So, the following measures are suggested to avoid the conflicts and to manage conflicts among employees in the business units of these islands.

- A concrete awareness program should be arranged and held by the business units in the premises of the units. This should be carried out periodically.
- A review meeting is should be conducted at least once in a week and the common problems related to business units should be thoroughly discussed and suitable suggestions are should be found after having clear cut consultation with the employees.
- Compromise system should be adopted by the management. This means that compromise in all directions, that is, compromise between employees, management and employees, groups and individuals, groups and management and the likes.
- Bargaining is another way settling conflicts. It involves having the groups agree about what each will get and give to the other. Since A & N Islands are having heterogeneous population, people of different regions have different opinions. So, bargaining is also one of the suitable methods to manage the conflict.
- Since the employees themselves have agreed that productivity is affected due to the conflict between groups, and groups and individuals, it is easy for them to bring them to meet the management to discuss their differences, and to work out a solution without management’s involvement by creating quality circles.
- Management should also adopt the 14 principles of Henry Fayol and the Principles of scientific management. Equity and Esprit de Corps are to be brought by the management.
- The management, that is, the Board of Directors, Managing Director and managers have to go for intensive training program so that they will understand the meaning of conflict, causes of conflicts, consequences of conflicts, and the strategies to be adopted to manage conflicts.

CONCLUSION

Human resource in business sector is very important and plays a vital role in the development of the business sector. They are to be to be managed effectively along with their difference of opinions called as conflict. This research analytical study with reference to the Andaman and Nicobar Islands brings the effective results of the causes of the conflicts. Suggestions are offered suitable to these islands to settle the conflicts, to increase the productivity, production, optimum utilization of the factors of production etc. Once the impediments are removed and proper strategy and rules are famed in the light of the above findings, the same are very carefully implemented through dedicated managers, with the training, amicable settlements, by adopting the principles of management etc., it is certainly believed that the business units will not have any adverse conflicts and the organizations will be free from the problems of conflicts. The production and the productivity of business units in A & N Islands will increase and they will also contribute their share to the income of the country.

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DETERMINANT FACTORS AFFECTING THE AUDIT QUALITY: A JORDANIAN PERSPECTIVE

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ABSTRACT

The main aim of this study was to determine the factors affecting the audit quality, namely: independence, expertise, number of meetings and size of the audit committee. Independence of auditors is the main basis of public trust in the public accountant profession and it is one of the factors to evaluate the quality of audit service. Expertise is defined as one's skill which is obtained by working regularly. Size of the audit committee and number of meeting held are also other determinants of Audit Quality. The location of this research was companies listed on the Amman Stock Exchange (ASE) (Amman Stock Exchange). Industrial Jordanian firms are selected for this study. Data was collected manually from annual audited reports. Sample firms represented a number of industrial sectors such as electronics, food products, industrial products, telecommunication etc. This study covered the period 2012 to 2017 and therefore offers a contemporary analysis of the influence of audit committee characteristics on financial reporting quality. This paper tests the hypothesis that independence, expertise, size and no. of meetings held by the audit committee affect audit quality. The findings of this research support that independence and expertise affect audit quality and reject that size affects audit quality.

KEYWORDS

auditor's independence, financial expertise, audit quality.

JEL CODES

H83, M42.

INTRODUCTION

Accounting scandals that have been experienced in the last few years have affected the regulator's trust of financial statements'. This scandal and its subsequent results were the main reason for drawing attention towards the quality of financial statements. The notion of financial reporting quality is equivalent to the effectiveness of the external audit process and overseeing the external audit process is the prime responsibility of the audit committees (C. M. Ghafraan, 2013). Audit quality sees as the combined possibility that the external auditor discovers irregularity in financial statements and discloses it to the stakeholders of the financial statements (Rainsbury, Bradbury, & Cahan, 2009). Behn, Choi, and Kang (2008) suggest that higher audit quality contributes to more informative financial information and allows analysts to make more precise estimate of a firm's value. Thus, audit quality adds a significant value to investors in capital markets because they often use audited financial statements by auditors as the main basis for investment decisions (Sudsomboon & Ussahawanitchakit, 2009).

Research suggests that audit committees can strengthen the quality of financial reporting. Firms involved in fraudulent financial reporting are less likely to have an audit committee (McMullen & Raghunandan, 1996). Fraudulent reporting firms are also less likely to have audit committees that are active and independent (M. S. Beasley, Carcello, Hermanson, & Lapides, 2000) or audit committees that are active and have financial expertise (Farber, 2005). Firms with audit committees that are independent and active are also less likely to experience other accounting irregularities (Abbott, Park, & Parker, 2000b; Peasnell, Pope, & Young, 2001). The audit committee characteristics are the potential mechanisms that reduce the agency problem in firms and examining these mechanisms separate from alternate governance mechanisms may have led to varied results in the literature. Mitchell Van der Zahn, Singh, and Singh (2008). showed that the relation between an audit committee and the quality of audit can potentially enhance the quality of financial statements published to the external stakeholders. In response to financial crises, audit committees were established by the Jordanian government in 2008 as part of a series of accounting reforms to improve corporate governance practices, restore investors' confidence in listed companies and promote stock market reform in the country. However, the government's recommendation for the establishment of audit committees was only of a voluntary nature. It was only in 2013 that the establishment of an audit committee was made mandatory for all companies listed on the Amman Stock Exchange (ASE) (Amman Stock Exchange, 2014). To this end, the main purpose of this study is to examine the effect of audit committees on the financial reporting quality in the Jordanian context.

OBJECTIVES OF THE STUDY

- 1- To examine the relationship between audit committee characteristics (including: size, independence, expertise, meetings) on the financial reporting quality in the context of a Jordanian industrial listed firms over the period 2012-2017.
- 2- To explore the level of compliance with the AC characteristics (including: size, independence, expertise, meetings) among Industrial Jordanian listed firms over the period 2012-2017.

HYPOTHESIS

- H₀₁:** There is no relationship between audit committee characteristics – independence, expertise, size and meetings and audit quality in Jordanian corporations.
H₁: There is a relationship between audit committee characteristics – independence, expertise, size and meetings Independence and audit quality
H₀₂: There is no relationship between the level of compliance with the AC characteristics (including size, independence, expertise, meetings) and audit quality in Jordanian corporations.
H₂: There is a relationship between the level of compliance with the AC characteristics (including size, independence, expertise, meetings) and audit quality in Jordanian corporations.

REVIEW OF LITERATURE

Zhang, Zhou, and Zhou (2007) conducted a research on, "Audit committee quality, auditor independence, and internal control weaknesses". This study investigated the relation between audit committee quality, auditor independence, and the disclosure of internal control weaknesses after the enactment of the Sarbanes-Oxley Act. We begin with a sample of firms with internal control weaknesses and, based on industry, size, and performance, match these firms to a sample of control firms without internal control weaknesses. Our conditional logit analyses indicate that a relation exists between audit committee quality, auditor independence, and internal control weaknesses. Firms are more likely to be identified with an internal control weakness, if their audit committees have less financial expertise or, more specifically, have both less accounting financial expertise and non-accounting financial expertise. They are also more likely to be identified with an internal control weakness, if their auditors are more independent. In addition, firms with recent auditor changes are more likely to have internal control weaknesses.

Prawitt, Smith, and Wood (2009) conducted research on the title "Internal audit quality and earnings management" had investigated studies the relation between internal audit function (IAF) quality and earnings management. We measure IAF quality using a composite measure comprising six individual components of IAF quality based on SAS No. 65, which guides external auditors in assessing the quality of an IAF with respect to its role in financial reporting. Earnings management is measured using two separate proxies: (1) abnormal accruals and (2) the propensity to meet or barely beat analysts' earnings forecasts. We find evidence that IAF quality is associated with a moderation in the level of earnings management as measured by both proxies.

Lin and M. Hwang (2010) studied on the title "Audit quality, corporate governance, and earnings management: A meta-analysis". This studies had investigated the effects of various corporate governance and audit quality variables on earnings management, empirical evidence is rather inconsistent. This meta-analysis identifies 12 significant relationships by integrating results from 48 prior studies. For corporate governance, the independence of the board of directors and its expertise have a negative relationship with earnings management. Similar negative relationships exist between earnings management and the audit committee's independence, its size, expertise, and the number of meetings. The audit committee's share ownership has a positive effect on earnings management. For audit quality, auditor tenure, auditor size, and specialization have a negative relationship with earnings management. Auditor independence, as measured by fee ratio and total fee, is also a deterrent to earnings management.

Daniels and Booker (2011) carried out "The effects of audit firm rotation on perceived auditor independence and audit quality". Explored loan officers' perceptions of auditors' independence and audit quality under three experimental audit firm rotation scenarios. We use a case experiment with a between-subjects design to determine whether rotation of the audit firm impacts financial statement users' perceptions of auditor's independence and quality. Findings based on 212 useable responses indicate that loan officers do perceive an increase in independence when the company follows an audit firm rotation policy. However, the length of auditor tenure within rotation fails to significantly change loan officers' perceptions of independence. Findings also indicate that neither the presence of a rotation policy nor the length of the auditor tenure within rotation significantly influences the loan officers' perceptions of audit quality.

Alzoubi (2016) conducted research on the topic "Audit quality and earnings management: evidence from Jordan". Tested the association between audit quality and earnings management (EM). The sample contained 86 companies listed on the Amman Stock Exchange (ASE) from 2007 to 2010. The cross-sectional modified Jones model was employed to measure discretionary accruals as a proxy for EM. The result inferred that EM level is significantly lower among companies using the services of independent auditors.

Onyabe, Okpanachi, Nyor, Yahaya, and Ahmed (2018) carried out research on "Effect of Audit Committee Tenure on Financial Reporting Quality of Listed Deposit Money Banks in Nigeria" examined the effect of audit committee tenure on financial reporting quality of listed deposit money banks in Nigeria. The study uses panel data obtained from the Nigerian Stock Exchange factbooks and the financial statements of 14 listed deposit money banks over a period of 10 years (2007-2016). The study uses cross sectional and time series research design. Financial reporting quality was measured using the modified Jones (1991) model and changes in working capital model, while audit committee tenure was measured as the mean tenure of audit committee members. The data was analyzed using descriptive (mean, standard deviation, minimum and maximum) and inferential statistics (correlation and regression analysis). The study reveals that audit committee tenure has a negative and insignificant effect on financial reporting quality under the two models. The implication of these results is that the tenure of audit committee members is not important when considering the financial reporting quality of deposit money banks in Nigeria. The study therefore concludes that the effect of audit committee tenure on financial reporting quality of deposit money banks in Nigeria is negative and insignificant. Based on this conclusion, the study recommends that further research should be conducted on other audit committee attributes in order to see which of the attributes may have significant effect on financial reporting quality.

FINANCIAL REPORTING QUALITY

DeAngelo (1981a) argued that audit quality depends on the joint probability of an auditor discovering and disclosing a problem in an accounting system. Bradshaw, Richardson, and Sloan (2001) defined audit quality as the willingness to report any material manipulation or misstatements that will increase the material uncertainties and/or going concern problems.

Audit committee size

Audit Committee size is the number of directors serving the committee. According to JCGC, an audit committee established by the board of directors should be composed of not less than three members including the chairman of the committee. (Braiotta Jr, 2000) propose that these recommendations on audit committee size are consistent with the need to increase the executive status of the audit committee.

Audit committee meeting

Audit committee meetings refer to the number of audit committee meetings held annually. Prior research on governance best practices recognize that audit committees need to be diligent in carrying out their duties (Abbott, Parker, & Peters, 2004; Committees, 1999).

Audit committee expertise

AC members typically have responsibility for oversight over FR process as well as corporate disclosures practices (Felo, Krishnamurthy, & Solieri, 2003) so they must possess accounting, financial and auditing expertise. The Blue Ribbon Committee (1999) propose that minimum three audit committee members should be financially literate and at least one of whom has accounting or related accounting and financial management expertise

Audit committee independence

Audit committee independence means the proportion of independent members in the audit committee. Audit committee independence is considered as a main factor used for the improvement of FR quality (J. V. Carcello, Hermanson, & Ye, 2011). According to (Persons, 2005) someone who has no financial and personal relationships with the company and its executives is called independent committee member.

Statistical Tools

To begin with, the descriptive analysis is performed first that includes sample values such as the mean, median and standard deviation as well as skewness and kurtosis of the sample variables. This then follows by the Pearson correlation matrix to investigate the bivariate association amongst the variables. Then OLS multivariate regression technique is employed to examine the relationship between a single dependent variable and various explanatory variables. Prior literature suggests that the sample has to fulfil five fundamental assumptions for the OLS regression analysis to be valid (Chen et al., 2003; Hair et al., 2010). These assumptions include: (1) Normality - The errors (residuals) should be normally distributed (2) Linearity - The relationship between the predictors and the response variable should be linear. (3) Homoscedasticity - The error variance should be constant (4) Independent - The errors associated with one observation should not be correlated with the errors of other observations. (5) Multicollinearity - There should be no exact collinearity among predictors. The literature also highlights that mild violations of these five assumptions are robust and unaffected in many situations (Glass and Hopkins, 1984; Newman et al., 1989). Therefore, the multivariate regression analysis is performed using OLS regression analysis technique. Finally, robust analysis is carried out using yearly predictors and the big and small firms. Various other tests are also performed to check for the multicollinearity and heteroscedasticity. The statistical software SPSS has been used to conduct the above statistical analysis.

Sampling

The population for the study consists of Industrial firms listed on the Amman Stock Exchange. As the period of selection for this study was 2012 – 2017, this study includes only those companies that existed throughout this period. The ASE database automatically generates a list of only those companies which are still in operation, discarding all those companies which are either dead, merged or not in operation for any other reason.

Measurement of Dependent Variables (Audit Quality)

In view of the multi-dimensional nature of the term 'audit quality' and the various definitions provided in the review of the literature to gauge audit quality, this study explores the two key aspects of audit quality, auditor effort and auditor independence, by employing the measure namely audit fee ratio. Appropriately structured audit committees have the potential to improve both the quality of companies' financial reporting, as well as ensuring the independence of the statutory external audit. The provision of higher quality audit adds additional costs to the audit firm and consequently these costs are passed on to the client. The signalling hypothesis provides the linkage between the audit quality and audit fee. Consequently, this study extracts the audit fee amount from the company's annual financial statements and utilises it as the first proxy to measure audit quality.

Measurement of Independent Variables

This study uses a number of variables to proxy for audit committee characteristics. It is possible since current governance disclosures in the Jordan make explicit recommendations in relation to specific audit committee characteristics (i.e. size, independence, meeting frequency and expertise) and also require details of compliance with these recommendations to be disclosed in the annual report (ASE, 2017). Consequently, this study utilises these disclosures to construct the key independent variables necessary for this investigation. The main independent variables of interest and their measurement constructs are as follows.

Audit Committee Size

Audit committee size is a continuous variable and is measured in absolute terms. The information on the audit committee size was collected by hand using corporate governance section of annual reports of each company.

Audit Committee Expertise

The essence of audit committee expertise is captured using governance expertise. Audit committee's financial expertise is a continuous variable, measured as the proportion of audit committee members with overall financial expertise. The notion of overall financial expertise is measured using the current definition of financial expertise which includes members with work experience as a certified public accountant, auditor, chief financial officer, financial comptroller or accounting officer. This also includes members with work experience such as an investment banker, financial analyst, or any other financial management role and/or a chief executive officer, chairman or company president. This suggests that the term financial expertise could entail the accounting and finance expertise, as well as an expertise in the preparation of financial.

Audit Committee Independence

Audit committee independence is a continuous variable, measured as the proportion of audit committee members declared as independent by the board. According to the Jordanian corporate governance codes 2010), 'A non-executive director is considered independent when the board determines that the director is independent in character and judgement, and there are no relationships or circumstances which could affect, or appear to affect, the director's judgment'.

Audit Committee Meetings

Audit committee meetings is also a continuous variable, measured as the number of audit committee meetings held for the whole year. The information on audit committee meetings was handpicked and collected using the corporate governance section of the annual report of each company.

Empirical Research Models and Tests

This study utilises empirical proxy to test the hypotheses set out for this study. The proxy, i.e. audit fee ratio, investigate the association between audit committee characteristics and audit quality.

Audit Committee Characteristics and Audit Quality Model:

This stage of the study utilizes the empirical models that makes use of the corresponding variables containing the absolute values for each of the four audit committee characteristics currently recommended as best practice for Jordanian listed companies (ASE, 2017)(Jordan Corporate Governance Codes). The empirical model testing the relationship between the audit committee characteristics and audit quality using audit fee ratio as proxy to measure audit quality is as follow.

Audit Fee Model

Model: $\text{LOG}(\text{AF}) = \beta_0 + \beta_1\text{ACSIZE} + \beta_2\text{AC\%IND} + \beta_3\text{ACMEETINGS} + \beta_4\text{AC\%FINEXP} + \epsilon$.

Dependent variable:

1 – LOG (AF) = the natural log of audit fee and

Independent variables:

AC Size = number of audit committee members;

AC Meetings = Number of audit committee meetings held during the year;

AC % Ind = Percentage of audit committee members who are independent non-executive directors;

AC % Fin Exp = Percentage of audit committee members who are financial experts.

DATA ANALYSIS AND INTERPRETATION**DESCRIPTIVE STATISTICS****TABLE 1: OVERALL DESCRIPTIVE STATISTICS OF THE AUDIT COMMITTEE CHARACTERISTICS FOR 10 INDUSTRIES FOR THE ENTIRE PERIOD OF STUDY**

Statistics	Independence	Expertise	meetings	size	Audit_fees
Mean	0.49	0.26	3	2	12540
Median	0.67	0.33	4	3	8000
Standard Dev.	0.277042	0.206492	1.812448	1.244626	14209.11
Kurtosis	-0.75293	-0.54563	-0.88796	-0.04637	11.90099
Skewness	-1.03264	0.169386	-0.79744	-1.31025	3.381805
Minimum	0.00	0.00	0	0	800
Maximum	0.67	0.75	6	5	81200
Sum	160.40	86.93	981	785	4138242
Count	330	330	330	330	330

The above Table 1 shows the overall mean, standard deviation, kurtosis and Skewness. The results of the analysis of the data showed that on an **average**, the industries in the sample have an independence value of 0.49 over the entire period of study of six years. The mean of Expertise for the entire period is 0.26, meetings is 3, size is 3 and Audit_fees is 12540.

Standard deviation is a number used to tell how measurements for a group are spread out from the average (mean), or expected value. A low **standard deviation** means that most of the numbers are very close to the average. A high **standard deviation** means that the numbers are spread out. A **standard deviation** close to 0 indicates that the data points tend to be very close to the mean (also called the expected value) of the set, while a **high standard deviation** indicates that the data points are spread out over a wider range of values.

The standard deviation for the entire data including all 10 industries under study for independence is 0.2770, Expertise is 0.2065 the low value indicates that most of the values are very close to the mean. However, the high values of standard deviation for meetings is 1.813, Size is 1.245 and Audit_Fees is 14209.11 which indicates that the data points are spread out over a wider range from the mean.

The number of meeting held varied from 0 to 6 and there was no consistency in the number of meetings held during the years. Hence there was a high value of standard deviation. Same was observed with the variable size of the audit committee.

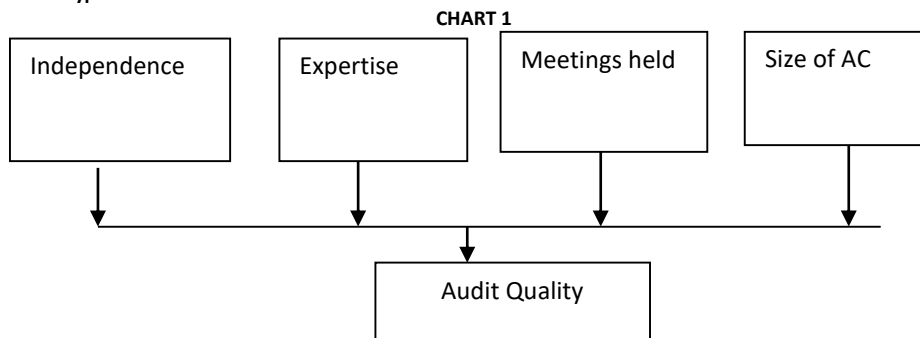
Skewness is a measure of the symmetry in a distribution. It measures the amount of probability in the tails. The value is often compared to the kurtosis of the normal distribution, which is equal to 3. If the kurtosis is greater than 3, then the dataset has heavier tails than a normal distribution (more in the tails).

As a general rule of thumb: If skewness is less than -1 or greater than 1, the distribution is highly skewed. If skewness is between -1 and -0.5 or between 0.5 and 1, the distribution is moderately skewed. If skewness is between -0.5 and 0.5, the distribution is approximately symmetric.

The value of kurtosis for the entire data set is independence (-1.0326), Expertise (0.1694), meetings (-0.7974), Size (-1.3103) and Audit_Fees (3.382) respectively which is much lower than the kurtosis of the normal distribution (3.0). It can be inferred from the above values that the dataset has lighter tails than a normal distribution. Only the value for Audit_Fees (3.382) is greater than 3.

The skewness values of independence (-0.7529), Expertise (-0.5456), meetings (-0.8880), Size (-0.04637) and Audit_Fees (11.901) respectively all less than -1 and greater than 1 which indicates that the distribution is highly skewed for the entire data set.

Frame work adopted to test the hypothesis:



Validity Testing

The purpose of validity testing is to know how far the instruments measure correctly and accurately. Validity testing used product moment correlation with the criterion of acceptance as the following:

The item of data is valid if $r_{\text{statistic}}$ is higher than r_{table} (critical value) at degree of freedom 95% ($\alpha = 0.05$).

Reliability Testing

The purpose of reliability testing is to examine the consistency of the data. In this research the reliability is measured by the internal consistency approach, that is, the concept stressing on the consistency between items of data collected. SPSS software gives the facility to analyze this test using Cronbach's Alpha. A construct or variable is reliable if the Cronbach's Alpha is more than 0.6 (Ghazali 2006). After all instruments were tested on validity and reliability, the classical assumption of multiple linear regression was tested for the following aspects.

Statistical Test Result of Validity and Reliability Testing:

TABLE 2 (A): RELIABILITY STATISTICS

	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Independence	.055	.874
Financial_Expertise	.250	.874
Meetings	.125	.874
Size	.092	.874
Audit_fees	.965	.848
Overall of all variables	.273	.870

TABLE 2 (B): OVERALL RELIABILITY STATISTICS

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.873	.935	38

Interpretation

The results of all correlation coefficients for all items have total scores of 0.273 which is more than 0.244 (critical value), thus all data in this research are valid. While the result of reliability testing using Cronbach's alpha for independence is 0.874; Financial_expertise is 0.0.874; meetings is 0.0.874; size is 0.874 and the audit fees is 0.848. It means that all values of Cronbach's alpha are more than 0.6. Thus all data are reliable.

Hypothesis Testing

There is one dependent variable correlated to four independent variables. Therefore, data was analyzed based on multiple linear regression, with the following equation:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Explanation : Y = audit quality a = value of Y if X1,X2,X3,X4 = 0 b1,b2, b3,b4= coefficients of regression X1 = independence X2 = expertise X3 =meetings, X4=size, e = residual value

Multicollinearity is a condition in which one or more independent variables are in a linear contribution with other independent variables. It means that one or more independent variables correlate with other independent variables. Multicollinearity testing can be analysed from variance inflation factor (VIF), in which if VIF is less than 10, there is no multicollinearity.

Audit_Fees (Dependent Variable)

TABLE 3 (A): VARIABLES ENTERED/REMOVED^a

Model	Variables Entered	Variables Removed	Method
1	Size, Independence, Meeting, Expertise ^b	.	Enter

a. Dependent Variable: Audit_Fees

b. All requested variables entered.

TABLE 3 (B): 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	.530 ^a	.281	.229	4752.9822	.281	5.372	4	55	.001	.386

a. Predictors: (Constant), Size, Independence, Meeting, Expertise

b. Dependent Variable: Audit_Fees

From the above regression analysis shown in table 3(b), the value of R (represents simple correlation) obtained is 0.530 which indicates moderate correlation and R Square value is 0.281. Further the adjusted R square value was found to be 0.229 which indicated that there was a contribution of 22.9%. The value obtained for

standard error of estimate is 4752.9822 and the value of comparison of coefficient of determination and Durbin – Watson statistic based on the first difference level of data is 0.386

The Durbin Watson (DW) statistic is a test for autocorrelation in the residuals from a statistical regression analysis. The Durbin-Watson statistic will always have a value between 0 and 4. A value of 2.0 means that there is no autocorrelation detected in the sample. Values from 0 to less than 2 indicate positive autocorrelation and values from 2 to 4 indicate negative autocorrelation.

The Durbin-Watson statistic obtained is 0.386 (nearer to 0) which is between 0 and less than 2 and therefore the data is positively auto-correlated.

Interactions in regression- An interaction is the combined effect of two independent variables on one dependent variable. Interactions in SPSS must be calculated before including in a model.

Regression ANOVA

Analysis of variance (ANOVA) is a collection of statistical models used to analyze the differences among group means and their associated procedures (such as “variation” among and between groups), which was developed by statistician and evolutionary biologist Ronald Fisher

TABLE 3 (C): ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	485445538.043	4	121361384.511	5.372	.001 ^b
	Residual	1242496832.890	55	22590851.507		
	Total	1727942370.933	59			

a. Dependent Variable: Audit_Fees

b. Predictors: (Constant), Size, Independence, Meeting, Expertise

This table indicates that the regression model predicts the dependent variable significantly well. The "Regression" row and the "Sig." column, indicates the statistical significance of the regression model that was run. Here, $p < 0.001$, which is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable (i.e., it is a good fit for the data).

In regression ANOVA, the value of F obtained is 5.372 which greater than the critical value 3.65 and also $p=0.001$ is less than $p=0.05$ and thus is highly significant.

The **Coefficients** table provides us with the necessary information to predict the relationship between the dependent variable and the audit committee characteristics (Independence, Expertise, Meeting and Size), as well as determine whether Independence, Expertise, Meeting and Size statistically significantly to the model (by looking at the "Sig." column). Furthermore, we can use the values in the "B" column under the "Unstandardized Coefficients" column, as shown below:

TABLE 3 (D): COEFFICIENTS^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-43.726	4231.893		-.010	.992		
	Independence	5087.217	6067.614	.101	.838	.405	.895	1.117
	Expertise	8911.587	8889.092	.198	1.003	.320	.336	2.978
	Meeting	1320.773	869.124	.230	1.520	.134	.568	1.760
	Size	1345.481	1479.150	.177	.910	.367	.343	2.912

a. Dependent Variable: Audit_Fees

To present the regression equation as:

$$\text{Audit Fee} = \beta_0 + \beta_1 \text{AC\%IND} + \beta_2 \text{AC\%FINEXP} + \beta_3 \text{ACMEETINGS} + \beta_4 \text{ACSIZE} + \epsilon$$

$$= -43.97226215 + 5087.658242 * \text{AC\%IND} + 8911.780094 * \text{AC\%FINEXP} + 1320.742738 \text{ACMEETINGS} + 1345.49325 \text{ACSIZE} + \epsilon$$

RESULTS OF HYPOTHESES TESTING

First hypothesis states that independence, expertise, size and meetings affect audit quality simultaneously. From the result of F-test, it is known that the calculation of F results in 5.372 with the probability value of 0.001 which smaller than α (0.05). This value is compared with the value on the F table (critical value), i.e., 2.76. Since Fstatistic (5.372) is higher than that of critical value (2.76), and also the probability value of 0.001 is smaller than α (0.05), the first hypothesis in this research is accepted.

Hypothesis 2

The Board of Directors should establish an Audit Committee to Review financial statements and ensure that management adequately develops and adheres to internal controls and accounting policies. The Internal Audit Department’s conclusions are to be evaluated on a regular basis. As per Jordanian Companies Law it is mandatory for the audit committee to hold **meetings** four times in a year.

When industries under review were studied, it was found that some of them did not meet four times in a year. This proves non-compliance with the first AC characteristic Meetings. When the financial statements of the companies are being audited, true and fair disclosure of the operations and transactions of the companies are expected to be followed. An auditor who is appointed by the company must be given freedom to report the actual condition of the firm. Hence, the concept of auditor’s **independence** comes into picture. But, disclosure on boards and committees’ meetings about the activities of the companies is very limited, and reports do not unveil whether governing bodies are playing a strategic role on a company’s performance. The same was found in the study. Hence, null hypothesis (There is no relationship between the level of compliance with the AC characteristics (including size, independence, expertise, meetings) and audit quality in Jordanian corporations) was accepted.

CONCLUSION

Based on the result of analysis using multiple linear regression independence, expertise, size and meetings affect audit quality simultaneously. It means that when an auditor has independence, expertise and size simultaneously; audit quality improves.

The finding on this research, in which independence affects audit quality, is in accordance with Alim (2007). De Angelo (1981) as well agrees to this finding as he states that independence is an important factor affecting audit quality, beside the technical competence of the auditor. This finding is also in accordance with Defond et al. (2002), Geiger and Raghunandan (2002), and Dang (2004). The rationalization of this finding is because independence is the corner stone of the audit profession. Therefore, when an auditor behaves more independently, the quality of audit improves.

This research shows that experience affect audit quality. This result is concurrence to Kolodner’s argumentation (1996) in which she explains that experience is one of important factors to improve quality in doing a job. On the other hand, this finding is contrary with Ashton (1990) who argues that experience is not directly related to the quality of audit job, because sometimes it is difficult to learn in a limited time when doing accounting and audit activity.

Thus like another prior research, this research found that Independence, expertise, size and meetings affect audit quality simultaneously.

This research can contribute to arguments on similar ideas that may be used by anybody interested in this issue, particularly for the auditors so that they can improve the quality of audit jobs. An auditor should always keep and improve independence and expertise because both factors affect audit quality.

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A STUDY OF CONSUMER PREFERENCES TOWARDS BATHING SOAP MARKET IN NAGPUR CITY**Dr. SNEHAL GODBOLE****ASST. PROFESSOR****Dr. AMBEDKAR INSTITUTE OF MANAGEMENT STUDIES & RESEARCH****DEEKSHA BHOOMI****ABSTRACT**

With change in time lot of things have changed over a period of time. The consumers who were not that conscious about discretionary products have started paying lot of attention on the features and the attributes that a particular product is providing. With more and more youth coming into the scene who are more skin conscious than other factors have change the face of the industry. But still a larger population is in the rural area and their attributes of selection are all together different. So there is wide scope for consumer research. as the consumers taste, consumers likes, consumers preferences etc., change often because of financial, psychological, sociological and some other factors. The present study would help the company to know the satisfaction of the respondents towards bathing soap and various soap brands and how potential target of the market must be matched with marketing mixes and then best attractive strategies to be chosen for implementation. The companies would be in a better position to make and utilize their marketing strategies to gain more and more customers.

KEYWORDS

discretionary products, consumer's preferences, marketing mixes, marketing strategies.

JEL CODES

M30, M31.

INTRODUCTION

The Indian FMCG sector with a market size of US\$13.1 billion is the fourth largest sector in the economy. A well-established distribution network, intense competition between the organized and unorganized segments characterizes the sector. The market is estimated to grow to US\$ 100 billion by 2025, according to market research firm Nielsen. In the last decade the FMCG sector has grown at an average of 11% a year; in the last five years, annual growth accelerated to 17%. The FMCG Industry is characterized by a well-established distribution network, low penetration levels, low operating cost, lower per capita consumption and intense competition between the organized and unorganized segments. The fast moving consumer goods (FMCG) segment is the fourth largest sector in the Indian economy. The market size of FMCG in India is estimated to grow from US\$ 30 billion in 2011 to US\$ 74 billion in 2018. India is a vast country with a population of 1,030 million people. Household penetration of soaps is 98%. People belonging to different income levels use different brands, which fall under different segments (see table below), but all income levels use soaps, making it the second largest category in India (detergents are number one). Rural consumers in India constitute 70% of the population. Rural demand is growing, with more and more soap brands being launched in the discount segment targeting the lower socio-economic strata of consumers.

LITERATURE REVIEW

Neha Joshi "A Study on Customer Preference and Satisfaction towards Restaurant in Dehradun City" talks about the changing habits of the customers towards their choices and the industries must achieve the service quality that surpasses the expectations of the customers however the satisfaction may be influence by various attitudes from internal, external factor. In his research paper Thiyagaraj. V. "A Study of Consumer Preference towards Branded Tea in Tiruppur City speaks about offerings by different companies and how the customers rank these bundles of goods according to the price levels of utility they give the consumer. Dr M Nishad Nawaz & Ms Wafa Yaqoob Ali Alajmi BS," A Study on Consumer Preferences for E Shopping with reference to Bahraini Consumers" observed that Different parts of the people have similar tastes, perceptions, styles and accessibility and which factors plays an important role in selection of specific product. Mr. S. Madhan Kumar M.B.A M.Phill, Mr. V. Sathish Kumar "A Study on Consumer Preference and Satisfaction towards Laptops with Special Reference to Erode" had observed that how the consumers are choosing their laptop with various opinion like accessibility of the product, assurance of the product, service of the product, user friendliness of the product, technical support of the product, quality of the product, etc. and how these factor affect their buying habits V. Anojan & T. Subaskaran "Consumer's Preference and Consumer's Buying Behavior on Soft Drinks: A Case Study in Northern Province of Sri Lanka" in his study observed that how potential target of the market must be matched with marketing mixes and then best attractive strategies to be chosen for implementation. Ms. M.Gomathi Ms.R.Gomathi, A" Study On Consumer Preference Towards Selected FMCG Personal Care Products In Erode Town, Tamilnadu" observed that In today's scenario, Consumer is the king because he has got various choices around him. If you are not able of providing him the desired result he will definitely switch over to the other provider. Therefore, to survive in this competitive competition, you need to be the best. Dr. S. Subadra (2010) on their study "Consumer Perceptions and Behaviour: A Study with Special Reference to Car Owners in Namakkal District" reviewed that the market is now predominantly consumer driver. The focus is shifting for product based marketing to need based marketing. Consumer is given many options to decide.

OBJECTIVES OF THE STUDY

1. To study the consumer perception towards bathing soaps.
2. To study the awareness regarding various brands of soap.
3. To identify the factors considered before buying bathing soap.
4. To identify the product having best range of prices, attractive packaging and easy availability

NEED OF THE STUDY

Due to the entry of many players in this sector there is a need to determine the consumer perception towards the bathing soap. What are the various parameters that are taken into consideration when a bathing soap is bought? This will give the manufacturers some insight as to the manufacturing and marketing aspect of it.

SCOPE OF THE STUDY

There is wide scope for consumer research. As the consumers, taste, likes, preferences etc., change often because of financial, psychological, sociological and some other factors. The present study would help the company to know the satisfaction of the respondents towards bathing soap and various soap brands. The companies would be in a better position to make utilize of their marketing strategies to gain more and more customers.

HYPOTHESIS

- a) Significant number of respondents perceives that price has no effect on the purchase behaviour.
- b) Significant number of respondents perceives that quality parameter has no effect on the purchase behaviour.

RESEARCH METHODOLOGY

1. **Research design:** In this study Descriptive research design is used.
2. **Data collection:** Data has been collected both from primary and secondary sources.

Primary- Questionnaire

Secondary- internet, magazines

3. **Sample size:** 100 respondents from across all demographics in Nagpur
4. **Sampling technique:** Convenient sampling and Random sampling.
5. **Sample area:** Nagpur city
6. **Limitations of the study:**

- This study is done in Nagpur city hence it is applicable only in this particular region and not elsewhere.
- Time frame of this study was limited. The result could be different if the time frame would have been long.
- Sometimes some respondents were not in full mood to give the answers to the questions so some of the answers may not be exact.
- The sample size considered here is not enough big to apply the findings of the study to the entire country.

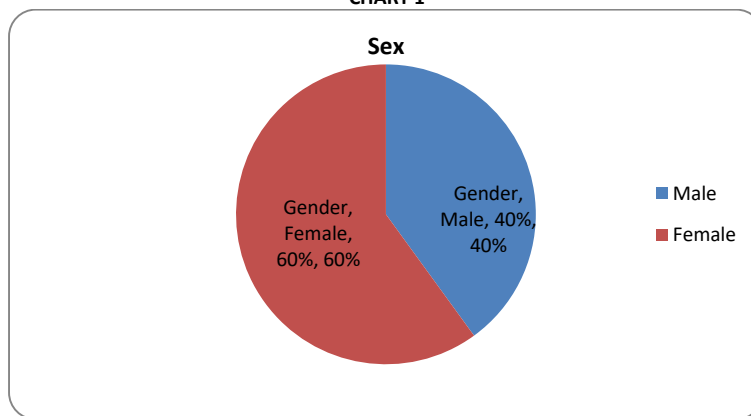
DATA ANALYSIS

Personal Information

TABLE 1: GENDER OF RESPONDENTS

Gender	Respondents	Percentage
Male	40	40%
Female	60	60%
Total	100	100

CHART 1

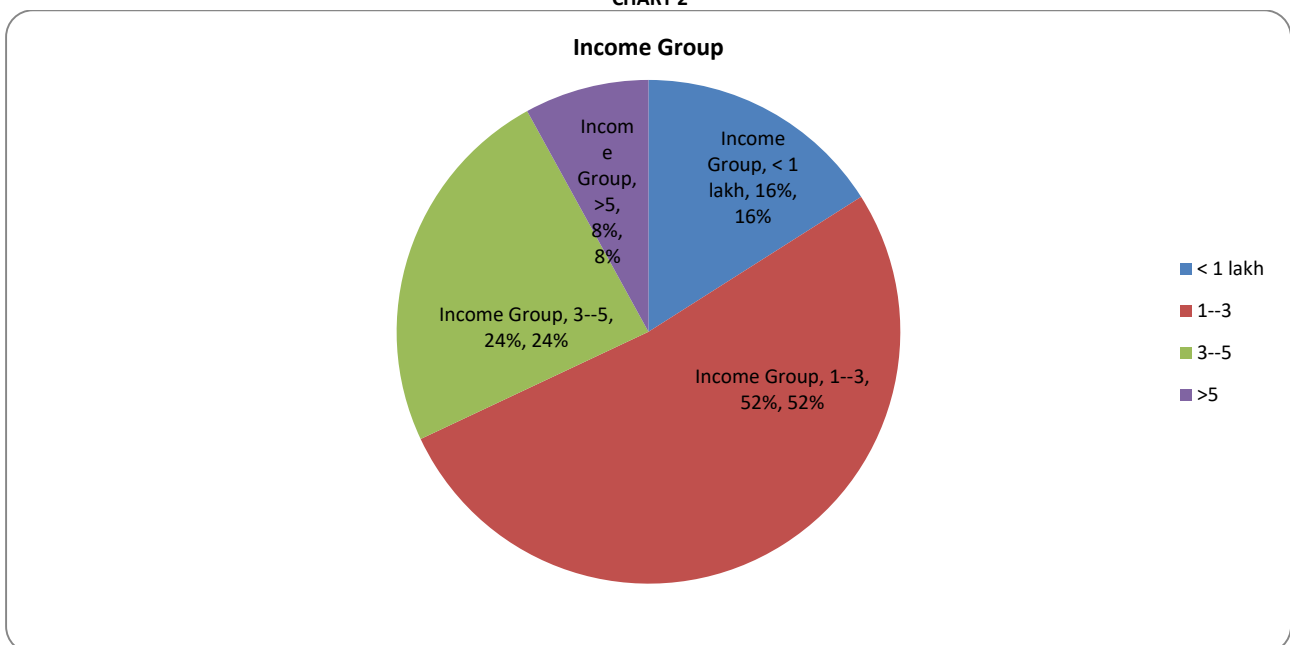


Interpretation: The above chart shows that 60% respondents are female, and 40% respondents are male. As females are the one who make the choices of the products which is to be bought for their family.

TABLE 2: INCOME GROUP

Income Group	Respondents	Percentage
< 1 lakh	16	16%
1--3	52	52%
3--5	24	24%
>5	8	8%
Total	100	100

CHART 2

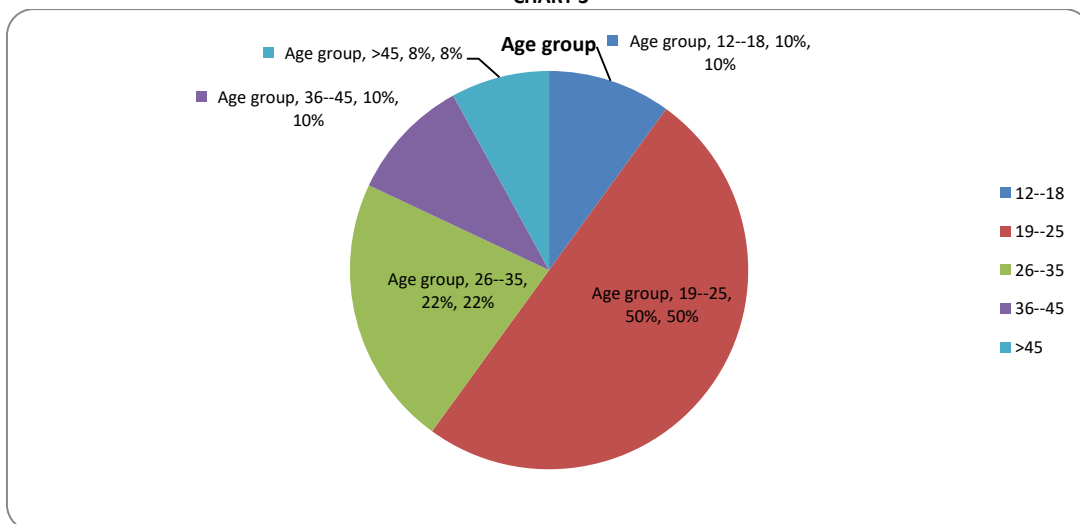


Interpretation: The above chart shows that 52% respondents are in the 1 to 3 lakh income group level, 24% respondents in 3 to 5 income level, 16% are less than 1 lakh and 8% respondents are greater than 5 lakh. All income groups have different perception and spending habits which allows the industry to have wide range of products.

TABLE 3: AGE GROUP OF THE RESPONDENTS

Age group	Respondents	Percentage
12--18	10	10%
19--25	50	50%
26--35	22	22%
36--45	10	10%
>45	8	8%
Total	100	100

CHART 3

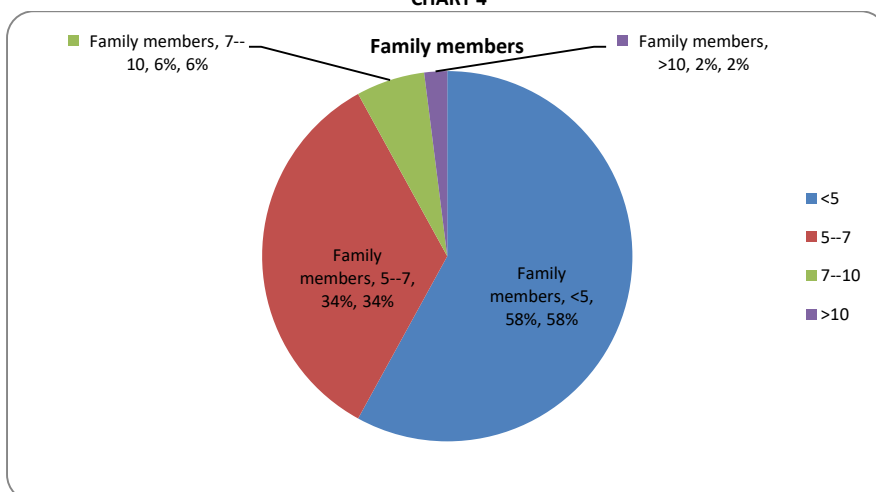


Interpretation: The above chart shows that 50% respondents are in the range of 19 to 25 age group, 22% respondents are in 26 to 35 years of age, 10% respondents are in 36 to 45 years of ages, 8% respondents are in the age of greater than 45 year old, and 10% respondents are in 12 to 18 year of age. As the new customers are now much more aware and cautious among which are young people.

TABLE 4: NUMBER OF FAMILY MEMBERS

Family members	Respondents	Percentage
<5	58	58%
5--7	34	34%
7--10	6	6%
>10	2	2%
Total	100	100

CHART 4

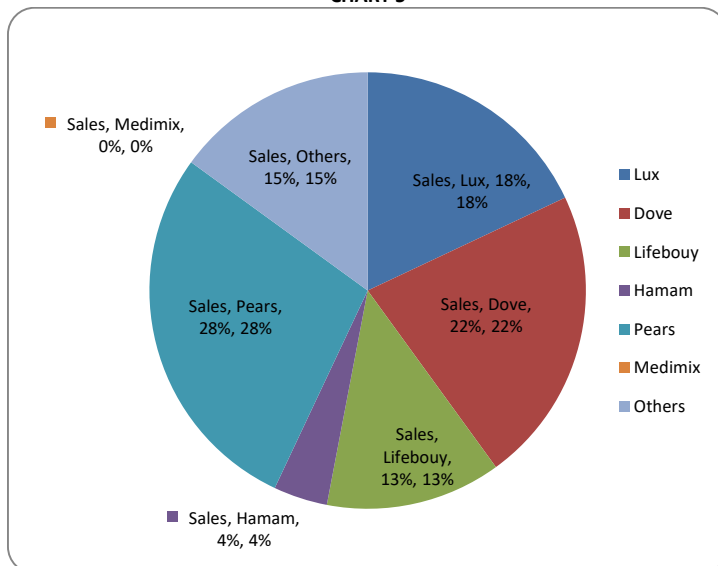


Interpretation: The above chart shows that 58% respondents have less than 5 family members, 34% respondents have 5 to 7 family members, 6% respondents have 7 to 10 family members, and 2% respondents have greater than 10 family members. This in turn will help the company to know how often a product is purchased as it gets consumed fast.

TABLE 5: SOAP ADVERTISEMENT INFLUENCE BY CUSTOMERS

Options	Respondents	Percentage
Lux	18	18%
Dove	22	22%
Lifebouy	13	13%
Hamam	4	4%
Pears	28	28%
Medimix	0	0%
Others	15	15%
Total	100	100

CHART 5

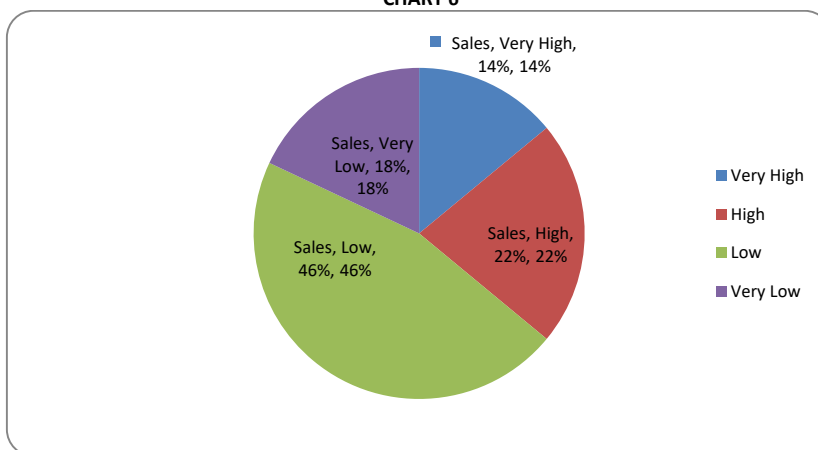


Interpretation: Out of 100 respondents 28% respondents were influenced by pears soap advertisement, 22% respondents influenced by dove soap advertisement, 18% respondents influenced by lux soap, 13% respondents influenced by Lifebouy soap, 4% respondents influenced by Hamam soap, and 15% respondents influenced by other soap such as Santoor (10), Dettol (5). As the recall value is more in advertisement.

TABLE 6: EFFECT OF THE PRICE FACTOR ON THE PURCHASE DECISION

Options	Respondents	Percentage
Very High	14	14%
High	22	22%
Low	46	46%
Very Low	18	18%
Total	100	100

CHART 6

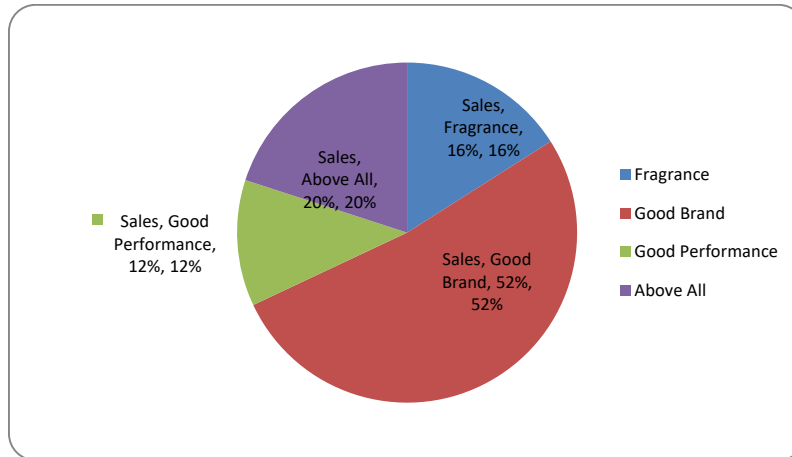


Interpretation: It is very much clear from the above chart that 22% respondents has high effect of the price factor on their purchase decision, 46% respondents has low effect of the price factor on their purchase decision, 18% respondents has very low price factor effect on the purchase decision, and 14% respondents has very high of the price factor effect.

TABLE 7: QUALITIES REQUIRED IN BATH SOAP

Options	Respondents	Percentage
Fragrance	16	16%
Good Brand	52	52%
Good Performance	12	12%
Above All	20	20%
Total	100	100

CHART 7

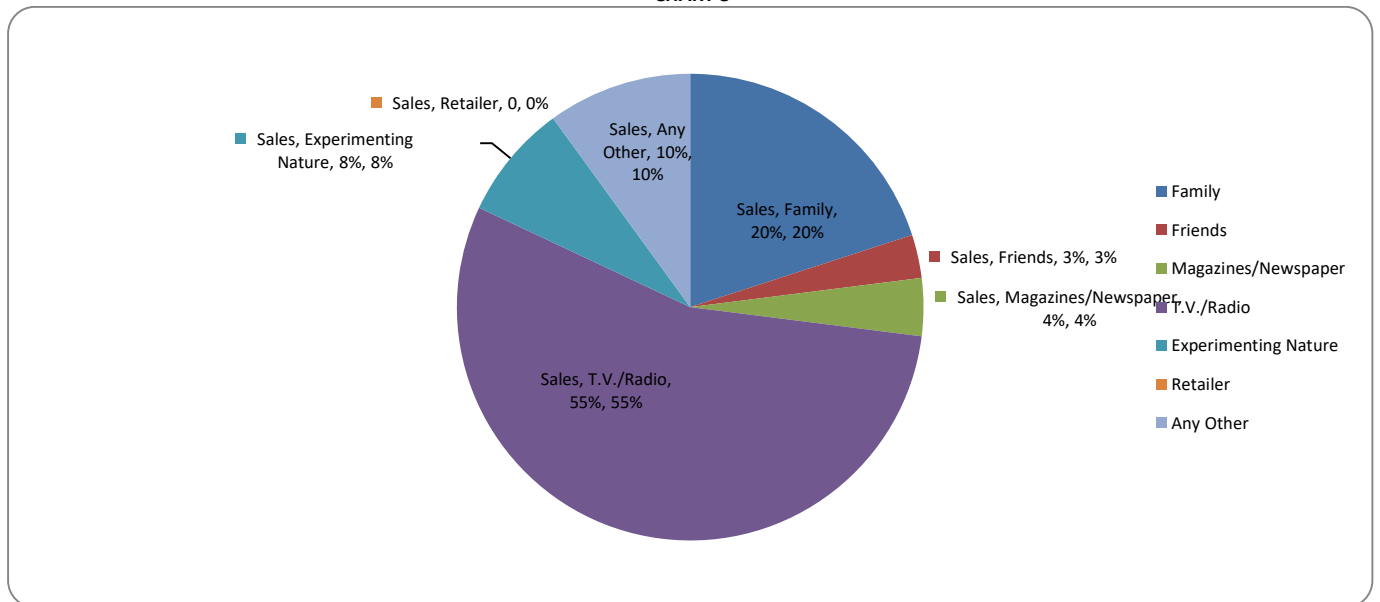


Interpretation: Out of 100 respondents 16% respondents required fragrance quality in their soap, 52% respondent's required good brand in the soap, 12% respondents required good performance in their soap, and 20% respondents required above all qualities in the soap.

TABLE 8: SOURCES OF INFORMATION ABOUT BATH SOAP

Options	Respondents	Percentage
Family	20	20%
Friends	3	3%
Magazines/Newspaper	4	4%
T.V./Radio	55	55%
Experimenting Nature	8	8%
Retailer	0	0
Any Other	10	10%
Total	100	100

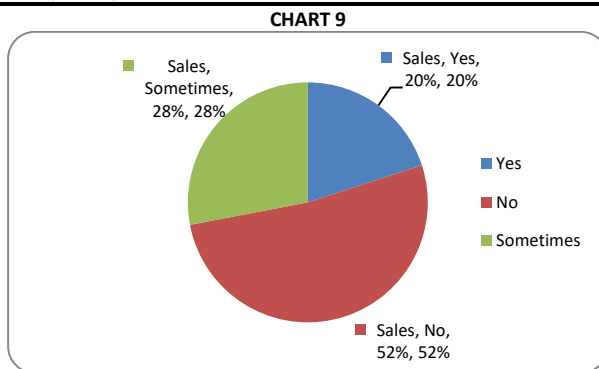
CHART 8



Interpretation: Out of 100 respondents 55% of the respondents got the information about the soap from TV, 20% from their family members, 8% from experimenting nature, 4% from newspaper, 3% from the friends, and 10% got the information from other sources. (Like doctor, display in shops)

TABLE 9: SALES PROMOTION PROGRAMME AFFECT YOUR PURCHASE BEHAVIOR

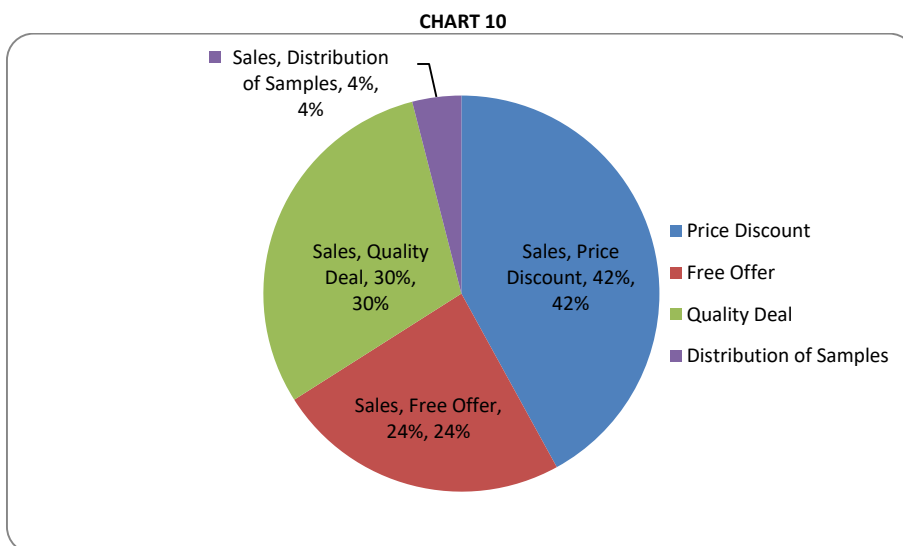
Options	Respondents	Percentage
Yes	20	20%
No	52	52%
Sometimes	28	28%
Total	100	100



Interpretation: The above chart shows that 52% respondents are not affected by sales promotion programme in their purchase behavior, 20% respondents are affected by sales promotion programme, and 28% respondents affect sometimes by sales promotion programme.

TABLE 10: PROMOTIONAL SCHEMES DO YOU PREFER

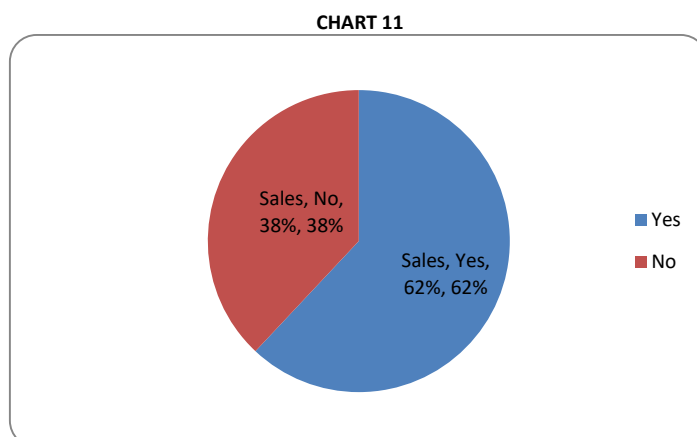
Options	Respondents	Percentage
Price Discount	42	42%
Free Offer	24	24%
Quality Deal	30	30%
Distribution of Samples	4	4%
Total	100	100



Interpretation: It is very much clear from the above chart that 42% respondents would like to prefer price discount promotional scheme, 24% respondents prefer free offer promotional scheme, 30% respondents would like to prefer quality deal promotional scheme, and 4% respondents would like to prefer distribution of samples.

TABLE 11: RESPONDENTS GIVE ANY IMPORTANCE TO THE SOAP FRAGRANCE

Options	Respondents	Percentage
Yes	62	62%
No	38	38%
Total	100	100

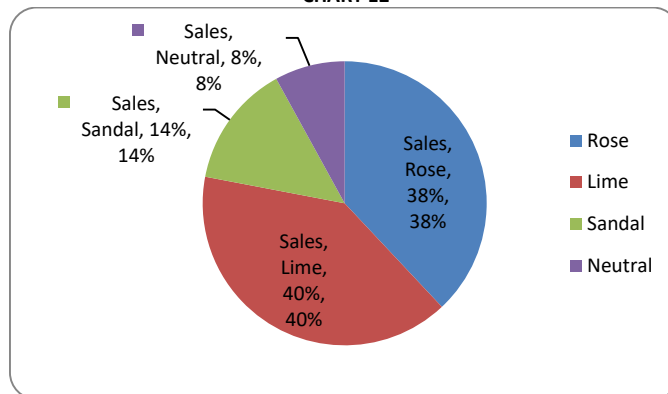


Interpretation: Out of 100 respondents 62% of the respondents give importance to the soap fragrance while 38% of the respondents not give any importance to the soap fragrance.

TABLE 12: SOAP FRAGRANCE CUSTOMERS LIKE MOST

Options	Respondents	Percentage
Rose	38	38%
Lime	40	40%
Sandal	14	14%
Neutral	8	8%
Total	100	100

CHART 12

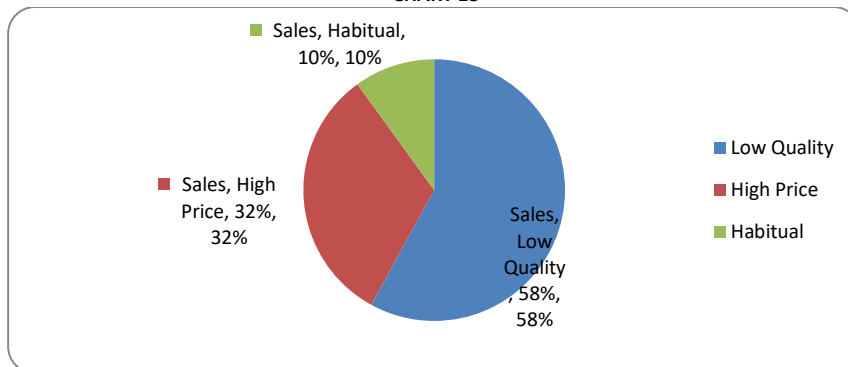


Interpretation: Out of 100 respondents 38% of the respondents like rose soap fragrance, 40% of the respondents like lime fragrance, 14% of the respondents like sandal fragrance, 8% of the respondents has neutral soap fragrance.

TABLE 13: REASONS TO SWITCH OVER THE BRAND

Options	Respondents	Percentage
Low Quality	58	58%
High Price	32	32%
Habitual	10	10%
Total	100	100

CHART 13

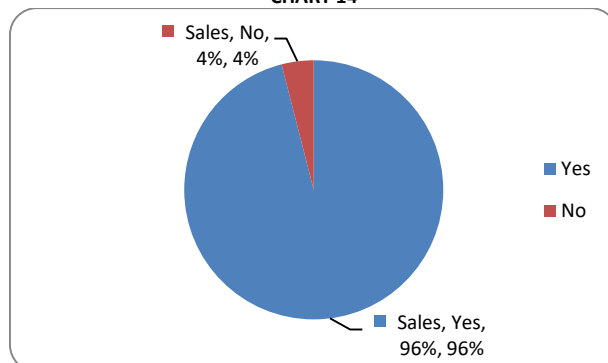


Interpretation: Out of 100 respondents 58% consider low quality as a factor to switch over the brand, 32% consider high price as a factor to switch over the brand, and 10% respondents are habitual.

TABLE 14: SATISFACTION REGARDING THE SOAP IN CURRENT USE

Options	Respondents	Percentage
Yes	96	96%
No	4	4%
Total	100	100

CHART 14



Interpretation: Out of 100 respondents 96% were satisfied with the soap they are currently using while 4% respondents are not satisfied with their soap. These respondents are the user of lux and they want that their soap should contain medical value.

HYPOTHESIS TESTING

a) Significant number of respondents perceives that price has no effect on the purchase behaviour.

TABLE 15

Particulars	Observed Value(O)	Expected Value(E)	O-E	(O-E) ²	$\frac{X^2 = \sum \frac{(O-E)^2}{E}}$	$\frac{X^2 = \sum \frac{(O-E)^2}{E}}$
Very High	14	25	-13	169	6.76	26.72
High	22	25	-3	9	0.36	
Low	46	25	21	441	17.64	
Very Low	18	25	7	49	1.96	

Significance at probability 0.05 is tested and the degree of freedom is 3

The tabulate critical value is 7.815

The chi-square value is 7.815 at probability of 0.05 and the tabulated chi-square value is 26.72 which is less as compared to the calculated value hence here we **reject** our null hypothesis that the **respondents perceives that price has no effect on the purchase behaviour.**

b) Significant number of respondents perceives that quality parameter has no effect on the purchase behaviour.

TABLE 16

Particulars	Observed Value(O)	Expected Value(E)	O-E	(O-E) ²	$\frac{X^2 = \sum \frac{(O-E)^2}{E}}$	$\frac{X^2 = \sum \frac{(O-E)^2}{E}}$
Fragrance	16	25	-9	81	3.24	40.16
Good Brand	52	25	27	729	29.16	
Good Performance	12	25	-13	169	6.76	
Above All	20	25	-5	25	1	

Significance at probability 0.05 is tested and the degree of freedom is 3

The tabulate critical value is 7.815

The chi-square value is 7.815 at probability of 0.05 and the tabulated chi-square value is 40.16 which is less than the calculated value hence here we **reject** our null hypothesis that **respondents perceives that quality parameter has no effect on the purchase behaviour.**

FINDINGS OF THE STUDY

- 60% of the respondents are female who make the purchasing decisions for their families.
- 52% of the respondents belong to the income group of 1 to 3 lakh which is more prices sensitive and price plays an important role in purchase decision. 33% respondents were having no income that was because most of them were students.
- 50% of the respondents were in the age group of 19-25 years. 22% respondents were in the age group of 26 to 35 years. Almost 72 % are from young generation who is now more sensitive to skin, health and wellness of their being.
- As more and more families are now becoming nucleus families the members in family are now having their personal choices as a result of which there are more than one bathing soap purchased as each members has different choice.
- Branded soaps are still preferred as compared to less known brands as the users of soaps consider good brand quality as the most preferred factor before buying soap as it is being seen that a good brand has all possible factors and price does not affect the choice of soaps.
- As advertisement plays an important part and has a great recall value the advertisement featured on televisions are of great influence among the customers.
- Aesthetics such as color, shape, fragrance also have an influence on the purchase of bathing soaps.

RECOMMENDATION

- ✓ Companies must improve on their packaging and should be made more attractive and appealing to the women customers as they are the one who do the purchasing for their families and not all customers are well knowledgeable.
- ✓ As more and more customers now a days are becoming health and beauty conscious the companies should now be using more natural ingredients as it appeals not only to the masses but also to the classes.
- ✓ Most of the respondents are under the income group of 1-3 lakh p.a. So the company should take efforts to position their products in this group in order increase their sales. Celebrity endorsements may be of great help as the young crowd are getting more influence by the celebrities’
- ✓ As a quality is the first influencing factor of the company has to focus on quality and improve it for better sales. While segmenting the FMCG market it must be kept in mind that people prefer a good quality product rather than a good scheme or offer. A good scheme or an offer may fetch customer occasionally but the impact of the good quality is long lasting. Companies should work on retaining the customers rather than generating more new customers.
- ✓ Reference from friends and family members is the most influential factor in the purchasing soap. Doing advertisement only is not sufficient for attracting the customers. New marketing techniques like viral marketing or word of mouth marketing for FMCGs should be encouraged.

CONCLUSION

This paper is a combination of both theoretical and practical knowledge. From this research one can conclude that in the recent years the awareness regarding the varieties and effects of soaps have increased many folds. While buying soaps quality is preferred over the price. It was also found that packaging and celebrity endorsements influence the buying decisions of the consumers.

Customers’ satisfaction plays a significant role in modern market in the present era. Soap is an important product for the day to day consumption of the customers. Nowadays competition is going on with a flame of advertisement war. A lot of varieties of soap are being introduced by several producers.

In thus intense competition situations, some soap can cause evil effects due to a mixture of chemical compounds. People need quality soap for which they are ready to have brand loyalty or switch over from one brand to another. In order to capture the needs of all the segments of people, the products are introduced or new features are added to the products to capture the market potential for soap.

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GREEN BANKING: A SUSTAINABLE BANKING FOR ENVIRONMENTAL SUSTAINABILITY

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ABSTRACT

Environmentalism is a social movement that shows the concern for environment conservation and improvement of the state of the environment. The concept for environmental sustainability by the banks has given rise to concept of green banking. In an emerging economy like India, environmental management needs to be the key focus area of the business fraternity and especially the banking industry being the major intermediary. This would help the firms in the emerging economies to utilize their limited resources in an optimum way without harming the natural environment and face the global challenge of sustainability in successful manner. In the present paper green banking and sustainability has been discussed in detail. The paper also highlights on the stage, initiatives, benefits and future of green banking in Indian context.

KEYWORDS

environmentalism, sustainability, fraternity, conservation, global challenge.

JEL CODES

Q56, Q58, G21, M10.

INTRODUCTION

The banking industry influences economic growth and development, both in terms of quality and quantity, leading to a change in the nature of economic growth. Therefore, banking sector plays a crucial role in promoting environmentally sustainable and socially responsible investment. Banks may not be the polluters themselves but they usually have a banking relationship with some companies/investment projects that are polluters or could be in future. Therefore, banking sector plays a crucial role in promoting environmentally sustainable and socially responsible investment.

The concept of "Green Banking" will be mutually beneficial to the banks, industries and the economy. Green financing is the part of green banking. Green banking means promoting environmental friendly practices and reducing your carbon footprints from your banking activities. Green banking aims at improving the operations and technology along with making the clients habits environment friendly in the banking business. It is like normal banking along with the consideration for social as well as environmental factors for protecting the environment. It is the way of conducting the banking business along with considering the social and environmental impacts of its activities

Environment management in the banking business is considered likely to be risk management. It increases the enterprise value and lowers loss ratio as higher quality loan portfolio results in higher earnings. Therefore, encouraging environmentally responsible investments and prudent leading should be one of the responsibilities of the banking sector. Pravakar Sahoo and Bidhu Prasad Nayak (Indian Economic Journal) "Green Banking" – say an effort by the banks to make the industries grow green and in the process restore the natural environment. This concept of "Green Banking" would be mutually beneficial to the banks, industries and the economy. Green banking will also ensure the greening of the industries but it will also facilitate in improving the asset quality of the banks in future.

The banking operation targets a certain long-term rate of return on their credit and investment. Nevertheless, every credit extension and investment carry the risk of nonpayment and reduction of value (in case of direct investment) due to environmental liabilities. Therefore, it is of importance to the banking sector to follow certain environmental evaluation of the projects before financing. There are studies showing positive correlation between environmental performance and financial performance (Hamilton, 1995; Hart, 1995; Blacconiere and Pattern, 1993). Thus, it is essential for the financial institutions in the present to consider environmental performance in deciding whether to invest in companies or advise the clients in doing so.

OBJECTIVES OF THE STUDY

1. To understand the concept of green banking philosophy adoption by the banks.
2. To identify the steps necessary for the adoption of green banking.
3. To identify the sustainable banking practices for environmental sustainability.
4. To analyze green banking initiatives taken up in India and to analyzed steps taken by some of the Indian banks in this regard.

METHODOLOGY

The study mainly includes literature review from secondary data. The secondary source includes information published in articles, journals and by various organizations and other internet sites.

GREEN BANKING: DEFINITION

Though green banking (environment-friendly banking, ethical banking or sustainable banking) can be defined in a number of ways, in a broader perspective, it is the environment-friendly banking practices that promote their customers to reduce the carbon footprint through their banking activities. The Indian Banks Association defines it as "Green Bank functions like a normal bank along with considering the social and environmental factors for the protection of the natural resources". According to RBI (IDRBT, 2013), green banking is to make internal bank processes, physical infrastructure and Information Technology effective towards environment by reducing its negative impact on the environment to the minimum level. The UNEP-FI (2007) states that sustainable bank considers the impacts of its operations, various products and services for the current as well as future generation. In order to promote reduction in the external carbon emission, the banks should focus on financing the technology and projects that are environment friendly. Green banking aims at improving the operations and technology along with making the clients habits environment friendly in the banking business. It is like normal banking along with consideration for the social as well as environmental factors for protecting the environment. It is the way of conducting the banking business along with considering the social and environmental impacts of its activities (Jha and Bhoome, 2013; Mishra, 2013; Biswas, 2011). There are other definitions for green banking concept but the central meaning is the same i.e. protecting the environment and resources for future generation by looking for sustainable development.

GREEN BANKING – CONCEPTUAL OVERVIEW

Green Banking itself insinuates promoting environmental friendly banking practices and reducing carbon footprint from banking activities. To add simplicity to this term, it is a form of banking which ensures less utilization of natural resources and optimal reduction of wastage of paper/carbon footprint.

Green banking is being practiced by all banks, which consider all the social and environmental/ecological factors with an aim to protect the environment and conserve natural resources. Green banking practices are also labeled as “ethical banking” or a sustainable banking. The key idea behind this banking concept is to enhance the conservation of earth’s environment/habitats resources.

How can it be done?

1. Promoting the usage of online banking instead of branch banking.
2. Paying bills online.
3. Opening up CDs and money market accounts through online banking, instead of large multi-branch banks.

IMPORTANCE OF GREEN BANKING

Until recently, green banking just seemed like an initiative and such environmental concerns did not really seem to be relevant to a bank’s operations. Initially, a bank checking their client’s environmental worthiness would have been considered as prying into a private business. However, now the perception looks towards how this brings risks to their business. Although the banking and financial institutions are not directly affected by the environmental degradation, there are indirect costs to banks. Credit, legal and reputations risks have constantly been haunting these banks unless such initiatives are taken.

STEPS IN GREEN BANKING

GO ONLINE

Online banking is the thriving concept in young and corporate India. Online banking helps in additional conservation of energy and natural resources. Online banking includes:

- a. Paying bills online
- b. Remote deposit
- c. Online fund transfers

It helps in savings paper, energy and expenditure of natural resources due to banking activities. Customers can save money by avoiding late payments of fees and save time by avoiding standing into queues and paying the bill.

USE GREEN CHECKING ACCOUNTS

Customers can check their account details through ATM machines provided in bank kiosks or special touch screens in the branches of different banks. This can be called green checking of account. Often usage of online banking services like online bill payment, using debit cards for payments against payments, and online statement help the environment against detritions. Banks should promote green checking by giving some incentives to customers by giving higher rate of interests, waiver or discount in fees etc.

USE GREEN LOANS FOR HOME IMPROVEMENT

The Ministry of Non-renewable Resource in association with some nationalized and scheduled commercial banks in India undertook an initiative to go green by allowing low interest loans to the customers who would like to buy solar equipment; the rate of interest is as low as 4% p.a. The new Green Home Loan Scheme from SBI, for instance, supports environmental friendly residential projects and offers various concessions. These loans are sanctioned for projects rated by the Indian Green Building Council (IGBC) and offer several financial benefits – 5% concession in margin, 0.25% concession interest rate and processing fee waiver.

POWER SAVINGS EQUIPMENT

Bank directly contribute to controlling climate change and as an initial step they intend to start a campaign to replace all fused GSL bulbs, in all owned premises offices and residential Banks have also initiated a feasibility study to make rain water harvesting mandatory in all the Bank’s owned premises. In December 2009 IndusInd Bank inaugurated Mumbai’s first solar-powered ATM as part of its ‘Green Office Project’ campaign titled ‘Hum aur Hariyal’.

USE GREEN CREDIT CARDS

Banks are promoting different schemes of using plastic money rather than currency notes in order to save environment.

USE OF SOLAR AND WIND ENERGY

Using solar and wind energy is one of the noble causes for going green. State Bank of India (SBI) has become the first bank in the country to venture into generation of green power by installing windmills for captive use. As green power by installing windmills for captive use. As part of its green banking initiative, SBI has installed 10 windmills with an aggregate capacity of 15 MW in the state of Tamil Nadu, Maharashtra and Gujarat.

MOBILE BANKING

Mobile banking saves time and energy of the customers. It also helps in reducing use of energy and paper of the bank. Most of the Indian banks have introduced this paper-less facility in order to be eco-friendly.

ADVANTAGES OF GREEN BANKING

- Basically Ethical banking avoids as much paper work as possible and rely on online/electronic transactions for processing so that you get green credit cards and green mortgages. Less paper work means less cutting of trees.
- Creating awareness to business people about environmental and social responsibility enabling them to do an environmental friendly business practice.
- Use of online banking instead of branch banking saves time.
- Green banks adopt and implement environmental standards for lending, which is really a proactive idea that would enable eco-friendly business practices which would benefit our future generations.
- When you are awarded with a loan, the interest of that loan is comparatively less with normal bank because ethical banks give more importance to environmental friendly factors – ecological gains. Natural resources conservation is also one of the underlying principles in a green bank while assessing capital /operating loans to extracting industrial business sector.

DISADVANTAGES OF GREEN BANKING

- Difficult to operate: Banking sites can be difficult to navigate at first. Getting acquainted with the banking sites software may require some time to read the tutorials in order to become comfortable in your virtual lobby.
- Customer Care: There is no personal contact with any of the staff, and if talk to any staff through the telephone, you have guarantee you are talking to the best person available.
- Security Concern: Even though online banking sites are heavily encrypted, with the developing technology, it’s hard to rule out the “hackers” who may access your bank accounts.
- Technical Breakdowns: As with all technologies, online banking websites sometimes go down. If this happen when you closed your local bank or credit card accounts, you will definitely go penniless.

ENVIRONMENTAL MANAGEMENT BY THE BANK

Banks play major role in the country’s economy and in the sustainable development. Bank being the major financier indirectly contributes to the environmental degradation by financing the projects and the industries whose activities put negative impact to the environment. Thus, the bank by their active participation in the lending business in a judicious manner can contribute greatly to the environment and to the society. Banks are now adopting various strategies where the projects are scrutinized using a set of tools that take environmental considerations. Banks are also encouraging projects that show its concern for the environment

in the form of sustainable development, use of renewable natural resources, waste minimization, pollution prevention, occupational health and safety, energy efficient, care of human health and many similar attributes that tries for the betterment of the society.

SUSTAINABLE DEVELOPMENT AND SUSTAINABLE BANKING

According to the "report of the World Commission on Environment and Development Sustainable Development" (United Nations, 1987), Sustainable Development is the way of using the resources that not only meet the human needs of present and future generation but also preserve the environment. The field of sustainable development comprises of three constituents - environmental sustainability, economic sustainability and socio-economic sustainability. Sustainable banking as per the United Nations Environment Programme Finance Initiative (UNEP-FI, 2007) is defined as "the process by which the banks consider the impact of their various operational activities and their products and services for meeting the needs of the current as well as the future generations".

STAGES OF SUSTAINABLE BANKING

Marcel Jeucken in his book "Sustainable Finance and Banking" (2001) has mentioned four phases action, that banks should adopt for sustainability. These stages include defensive banking, preventative banking, Offensive banking and Sustainable Banking.

As depicted in Fig. 2 below, this model consists of the four phases which have been mentioned above. Each outer layer contains the previous layer expect of the first layer i.e. the defensive banking. According to Bouma et al. (2001), every bank normally follows these stages but the attainment of sustainable approach is the most difficult one for the banks. The banks continue to evolve according to the stakeholder expectation. Here the terms 'defensive', 'preventative' and 'offensive' are defined in context of environmental issues.

CHART 1



A TYPOLOGY OF BANKING AND SUSTAINABLE DEVELOPMENT

DEFENSIVE BANKING

In this phase, banks are not active and resist the environmental legislations as it affects the banks' interest. Consideration of the environmental issues at this stage is an avoidable cost.

PREVENTATIVE BANKING

Due to various driving forces like government pressure, non-government organizations, pressure from society etc, banks integrate the environmental issues and risk management activities in to their daily business activities (Bouma et al, 2001)

OFFENSIVE BANKING

In this stage, the banks not only consider their internal activities but also consider their external activities. The banks in this stage develop and market environmental-friendly projects. For example, Green financing i.e. investing in to environmental friendly projects. The focus is on financing various projects which work on renewable energy, investment funds that invest on environment friendly assets and release of various reports based on the environmental performance.

SUSTAINABLE BANKING

At this stage all the activities of banks are sustainable. Banks do not invest in the ecologically unsound business despite huge profit. The banks do not aim towards highest financial rate of return. The key motive is to get the highest sustainable rate of return. Currently, sustainable banking is possible only for the niche players of the field. Few example for this are- Triodos Bank in Netherlands and Co-operative bank in the UK.

GREEN BANKING INITIATIVES IN INDIA

The Government of India has issued guidelines/ instructions to banks on Green Initiatives. In order to implement the green initiatives of the government, all public sector banks and all regional rural were asked to:

1. Increase use of Electronic Payment.
2. Increase use of Core Banking Solutions (CBS)
3. Increase use of Video Conferencing.
4. Offer centralized payment system

STEPS TAKEN BY SOME OF THE INDIAN BANKS

- State Bank of India launched its 'Green Channel Counter' facility at 57 selected branches as a step towards paperless 'Green Banking' for deposit, withdrawal and remittance transactions. With this facility the customers need to fill up any pay-in slips or draw cheques for depositing or withdrawing money from their accounts. At the Green Channel counter, there is a Point of Sale Machine (POS), on which the customer swipes his card. He is then asked by the machine to select the type of transaction, viz. (0) Cash Deposit, (1) Cash Withdrawal and (2) Funds Transfer. And thus the transaction is completed without paper usage.
- SBI became the first bank in the country to venture into generation of green power by installing windmills for captive use. As part of its green banking initiative, it installed 10 windmills with an aggregate capacity of 15 MW in the states of Tamil Nadu, Maharashtra and Gujarat.
- Under its campaign 'Hum our Hariyali', IndusInd Bank Ltd inaugurated Mumbai's first solar-powered ATM to save on 1980 Kwh of energy annually. It is also supporting various environment friendly finance programmes and projects.
- IDBI has been actively complementing Government of India's policies, initiatives and targets set for sustainable economic development and environment protection.

- ICICI Bank's Green initiatives range from Green offerings/incentives, Green engagement to Green communication to their customers. Paperless initiatives like e-statements and e-greetings helped ICICI Bank save 30,000 trees from being felled in 2009-10 besides cutting down spending on stationery by Rs. 7.36 crore.
- The recycling initiative of Axis bank under the Green Banking banner has helped the bank productively use around 21,572 kilograms of dry waste during the year.
- Punjab National Bank launched green e-vigilance for the bank which involves paperless dealings in complaint and vigilance procedures through e-network which drastically cuts down cost and time.

FUTURE OF GREEN BANKING IN INDIA

Indian economy is an emerging economy and there is a huge potential of growth of Indian banks by adoption of innovative approach in their strategy making process. There is a need of an approach towards paradigm shift by setting up of the business model which would consider all the three aspect of triple bottom line approach i.e. the people, the planet and the profit. The future of green banking seems to be very promising in India as lots of green products and services are expected in the future. Green excellence awards and recognitions, Green rating agencies, Green investment funds, Green insurance and Green accounting and disclosure are some of the things that would be heard and seen in operation in the near future. Proper green banking implementation will act as a check to the polluting industries. Banks can act like a guideline towards the economic transformation and create a platform that would create many opportunities for financing and investment policy and contribute towards creation of a low carbon economy.

SUGGESTIONS

1. Make customers more and more aware about green banking through their websites.
2. Promoting different forms of electronic banking.
3. Creating customer's awareness thorough the media.
4. Carbon footprint reduction by saving energy and paper.
5. Carbon footprint reduction by offering transportation services for their employees.
6. Providing environment friendly rewards to customers.
7. By financing more and more environment-friendly projects.
8. Join hands in more and more environment preserving causes.
9. Focus of green IT infrastructure

CONCLUSION

Green banking refers to the initiatives taken by the banks to encourage environment-friendly investment. Green banking as a concept is a proactive and smart way of thinking towards future sustainability. In the emerging economies, it is very important for the banks to be pro-active and accelerate the rate of the growth of the economy. As there is a continuous change in the environmental factors leading the banks face intense competition in the global market, the banks need to adhere to the stringent public policies and strict law suits. Banks need to apply morality of sustainability and responsibility to their business model, strategy formulation for products and services, operations and their financing activities and become stronger. By adopting the environmental factors in their lending activities, banks can recover the return from their investments and make the polluting industries become environment-friendly.

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ROLE OF MILK CO-OPERATIVES IN ECONOMIC DEVELOPMENT OF MILK PRODUCER FAMILIES: A CASE STUDY OF RAJKOT IN GUJARAT

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ABSTRACT

Humans are primarily concerned with agriculture. The basic requirement of agriculture is the need. Along with agriculture, humans also have properly maintained pastoral activities. Ten thousand years ago, humans started animal husbandry. In Hindu scriptures, emphasis has also been placed on animal husbandry and gopalan. Today, 2500 years ago the main occupation of humans in Europe and Africa came from India. In India, there is a tradition of primarily cattle breeding goats, horses and sheep. Initially, animal husbandry was done only for nutritious milk, but in time, these people started selling excess milk only on the village. Due to this milk market development came in progress.

KEYWORDS

pastor, animals, agriculture, co-operation.

JEL CODES

G10, I15, Q10, Q14.

1. MEANING OF COOPERATIVE ACTIVITIES

Co-operative society is a society in which people are run jointly by a democratic system in which people connect to economic, social and cultural satisfaction.”
2) “The connoisseur of the cooperative society is its large capital and is operating selfless and honestly.”

2. DEFINITION OF CO OPERATION

In the word of the Horest Plakent:

- 1) “co-operation is self-help made effective by organization.”
- 2) “People join a specific principle in co-operation”
- 3) “Co-operative is a community in which people come in co-operation with the foundation for their economic interests on the basic of equality”

3. LITERATURE REVIEW

[1] **SINGLA NARESH AND J.H. SINDHU (2000)**, This research paper main aim conducted to with special reference to animal husbandry and small farmers. This paper analyzed to result for 50 small farmers and 50 marginal farmers with special reference to Punjab state of india.75% farmers mostly like to investment done to animal husbandry.60 to 90% income earn to households directly benefit taken to cultivation activity. Over all result in this study positive impact for the animal husbandry.

[2] **MADAN MOHAN (1989)**, This research paper main objective focus on consider to Warangal district of Tamilnadu. Over all study conducted to economic development for milk producer family. Employees and manager relationship not properly effect to economic development but some position very different from other side like inefficiency of milk very mostly effect on the development of economic. And cows and buffaloes give more milk compare to goats, camel. So over all mostly result founded that Waranagal district 100% economic development for the contribute in Tamilnadu state.

[3] **MECLAVY MICHAEL ANTHONY (1991)**, This research paper main identified to economic quantity for dairy industry in New found land area Canada. So this research paper analyzed to production of milk. Mostly result founded that 50% people say that milk it useful for health. 30% people say that nothing. 20% people say that milk production its nothing impact for the health. Government should be remove the extra unnecessary control and regulation. So overall result positively impact done to relationship and develop the economic growth high and high respectively.

4. OBJECTIVES OF THE STUDY

1. To extensive study of the development of milk producer co-operative activity in Rajkot district.
2. To study the social and economic status of the animal husbandry family.
3. To extensive study of the development of milk producer co-operative activity.
4. To study in the financial condition of the pastoral family by joining co-operative activity.
5. To know the milk productivity of different class animals.

5. RESEARCH METHODOLOGY

SAMPLE OF STUDY

50 farmer's

SAMPLING METHOD

Convince method

DATA

Primary data survey

TOOLS AND TECHNIQUE

Per. = $\frac{\text{number of farmer's}}{\text{Total number of farmer's}} \times 100$

SCOPE OF STUDY

This study basically conducted to Rajkot district only.

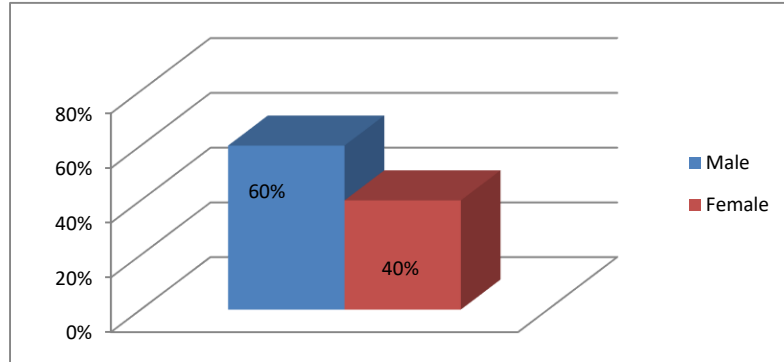
6. DATA ANALYSIS AND INTERPRETATION

TABLE NO. 1

Sr. no	Gender	No. of respondents	Percentage
1	Male	30	60%
2	Female	20	40%
	Total	50	100%

(source: primary data)

CHART 1



INTERPRETATION

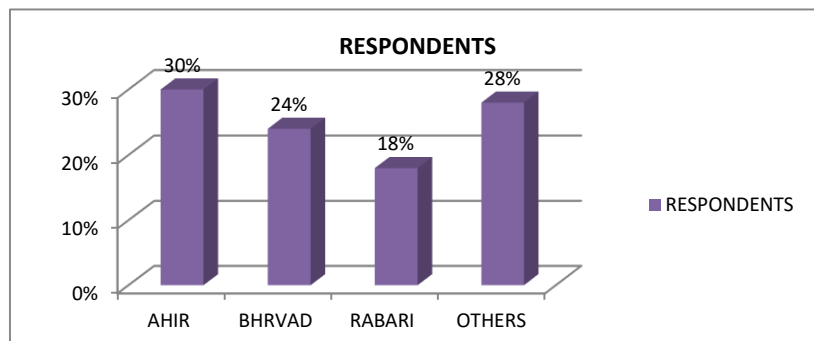
The above table show that classification among to 60% male and only 40% respondents female.

TABLE NO. 2

SR.NO	CAST	RESPONDENTS	PERCENTAGE
1	AHIR	15	30%
2	BHRVAD	12	24%
3	RABARI	09	18%
4	OTHERS	14	28%
	TOTAL	50	100%

(source: primary data)

CHART 2



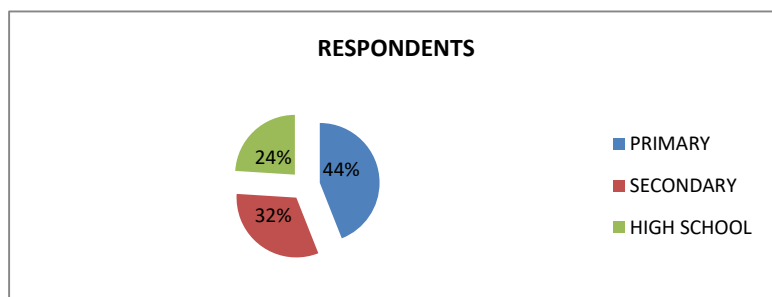
INTERPRETATION

The above table show that among to majority of respondents 30% Ahir and low score given to rabari with 18%.

TABLE NO. 3

SR.NO	EDUCATION	RESPONDENTS	PERCENTAGE
1	PRIMARY	22	44%
2	SECONDARY	16	32%
3	HIGH SCHOOL	12	24%
	TOTAL	50	100%

CHART 3



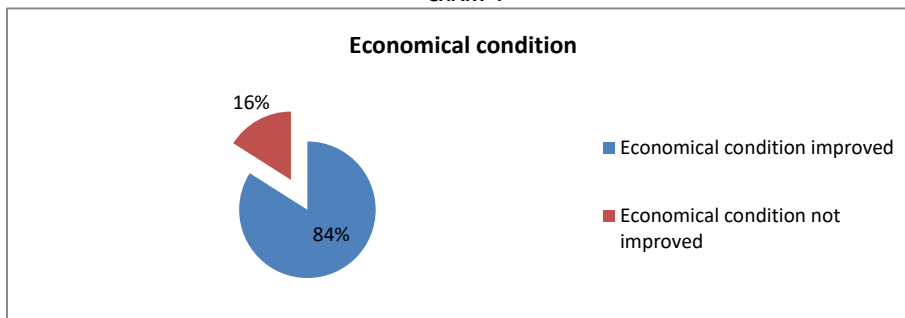
INTERPRETATION

The above table shows that for a education level: first most of respondents education taken 44% primary level and very low score given to 24% for high school.

TABLE NO. 4

SR. NO	PASTOR ECONOMICAL CONDITION	RESPONDENTS	PERCENTAGE
1	Economical condition improved	42	84%
2	Economical condition not improved	08	16%
	Total	50	100%

CHART 4



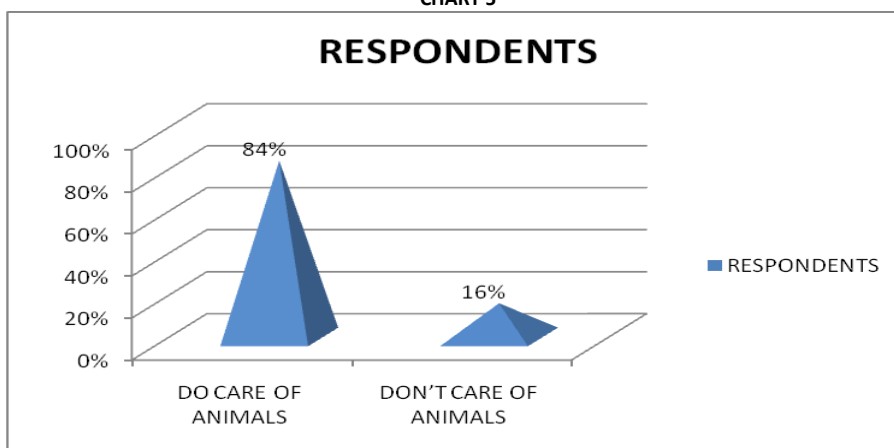
INTERPRETATION

The above chart show that economical condition for the pastor majority of the respondents said that economical condition improved and 16% respondents not agree to this situation.

TABLE NO: 5

SR.NO	CARE OF ANIMALS	RESPONDENTS	PERCENTAGE
1	Do for care of animals	42	84%
2	Don't care of animals	08	16%
	TOTAL	50	100%

CHART 5



INTERPRETATION

The above chart show that for care of animals 84% respondents statement given to say yes and only 16% respondents statement given to say not.

CONCLUSION

The above all over results said that animal care taker/ pastor and all farmer related to direct primary activities and they have continue done economical improvement. Different activities done by the farmers but pastor activities its most important part of life.

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With sincere regards

Thanking you profoundly

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