

# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

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# CONTENTS

| Sr. No. | TITLE & NAME OF THE AUTHOR (S)   | Page No. |
|---------|--|----------|
| 1.      | CRITICAL EVALUATION OF THE FIVE PERFORMANCE OBJECTIVES: A STUDY OF SOUTH WEST AIRLINES, USA<br><i>DR. KAUP MOHAMED</i>   | 1        |
| 2.      | A STUDY ON THE REASONS FOR STUDENT'S MISBEHAVIOR IN CLASS AND ACADEMIC REMEDIAL MEASURES TO CURB STUDENT'S MISBEHAVIOURS IN CLASS AT HIGHER EDUCATIONAL INSTITUTIONS<br><i>NAZNEEN AHMED</i>   | 4        |
| 3.      | USE OF PROPERLY POSITIONED HEAD RESTRAINT<br><i>MURAT DARCI</i>  | 9        |
| 4.      | THE FUTURE OF HERO MOTO CORP: A STUDY ON THE CUSTOMER PREFERENCE TOWARDS HERO TWO WHEELER AFTER THE TERMINATION OF HERO HONDA<br><i>V. DEVAKI &amp; DR. H. BALAKRISHNAN</i>  | 12       |
| 5.      | A STUDY ON CUSTOMER RELATIONSHIP MANAGEMENT IN HOTEL INDUSTRY: A CASE STUDY OF HOTEL SERVICES IN GUNTUR CITY, AP<br><i>T. SITA RAMAIAH</i>   | 20       |
| 6.      | READING THROUGH MOTIVATIONAL THEORIES<br><i>DR. CHRIS EHIUBUCHE</i>  | 23       |
| 7.      | ROLE OF GENDER DIFFERENCE IN FINANCIAL INVESTMENT DECISIONS: A QUANTITATIVE ANALYSIS WITH SPECIAL REFERENCE TO RISK AVERSION AND OVERCONFIDENCE APPROACH AMONGST MANAGEMENT GRADUATES IN LUCKNOW CITY OF UTTAR PRADESH<br><i>DR. VIVEKANAND PANDEY</i> | 28       |
| 8.      | BUSINESS ETHICS: A STUDY OF TEN INDIAN BANKS<br><i>RAJESH PRABHAKAR KAILA</i>  | 34       |
| 9.      | MENTAL HEALTH IN REFERENCE TO LENGTH OF SERVICE AMONG MALES & FEMALES ACADEMICIANS<br><i>DR. RENUKA JOSHI &amp; JUHI M GARG</i>  | 38       |
| 10.     | THE EFFECT OF WORK PRESSURE ON EMPLOYEES' PERFORMANCE IN COMMERCIAL BANKS<br><i>DR. MARWAN M. SHAMMOT</i>  | 41       |
| 11.     | ATM SERVICES AND CUSTOMER'S SATISFACTION LEVEL: A CASE STUDY OF PUBLIC AND PRIVATE SECTOR BANKS IN HAMIRPUR DISTRICT (HP)<br><i>DR. SATINDER SINGH RANDHAWA</i>  | 51       |
| 12.     | TOWARDS A DEEPER UNDERSTANDING OF HUMAN EMOTIONS IN THE CONTEXT OF ADVERTISING SLOGANS<br><i>WAN-CHEN WANG</i>   | 55       |
| 13.     | SHOPPER'S PERCEPTION TOWARDS STORE BRANDS WITHIN RETAIL STORES: A CASE OF NELLORE CITY OF ANDHRA PRADESH<br><i>SANDEEP KUMAR MACHAVOLU</i>   | 62       |
| 14.     | IMPACT OF GOVERNMENT POLICIES ON DEVELOPMENT OF WOMEN ENTREPRENEURSHIP IN INDIA<br><i>SEEMA SHOKEEN &amp; VIJETA BANWARI</i>   | 66       |
| 15.     | STUDY OF CONSUMPTION PATTERN AND HEALTH AWARENESS AS REGARD THE EFFECTS OF FAST FOOD AMONG UNIVERSITY HOSTELLERS<br><i>DR. S. M. MEHDI &amp; TARUN GUPTA</i>   | 71       |
| 16.     | WTO NEGOTIATIONS ON AGRICULTURE AND THE IMPLICATIONS FOR DEVELOPING COUNTRIES INCLUDING INDIA<br><i>DR. S. NAGABHUSHANA &amp; DR. D. GOVINDAPPA</i>  | 76       |
| 17.     | KAIZEN COSTING TECHNIQUE – A LITERATURE REVIEW<br><i>MANMEET KAUR &amp; RAVINDER KAUR</i>  | 84       |
| 18.     | FDI IN MULTI BRAND RETAIL: INDIA CALLING<br><i>SAUMYA JAIN</i>   | 88       |
| 19.     | INDIA AND CHINA: POST CRISIS REBALANCING STRATEGY<br><i>RINKU MAHINDRU</i>   | 92       |
| 20.     | E-WOM AND SIMILAR EMERGING TERMS: A LITERATURE REVIEW<br><i>DEEPTI GOEL</i>  | 99       |
| 21.     | CONSUMER PERCEPTIONS TOWARDS SMS MARKETING<br><i>SRI BGK MURTHY</i>  | 104      |
| 22.     | TRENDS OF NON-PERFORMING ASSET (NPA) IN PUBLIC SECTOR BANKS IN INDIA DURING 1993 TO 2012<br><i>AKSHAY KUMAR MISHRA</i>   | 111      |
| 23.     | UNFASTENING THE VITALITY TO PROMOTE GREEN GROWTH: LESSONS FROM INNOVATIVE STRATEGY OF INDIA<br><i>SHWETA SATIJA</i>  | 115      |
| 24.     | GOVERNMENT POLICY AND SMALL SECTORS IN INDIA<br><i>LIGI JOLLY</i>  | 120      |
| 25.     | AN IMPACT OF WORK FAMILY CONFLICT ON ORGANIZATIONAL COMMITMENT: A STUDY OF STAFF MEMBERS AT PEOPLE'S BANK IN TRINCOMALEE DISTRICT<br><i>J. N. JENITTA &amp; P. ELANGKUMARAN</i>  | 122      |
| 26.     | ROLE OF SMALL SCALE INDUSTRIES FOR ERADICATE UNEMPLOYMENT IN YOUTH: A CASE STUDY OF AJMER DISTRICT<br><i>DEEPA SHARMA &amp; SHWETA SHARMA</i>  | 126      |
| 27.     | CO-OPERATIVES FOR DEVELOPMENT: A KERALA EXPERIENCE<br><i>SUDHEERAN T.S.</i>  | 131      |
| 28.     | ROLE OF MICROFINANCE IN THE PROMOTION OF RURAL WOMEN ENTREPRENEURSHIP: A CASE STUDY OF SHIMOGA CITY<br><i>VIMALA B.N</i>   | 134      |
| 29.     | REGULATORY CHANGES AND THEIR IMPACT ON LIFE INSURANCE BUSINESS: AN ANALYTICAL STUDY<br><i>KAVITA MAHAJAN</i>   | 138      |
| 30.     | EMPLOYEES PERCEPTION OF PERFORMANCE APPRAISAL SYSTEM: A STUDY ON HIGHER EDUCATION INSTITUTES IN JALANDHAR<br><i>SUPRIYA MAHAJAN</i>  | 144      |
|         | <b>REQUEST FOR FEEDBACK &amp; DISCLAIMER</b>   | 151      |

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## CRITICAL EVALUATION OF THE FIVE PERFORMANCE OBJECTIVES: A STUDY OF SOUTH WEST AIRLINES, USA

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UNITED ARAB EMIRATES**

### ABSTRACT

*Five Performance objectives in business operations play a pivotal role in the development of the business as well as personal life situations. In case, the five performance objectives are not working well, it indicates that something is wrong with the organization. It is therefore, essential to look into the five performance objectives in all the operations and departments of the business. In this paper, the five performance objectives have been discussed and its applications have been used for an airline based company of the United States namely the South West Airlines. The characteristics depicting the competitive edge of the South West Airlines has been identified with reference to its five performance objectives. These 5 performance objectives will form the basis of critical success factors for the airline industry.*

### KEYWORDS

Quality, Speed, Dependability, Flexibility, Cost.

### INTRODUCTION

The Five performance objectives are the major objectives of performance rating evaluation for any industry and are specifically good for the airline industry. The operations decision requires to set certain objectives in order to meet the customer satisfaction. For instance, as an Operations Manager of an automobile company, you need to know the performance criteria to be achieved in order to satisfy the customers and contribute towards the competitiveness.

The operations manager of any company should look at and evaluate the five performance objectives of quality, speed, dependability, flexibility and cost.

### OBJECTIVE OF STUDY

The main objective of this study is to analyze the five performance objectives and its application to an airline industry. It is a firm belief that the airline industry will operate efficiently provided it applies the five performance objectives.

### RESEARCH METHODOLOGY

This paper has been prepared by using secondary data information, mostly from the international data, books, magazines, newspapers etc and to some extent with the primary data collection from the passengers.

### FIRST PERFORMANCE OBJECTIVES: QUALITY – DOING THINGS RIGHT

Quality is the first performance objectives to be achieved by any organization. Quality indicates the consistent conformance to customer's expectations that is, doing things right without any error and defect on the part of the people working in the organization and thereby delivering quality products and services. Quality should also be maintained inside the operations in order to deliver quality output to the external customer and for their satisfaction. Quality work aids in reduction of the cost of the operations. For example, if a Hypermarket's regional warehouse sends the wrong goods to the hypermarkets, it will lead to loss of staff time and cost, in order to sort out this problem. Increasing cost at any point of time indicates the development of poor quality. At the supermarket, in case the goods run out on the shelves with a resulting loss of revenue to the operation and irritation to the external customers will indicate the failure of quality. Sorting out the problem could also distract the supermarket's management from giving attention to the other parts of the supermarket's operation. The performance objective of the quality has both an external impact which influences customer satisfaction and an internal impact which leads to stable and efficient processes. (Source: Nigel Slack, et al 2007)

### SECOND PERFORMANCE OBJECTIVE: SPEED - DOING THINGS FAST

Every organization and its operations manager should do things as fast as possible. The faster the customers can have the product or service, the more likely they are to buy it or the more they will pay for it or the greater the benefit they receive. For example, courier company customers are willing to pay more for the services which deliver faster. Speed is also important inside the operations. Fast response to the external customers is only possible through speedy decision making and movements of materials and information inside the operation. Speed reduces and controls the inventories of the organization. An example of the automobile plant is more pertinent in this situation. First, the steel is delivered as a part of batch operations to make possibly several hundred products. Subsequently, it is taken to the press area, pressed into shape and again it waits to be transported to the paint area. It then again waits to be painted until it is transported to the assembly line. Again these components wait until it is eventually fitted to the automobile. The material journey and its waiting time are far longer than the time needed to make and fit the product. It spends most of its time, waiting as stocks of parts and products. This leads to high level of inventory. In case of an airline industry, processing passengers quickly through the terminal gate at an airport can reduce the turn round time of the aircraft, thereby increasing its utilization.

### THIRD PERFORMANCE OBJECTIVE - DEPENDABILITY – DOING THINGS ON TIME

Dependability means doing things on time for customers to receive their goods or services and fulfill the promises of the customers. Customers might judge the dependability of an operation only after the product or service has been delivered. No matter how cheap or fast a bus service is, if the service is always late or the buses are always full, then potential passengers will always look for alternatives such as taxis, etc.

Dependability should be focused inside the operation also very well in order to deliver dependability output to the outsiders. If inside the operations, the aircrafts are not maintained well or balanced well, it will affect the output and efficiency for the external customers.

Dependability also saves lot of time for the customers. For example, in case of the maintenance and repair centre at the city bus company, the manager will always have a plan of the centre's activities devised to keep the centre's facilities as fully utilized as possible, while ensuring that the bus fleet always has enough clean and serviced vehicles to match demand. But if the centre runs out of stock some crucial spare parts, the manager will need to spend time trying to arrange a special delivery of the required parts and this will affect and disrupt the other parts of operations. Dependability factor also saves money. Ineffective use of time will translate into extra cost. The spare parts might cost more to be delivered at short notice and maintenance staff will expect to be paid even when there is no bus to work on.

**FOURTH PERFORMANCE OBJECTIVE – FLEXIBILITY – ABLE TO CHANGE AND BEING ADAPTABLE**

Flexibility is the way of managing change and adapting to the situation. Customers need the operations to change so that it could meet the under-mentioned four types of requirements. (Nigel Slack, et al 2007):

- 1) Product/service flexibility- the operation's ability to introduce new or modified products and services
- 2) Mix flexibility- the operation's ability to produce a wide range or mix of products and services
- 3) Volume flexibility- the operation's ability to change its level of output or activity to produce different quantities or volume of products and services over time.
- 4) Delivery flexibility- the operation's ability to change the timing of the delivery of its services or products

One of the main purposes of flexibility is to do different things for different customers. Therefore, high flexibility gives the ability to produce high variety of products or services. Some companies have developed their flexibility in such a way that products and services are customized for each individual customer. Yet they manage to produce them in a high volume to keep costs down. This concept is called as mass customization. For example, Dell is the world's largest volume producer of personal computers and also allows each customer to design their own configuration. The Paris Miki, an up market eyewear retailer, has the greatest number of eyewear stores in the world and uses its own Mikkissimes Design Systems to capture a digital image of the customer and analyze facial characteristics. Together with a list of customer's personal preferences, the system recommends a particular design and the displayed frame is on the image of the customer's face. In consultation with the optician, the customer can adjust shapes and sizes until the final design is chosen. Within the store the frames are assembled from a range of pre-manufactured components and the lenses ground and fitted to the frames.

Flexibility is important inside the operation also and flexibility speeds up the response. For instance, if the hospital has to cope with a sudden influx of patients from a road accident, it clearly needs to deal with injuries quickly. Under such circumstances a flexible hospital which can speedily transfer extra skilled staff and equipment to manage the Accident and Emergency situation.

Flexibility also saves times for the customers. For instance, staff in the hospital should treat a wide variety of complaints. Fractures, cuts, or drug overdose do not come in batches. Each patient is an individual with individual needs and preferences. The hospital staff cannot take time to get into the routine of treating a particular complaint. They must have the flexibility to adapt quickly. They must also have sufficient flexible facilities and equipment so that the time is not wasted waiting for the equipment to be brought for the patient. The time of the hospital's resource is being saved because they are flexible in changing over from one task to the other.

**FIFTH PERFORMANCE OBJECTIVE – COST – REASONABLE COST**

The main purpose of cost is to reduce the cost of producing goods and services and provide a lower price to the customers. The ways in which operations management can influence cost will depend largely on where the operation costs are incurred. The operations department spends its money on staff, facilities, technology and equipment and materials

Many of the hospitals costs are fixed and will change little for small changes in the number of patients it handles. The car factory's payment for materials and other supplies will by far outweigh all its other costs put together. Conversely, the bus company will pay very little for its supplies, fuel being one of its main bought in items. At the other extreme, the supermarkets costs are dominated by the cost of buying its supplies.

**A CASE STUDY OF SOUTH WEST AIRLINES - INTRODUCTION**

On March 15, 1967, Air Southwest Co. was incorporated in Texas by Rollin King and Herb Kelleher to provide service within the state of Texas. On March 29, 1971, Air Southwest Co. Changed its name to Southwest Airlines Co. On June 8, 1971, the company completed an Initial Southwest Public Offering of 650,000 shares of stock at \$11 per share (\$6.5 million). Operating from its Dallas, Texas Love Field headquarters, Southwest Airlines began customer service on June 18, 1971, offering service to the Texas cities of Houston, Dallas and San Antonio using Boeing 737 Aircraft. The early years of Southwest Airlines saw operating losses. On May 13, 1972, Southwest sold its fourth aircraft to Frontier Airlines in order to cover payroll and other expenses. Southwest continued to operate a schedule predicated on four aircraft but using only three. In this way, the "ten minutes turn" was born and became the standard ground time for many years. (Source: South West Airline Web Report). In 1973, Southwest announced its first profitable year and continued in the same fashion to this date.

Southwest achieved record breaking traffic statistics for 1980 reflecting a 28% increase in revenue passenger miles and a 20% increase in passenger boarding to 5,976,621 compared to 1979 results. In the 1980s its services financed the expansion through issuance of corporate debentures. It also acquired several Boeing 727-300 aircrafts to keep up the pace of its growing business.

As Southwest grew steadily in the 1990s, it started to focus on establishing its corporate culture and public image. In 1998, Southwest launched the "Kids Fly free" vacation program with Disney land. The 'Give Your Heart Wings' program of 1999 encouraged Southwest Airlines Rapid Rewards members to donate valid unused award tickets to Southwest Airlines ranked first of Fortune magazines' 100 Best Companies to Work for in America' list. During this period, Southwest further expanded its service to the south and northeast part of America. In the early 2000s, while the airline industry as a whole was severely impacted by the 9/11 terrorist attacks, Southwest Airlines was able to recover quickly. Three days after the attacks, Southwest resumed service. Over the following days, weeks and months other airlines laid off thousands of employees and reduced flight schedules, but Southwest maintained both employment and its schedules.

Southwest Airlines operates more than 3,400 flights per day and has more than 46,000 employees as of August 2012. Southwest Airlines have scheduled service to 78 destinations in 39 states. This has enabled the airline to offer low fares and reliable services. Their average aircraft trip is 509 miles and with an average one-way fare of \$85. This fortune 500 company is headquartered in Dallas, Texas and employs approximately 31,000 people. (Source: South West Airline Web Report)

It is therefore, important to review the five performance objectives of the operations of the South West Airlines as under:

**QUALITY**

- Southwest ranks first in on-time arrivals, baggage handling and has the least number of customer complaints per passenger
- It has won the industry's Triple Crown award for the Best airline five times in a row.
- Personalized interactions with customers
- Southwest is widely hailed as a leader when it comes to the ongoing development of its employees
- Built an operations strategy that fits the dynamic competitive environment and improves customer satisfaction
- Employees are encouraged to try new things
- Commitment to employees and customers has helped them achieve a team spirit which others can only envy.
- The first major airline to offer a 24 hrs medical emergency service to its in flight customers
- Use of technology to enhance customer convenience

**SPEED**

- Without seat assignments, the airline can turn planes more quickly at the gates
- The fifth largest airline in the U.S. applies its mantra of speed and efficiency to cargo business as well
- Shipments at all airports arrive earlier
- Gets planes out of the gate faster than other major U.S airlines and serves more passengers
- Fast gate turn arounds
- Point-to point systems result in direct routes, reducing connections and overall trip time.
- CrewSolver™ software, which enables the Company's pilots and flight attendants to return to their original schedules quickly after any delays.
- Powerful optimization and business rule software components generate a crew schedule in seven to 10 hours far less than the previous 36 to 48 hours.

**DEPENDABILITY**

- Has the best safety record in the industry.
- Southwest boasts the best baggage handling and fewest customer complaints in the airline industry
- Southwest is the nation's No1 airline for on-time arrivals.
- Cheap, safe and reliable service has turned millions of travelers into loyal customers.
- They promote a safe, reliable and low-cost fare with outstanding service
- Commitment to this promise has earned them credibility and the airline industry's best cumulative customer satisfaction record.
- Helpful and knowledgeable employees have enhanced customer satisfaction
- Security and safety of the passengers on board are the most important goals of the organization
- Convenient flights, dependable operations and attentive service have been the key to success

**FLEXIBILITY**

- Adds about one or two new city destination every year.
- Emphasizes a freedom theme offering schedules which ensure that customers have the flexibility to fly where they want and when they want.
- Southwest has ordered more next-generation Boeing Jets.
- Southwest has sought to simplify procedures, boost innovation, keep costs down while retaining a high degree of teamwork and communication
- They constantly re-invent their processes to adapt to the changing environment.
- Became the world's first airline in 1997 to take delivery of Next-generation Boeing 737-700.
- Efficient crew scheduling system allows southwest to address unexpected operational changes.
- Southwest airlines give a nod to the past and looks at the future with new coat paint.

**COST**

- Southwest advertises itself as a low fare and no frills airline
  - Continuous to the least expensive airline in the market by offering
    - ✓ Single class
    - ✓ Open Seating
    - ✓ No meals
  - Standardized fleet of 737 to minimize maintenance costs.
  - Its low cost strategy of saving customers' time and money carried over to the web.
- Based on the above performance objectives, the following conclusion fits very well for the South West Airlines.

**CONCLUSION**

The application of the five performance objectives on the airline industry provides an impetus on the airline operations. The airline operations will be able to survive with the application of these five performance objectives. Therefore, the application of the five performance objectives on the South West airline has lead to the following conclusion.

- ✓ To date the organization has been very successful with its plans and business strategies, which indicate managing speed and dependability very well.
- ✓ Ranked as a top-10 US airline and has received many awards for its excellence in customer service, which indicates quality management
- ✓ The organization has been profitable for several years in a row.
- ✓ Since, inception, cheap, safe and reliable services have helped the organization turn millions for travelers into loyal customers, which has contributed to quality
- ✓ Frequent reliable departures, very low ticket prices and fat gate turn-around have been the key to success.
- ✓ Determined to meet the challenges that lay ahead
- ✓ Continue their disciplined and austerity efforts to keep costs low and Customer Service high, so that they can bring many generations to come to Fly which indicate efficient cost operations.

The above conclusions could be a useful platform and an example for managing airline industry efficiently.

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## A STUDY ON THE REASONS FOR STUDENT'S MISBEHAVIOR IN CLASS AND ACADEMIC REMEDIAL MEASURES TO CURB STUDENT'S MISBEHAVIOURS IN CLASS AT HIGHER EDUCATIONAL INSTITUTIONS

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### ABSTRACT

*A educational institution is a place where a child spent most precious of life time with a teacher and friends, this influence a lot on child development mentally as well they adopt changes as per their comfort. Students in educational institution will not only gain knowledge about subjects as well being trained on various activities which is also a part and parcel of personality development would be like mannerism, respect, behaviour, good thoughts, humanity, concern on others to manage themselves in the society. Therefore as parents are not only responsible for the child development it is also the educational institution, because they spend more time at educational institution than their home. So this is the right stage were a student exactly need to be monitored / curb by a teachers. The rapport between a students and teacher s is stronger than a parent in this generation. Teachers are like a Potter who can make a beautiful art from clay which can be admired, loved by everyone, to be excelled in every walk of life. This study was conducted in a rural area of Karnataka on random sample of higher educational programme students of about 300 including boys and girls, as well 87 lecturers and 03 principals of respective college. Methodology adopted is self structured questionnaire in collecting the data for this survey method of study. This study reveals that only 40% of students were misbehavior in class room environment due to various sited reason in interpretation and 60% of students are interested in studies but get distracted due to rest of 40% students. The public perceives that managing student behavior is an important component of the teacher's duty (Pestello, 1989).*

### KEYWORDS

Misbehaviour, Academic Administrator, Student, Lecturer.

### INTRODUCTION

**M**isbehavior- It is an inappropriate act/ behavior or to behave (oneself) badly. The educational institutions need that the students should behave properly in the campus in general and in the classes in particular.

### REVIEW OF LITERATURE

<sup>1</sup>Student misbehaviour is not an isolated problem only academic administrators, teachers and parents have to deal with. Adolescents who have acquired the habit of ignoring rules, challenging authority and giving in to physical aggression are likely to carry these traits into adulthood. Student misbehaviour starts in school but its effects extend into the community at large. As more and more student exhibit disruptive behavior, so do the rest of their peers feel that it hinders their ability to focus on their studies. In the same manner, teachers feel that student misbehaviour interferes with their ability to teach and contributes to their heightened stress levels (Beaman, Wheldall, & Kemp, 2007) and prompts many of them to quit their teaching profession (Gonzalez, Brown, & Slate, 2008). Educators look at the problem of student misbehaviour focusing on its connection with school dropout rates on the rise. The lack of student discipline has come to be regarded an important predictor of dropping out of school (Gutierrez & Shoemaker, 2008).

Toby (1998) found that U.S. students who commit acts of misbehaviour commit them on a daily basis. Finn, Fish, & Scott (2008) have proven that student misbehaviour is related to low academic achievement and dropping out of school. Student misbehaviour does not only hinder the perpetrators from learning but prevents their classmates and peers from learning as well. They divert the students' attention, interrupt lessons, waste their teachers' and their own limited time in class, and, most alarmingly, reduces the probability of completing their formal education.

Student misbehaviour increases the teachers' stress levels, diverts their attention away from the lesson and thus adversely affects the quality of teaching and learning. Ultimately, it interferes with academic achievement and success. Misbehaviour also creates an atmosphere of discomfort, insecurity and fear at school which is experienced by the students and teachers alike, and school administrators are forced to spend a high amount of time dealing with discipline problems (Gaustad, 1992 ; Owaidat & Hamdi, 1997) instead of appraisal and motivation (Todras, 2007). Not surprisingly, sorting out discipline problems seems to be the greatest challenge teachers and school administrators have to face on a frequent basis (Alia, 2001).

Finn et al. (2008) asserted that during adolescence most of the negative behavioral traits related to inappropriate behavior are acquired. Jenkins (1997) observed that such disruptive behavior translated into students hitting other students, damaging school property, disrupting class, not doing homework and not paying attention, the most frequent and common forms of school misconduct. The body of existing research suggests that the increase in disruptive classroom behavior is associated with higher dropout rates (Goyette, Dore, & Dion, 2000), academic failure, substance abuse as well as poverty and unemployment in adulthood. Several studies have subsequently confirmed this general prediction (Mahadi, 2000).

In this respect, Loeber and Dishion (1998) asserted that misbehaviour becomes a gateway to other negative forms of adolescent behavior, such as vandalism, drug abuse, and more serious criminal offenses in adulthood. Research has indicated that students who drop out of school are more likely to commit serious legal offenses which result in conviction and incarceration (Loeber, 1990; Loeber & Dishion, 1998; Loeber & Dishion, 1983; Owaidat & Hamdi, 1997).

Hirschi (1978) stated that "perhaps the best predictor of delinquency in American society is difficulty in school" (p.334). He argued that school achievement was affected by an individual's academic performance and ability which were negatively related to misbehaviour. Thus, the students' academic performance and ability affected their attitudes toward school and teachers. Students who performed poorly at school were considerably more likely to collide with the law compared to those who did well. Hirschi conceded that students with lower academic achievement simply learned to dislike school and defy the school's authority.

As Kyriacou (1997) suggests, the key task facing teachers is to minimize the occurrence of student misbehaviorism the first place, which is called pre-empting the misbehaviour. Besides a practiced classroom management skill of teachers, the student-teacher relationship plays an important role in dealing with student misbehaviour as well as on the existence of misbehaviour. It is very important to build a positive relationship with children in order to avoid their negative behavior in the classroom.<sup>2</sup>

Sharaz (2006) and Jenkins (1995) who found that educated parents were likely to stress the importance of higher education in front of their children and encourage them to be more productive at school. This is supported by Al-Zoubi (2004) who observed that Jordanian undergraduate students of the Hashemite University with less educated parents displayed a significantly higher tendency towards aggressive behavior. Mahasneh (2006) added that students with more educated mothers were generally more committed to school and more readily submitted to school rules and regulations.

<sup>1</sup> www.ccsenet.org/ass Asian Social Science Vol. 8, No. 6; May 2012 122 ISSN 1911-2017 E-ISSN 1911-2025

<sup>2</sup> www.ccsenet.org/jedp Journal of Educational and Developmental Psychology Vol. 2, No. 1; May 2012 144 ISSN 1927-0526 E-ISSN 1927-0534

In this respect, Saleh (1997) and Mendler & Curwin (1983) highlighted another aspect relevant to the above mentioned findings in line with the present study. Both concluded that a student's home environment strongly influenced his or her behavior at school, and that students of uneducated and unsupportive parents were more likely to misbehave.

## STATEMENT OF THE PROBLEM

"A Study on the reasons for student's misbehavior in class and academic remedial measures to curb student's misbehaviors in class at higher educational institutions."

## PURPOSE OF THE STUDY

The purpose of this study was to determine the reasons for the misbehavior of students enrolled in the Higher education programs.

## LIMITATION OF THE STUDY

- Only undergraduate students were considered from Kolar Gold Fields, Karnataka
- The teachers who are teaching in higher educational Institutional at Kolar Gold Fields.
- Academic Administrators of these higher educational Institutions were part of this research study.

## MATERIAL AND METHOD

### RESEARCH DESIGN

- This study is quantitative in nature and employs an exploratory research design.

### METHOD

- This is a survey method; under this questionnaire methodology is adopted as tool to meet the objective of the study. Using self structured relevant questionnaires.
- Random sampling technique is used for data collection.

### SAMPLE SIZE

- The population taken from higher educational institution. We had divided the entire population into 300 sample size, including the lecturers and administrator.
- Among this 200 students from higher educational institution were taken randomly for this research study. The total sample is nearly 300 in sizes included 85 lecturers and 03 Principals of colleges.

### DATA COLLECTION

**Primary data:** Questionnaire by using close ended questions with multiple choice objectives with a range of frequencies of behavior.

**Secondary data:** Referred the journal articles, thesis on related topic, visited some informative concern web site to gather more information for this study.

### 1. WHAT IS STUDENT MISBEHAVIOUR IN THE CLASSROOM?

Kyriacou defines student misbehaviour as "any behavior that undermines the teacher's ability to establish and maintain effective learning experience in the classroom" (1997:121). Kyriacou (1997) ranges student misbehaviour from simple non-compliance (e.g., not paying attention) to overt disruptive behavior (e.g., throwing a missile across the room). He also points out that serious misbehaviour, including direct disobedience, physical aggression or damage, is much less frequent.

### 2. WHY MIS BEHAVIOR IS A PROBLEM?

Hollin (1993) states several reasons why student misbehaviour is problematic:

- 1) It provokes and offends members of the teaching profession;
- 2) It is detrimental to the educational progress of the "bad child";
- 3) It may have untoward effects later in the child's life;
- 4) It may hinder and disrupt the educational and social progress of "good student" who share a Class room with "bad student".

### 3. WHAT MAY BE THE CAUSES OF STUDENT MISBEHAVIOUR IN THE CLASSROOM?

In order to solve the student behavioral problems in the classroom, it is essential to discuss the causes first—just where does it come from? Some social scientists argue that student misbehaviour has less to do with the characteristics of students and more to do with the behavior of teachers (Stephens and Crawley, 1994). It is true that students' behavior can be provoked by teachers' actions, but it is not the whole reason. Most of the causes of student misbehaviour in the classroom can be traced back to three main sources: **the students, the teachers and society.**

Teachers who are ineffective classroom managers spend much of their time frantically Putting out small "fires." They need to learn a lesson from professional firefighters—the best way to deal with a fire is to prevent it from happening in the first place. Proactive classroom managers create "fireproof" classroom environments by addressing causes of misbehavior that might fuel emotional explosions. Some misbehavior are sparked by conditions that are not readily obvious. According to Maslow, once their physiological needs are met, students are motivated by the need to be physically and emotionally safe, loved and accepted, admired and respected, and personally fulfilled. A careful examination of students' classroom behaviors, desirable as well as undesirable, can reveal that they are influenced by forces and pressures inside and outside the classroom. Identifying and addressing these issues will proactively prevent future behavioral conflagrations (Belvel, 2010).<sup>3</sup>

### 4. WHY DO SOME STUDENTS MISBEHAVE?<sup>4</sup>

Part of the process of assisting a child in developing necessary skills is getting to the root of why they behave as they do. So, this all begs the question, why do some students misbehave?

**Below is a partial listing of possible reasons a student would misbehave (Kottler, 2008):**

- They are probing boundaries
- They are mimicking the actions of others
- They have a strong curiosity or interest in something
- They desire attention
- They desire power
- They are bored or frustrated
- They have an emotional reaction to something that has happened outside of the classroom
- They feel their dignity is threatened
- They have difficulty handling disagreements
- They have an egocentric personality
- They lack self-control (they are impulsive)

<sup>3</sup> www.sagepub.com//upm-data/39273\_3.pdf managing the class room environment , chapter 3 ,Page57

<sup>4</sup> www.bryan-harris.com

- There are unclear directions or expectations
- They lack basic academic or cognitive skills
- They have a low tolerance for frustration
- There exists peer pressure or the need for group belonging
- Home or peer pressure reinforce the behavior
- There is an underlying emotional, physical, psychological, or learning disorder.

**FOR TEACHERS**

An essential aspect of effective teaching is the need for a teacher to <sup>5</sup>establish and maintain authority over the organization and management of students' learning" (Kyriacou, 1997: 101). In order to control discipline of the classroom, a teacher must try to make his authority be accepted by the students. A positive friendship must be built upon the respect of the students. At the beginning, when introducing oneself to students, friendliness can be seen as a sign of weakness, and a teacher can easily lose the respect of his/her students. In this situation, misbehaviour in the classroom seems unavoidable. The right way is trying to build a positive relationship after a teacher's authority has been accepted by his students.

Fontana (1994) gives six issues which influence the degree to which a teacher is able to exercise the necessary class control.

These are:

- physical appearance
- voice
- the way in which the teacher presents the lesson
- lesson preparing and organization
- the way in which teacher talk to children
- the way in which threats, rewards and punishments

In addition to these factors, a teacher's authority and the ability to exercise the necessary classroom control, a teacher's personality characteristics also play an important role in the classroom control that definitely influence the student behavior in the classroom. A teacher who is kind, warm and judges the students' behavior fairly can easily earn the respect from the students, and build a positive relationship with the children. Otherwise, a teacher's unfair or inappropriate action can provoke student misbehaviour because as Kyriacou (1997) points out, student misbehaviour is in large measure an attempt to maintain their sense of self-dignity in the circumstance that confront them. Many studies have shown that students are sensitive to how teachers behave to them, and it is easy to see how some students may see their own misbehaviour simply as a fair and legitimate reaction to the teacher's teaching (Kyriacou, 1997:124).

Kyriacou (1997) suggests that "all teachers need to be aware of how their behavior can serve to hinder rather than facilitate good discipline in the classroom".

**Teacher Behaviour Continuum**

Regarding the misbehavior at the individual level, teachers should find out the reasons of the improper behavior first and then the response should move along a continuum. Silently looking on can be used simply for observation and soaking in the information in the classroom without any attempt at changing the behavior, or it may make the student who attempts to draw his/her attention from the learning know that the teacher is noticing what is happening. Ignoring is the least response which teachers make to misbehaviour, which Rogers (1997) names as tactical ignoring, and can be an appropriate teacher response to some misbehaviour, because at the very least it avoids "over-servicing" attention-seeking. If the student misbehaviour becomes a little bit more serious than non-verbal misbehaviour, for example, fiddling or doodling and not paying attention, then the verbal intervention through non-directive statements, Questions and directive statements will reflect progression along the continuum (Cooper et al, 1994). These three steps are defined by Rogers (2002) as distraction/diversion, direct question and command. Examples given by Wolfgang and Glickman (cited in Cooper et al, 1994) range from the non-directive statement, "I saw you throw the book", through questioning, "Why are you doing that?" to the directive statement "don't do that again!" Students are often not consciously aware of why they do things and just repeat actions which have been effective in the past (Long, 2000). Asking children to explain the reason for their behavior can lead them to be aware of their mistake and avoid children repeating the misbehaviour. Wolfgang and Glickman suggest that teachers should be ready to give academic support to students who behave inappropriately because of the academic Difficulty, rather than confront them over the misbehaviour itself.

As McManus (1995) suggests "enlightenment is a valuable aid to seeing problems not as opaque and oppressive but interesting puzzle to be solved—even if we conclude that on some levels no direct actions is possible." Being the teachers, the controller of the classroom, we must have the confidence to solve the problem.

**Reducing Problem Behaviors through Good Academic Management: 10 Strategies<sup>6</sup>**

1. Be sure that assigned work is not too easy and not too difficult.
2. Offer frequent opportunities for choice.
3. Select high-interest or functional learning activities.
4. Instruct students at a brisk pace.
5. Structure lessons to require active student involvement.
6. Incorporate cooperative-learning opportunities into instruction.
7. Give frequent teacher feedback and encouragement.
8. Provide correct models during independent work.
9. Be consistent in managing the academic setting.
10. Target interventions to coincide closely with 'point of performance'.

<sup>5</sup> www.ccsenet.org/jedp Journal of Educational and Developmental Psychology Vol. 2, No. 1; May 2012 ,146 ISSN 1927-0526 E-ISSN 1927-0534

<sup>6</sup> http://www.interventioncentral.org/academic-interventions

TABLE 1: SHOWS DATA FINDINGS AND INTERPRETATION

| Sl. No | Reasons and measure for misbehaviour | Students  | Lecturers   | Administrators  |
|--------|--------------------------------------|---|---|---|
| 1      | Students interested in the course    | 92.92% interested in the course   | 19.10% students not interested in course  | N/A   |
| 2.     | Mis behaviour means                  | 48.7% Talking to a friend during lecture class, using mobile phone at class hour , out of seat behaviour, breaking college rules, not obeying to lecturers, talking out of turn , physical aggression | 32.95% misbehaviour only with particular teacher. 31.81% found only in class room | 40% accepts unnecessary noise, verbal abuse, disturbing by using mobile phone are misbehaviour act of students.                 |
| 3.     | Responsible for misbehaviour         | 44.2% rate that 75% Lecturer is responsible   | 53.93% rated student himself  | 75% rated for 75% lecturers are responsible   |
| 4.     | Reason for misbehaviour              | 40.7% Boring lecture, No interesting subject, need interaction  | 30.85% says private coaching class students lack interest in class room           | 27% accepts ineffective teaching leads misbehaviour.  |
| 5.     | Class room situation                 | 61.5% rate interesting lecture classes  | 36% of students are found disruptive behaviour for teaching and learning process  | N/A   |
| 6.     | Control measures on misbehaviour     | 36.7% students rate effective teaching , positively friendliness, give respect to students, encourage academically, no verbal abuse / insult in class, seeking attention from lecturer                | 44.76% counseling for problem behaviour of students                               | 75% Administrator says parents were called for their wards behaviour. 66.6% rarely students are been suspended for misbehaviour |

## CONCLUSION

An attempt was made to know the reasons for students misbehaviour in class and academically the measures used by various higher educational institutions was highlighted in this study.

As Per the data collected and analyzed for students misbehaviour in class room reveals that students 92% are interested in course of study, but only 48.7% of students misbehave in class room as well 32.95% and 31.81% rated by lecturers found the misbehaviour is with particular lecturer and only in class room situation not elsewhere. 40% administrator found misbehaviour act as unnecessary noise, disturbance by using mobile phone during lecture classes. It is also found by data that students and administrator says 75% lecturers are responsible for student behaviour and rest of 25% might be various other reasons such as 50.7% students says boring lecture, need interaction, no interesting subject and 30.85% lecturers say due to private coaching classes students are not interested in classes as well 27% of administrator accepts ineffective teaching leads to misbehaviour.

The class room situation was found to be only 61.5% interesting lectures and 49% disturbance/ noisy classes, as well 36% rating on student's misbehaviour was found by lecturers for disturbance of teaching and learning. 58.82% of lectures have selected this teaching profession by choice and rest of 42% lectures rated by chance/ serves society.

### The academically control measures on students misbehaviour taken by

1. Administrator was 75% parents were called for their wards behaviour problem and 66.6% accepts rarely they suspend students for misbehaviour.
2. 44.76% of lecturer suggest counseling can control students misbehaviour
3. 36.7% of student's rate effective teaching, positively friendliness, giving respect to students, encouraging academically, no verbal abuse/ insult in class, attention towards students will have a good control on student's misbehaviour.

## FINDINGS

1. Ineffective teaching as well failure in class control makes student misbehave.
2. Rewards and appreciation as motivational tools for students to change their behaviour.
3. 80% of the students parents are educated which reveals in this study.

## SUGGESTIVE REMEDIAL MEASURES

- Good subject knowledge for lecturer which increases curiosity in learner to involve in class activity.
- Create a positive friendly atmosphere to students and encourage students' hidden talent.
- Lecturers should also be a good counselor to understand student erratic behaviour
- Students expect Attention from lecturer which brings seriousness in learner.
- Effective teaching will make students aware of subjects as well create interest and respect on lecturer.
- Ignoring is the least response which lecturer make student to misbehaviour.
- Lecturer should make student academically comfort though they misbehave, never carry the anger of misbehaviour which make student more aggressive.
- Rewards and appreciation only attract student in lecture and involves at class room assignment.
- Insulting a student in a group affects their ego and never you can have control on them
- Student lack self control, don't go for argument they are just a learner, they repeat the same to you.
- Lecturer's personality characteristics also play an important role in the classroom control that definitely influences the student behavior in the classroom.
- Introducing oneself to students, friendliness can be seen as a sign of weakness, and a teacher can easily lose the respect of his/her students.
- The students' academic performance and ability affected their attitudes toward institution and Lecturers.

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## USE OF PROPERLY POSITIONED HEAD RESTRAINT

**MURAT DARCIN**  
**DIRECTOR**  
**MINISTRY OF INTERIOR AFFAIRS**  
**ANKARA, TURKEY**

**ABSTRACT**

A common injury among motor vehicle occupants involved in collisions is whiplash. The whiplash injuries primarily result from abnormal loading placed on the cervical spine during automotive rear impacts. This type of injury is a common cause of chronic neck pain in industrialized countries. Properly positioned head restraints decrease the incidence of whiplash. Optimal head restraint must be located above the ears (vertical height) and touching the back of the head (horizontal gap). In this study it is found that use of optimal head restraint which is correctly positioned behind and close to the head is only 7.16%. It is clear that public education programs will be effective in increasing the proper use of the head restraint to decrease the whiplash injuries.

**KEYWORDS**

Head restraint; Injury; Neck pain; Safety system; Whiplash.

**1. INTRODUCTION**

In rear-end collisions, an occupant's unsupported head lags behind as the torso is accelerated forward (Von Koch et al., 1995). This phenomenon of sudden acceleration–deceleration motion, was first documented in 1928 and given the term ‘whiplash’ (Galasko et al., 1993). Whiplash injuries of the neck which result from acceleration–deceleration forces applied to the neck, usually in motor vehicle collisions are one of the most common injuries reported from vehicle rear impacts (Cassidy et al., 2000). This type of injuries which are widespread cause of chronic neck pain have become increasingly common in motorized countries throughout the world (Zuby et al., 1999; Viano & Olsen, 2001; Farmer et al., 2003) Symptoms of whiplash include pain in the neck, shoulder, or arm; headache; jaw pain; dizziness; tinnitus; and memory and concentration difficulties (Spitzer et al., 1995; Cassidy et al., 2000). It is well known in clinical literature that whiplash injuries affect cervical soft tissues, and increasing spinal motions are likely responsible for greater injury risk (Bogduk, 2000; Cusick et al., 2001; Stember et al., 2005b).

Several different parameters have been found to affect the injury risk in a rear-end impact. Gender, stature, age, seating position, and sitting posture are factors found to influence the risk of injury (Krafft et al., 1996; Morris & Thomas, 1996; Otte et al., 1997; Krafft, 1998; Temming & Zobel, 1998; Langwieder et al., 1999; Jakobsson & Norin, 2002). Several studies indicate that front-seat occupants have a higher whiplash injury risk than rear-seat occupants (Lundell et al., 1998; Jakobsson & Norin, 2002).

Head restraint devices are designed to minimize or prevent injuries in rear-end collisions (Von Koch et al., 1995). Evidence comes from insurance data shows that restraints decrease the incidence of whiplash (IIHS, 1999;2002; Young et al., 2005). However, to prevent whiplash injuries head restraints must be properly positioned (Young et al., 2005). Vertical and horizontal positions of the head restraint has been shown to be important in reducing the whiplash injury. Head restraint which is not behind and close to the back of an occupant's head has not effective to prevent a ‘whiplash’ injury in a rear-end collision. Increasing head restraint height decreases injury risk (DeRosia et al., 2004). A relationship was found between head restraint height and whiplash, with nearly a two fold increase (35% vs 66%) in rear crashes with low head restraint positions (Viano & Olsen, 2001).

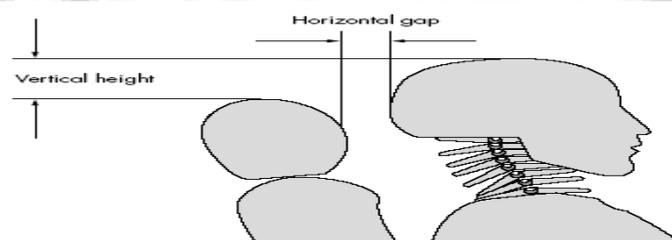
Head restraint which firstly introduced in the 1960s was designed to limit relative motion between the head and thorax or reduce the effect of whiplash by minimizing the neck movement and reducing spinal motions that occurs in motor vehicle accidents (Von Koch et al., 1995; Young et al., 2005). Several studies have assessed the effectiveness of head restraints in rear-end crashes. The estimated effectiveness of head restraints in reducing the risk of neck injury ranges from approximately 5% to 30% (Szabo et al., 2003). Head restraints decreased the overall risk of neck injury. Governmental research reported that head restraints reduced the overall neck injury risk by 5–20% (Stember et al, 2005a). The research by Viano and Gargan (1996) about head restraint position during normal driving indicate that if all adjustable head restraints were adjusted to the proper vertical height, a 28.3% reduction in whiplash injuries occurring in rear-end collisions would result (Fockler et al., 1998). Use of head restraints with the correct vertical height should significantly reduce the incidence of soft tissue injuries (Fockler et al., 1998).

The purpose of this observational study was to assess head restraint positioning in sample of Turkey.

**2. METHODS**

Head restraints are evaluated based on two criteria. The first is the distance down from the top of the head of an average sized male to the top of the restraint (IIHS, 1999; Young et al., 2005). A head restraint should be at least as high as the head's center of gravity, or approximately 3.5 inches (9 cm) below the top of the occupant's head (IIHS, 1999; Young et al., 2005). The second criterion is the horizontal distance from the back of an average sized male's head to the front of the restraint. A horizontal distance of more than 4 inches (10 cm) has been associated with increased symptoms of neck injury in motor vehicle accidents (IIHS, 1999; IIHS, 2003; Young et al., 2005).

To assess head restraint positioning, the vertical height of the head restraint and the horizontal gap between the head and the head restraint were assessed (fig 1). Reliably assessing a good horizontal dimension (that is, back of the head less than 4 inches) in a moving vehicle is difficult. For ease of data collection, therefore, the criteria was modified for a good head restraint position by defining optimal horizontal position as when the back of the head is touching the head restraint. In this paper, it is used the term “optimal” head restraint positioning to indicate a head restraint level with the ears and touching the back of the head.

**FIGURE 1: HEAD RESTRAINT POSITION**

Adjustable head restraints were defined as correctly adjusted if the top of the head restraint was approximately level with the top of the driver's ears or higher. Therefore, all head restraints observed to be positioned so that the top was lower than the driver's ears were defined as incorrectly adjusted. Data for his study were collected in July, September and October 2012. This study was performed in Ankara which represents high level contribution GNP cities of Turkey and high level of average income and high level of education. 1425 vehicle drivers were observed that they are using appropriate head restraint or not.

### 3. RESULTS AND DISCUSSION

To prevent whiplash injuries, car head restraints must be correctly positioned behind and close to the head. Currently, only 7.16% of drivers meet these standards in this study.

TABLE 1: USE OF HEAD RESTRAINT

|                | Correct horizontal gap and vertical height (restraint level with the ears and touching the back of the head) | Only correct horizontal gap (vertical height is incorrect) | Only correct vertical height (horizontal gap is incorrect) | Incorrect horizontal gap and vertical height |
|----------------|--|--|--|--|
| n (total 1425) | 102  | 23   | 456  | 844  |
| %              | 7.16%  | 1.6%   | 32%  | 59.2%  |

In this study it is found that 1.6% of drivers use only optimal horizontal distance and 32% of them use only optimal vertical height. Jeroshch et al. defined "optimal" horizontal distance between the back of the head and head restraint as being 0 cm and found that only 7.4% of drivers use optimal head restraint distance (Jerosch et al., 1997; Young et al., 2005).

To prevent whiplash injuries, car head restraints should be correctly placed very close to the back of the head. Viano et al showed that the proper position of neck was with a head restraint positioned above the ear (vertical) and less than 2 inches from the back of the head (horizontal) (Viano and Gargan, 1996; Young et al., 2005). In a study it is found that only a small proportion of drivers meet these standards in Portland, Oregon (Young et al., 2005). Despite including all types of vehicles, it is calculated that only 10% of drivers had head restraints in the most appropriate position (Viano and Gargan, 1996; Young et al., 2005). A lack of public awareness about effectiveness of properly positioned head restraint to prevent whiplash is probably reason for this result. (Young et al., 2005)

Head restraints which the most effective device to prevent injury at smaller backset magnitudes (<60 mm) by limiting spinal motions under whiplash conditions (Stember et al., 2005b) are usually not positioned correctly to limit head-neck motions within the physiologic range (Minton et al., 2000; Farmer et al., 2003, Stember et al., 2005b). Effectiveness of head restraints increases as they are positioned higher (Hell et al., 1998; Chapline et al., 2000; Farmer et al., 1999; Kleinberger et al., 1999; Tencer et al., 2001; Welcher & Szabo, 1999; Szabo et al., 2003.) and closer (Szabo & Welcher, 1996; Farmer et al., 1999; Watanabe et al., 1999; Welcher & Szabo, 1999; Chapline et al., 2000; Szabo et al., 2003) to drivers' heads.

### 4. CONCLUSIONS

It could be concluded from the results of this study that head restraints have to be improved. Two major obstacles for the appropriate use of the head restraint are lack of public awareness and improper design of the headrest. It is clear that public education programs will be effective in its use of the correct head restraint in decreasing the incidence of whiplash injuries.

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## THE FUTURE OF HERO MOTO CORP: A STUDY ON THE CUSTOMER PREFERENCE TOWARDS HERO TWO WHEELER AFTER THE TERMINATION OF HERO HONDA

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### ABSTRACT

*The Automobile Company gain market leadership only if it understands the consumer taste and preferences for final solution that delights consumer through superior value, quality and service, consumer preference is a vital factors in marketing. To analyze the need for purchasing the particular type of two-wheeler in Coimbatore city, TamilNadu, India. Consumer preference and consumer behaviour are similar, attributed in broad prospective. In order to accomplish this objective a market survey was conducted with 100 respondents in the study area. Advertisement campaign should aim at reaching the ultimate custom and the authorized dealers should also device a suitable advertisement to catch local customers. The introduction of Hero Honda bike have revolutionaries in the field of two Wheeler industry. Large number of fancy two wheeler should be introduced by the company. . A survey is done among the customers of Hero and the Hero Honda to study their preference of brand after the split. Customer opinions are recorded about their choice of the brand. It is concluded from the study that the Hero Honda motor company gaining market share in Two Wheeler Industry and what happen after split the Honda.*

### KEYWORDS

Brand choice after the split, Consumer preference, Consumer Behaviour, Joint Venture, Marketing, Manufacture.

### INTRODUCTION

This question is the base of this particular study. A survey is done among the customers of Hero and the Hero Honda to study their preference of brand after the split. Customer opinions are recorded about their choice of the brand.

Earlier when TVS split from Suzuki in a joint venture for TVS to establish itself it took quite some time will that be the same case with Hero. Hero now has to sweat a lot to gain their market share.

The questions are open to Hero but the management is smart, experienced and veteran. They not only got their 26% share from Honda at 40% discount to the market rate, but also have gained expertise over the Japanese technology during their operations of 26 years.

There was out rightly no need to piggyback the brand name Honda anymore which came with a huge royalty fee. The technology shared by Honda has now been learned and mastered by Hero during their long 26 years of marriage. The profits were now merely shared for customers' sake for they love to see the two names HERO and HONDA together on their bikes. Although, the guild of the two names was giving maximum sales however was of limited Hero Honda was undoubtedly the market leaders in the two wheeler segment. TVS, Hero Honda and Bajaj together were having a market share of almost 70% in the two wheeler industry. Hero Honda is a joint venture of Hero Moto Corp in India and Honda motors in Japan. The JV between the two companies came to an end recently and hero was set to go on its own. Honda has already entered the market separately and it is in a comfortable position. Hero will be facing challenges to establish itself in the two wheeler market. Hero though has enough marketing potential and plants for manufacturing two-wheeler is still lacking in indigenous technology. While this is on one side, what will be the reaction of the customer toward this split? How will the customers align or orientate after the split of this joint venture.

### VALUE TO THE COMPANY

Did the customers buy Karizma, CBZ, Splendor, Hunk because they are Honda technology? Or because of the way they are positioned in the market?

"One big differentiation between Hero Honda and other automobile companies are the scale and strong brand recall," said Deepak Jain, assistant vice president and research analyst, Sharekhan. "Hero Honda's Splendor is a decade-old motorcycle brand. However, automobile divorces are very challenging. Retaining core customer group will be the incremental challenge for the Hero group apart from cut-throat competition." R&T payments are the third biggest expenses for Hero Honda after raw materials and employee cost. It's another challenge to optimize the savings to rebranding activity.

The Hero group has two options, either to go for in-house R&D or choose a domestic/foreign partner for technical collaboration. However, analysts do not see the group going in for a partnership with anyone.

It will be a challenge for Honda to compete with robust Hero's marketing and distribution team and a challenge to Hero will be to live up to the expectations of customers at technical level.

### REVIEW OF LITERATURE

The review of literature started with the analysis of TVS Suzuki split up in which TVS almost took may years to find its bearings, will this be the case with Hero too.

In a case study done by IBS center for management research TVS in spite of its lack in technology and several failures of launching its own product during the JV was able to succeed after the split up. According to this paper marketing is a competitive edge in terms of winning the market.

In another study on the consumers buying behavior the report concludes that the sales are strongly correlated with age group of the consumers. Interestingly the purchase of two wheeler is independent of the annual income of buyer; this could perhaps be due to the easy loan available and customer friendly marketing strategies adopted by the dealers. A significant proportion of the population, 48.33% customers prefer to buy a two wheeler in the range of Rs. 41,000-50,000/- having fuel efficiency of 45-55 Kmpl. The non-gear model is preferred by 38.33% and with gear (4 gears) model is preferred by 40.00% consumers. The data is further correlated with the gender of consumer. Presumably females and aged males prefer non gear vehicle whereas male in general prefer vehicle with gear. As for maintenance of vehicle is concerned the general consensus among consumers indicates they prefer servicing the vehicle once in four months. Further, 43.33% consumers happen to have vehicle that is 1 to 5 years old indicating old two wheeler vehicles are rapidly being replaced. Finally the colour of vehicle seems to play an important role in consumer preference.

Dr.N.Chandrasekaran investigated the wants of the customer are carefully studied by conducting surveys on consumer behaviour. The study also helps to know various marketing variables such as price and product features. This study will help gain knowledge about the influence of consumer to prefer a particular brand and the problems faced by them using such brands.

Dr.S.K.Sinha &Ajay Wagh examined that India is one of the fastest growing telecommunication markets of the twenty first century. The common man, artisans, agricultural labours, vendors and workers from every walk of life are comfortably using the services provided by telecom industries. The potential of capturing market segment will surely depend upon understanding dynamics of customers preference. According to Lewis & Boom (1983) service quality is considered as a measure of how well the service delivered matches customers expectations on providing a better service than the customer expect organisational brand promotional strategies should be based on developing innovative offers & products, developing cost friendly value driven packages and tariffs, offering quality services after sales service & ability to make calls without getting cut off & also to provide cheaper cost of calls to other networks.

Dr. C. Annandan & M. Prasanna Mohan Raj & Mr. S. Madhu examined the new mantra of all FMCG giants is; To get rich, sell to the rural. So they have started marketing programs to explore the untapped segment of rural markets. As far as FMCG is concerned, the market penetration and consumption in rural areas is low so there is an opportunity for marketers to utilise the market effectively. Another key positive aspect is the current government focus on rural areas. Understanding the rural customers. Inadequate data on rural markets. Reaching of products or services to 6.4 lakhs villages for poor infrastructure facility.

Rachel Dardis, Horacio Soberon-Ferrer investigated the consumer decision making is multinational, that is consumer choices are not based on a single product attributes, instead consumers view products as bundles of attributes. Product attributes (automobile attributes) as well as household characteristics. In both instances, the higher the value of the cost index or the Trouble Index, the more unsatisfactory the car is relative to other cars. A better educated household might be more informed about the performance properties of Japanese cars and attracted by the higher value reliability of these cars.

## NEED FOR THE STUDY

In today's scenario when customer attraction is the mantra for success, a study on factors influencing customer preference towards brand is a necessity.

The Indian two-wheeler (2W) industry has shown a strong volume growth over the last two-years, having grown by 25% in 2009-10 and 27% in 2010-11. Of this motor cycles accounted for almost 80 percent. The two wheeler business has acquired the characteristics of a matured market, driven by momentum of new product launches, offer of a large variety of models for customers and very competitive marketing and financing. Notably, premium motor cycle consolidated their importance both in terms of brand image and relatively good market share. Manufacturers such as Hero, Honda, Yamaha and Suzuki grew faster than industry average, albeit from a small base, as they focused on premium products.

Scooter sales have also started to pick up again underscoring some resurgence of this sector after almost a decade of decline. This parallels a global trend where scooters are becoming more popular as chic, stylish and practical urban commuter vehicles. The dynamics here are obviously closely linked to buyer priorities and road traffic conditions. Brand Hero has a strong presence in the market and it is difficult to promote in all areas.

The recent recession across the globe had its own repercussions in the automobile sector also, in terms of slowing down of sales etc. Of late the industry is recovering. Against this backdrop the Indian auto industry fared better.

## STATEMENT OF THE PROBLEM

In today's intensely competitive environment, companies today are constantly looking for ways to attract customers by having a better understanding of changing customer preferences. The ever changing market characteristics have huge impact on corporate decisions. The global environment also poses several complexities to marketer in understanding the market. To face the stiff competition promotional activity are inevitable and companies are spending huge money on it.

The attitude of consumer on the strategy and its impact on their buying decision as the core issue identified from study.

## OBJECTIVE OF THE STUDY

The objective of the research is

- To study the customer preference towards hero after the split of Honda.
- Will customer love to be with Hero or Honda?
- What will be their mental perception about Hero Honda and Hero with a new logo?

## HYPOTHESES OF THE STUDY

The following are the hypotheses that has been framed

- Age of the respondents has no influence over current model of Hero Honda Bike.
- Occupational status and current model of Hero Honda Bike are independent.

## RESEARCH METHODOLOGY

The research method was to do a survey with random sample within the Coimbatore city. We decided to use a questionnaire method with closed end question. Also the survey was divided into two parts one for the existing Honda customer other for the new customers of hero. And the new Hero customers are given an open ended questionnaire.

The questionnaire was filled by the interviewer by asking the question orally to the customers.

In this study, in order to meet the objectives of the study, the data were collected with the help of primary secondary sources.

### PRIMARY DATA

Primary data were collected through structured questionnaire. Questionnaires were distributed to the respondents directly. From the answered questionnaires, the opinions of the respondents were ascertained.

### SECONDARY DATA

Secondary data is based upon second hand information. In this study, secondary were collected from Magazines, Text books, Newspapers, Journals, Websites etc.

### SAMPLES

The samples were chosen in random from the existing hero Honda users. They were made to answer questionnaire 1. The geographical location is limited within Coimbatore city. The total number of sample chosen was 100.

A second set of sample was chosen from the new hero user. The survey was done in the showroom from customer who came for servicing their vehicle. The sample size was 100. The study was conducted during six months from Aug 2012-Jan 2013

The limitation of the sample is its size and distribution. Besides no lady customers were available.

### TECHNIQUES OF DATA COLLECTION

The following is the two questionnaire used in the survey. The second questionnaire was made open in order to get more information from the customer regarding the new product. The following are the questions.

### STATISTICAL TECHNIQUES

- Percentage Analysis

Percentage Analysis refers to special kind of relation in making comparison between two or more data and describes relation between the data. It can be used to compare the relative terms, the distribution of two or more series of data. The formula used here is given below.

Percentage(%) =  $\frac{\text{No of Respondent} * 100}{\text{Total No of Respondents}}$

➤ Chi-Square Analysis

$$\chi^2 = \sum \frac{(O_i - E_i)^2}{E_i}$$

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

*O = the frequencies observed*

*E = the frequencies expected*

$\sum$  = the 'sum of'

#### CONSUMER SATISFACTION

The underlying word is satisfaction every person has certain wants and needs and hence he becomes a consumers satisfaction arises only when the consumer's anticipated needs are catered to. In other words, before purchasing, the consumer has some sort of benefits in imagination that he will actually receive when he buys the goods and it is only the marketing manager who know what benefits can be provided. Therefore, to provide satisfaction is less easy that imagined task.

#### FACTORS INFLUENCING THE CONSUMERS PREFERENCE

The various factors affecting the consumers preference are as follows:-

Consumer preference and consumer behaviour are similar, attributed in broad prospective. Consumer behaviour or buyers attitude is a process by which an individual decides what, when, how, whether or not, from whom to purchase goods and the service. The consumer's decisions are not hollow but influenced by cultural, social, personal and psychological factors substantially influence the purchases of the buyer. Most of the factors are " NOT CONTROLLABLE "by the marketers which are also to be taken into account.

#### CULTURAL FACTORS

Cultural factors such as buyer's culture, sub-culture and social class identification bear in depth and wide influences of consumer preference.

#### CULTURE

Culture is the most basic determinant of a person. His wants and behaviour are governed by instincts human trait is intellectual in behaviour.

#### SOCIAL FACTORS

A consumer's preference is also influenced by social factors, such as the consumer's reference groups, family and social roles and status.

#### OCCUPATION

A person's consumption pattern is also influence by his or her occupation. A blue color worker's clothes, work shoes, powder, lunch boxes, bowling recreation are pertinent to his group. A company president affords expensive blue stage suits air travel club membership and vehicle hence marketers try to identify the occupational groups.

#### ECONOMIC CIRCUMSTANCES

A person's economic circumstances will do affect a great extent in his product choice. People economic circumstances consist of their spend able income, saving, borrowing power and attitudes towards spending versus saving.

#### LIFE STYLE

People coming from the same sub-culture, social classes and even occupation may lead quiet different life different. Life style portrays the whole person interaction with his or her environment. Life style reflects something beyond the person's social class on the one hand and personality on the other. Life style attempts to bring out one's way of living based on a whole person's pattern of acting in the world.

#### PERSONALITY AND SELF-CONCEPT

Each person has a distinct that will influence his on her buying preference. A person personality is usually described in terms of such trait as 'self confidence, dominance, autonomy, deference, sociability defensiveness and adoptability.

#### INCOME

Income is a vital factor that affects buying preference off consumer to a great extent. It is the per-capital income is high, then the demand of consumer goods will be high, if it is less the demand will also be less.

#### PSYCHOLOGICAL FACTORS

A person's buying choice is also influenced from major psychological factors like motivation, perception, learning, beliefs and attitudes.

#### MOTIVATION

A person has many wants at a given time. A need become a motive when it is used to a sufficient level of intensity. A motive is a need that sufficiently compels a person to seek satisfaction of the need.

#### PERCEPTION

Another factor which influences consumer behaviour is perception. A motivated person's action is influenced by his or her perception of the situation. A motivated person's action is influenced by his or her perception of the situation.

#### LEARNING

It is a factor where the people act based on the experience that governs the efforts directly and indirectly as the process of learning differs.

#### BELIEFS AND ATTITUDES

Through learning process people acquire their beliefs and attitudes. These in turn influence their behaviour based on belief is what is given and taken by a person in all descriptive, about something which gets rooted in him. Besides that an attitude described by a persons enduring favorable or unfavorable cognitive evaluation, emotional felling and action tendencies towards some objects or idea.

#### BRAND LOYALTY

To be truly branded loyal the consumer mist hold a favorable attitude towards the brand in addition to purchasing it repeatedly. One may be forced to purchased a particular brand repeatedly because other brands may not be available unable to find a suitable replacement though he is not liking the unfavorable substitutes.

History of the TVS motor company, Hero Honda company, Yamaha company and Bajaj Company was narrated the best to the knowledge of the researcher to enhance the project.

RESULTS AND DISCUSSIONS

QUESTIONNAIRE 1 (For existing hero Honda customers)

|                                    |                  |              |              |       |
|------------------------------------|------------------|--------------|--------------|-------|
| Sex                                | Male             | Female       |              |       |
|                                    | 100              | 0            |              |       |
| Age                                | 18-30 Years      | 31-40 Years  | Above 40     |       |
|                                    | 32               | 52           | 16           |       |
| Occupation                         | Student          | Professional | Business     |       |
|                                    | 25               | 54           | 21           |       |
| Vehicle usage (mostly)             | Business Purpose | Personal Use | Both         |       |
|                                    | 50               | 20           | 30           |       |
| Current model of hero Honda bike   | Splendor         | CBZ          | Passion plus |       |
|                                    | 60               | 15           | 25           |       |
| Your preference in choosing a bike | Stylish Look     | Mileage      | Brand Image  | Price |
|                                    | 15               | 35           | 10           | 40    |
| Will you miss Hero Honda?          | Yes              | No           |              |       |
|                                    | 76               | 24           |              |       |
| Your new choice                    | Hero             | Honda        | Bajaj        | TVS   |
|                                    | 36               | 26           | 25           | 13    |

4.1 SEX OF THE RESPONDENTS

TABLE 4.1: TABLE SHOWING THE SEX OF THE RESPONDENTS

| SEX    | No of Respondents | Percentage |
|--------|-------------------|------------|
| Male   | 100               | 100        |
| Female | 0                 | 0          |

SOURCE: PRIMARY

The above table reveals that, out of 100 respondents, sex selected for the study. 100 percent of the respondents are Male, and 0 percent of the respondents are Females. It is inferred from the above table that, the majority of the respondents are male

4.2 AGE GROUP OF THE RESPONDENTS

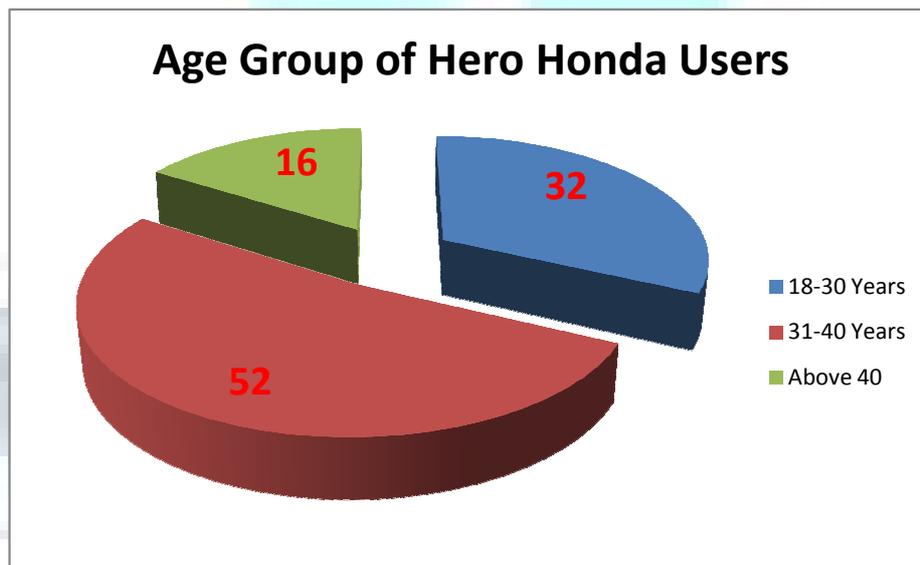
The usage of Two wheeler varies from age to age. Comparing to middle age people, young and old age people preference is high. Age is one of the important factor in any decision, age means experience. The experience gained over the period of years has an impact on all ends, they undertake in the field of marketing tastes, preference needs vary with different age groups. Hence analysis based on age groups may yield vital results.

TABLE 4.2: TABLE SHOWING THE AGE GROUP OF THE RESPONDENTS

| Age Group            | Number of Respondents | Percentage |
|----------------------|-----------------------|------------|
| 18 to 30 Years       | 32                    | 32         |
| 31 Years to 40 Years | 52                    | 52         |
| Above 40 Years       | 16                    | 16         |
| Total                | 100                   | 100        |

SOURCE: PRIMARY

The above table shows that most of the respondents belonging to the age group of 31 to 40 Years, i.e. 52 percent. 32 percent of the respondents are 18-30 years. 16 percent who comes under the age group of above 40 years. It is concluded from the above table that, the majority of the respondents belongs to the age group of 31-40 years.



4.3 OCCUPATIONAL STATUS OF THE RESPONDENTS

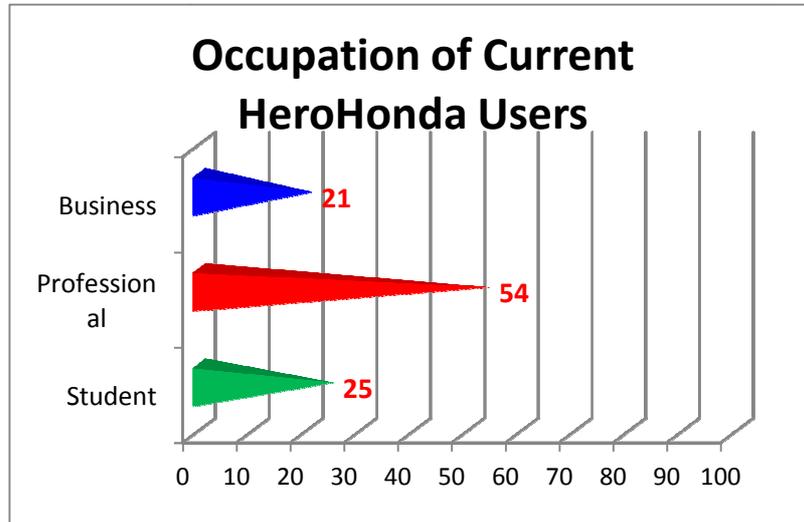
The persons consumption pattern was also influenced by their occupation. It is the real determinant of the purchasing power of the consumers. The income of the consumers is derived from various sources. Thus the buying capacity has been influenced by the income of the family in turn depends on the occupation.

TABLE 4.3: TABLE SHOWING THE OCCUPATION STATUS OF THE RESPONDENT

| Occupation   | Number of Respondents | Percentage |
|--------------|-----------------------|------------|
| Student      | 25                    | 25         |
| Professional | 54                    | 54         |
| Business     | 21                    | 21         |
| Total        | 100                   | 100        |

SOURCE: PRIMARY

The above table inferred that the occupational status of the respondents, it is understood that 54 percent of the respondents are professionals, , 25 percent of the respondents are student, 21 percent of the respondents are business peoples,. Hence, majority of the respondents are professionals,



4.4 VEHICLE USAGE OF THE RESPONDENTS

TABLE 4.4: TABLE SHOWING VEHICLE USAGE OF THE RESPONDENTS

| Persons          | Number of Respondents | Percentage |
|------------------|-----------------------|------------|
| Business purpose | 50                    | 50         |
| Personal use     | 20                    | 20         |
| Both             | 30                    | 30         |
| Total            | 100                   | 100        |

SOURCE: PRIMARY

The above table reveals that 50 percent of the respondents are using vehicle for Business purpose,, 30 percent of the respondents are using vehicle in both the purpose and 20 percent of the respondents are using vehicle in personal use.

Hence it is inferred that the majority of the respondents . are using vehicle for Business purpose

4.5 MODEL USAGE OF THE RESPONDENTS

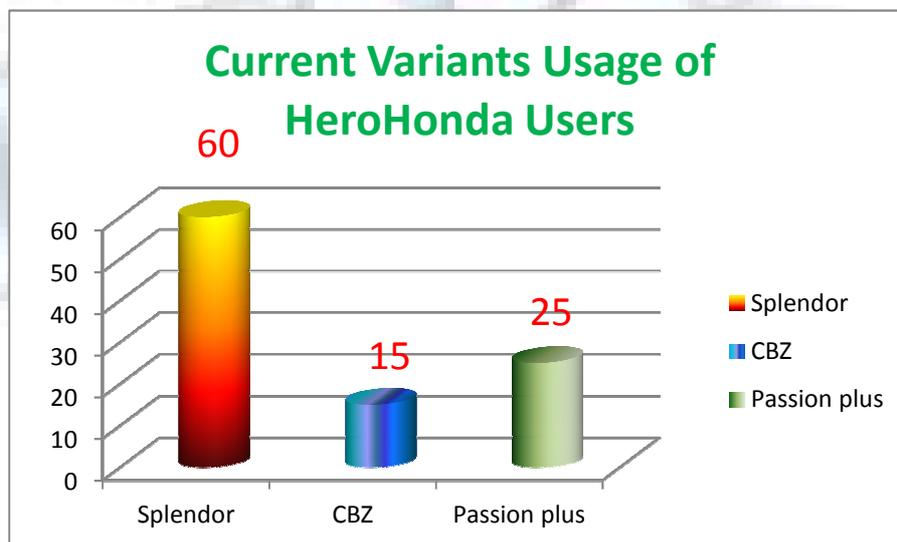
TABLE 4.5: TABLE SHOWING MODEL US AGE OF THE RESPONDENTS

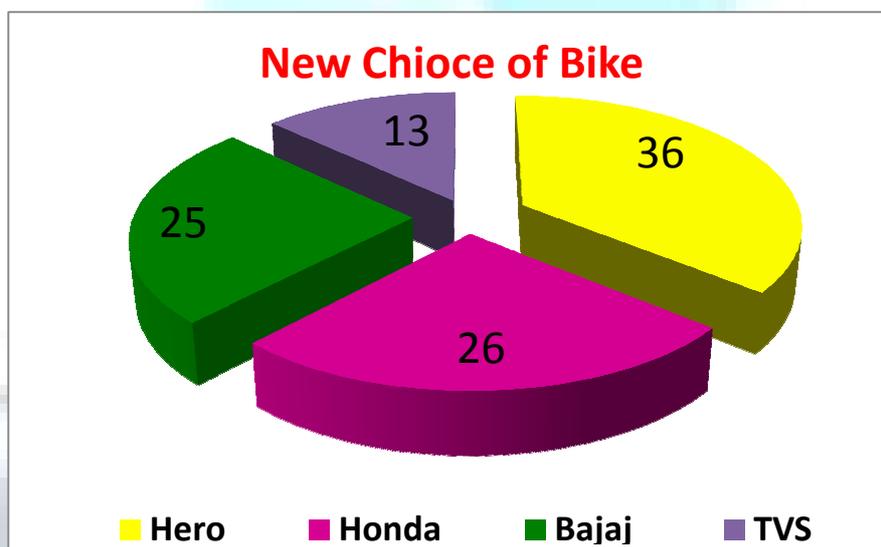
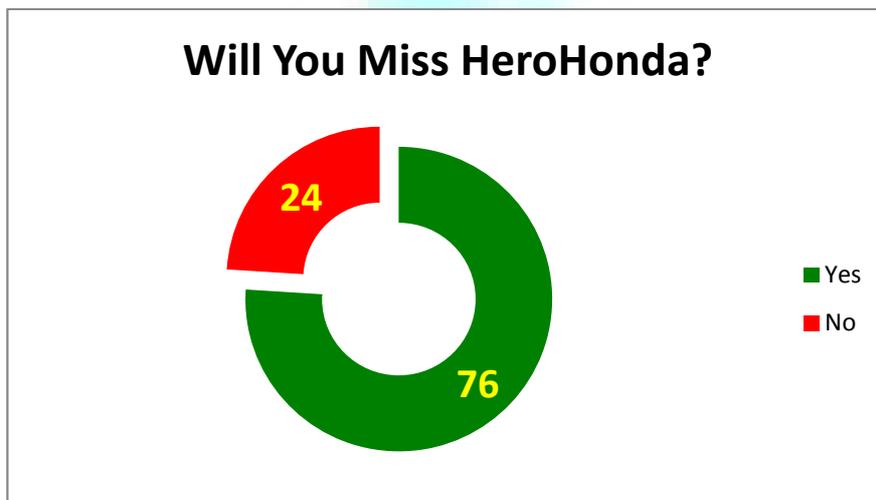
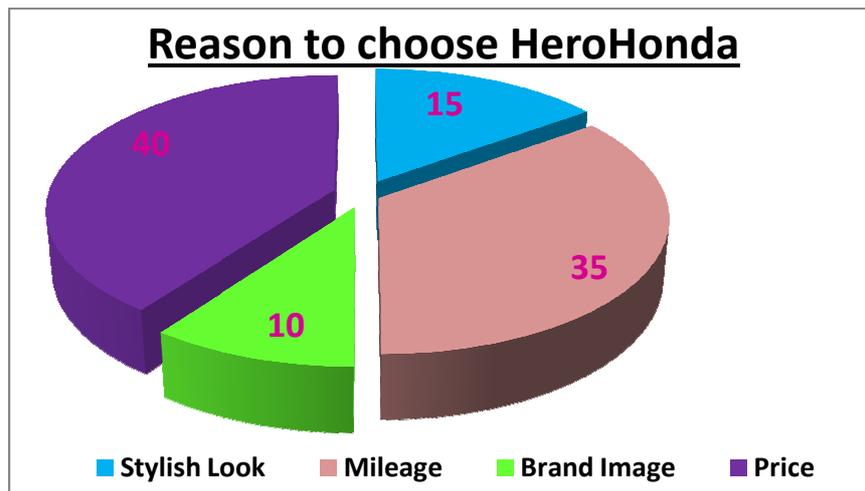
| Model        | Number of Respondents | Percentage |
|--------------|-----------------------|------------|
| Splendor     | 60                    | 60         |
| CBZ          | 15                    | 15         |
| Passion Plus | 25                    | 25         |
| Total        | 100                   | 100        |

SOURCE: PRIMARY

The above table reveals that 60 percent of the respondents are using vehicle for Splendor,, 25 percent of the respondents are using Passion Plus model and 15percent of the respondents are using CBZ.

Hence it is inferred that the majority of the respondents . are using Splendor Bike.





**4.6 HYPOTHESIS**

Age of the respondents does not influence over current model selection.

**TABLE 4.6: RELATIONSHIP BETWEEN THE AGE GROUP OF RESPONDENTS AND THE SELECTION OF CURRENT MODEL OF BIKE**

| Age Current Model | SPLENDER | CBZ | PASSIONPLUS | TOTAL |
|-------------------|----------|-----|-------------|-------|
| <b>Group</b>      |          |     |             |       |
| 18 to 30 Years    | 20       | 5   | 7           | 32    |
| 31 Yrs to 40 Yrs  | 35       | 5   | 12          | 52    |
| Above 40 Yrs.     | 5        | 5   | 6           | 16    |
| <b>TOTAL</b>      | 60       | 15  | 25          | 100   |

Calculated value of Chi – Square test is 7.732

Degree of Freedom is 4.

Table value at 5 percent level of significance is 9.49

From the above table the calculated value of Chi – Square is less than table value at 5 percent level. Therefore, the null hypothesis is accepted. Hence it is confirmed that, there is no significant influence over the age group and the selection of current model of bike.

#### 4.7 HYPOTHESIS

Occupational status of the respondents does not influence over current model selection

#### RELATIONSHIP BETWEEN THE OCCUPATIONAL STATUS OF RESPONDENTS AND THE SELECTION OF CURRENT MODEL OF BIKE

| Occupational Status \ Current Model | SPLENDER | CBZ | PASSIONPLUS | TOTAL |
|-------------------------------------|----------|-----|-------------|-------|
| Student                             | 12       | 5   | 8           | 25    |
| Professional                        | 41       | 5   | 8           | 54    |
| Business                            | 7        | 5   | 9           | 21    |
| <b>TOTAL</b>                        | 60       | 15  | 25          | 100   |

Calculated value of Chi – Square test is 13.471

Degree of Freedom is 4.

Table value at 5 percent level of significance is 9.49

From the above table the calculated value of Chi – Square is less than table value at 5 percent level. Therefore, the null hypothesis is rejected. Hence it is confirmed that, there is significant influence over the occupational status and the selection of current model of bike.

#### SUMMARY OF FINDINGS

1. Maximum number of existing users falls in the age category of 31-40.
2. It is majority of the respondents are professional people.
3. As per study the existing usage of hero Honda among business people is more.
4. The study enlightens that majority of the respondents give more importance to price
5. The study revealed that majority of the respondents prefer the middle ranged bikes like splendor and passion.
6. It is perceived that most of the people confirmed that they will miss the Hero Honda and skeptic about the Hero.
7. The future choice of Hero is only 36 % of the existing customer who prefer to stay with Hero.
8. There is no significant influence over the age group and the selection of current model of bike.
9. There is significant influence over the occupational status and the selection of current model of bike

#### QUESTIONNAIRE 2 (For new Hero customers)

1. The first question on why they preferred has come out with wide variety of reason ranging from easy availability of loan, referred by friends, nearby located service station, price and mileage. Most people specified price and mileage.
2. The population is under the age group of 18-40 and mostly professionals in business. No one student is available in the total sample. Possibly it may not be the choice of the students
3. The reason for choosing hero is mostly because of the price and easy availability of loan which majority of them said in the answer. Most of them were previously owning TVS mopeds and smaller vehicles, only three people were owning Hero Honda bike

A majority of them were first time customer and they said that their experience is good with Hero.

#### SUGGESTIONS

1. Hero Honda should introduce a low price moped.
2. For the promotion, company should make road-show that will increase the sales. The company should give more concentrate on the advertisement.
3. Hero Honda Company should implement a new strategy to reduce the competition and lead into the bike market.
4. As people expect more mileage per kilometer, company should increase the mileage of the hero Honda bike.
5. Hero Honda should make a sports bike like to Kawasaki Suzuki, Hyabusa bikes which can run with maximum speeds.

As already discussed the sample size is a limitation besides some of the participants were not the actual owner of the vehicle. But they are the consumer. They might be left with no alternatives

#### CONCLUSION

The results clearly show that Hero has got a lot of way to establish itself in the market. Besides the price and mileage the common customer doesn't find anything attracting. Also the number of student preferring hero is very less and that segment of customer has the major market potential. Hero must consider launching vehicles like Pulsar and Unicorn, FZ which mostly attract youth today. Only that passion toward the brand will help them succeed and capture the market share.

#### LIMITATIONS OF THE STUDY

The following are the few limitations of the study.

- Few Participants were reluctant to provide the answer and lack interest.
- Their credibility leads to error in the inference.
- The sample size is again limited.
- The study is limited only in Coimbatore city, Tamilnadu, India
- The study is based upon the prevailing consumer preference. It may change according to time, fashion, technology development etc.

#### SCOPE FOR FURTHER RESEARCH

So, much awaited is how the market of two-wheelers will be affected after this split. Will both the firms manage to retain the Brand image or it is a chance for other players like Bajaj or TVS to benefit the most from the end of this long relationship?

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**APPENDIX/ANNEXURE**

**QUESTIONNAIRE 1 (For existing hero Honda customers)**

|   |                  |              |              |       |
|---|------------------|--------------|--------------|-------|
| <b>Ses</b>                                | Male             |              | Female       |       |
| <b>Age</b>                                | 18-30 Years      | 31-40 Years  | Above 40     |       |
| <b>Occupation</b>                         | Student          | Professional | Business     |       |
| <b>Vehicle usage (mostly)</b>             | Business Purpose | Personal Use | Both         |       |
| <b>Current model of hero Honda bike</b>   | Splendor         | CBZ          | Passion plus |       |
| <b>Your preference in choosing a bike</b> | Stylish Look     | Mileage      | Brand Image  | Price |
| <b>Will you miss Hero Honda?</b>          | Yes              | No           |              |       |
| <b>Your new choice</b>                    | Hero             | Honda        | Bajaj        | TVS   |

**QUESTIONNAIRE 2 (For new Hero customers)**

1. What made you choose hero bike?
2. Which Bike you were using previously?
3. Who referred hero bike to you?
4. What is your Age?
5. What is your profession?
6. Will you recommend Hero bike to your friends?
7. Your preference in choosing a bike.

## A STUDY ON CUSTOMER RELATIONSHIP MANAGEMENT IN HOTEL INDUSTRY: A CASE STUDY OF HOTEL SERVICES IN GUNTUR CITY, AP

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### ABSTRACT

*In order to be successful in the competitive world, it is not sufficient to attract new customers and managers must concentrate on retaining existing customers implementing effective policies of customer satisfaction and loyalty. In Hotel Industry customer satisfaction is considered based on prompt and quality of service offered to them. The hotel management approach focused on customer satisfaction can improve customer loyalty, thus increasing the positive image of the touristic destination. Hence, exploring the importance for customers of hotel attributes in hotel selection is indispensable. The root cause of all these problems lies in the failure to adopt marketing approach. This is so because the marketing concept will facilitate them to be more scientific in solving their business problems, satisfy their customer's requirements or needs and maintain a profitable win-win relation with their customers, which will enable hotels to stay closer to their customers, maintain as well as increase market share and counter the competition successfully. The only 'mantra' to be competitive is to be cost effective. CRM is a strategy as well as tool in this direction. This makes it more relevant and important to undertake a study in this area. The researcher concludes discussing the result and proposing improvement in customer satisfaction Management of the hotel. The objective of this paper is to understand the concept of CRM in the Indian Hotel Industry (with special reference to Guntur) and to know the factors influencing Customer Relationship Management. The research aims at understanding the concept of CRM in Hotel services.*

### KEYWORDS

Customer satisfaction, Hotel industry, Service marketing.

### INTRODUCTION

In order to survive in the present world of competition, hotels will have to formulate marketing strategies in a way to not only woo customers toward them but also retain them. The secret is that retention cost is very low when compared to the cost of attracting new customers. Some of the basic problems facing hotels today are provision of better service alternatives to its customers, generation of more income from non-core based services, improving the profitability of the hotel system and above all the "Customer Retention". The root cause of all these problems lies in the failure to adopt marketing approach. This is so because the marketing concept will facilitate them to be more scientific in solving their business problems, satisfy their customer's requirements or needs and maintain a profitable win-win relation with their customers, which will enable hotels to stay closer to their customers, maintain as well as increase market share and counter the competition successfully.

### THE GUNTUR SCENARIO

Hotels in Guntur are facing high competition both from within the area and also from other hotels. In order to succeed under existing conditions, hotels will have to perceive the needs of the customers and devise better means of fulfilling them. In general, most of the studies on hotel sector deal with an analysis of financial aspects such as profitability, productivity and financial performance without much concentration on the customer retention, loyalty etc., which has now changed in the recent years, with attempts being made to study certain aspects of marketing in hotels. However, a majority of these studies have been on customer service satisfaction, without much focus on customer relationship management. Very few attempts have been made to assess the marketing function from a hotelier's point of view. With a dearth of literature on marketing of hotel services in Guntur is hoped that the present study makes a humble contribution in this area.

The changes in the present day hotel environment have led to introduction of a marketing philosophy in banks. The 7 Ps, Viz., product, price, promotion, place, people, process and physical evidence of a hotel can help in meeting customer needs as well as tackling competition and establishing a strong customer base with customer relationship management as a core function. With the emergence of liberalization in the Indian hotel system, there is a great change in the future hotel market scenario.

The marketing in hotels should aim at improving the quality of services rendered by widening the range of products offered, developing and promoting products which meet the needs of customers and that are acceptable to them. It should also be at a realistic price which will produce a profit when provided through methods of sales and services that are reliable and cost effective. Successful hotel marketing depends not only on marketing strategy and development but commitment at all levels, with the customer focus as the base.

### CRM IN HOTEL SERVICES IN INDIA:

Today, a biggest challenge for managers in the hotel of Guntur is to provide and sustain customer satisfaction. Customer requirements for quality products and service in the tourism industry have become increasingly evident to the professionals. Customer relationship is an asset of the hotels and customer satisfaction is the starting point to define objectives.

Prominent features associated with a service sector like hotel sector are intangibility of service performance, greater involvement of the customer in the production of the service, difficulty in maintaining quality control and standards, the inability to maintain inventories and the importance of the time factor as customers limit the amount of time that they are willing to wait for the service to be provided, all of which makes the task of service providers even more daunting. In addition to the above aspects, a service provider has to contend with other forces which affect the very survival of his business. Every changing customer preferences, competing businesses encouraging away clientele, entry of international players providing quality of the decision making process.

### OBJECTIVE OF THE PAPER

The objective of this paper is to understand the concept of CRM in the Indian Hotel Sector (with special reference to Guntur) and to know the factors influencing Customer Relationship Management. The research aims at understanding the concept of CRM in Hotel services.

### METHODOLOGY

A research study was undertaken to study the role of CRM in the hotels in Guntur, AP. The study has brought out varied aspects of CRM in hotel services. The study is discussed on this area, which makes it an important area to analyze for its scope and the possible impact it can have on the hotel sector in Guntur. CRM has come as boom of information technology, which when exploited will make the adopters competitive and cost effective.

**SAMPLE**

The study is conducted with the help of both primary and secondary data. The major sources of data are primary, where a structured questionnaire is designed with administered to the select respondents. The sampling is random. Sample size is 100 respondents. The secondary data is collected mainly through published articles, research studies, various documents and the internet.

**RESULT AND DISCUSSION**

The data collected from the primary source has been tabulated and this forms the major basis for the research study. Sample Break up

**TABLE 1**

| S.No | Hotel Name                | No. of Respondents | %  |
|------|---------------------------|--------------------|----|
| 1    | Hotel Grand Nagarjuna     | 15                 | 15 |
| 2    | K & M International Hotel | 20                 | 20 |
| 3    | Vajram Residency          | 15                 | 15 |
| 4    | Sindoori Gotel            | 15                 | 15 |
| 5    | Geetha Regency Hotel      | 20                 | 20 |
| 6    | Swagruha Hotel            | 15                 | 15 |

The study covered 100 respondents for six different hotels, chosen at random.

**GENDER-WISE DISTRIBUTION****TABLE 2**

| S.No | Gender | No. of Respondents | %   |
|------|--------|--------------------|-----|
| 1    | Male   | 80                 | 80  |
| 2    | Female | 20                 | 20  |
|      | TOTAL  | 100                | 100 |

**Education:** Education makes a difference in articulation of opinions. Nearly 50% of the respondents have a minimum qualification as graduation, 20% are postgraduates, while nearly 15% if respondents have SSC and below as qualification and 10% of respondents have done their intermediate.

**TABLE:3**

| S.No | Education      | No. of Respondents | %   |
|------|----------------|--------------------|-----|
| 1    | Illiterate     | 4                  | 4   |
| 2    | Below SSC      | 5                  | 5   |
| 3    | SSC            | 6                  | 6   |
| 4    | Intermediate   | 10                 | 10  |
| 5    | Graduates      | 50                 | 50  |
| 6    | Post Graduates | 20                 | 20  |
| 7    | Others         | 5                  | 5   |
|      | TOTAL          | 100                | 100 |

**Occupation:** The Maximum percentages of the respondents are from the business persons 30 percent, while government employees accounted for 15 percent followed by private employees at 20 percent.

**TABLE 4**

| S.No | Occupation              | No. of Respondents | %   |
|------|-------------------------|--------------------|-----|
| 1    | Agriculture             | 5                  | 5   |
| 2    | House wife              | 3                  | 3   |
| 3    | Self Employed           | 5                  | 5   |
| 4    | Govt. Employee          | 15                 | 15  |
| 5    | Student                 | 10                 | 10  |
| 6    | Business                | 30                 | 30  |
| 7    | Private Employee        | 20                 | 20  |
| 8    | Retired                 | 6                  | 6   |
| 9    | Professional Consultant | 6                  | 6   |
|      | TOTAL                   | 100                | 100 |

**Association with the Hotel:** Out of the 100 respondents; 30 percent were associated with hotel for 6-10 years, 30 percent for 2-5 years, 20 percent for were new customers (less than 2 years) and 20 percent were above 10 years.

**TABLE 5**

| S.No | Number of years as a customer | No. of Respondents | %   |
|------|-------------------------------|--------------------|-----|
| 1    | Less than 2 years             | 20                 | 20  |
| 2    | 2-5 years                     | 30                 | 30  |
| 3    | 6-10 years                    | 30                 | 30  |
| 4    | Above 10 years                | 20                 | 20  |
|      | Total                         | 100                | 100 |

**Reasons for choosing a particular Hotel:** The reasons for choosing a particular hotel can prove to be an excellent input for devising strategies to attract new customer and retain the existing customer. For example, 19% have chosen that hotel for its nearness to their office; 23% have chosen the hotel for proximity to their residence; 15% chosen the hotel because of its very convenient timings; 7% for the response from the hotel's employees; 6 % for prompt service; 8% for modern technology; 10% on advice of friends and relatives and 12% for various other reasons.

TABLE 6

| S.No | Reasons for Choosing a Hotel    | No. of Respondents | %   |
|------|---------------------------------|--------------------|-----|
| 1    | Nearness to their office        | 19                 | 19  |
| 2    | Proximity to their residence    | 23                 | 23  |
| 3    | Convenient Timings              | 15                 | 15  |
| 4    | Hotel's Employees               | 7                  | 7   |
| 5    | Prompt Service                  | 6                  | 6   |
| 6    | Modern Technology               | 8                  | 8   |
| 7    | Advice of friends and relatives | 10                 | 10  |
| 8    | Other Reasons                   | 12                 | 12  |
|      | TOTAL                           | 100                | 100 |

**Employee Behavior:** Employee behavior towards the customers plays an important role influencing their perception about the hotel and this plays a major role in the retention of customers and it goes a long way in creating effective Customer Relationship Management. It was an encouraging sign that 60% of the respondent felt that the employees were friendly, while 30% felt that they were normal, 4 % that they were causal or indifferent.

TABLE 7

| S.No | Employee Behavior | No. of Respondents | %   |
|------|-------------------|--------------------|-----|
| 1    | Friendly          | 60                 | 60  |
| 2    | Normal            | 30                 | 30  |
| 3    | Causal            | 4                  | 4   |
| 4    | Indifferent       | 4                  | 4   |
| 5    | Hostile           | 2                  | 2   |
|      | TOTAL             | 100                | 100 |

**Help-line Facility:** When asked about the helpline facility, 69% respondents said that they are aware of the facility. When asked about trying the helpline, 51% of respondents have tried and out of them 93% felt that the service was prompt. When questioned about the satisfactory reply, 90% felt that the reply was satisfactory

**Other Aspects:** When asked about the relationship with the hotel, most of the respondents (89%) felt that they are very happy with the way they are treated by the hotel their needs are taken care of in the best possible manner and they really felt like a king when they visited the hotel. Most of them have never thought on this aspect (60%) of relationship the hotel maintains with them, by they expressed that they would love to have something of that order from the hotel.

It is an interesting fact to know that the Guntur hotels have slowly begun to realize the need of adopting a customer centric marketing philosophy in their operations. As changing conditions affect every aspect of business, marketing orientation becomes an important key to the survival and growth of a hotel as it leads to greater customer satisfaction and retention. To face the competition, the hotels are devising new offers with great strategic management. But there is yet much difference between the performances of varied hotels. The need of the hour is developing innovative means of attracting and retaining customers to say and grow with the market. Customer satisfaction, therefore, is the central aspect of the overall strategy of any hotel, which should finally lead towards establishing a long term relationship with customers. Hotels have to make their services accessible, affordable, convenient and customer friendly so that a customer feels like a king, cementing an emotional bond with the hotel, which will last a lifetime. Hyper-competition makes it difficult for the hotels to achieve their long term goals, however, in order to succeed and sustain under the existing market conditions, hotels will have to perceive the needs of its customers and devise better means of fulfilling them. The most important challenge before the hotel industry today is to generate a high degree of customer satisfaction and an effective customer relationship management strategy. The future of hotel lies in identifying and even anticipating new customer needs and developing new ways for satisfying such often unexpressed customer needs. To improve the performance of hotels, there is yet no substitute for providing better customer service leading towards creation of a solid bonding with the customer.

A customer of today would not only like to have a quick, efficient and timely service from the hotels but also a long term mutually beneficial relationship with the hotel. There is a necessity for every hotel to make its services accessible affordable.

## CONCLUSION

The concept of CRM in the Hotel Sector is creating sustainable competitive advantages. The competition and drive towards profitability is making the hotels of Guntur move in the direction. It can be concluded that CRM acts as a key success factor in services marketing with a special reference to hotel services in Guntur.

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## READING THROUGH MOTIVATIONAL THEORIES

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### ABSTRACT

*This paper reviews and discusses a number of theories of motivation and their relevance to organizational management and leadership formation. It does so through a comparative analysis of classical theories, which often focus on needs satisfaction, along with contemporary theories, which leans more towards the thought processes that guide motivation, in an effort to provide insight into contemporary organizational dynamics and leadership. A constant assumption of all motivational theories is that people have needs, however they differ in the degree to which people are motivated to satisfy those needs or to achieve certain ends.*

### KEYWORDS

motivational theories.

### PURPOSE

The purpose of this paper is to create an insight into the applications and limitations of motivational theories. Through this essay encourage empirically comparative studies on the uses or non-usage of these theories by manager and organizational leaders

### ASSUMPTIONS

Managers do not fully use these theories when seeking to motivate their employees either through a lack of knowledge or through the theories' inherent limitations. Each theory on its own is incomplete, which may also contribute to degree to which the theories are applied. Maslow's hierarchy of needs is a foundation for needs and motivation theory, stating that a person's needs can be ranked by importance and that the most immediate and important needs must be met before the higher order needs can be achieved. This theory is incomplete in its rigidity and in readily identifiable examples of where the structure is not upheld. ERG theory succeeded Maslow and allowed for greater flexibility of structure and varietal order of needs between people, but still is insufficient. Contemporary theories, such as acquired needs theory, expectancy theory, and goal-setting theory, include the person as an active participant in deciding how they will be motivated and in deciding what their needs levels are. Expectancy theory states that people choose their course of action based on their perceptions or beliefs, but how desirable an outcome may be is subjective and can be variable. Goal-setting theory states that goals create motivation when they are accepted by the person and deemed to be difficult without being impossible. This is not universal because of its subjectivity, and like expectancy, an outcome may be worth the effort to achieve it for one person but not for another. Acquired needs separates people's need for affiliation or achievement and developed within a paradigm of vitally important personal needs. An argument could be made stating the relative importance of such needs is different between individuals and changes over time, making the theory less than universally applicable.

### METHODOLOGY

In other the accomplish the purpose of this research, a combine use of qualitative and quantitative approach were utilized. This implied a rigorous review of secondary data from selected scholarly publications on the theories mentioned above. A rigorous observational analysis was applied to the contemporary theories focusing on their relevance and application in contemporary organizations. The theories are then classified and broken down, after which a comparative analysis is made between them as well as with the classical theory, to explain their strengths, limitations, and usefulness in today's workplace. The result then presented as rubric.

### LITERATURE REVIEW

Books of H. Murray (1938) and D. C. McClelland are extremely important for an analysis of motivational theory taken as a whole, along with the authors which showed us some parallels between this ("needs" theory of motivation) and expectancy theory of Victor H. Vroom. These narrative auto-biographies and experimental books are widely used in this paper, however, the pioneering work of Henry Murray "Explorations in personality" (1938) reduces an importance of David C. McClelland; but, seeing a base of his approaches in psychology, we have an ability to understand his theses properly and in a quite realistic manner, combining with perspectives of a broader viewing and social as well as biological determinisms. In books of 1958 and 1961 years McClelland was tended to "check and add" some new dimensions to the viewing of Murray, for example, making a wider classification of "lower" and "higher" types of "needs" in motivation.

Similar to the previous case, there are different authors, who were used to concentrate their attention predominantly on the description of the expectancy theory through an analysis between the interconnections of its vital elements, which are effort (E), performance (P), and outcome (O): R.Oliver (1974) and S.E.Codrey (2005). When Oliver researched the issues of the expectancy within the core of the expectancy theory, Codrey focused his attention rather on the concepts of instrumentality and, as a result, "valence." All these authors underline an importance of only three vital elements: expectancy, instrumentality, and valence.

Oliver's "expectancy" is based upon the belief "that one's effort (E) will result in attainment of desired performance (P) goals." Accordingly, there were some factors determining the individual's expectancy perception towards the outcomes of the performance: self value, goal difficulty, and control. Afterwards, after the research dedicated to how the effort would inflict the performance, we must be concentrated on a cognitive strategy of the another person, Codrey, who believes that the performance and the outcome must be united or rather combined within his major concept, "instrumentality." According to Codrey, instrumentality as a changeable combination of the performance standards and the results will be increased when "individuals believe they have some kind of control over how, when, and why rewards are distributed." Similarly, from the managers' perspective, it must be important to persuade the employees that their efforts are relatively small to the significance of the rewards they (e.g. employees) achieved.

ERG theory is a development of Maslow's hierarchy of needs that categorizes needs as "existence needs, desires for physiological and material well-being; relatedness needs, desires for satisfying interpersonal relationships; and growth needs, desires for continued personal growth and development" (Schermerhorn, 2010, p. 112). Multiple categories can be active simultaneously. Arnolds and Boshoff (2002) studied the link of relatedness and growth needs to employee motivation and job performance. Since people have different relatedness and growth needs, there exist differences in the way that these needs affect an individual's job performance. Arnolds and Boshoff (2002) found that "top managers are primarily motivated by growth needs," and "frontline employees are primarily motivated by the satisfaction of relatedness needs from peers and existence needs and particularly monetary compensation" (Arnolds and Boshoff, 2002, p. 712).

They go on to state that self-esteem affects these needs and therefore weighs heavily on job performance. People with higher self-esteem “have higher self-perceived competence, self-image and success expectancy”, while people with lower self-esteem have lower job performance and suffer from less effective interpersonal relationships (Arnolds and Boshoff, 2002, p. 701). Enhancing self-esteem helps achieve relatedness needs and growth needs, which in turn affect performance. Their findings suggest that “growth needs can motivate frontline employees via self-esteem enhancement of such employees” (Arnolds and Boshoff, 2002, p. 712).

Lycette and Herniman (2008) emphasize the importance of human psychological aspects in addition to business aspects for goal-setting. Conveying a vision with an emotional message is inspirational and is more likely to produce higher performance than a lofty, aspirational goal that is deemed impossible. A goal of perfection in any setting is a high aspiration since it deviates from the norm where defects exist, but it is unlikely to motivate employees because of the unlikelihood of success. Instead, they insist goal metrics are most effective if there is a single owner accountable for the metric, if it is easy to understand and repeat, and if it applies to all levels of the organization (Lycette and Herniman, 2008, p. 26).

They determined several key aspects of goal setting: difficulty, timeframe, commitment, achievement and satisfaction, and feedback. The level of difficulty of an effective goal is both challenging and attainable. In sales, goals are often set at all levels of the department that are specific, measureable, attainable and challenging. Without a challenge, there is little incentive to try hard, but if a goal is perceived as unattainable, any effort would be considered wasted. The best use of timeframe combines short-term goals, where short-term effort can achieve them, and long-term goals, so that the succession of short-term achievements yields positive growth towards a distant achievement (Lycette and Herniman, 2008, p. 28).

Commitment is important and is more effective if goals are public. This reinforces accountability for the person and exerts a peer pressure to achieve the stated goals. Generally, when lofty goals are decided upon by an individual, the person is challenging themselves to achieve while trying to prove to others they are able to achieve. If goals are public, commitment is more likely because of the negative desire to fail publicly. This assumes that the person who is in charge of reaching the goal also was responsible for setting the goal. If a goal was imposed upon them, there is much less commitment to achieving it, and it is much easier to distance oneself from the goal if it is not achieved.

Achievement and satisfaction are individual traits, and research has shown that “striving for difficult goals leads individuals to experience higher levels of valence (anticipated satisfaction) and instrumentality (belief that performance will lead to results)” (Lycette and Herniman, 2008, p. 28). Such traits should be accounted for when developing goals and the rewards for achieving them because if achievement brings about desired satisfaction, there will be more motivation to try to achieve more (Lycette and Herniman, 2008, p. 28).

**RUBRIC**

|                               | <i>Classical</i>   | <i>Classical</i>   | <i>Classical</i>  |
|-------------------------------|--|--|---|
|                               | <b>Helzberg's Two-Factor Theory</b>  | <b>Maslow's Hierarchy of Needs</b>   | <b>Theory X and Y</b>   |
| <b>Description</b>            | States that there are two general factors that cause job satisfaction or dissatisfaction - job context as source of dissatisfaction and job content as source of satisfaction.   | States that there is a hierarchy of needs where the bottom needs must be met before moving on to the higher order needs. It is strict and universal.   | Both of these theories have the foundation that management's role is to assemble the factors of production including people, for the economic benefit of a company.                               |
| <b>Strengths</b>              | Simplifies the sources of dissatisfaction and satisfaction, which gives the employer an understanding of what to do to decrease dissatisfaction and increase satisfaction; has practical implications for management thinking. | Easy to understand; straight-forward hierarchy of importance; makes sense in general. Motivation is the result of a series of needs and can be traced to what needs have been satisfied to that point.   | Theory Y-There is hope that you can align personal goals with organizational goals by using employees own search for fulfillment as the motivator.  |
| <b>Limitations</b>            | Seems only verifiable if the same methods are used, not if different methods are used; if it cannot be replicated using different methods, it does not hold as much weight as other theories.                                  | Needs do not follow such a strict hierarchy; does not translate to more social cultures; needs tend to vary in importance depending on stage in life; once one need is met, the next is not necessarily the most important.                                    | Theory X-assumptions that people will only work for money rather than security.   |
| <b>Paradigm</b>               | It works well within the paradigm of management working to find ways to improve employee attitudes. The two factors have continued to be relevant in subsequent thinking, but have been drastically expanded upon.             | Functions within a general paradigm. Clearly someone needs to be able to eat before worrying about other things. It works within the US's individualistic culture.   | Theory X approaches can range from hard approach to soft approach. Theory Y approach is that high-level needs of esteem will always be a factor because needs are never completely satisfied.     |
| <b>Managerial Application</b> | Managers have to make the work environment challenging for their employees. Manager also wants the employees to work to their full potential.  | Managers have to figure out what level of need each employee is on. Managers have to provide certain things to the employees for them to move from level to another. Managers have to provide things that range from cigarettes breaks to retirement benefits. | Managers must have a management style that is between a soft and hard approach. They have to balance a style that will range from threat and coercions to giving increasing rewards to employees. |
|                               | <i>Contemporary</i>  | <i>Contemporary</i>  | <i>Contemporary</i>   |
|                               | <b>Acquired Needs Theory</b>   | <b>Expectancy Theory</b>   | <b>ERG Theory</b>   |
| <b>Description</b>            | Describes achievement, authority and affiliation; to achieve higher goals (for the greater good). Goal seekers seek neither recognition nor approval from others -only agreement and compliance.                               | The belief that you can complete an action; one's capabilities; It can be described as emphasizing individual perceptions of the environment and subsequent interactions arising as a consequence of personal expectations.                                    | A person has existence needs, relatedness needs, and growth needs, but do not put them in a strict hierarchy and allows for multiple active needs and need changes in different directions.       |

|                               |  |   |   |
|-------------------------------|--|---|---|
| <b>Strengths</b>              | Achievers seek to excel and appreciate frequent recognition of how well they are doing. They will avoid low risk activities with no chance of gain and high risks with high chance of failure. Affiliation seekers look for harmonious relationships with other people, tending to conform and seeking approval rather than recognition.                                     | 1) The personal expenditure of effort will result in an acceptable level of performance. 2) The performance level achieved will result in a specific outcome for the person. 3) The outcome attained is personally valued | Is the “more regarded version of the need hierarchy; more focus on job-specific such fringe benefits, related needs from co-workers to managers and growth need satisfaction at work.” Not so rigid, allows for more range of observed behaviors. |
| <b>Limitations</b>            | Power seekers want power either to control other people (for their own goals)  | “People consciously choose particular courses of action, based upon perceptions, attitudes, and beliefs, as a consequence of their desires to enhance pleasure and avoid pain.”   | Not enough evidence on the influence of motivational impact based on employees' job performance or the influence of pay.  |
| <b>Paradigm</b>               | Achievers seek to excel and appreciate frequent recognition of how well they are doing. They will avoid low risk activities that have no chance of gain. They also will avoid high risks where there is a significant chance of failure.   | <ul style="list-style-type: none"> <li>•Valence: The value of the perceived outcome (What's in it for me?)</li> <li>•Expectancy: The belief that I am able to complete the actions. (My capability?)</li> </ul>           | The order of needs will be different for individuals. Managers will focus on the one need of the individual and will not be able to effectively motivate the individual.  |
| <b>Managerial Application</b> | <p>Achievement-Managers have to give them tasks that are challenging but it must have reachable goals and they have to provide them with a lot of feedback.</p> <p>Affiliation-Managers need to provide the employee with a cooperative environment.</p> <p>Power-Managers have to provide employees with the high need for power with the opportunity to manage others.</p> | Managers have to deal with employees that are only concern about valence and not about teamwork. Managers have to let the employees know they are capability of accomplishing the task and they believe in them.          | Managers have to realize that employees are trying to satisfy more than one need at the same time. They have to figure out what needs they are trying to satisfy so they can motivate them effectively.   |

|                               | <i>Contemporary</i>   | <i>Contemporary</i>   |
|-------------------------------|---|---|
|                               | <b>Equity Theory</b>  | <b>Goal-Setting Theory</b>  |
| <b>Descr iption</b>           | Uses social comparison to explain how people react to feelings of fairness or unfairness regarding the outcomes of their efforts.   | States that goal are strong motivators for people if they are specific, difficult but not too difficult, and are accepted.  |
| <b>Strengths</b>              | Managers will get to know their employees by recognizing the reward that motivates the individual employee. Managers would create a reward and recognition plan to increase good performance that is notice and share by employees. | Tested theory with over 400 studies done on it with it holding up; translates across cultures; extremely relevant in a work setting; shows a link between subconscious and conscious goals and activity.            |
| <b>Limitati ons</b>           | There are exception to equity such as demographic variable (sex, nationality, age and personality), individual difference and if the individual is reacting to inequitable treatments from others.                                  | There is a limit to the correlation of difficulty to performance, and it is subjective to the person; it is hard to understand someone's own perception of the task.  |
| <b>Paradigm</b>               | Does not apply to all situations, only applies to situations with high certainty. Individuals also compare their outcome/input ratios to others.  | Functions in a work setting extremely well. A key characteristic is the person's perception of the task's difficulty. “Difficult goals are more likely to lead to higher performance than are less difficult ones.” |
| <b>Managerial Application</b> | Managers have to create a healthy balance between the employees' input/output to promote a strong and productive relationship.  | Managers have to find the right goal that would motivate the employees. They have to provide the employees would the appropriate feedback and the goal has to be realistic and challenging.                         |

**ANALYSIS**

The classical theories listed above are generally content theories. Content theories attempt “to explain work behaviors based on pathways to need satisfaction and the influence of blocked needs” by focusing on the needs of the individual and “deficiencies we feel the compulsion to reduce or eliminate” (Schermerhorn, 2010, p. 110). These types of theories seek to explain how and why human needs change with time.

Motivation is the key factor that drives an individual to fulfill their desires and unsatisfied needs. Managers must find the key element that is important for each employee as individuals. Maslow's hierarchy of needs have five level of needs and people are motivated to fulfill the basic needs before moving on the next need. Maslow's theory is very linear, supposing one need being met before another one is active and that once a need is met, it has been dealt with. ERG expands on that by allowing multiple needs to be active at the same time and by allowing movement in both directions in terms of active needs. “It may help to explain why in some settings, for example, worker complaints focus mainly on wages, benefits, and working conditions—things relating to existence needs” (Schermerhorn, 2010, p. 112). It accounted for needs activation in a way that was left out of Maslow's theory. ERG theory represented a shift in paradigm from Maslow's hierarchy of needs.

Frederick Herzberg's motivational two-factor theory is based on employee's attitude and motivation. The two factors from Herzberg's theory are hygiene and motivator. Hygiene is the job context that affects job dissatisfaction. The job context is the working environment such as the policies of the organization, employee's relationship with each other and their salaries. Motivator is the job content that affect job satisfaction; the job content is what the employee actually does. Job satisfaction is when the employee feels like they achieve something. They are being recognized for their accomplishment and they are also giving more responsibilities. In a sense, this can be compared to Equity theory because the theory posits that people desire fairness and are uncomfortable by unfairness, so they will work to eliminate discomfort from it. When these employees are comfortable they are satisfied and that is the motivation to continue to work.

Douglas McGregor theory X and Y is how management assembly certain factors to benefit the organization. Theory X uses hard approach or a soft approach. The hard approach is when a manager uses threats and coercions to get the employees to work. In a soft approach, the manager will tolerant any type of behavior just so they can have harmony at work. Unlike Theory X, Theory Y is when the manager used the motivational energy of their employees. Theory Y would provide the manager with more time to delegate and decentralize. Delegation and decentralization will give subordinates more responsibilities. This is the more sensible way of a management theory.

Process theories developed in an attempt to explain what content theories could not. They “focus on the thought or cognitive processes that take place within the minds of people and that influence their behavior” (Schermerhorn, 2010, p. 110). Process theories look at the individual as an active participant and “examine the thought processes that motivate individual behavior” (Schermerhorn, 2010, p. 110). They stop focusing on innate human needs and assume that the way to explain motivation is by probing the deeper reasons why someone thinks a goal or reward is worth reaching.

Goal-setting theory resulted from studies that demonstrated a link between goals and performance. Goal-setting, "the process of developing, negotiating, and formalizing the targets or objectives that a person is responsible for accomplishing" (Schermerhorn, 2010, p. 121), is summed up best by Locke and Latham as follows: "Purposeful activity is the essence of living action. If the purpose is neither clear nor challenging, very little gets accomplished" (Locke and Latham, quoted in Schermerhorn, 2010, p. 121). Challenging goals are more likely to be achieved than easy goals, but if they are too challenging or perceived to be impossible, there might as well not be a goal at all since it generally does not affect performance.

To begin with our consideration on the theories' most principal concepts, David C. McClelland, based on the pioneering work of Henry Murray "Explorations in personality," demonstrated that individuals in a society can be grouped into high achievers and low achievers based on their scores of what he called "N-Ach." (McClelland in Atkinson, 1958) Accordingly, a person interprets an ambiguous social situation "he is apt to expose his own personality as much as the phenomenon to which he is attending." Therefore, "needs" theory related to individual's motivation, which can be evaluated as "low" or "high." Financial rewards are not the only type of "needs," which determine the motivation. Factors could stop or accelerate the achievement of this various needs, being internal (Max Weber's "values") or external (social environment).

Then, focusing on the description of a core of the expectancy theory, we must primarily put an emphasis on its main concepts. According to Oliver (1974), expectancy theory proposes that persons will decide to act or behave in a certain way, because they are motivated to select a specific behavior over other behaviors due to what they expect to be the result of that selected behavior. In fact, according to that author, the motivation of the behavior selection is determined by the desirability of the outcome. At the same time, the core of the theory is the cognitive process of how an individual processes the different motivational elements before making the ultimate choice. Additionally, motivation is a product of the individual's expectancy "that a certain effort (E) will lead to the intended performance (P)," and the instrumentality of this performance to achieve a certain result (e.g. outcome, O), which elements construct the desirability of this result for the individual, known as "valence (V)" (Codrey, 2005).

Expectancy theory, created by Victor H. Vroom in 1964, naturally has its own strengths, as well as limitations, due to the certain paradigm shifts and circumstances, which determined its characteristics. Firstly, it puts a significant emphasis on the interconnections between the effort, performance, and valence, or the desirability for the results for the individual. On the contrary, these connections within this motivational theory work "if the employees believe the reward is beneficial to their immediate needs." (Montana and Charnov, 2008) While McClelland's theory was quite successful in reasoning individual's personal motivation ("need for achievement"), Vroom's theory is quite distant from the concept of leadership, insisting on social determinism of individual behavior instead of "general problem of motivation." However, advantages and disadvantages of the "acquired needs" theory of David C. McClelland can be treated in such way: he was not an author (the term "need for achievement" was firstly used by Henry Murray), only a popularizer against psychometrics in psychology, and "limits" of this theory could be easily understood when we will take into account "linguistic" and "social" paradigms nowadays, while McClelland's research was dedicated to reasoning of integrated individuality, its needs for achievement rather independent - by other contexts - goals.

Accordingly, expectancy theory and acquired needs theory are quite different, based on the polar concepts of "needs" and expectation in "motivation." Focusing on Henry Murray expectations in motivation field in 1930s, McClelland's theory of needs was produced in time when personal needs of individuals was being considered as vital, while further expectancy theory of Victor H. Vroom, 1964, was tended to implement needs, performance, effort, expectation, and rewards. In acquired needs theory we have seen the significance of institutional power in individuals' personal needs, but only in expectancy theory this personal trend to obtain better socialization (not even in terms of McClelland's "affiliation") corresponds with both "immediate needs" and "some kind of control over how, when, and why rewards are distributed," when instrumentality tends to increase.

## DISCUSSION

The contemporary theories of motivation are more relevant today than the classical theories since they have greater flexibility and are more relevant in today's atmosphere. Equity theory is important for a manager because it important for someone to feel recognition for their contributions. A manager may not think that giving extra benefit for someone's effort is bad, but the resentment others will feel will outweigh any benefits for the few. We feel that this theory is applicable for the average or below average employee. They need to know the exact amount of effort needed to get a stable, suitable reward. For the above average employee or over-achieving employee, they are much less interested in everyone else than themselves and will compare themselves internally rather than to others.

The ERG theory is a useful theory when understanding the common needs of all people, and it recognizes that the order of importance of these needs varies for individuals. In terms of understanding human motivation, this theory's assumption of flexibility precludes its use across a wide demographic without a solid understanding of each person's order of importance. The literature review showed that people at different levels of an organization often are motivated by different things, so when one group tries to motivate another, they are often coming from a different perspective than their target audience. It is useful in theory, but the practice of it is left up to individual interpretation.

Goal-setting theory is much more relevant in today's work setting. It gives managers a much better understanding of how to motivate employees. The theory guides managers on the different aspects of motivating goals and also provides a framework to give employees to set goals for themselves. It builds off of the growth needs of ERG theory and the self-actualization of the Maslow's theory by saying that goals are the clear way to get people to strive for achievement. For a manager trying to motivate a workforce towards a specific end, this theory is extremely helpful. It is also useful for allowing employees to motivate themselves by rewarding them for creating and reaching goals within the context of the organization. If personal and company goals can be aligned, then the manager has used this theory to its fullest.

In acquired needs theory, people with a high need for achievement seek to excel and thus tend to avoid both low-risk and high-risk situations. Then, those with a high need for affiliation need harmonious relationships with other people and need to feel accepted by other people. Furthermore, a person's need for power can be one of two types, personal and institutional. Accordingly, those who need personal power want to direct others, and this need is often perceived as undesirable. Persons who need institutional power (known as social power) want to organize the efforts of others to further the goals of the organization. On the contrary, in expectancy theory expectancy is the belief that one's effort will result in attainment of desired performance goals. Similarly, instrumentality is the belief that a person will receive a reward if the performance expectation is met in the workplace.

While McClelland theory had stronger impact on personal truth in psychology about our needs (when performing within the organization, for example), Vroom's expectancy theory is related mostly to Strategic Human Resource Management, correlating mainly with how to imply better productivity due to individuals' expectance on being rewarded in the performance process.

## CONCLUSION

Motivating people is still a challenge for the simple reason that everyone is different. The reason that different theories exist to explain motivation is that no single theory is able to fully describe human behavior. With so many possible explanations for how a person can be motivated, managers would have to be experts in nearly all theories in order to apply them correctly for each employee. Different organizations may use certain aspects of motivation in specific areas while incorrectly neglecting other methods of motivation elsewhere.

The classical theories of motivation sought to explain human needs in general terms. They function with a general paradigm where people are lumped together and are relatively homogenous in their needs. The hierarchy of needs rigidly defined the needs all people, but it failed to account for people who did not fit into this rigid structure. The two-factor theory said what generally causes job satisfaction and dissatisfaction, but job satisfaction is not a sound indicator of motivation. Theory X and Y said people were either motivated by intrinsic factors or solely by money and advocated a combination of hard and soft approaches. Individuals have different reactions to these approaches, so they cannot be applied across a wide demographic.

Contemporary theories give people a more active role in their motivation by giving greater emphasis on the individual's thought process. As a result, the theories make separate assumptions about individuals that are applicable in certain paradigms while less applicable in others. ERG theory is an upgrade on the hierarchy of needs that is less rigid, allows for individuals to order their hierarchy differently, and to have multiple needs active simultaneously. Equity theory

applies during times of high certainty by degrades when times become less certain. Goal-setting theory works when the proper balance of difficulty, clarity and inspiration for each person is met. If any of these is not at the right level, an individual may not be properly motivated.

In the end, all of the theories explain one or multiple aspects of motivation, but each one comes with a caveat. They do not always work, but if utilized correctly in the right setting, they can be useful to managers and executives to get the most out of their workers. Organizational behavior is determined by which combination of theories is used within the organization and how the people within it respond to the incentives offered and motives activated.

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## ROLE OF GENDER DIFFERENCE IN FINANCIAL INVESTMENT DECISIONS: A QUANTITATIVE ANALYSIS WITH SPECIAL REFERENCE TO RISK AVERSION AND OVERCONFIDENCE APPROACH AMONGST MANAGEMENT GRADUATES IN LUCKNOW CITY OF UTTAR PRADESH

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### ABSTRACT

*There is a current debate in the literature as to whether females are more risk averse than males and Vice versa. It is a common belief that females are more risk averse than males. This becomes a problem for females in two situations: retirement funds and careers. According to Bruce (1995), 80-90% of females will be responsible for their finances at some point in their lives. Since females are perceived to be more risk averse than males, investment brokers tend to urge females to invest in less risky portfolios, which results in lower expected returns (Wang, 1994). This becomes a huge problem as females tend to outlive males and will need more funds than males to support themselves throughout retirement. The proposed research study concentrates on gender differences in risk aversion and over confidence in investment decision making. We find that little study has been carried out in Lucknow in terms of risk aversion and overconfidence in relation to genders and financial decisions making. This study is aimed to contribute to this field through surveying a target population of Lucknow city. Our main purpose is to gather knowledge about how gender affects financial decisions. The research concludes that frequency of investment in female is lesser when compared to the male. Hence, we can say that the gender has a major effect on the investment decision making. Female are more conservative than their male.*

### KEYWORDS

Role of Gender Difference, Financial Investment Decisions, Risk Aversion, Overconfidence Approach.

### 1. INTRODUCTION

Finance can no longer be considered just as a science of numbers. In practice, investment making decisions are not always consistent with the assumptions made by eminent financial analysts and techniques learnt in the books. Behavioral finance has developed as standard finance and could not explain the reasoning patterns of investors, including the psychological processes involved and the extent to which they influence the investment making decisions.

Since times immemorable gender differences have existed across countries and cultures and have been researchers' cynosure in almost every endeavor of human civilization. In the field of behavioral finance, academicians and researchers have studied the gender differences and their empowering impact on the investment decision making of individual investors. Around the world this gender influence has dramatically increased the concern of financial advisors and companies which has created opportunities for these organizations to re-evaluate their approaches towards individual investors.

There is a current debate in the literature as to whether females are more risk averse than males and Vice versa. It is a common belief that females are more risk averse than males. This becomes a problem for females in two situations: retirement funds and careers. According to Bruce (1995), 80-90% of females will be responsible for their finances at some point in their lives. Since females are perceived to be more risk averse than males, investment brokers tend to urge females to invest in less risky portfolios, which results in lower expected returns (Wang, 1994). This becomes a huge problem as females tend to outlive males and will need more funds than males to support themselves throughout retirement.

In addition, not all females may be more risk averse, but brokers are assuming without question that females would prefer to invest their assets in less risky options. Second, since females are perceived to be less risk-prone than males, there is a glass ceiling on how they are able to climb the corporate ladder (Johnson and Powell, 1994). Females may not be able to be promoted to the same levels as males because the position requires risk-taking and it is believed that females will not be capable of handling such a position.

Prior research on gender and risk aversion shows mixed results. There are many sources that show females to be more risk averse, but since the 1980s there have been many studies done that show females take similar risks as males. Given the discrepancies in the results found, the proposed study conducts a study on financial investors to provide some insight on what factors affect risk aversion and whether or not it is truly gender-related. I hypothesize that risk aversion is affected by financial knowledge, financial experience, and wealth. When controlling for these factors, I expect that males and females will exhibit similar levels of risk. When they are not controlled for, females will demonstrate more risk aversion than males.

### 2. AIM AND OBJECTIVES OF THE RESEARCH

Male and female have difference in their outlooks and orientations. The proposed research study concentrates on gender differences in risk aversion and over confidence in investment decision making. We find that little study has been carried out in Lucknow in terms of risk aversion and overconfidence in relation to genders and financial decisions making. This study is aimed to contribute to this field through surveying a target population of Lucknow city. Our main purpose is to gather knowledge about how gender affects financial decisions. We also aim to:

1. To gain knowledge about key factors that influence investment behavior and ways these key factors impact investment decision-making processes among men and women.
2. To develop and further explores types of educational processes and materials that can transform investment behaviors among women.
3. To determine gender that can really affect financial decisions.
4. To investigate the relationship between risk aversion, gender and overconfidence.
5. To seeing the Impact of Risk aversion and overconfidence behavior in financial decision making

### 3. LITERATURE REVIEW

In order to explore the objective of the present study a literature review has been conducted. In the literature review earlier studies and articles related to behavioral finance have been read with a view to gain theoretical knowledge in the field of study and formulate hypothesis. Several studies have examined the linkages between gender and behavioral finance biases. Here an attempt is made to look at how gender, risk aversion and overconfidence may affect the investment decision making of the individual investor.

Personal financial risk aversion & overconfidence are an important concept with many practical implications in every money matters. For an investor, understanding these concept helps to determine the appropriate risk and return parameters of an investment portfolio so that the investor's investment plan and strategy are sustainable. Understanding one's risk aversion and overconfidence capacity also help to clarify the difference between one's willingness and one's capacity to take risk in everyday financial matters.

The purpose of this study is to determine if gender can really affect financial decisions. We find that little study has been carried out in Lucknow in terms of risk aversion and overconfidence in relation to genders and financial decisions making. We investigate the relationship between risk aversion, gender and overconfidence. This study is aimed to contribute to this field through surveying a very narrow target population.

**OVERCONFIDENCE**

One of simple and powerful justification for high levels of trading on financial markets is given by a psychological factor namely overconfidence. Psychologists have determined that overconfidence causes people to overestimate their knowledge, underestimate their risks and exaggerate their ability to control events. Confidence in investment decisions is strongly affected by gender. Women tend to show a lower degree of confidence than men [Powell and Ansic1997]. A rational investor only trades if the expected gain exceeds the transactions costs. An overconfident investor overestimates the precision of his information and thereby the expected gains of trading. He may even trade when the true expected net gain is negative [Berggren, J. and Gonzalez, R. [2010]].

Researchers have shown that human beings are overconfident not only about their abilities, their knowledge, and their future prospects but also about their judgments and knowledge regarding financial decisions [J. Klayman et al 1999] [Dittrich et al [2001]]. But the level of confidence exhibited by male investors may be different from that of female investors. One can say that the more a person trades the more likely the individual is to be confident with financial decisions [Barber and Odean 2001].

Among the earlier studies Lenney [1977] reports that gender differences in self-confidence depend on the lack of clear and unambiguous feedback. Feedback in the stock market is ambiguous. Therefore there exists all the more reason to expect men to be more confident than women about their ability to make common stock investments. Lewellen, W. G et al [1977] reported that men spend more time and money on security analysis, rely less on their brokers, make more transactions, believe that returns are more highly predictable, and anticipate higher possible returns than do women. In all these ways, men behave more like overconfident investors than do women. The main problem with women being less overconfident in financial decisions is that they are more likely to avoid financial issues in general and that women are more likely to postpone financial planning [Graham et al 2002].

Additionally, overconfidence can either increase or decrease depending on the complexity of the task and the uncertainty perceived with the task. Overconfidence increases with the complexity of the task and overconfidence decreases when the perceived uncertainty is high [Dittrich et al 2001].

Hence, gender differences in overconfidence have been illustrated in numerous studies. Overconfidence is a characteristic found in both men and women; however, women have a tendency to display less overconfidence about a financial judgment than do men [Bengtsson, et al 2004; Beyer and Bowden 1997]; [Ricciardi and Simon 2000]; [Barber and Odean 2001]; [Powell and Ansic 1997], [Lundeberg et al [1994]].

**RISK AVERSION**

Risk aversion is affected by financial knowledge, prior financial experience, and wealth. Meyers-Levy [1986] suggested that females are more comprehensive information processors than males. Females attempt to use all available cues and information whereas males use heuristics, focusing on single inference and highly salient cues. While both genders categorize information for ease of processing, males tend to use broad categories with few subcategories while women use more subcategories reflecting relatively detailed distinctions. This suggests a benefit for females in dealing accurately with more complex products and more detailed information.

Prior studies on gender and risk aversion show mixed results. Hersch [1996] put forward that there is considerable evidence that women exhibit greater risk aversion not only in their financial investments but also in other activities including such activities as smoking and seat belt usage. In the same vein the most predominant findings in the academic literature seems to show that there is a tendency among women to have a higher degree of risk aversion than men [Jianakoplos and Bernasek, [1998] and [Sundén& Surette 1998] and [J. Berggren, and R. Gonzalez, 2010].

V. L. Bajtelsmit et al [1999] and Powell and Ansic [1997] examined how gender affects asset allocation in retirement pension accounts. The study found that there are relative gender differences in the allocation of investments in retirement plans. Their final conclusion was that women exhibit a greater relative risk aversion when choosing the allocation in their retirement savings account.

Bernasek and Shwiff [2001] found that women were more conservative than men when allocating assets in their retirement account. They conclude that gender differences are a significant factor in explaining individual investment decisions.

On the other hand R. Schubert, et al [1999] found that women, under controlled economic conditions, generally do not make less risky financial decisions. They examined investment and insurance decisions as well as abstract gambling decisions and presented evidence that does not support greater risk-averse decisions for women on the basis of experimental evidence. In addition to the contradictory findings, Sundén [2004] found that married women tend to take more risk in their premium pension portfolios than unmarried woman.

Women with fewer tendencies toward overconfidence in investment decisions usually display an increased risk aversion compared with men [Graham et al 2002]. In addition, the lower tendency toward overconfidence could lead to more thoughtful and informed investors since women with less confidence in financial investments would be likely to consider all information available and to ask more questions [Graham et al 2002].

A study by M.M. Pompian and J.M. Longo, [2004] yielded many statistically significant insights by identifying which personality types and genders are susceptible to behavioural biases and suggesting investment programs that mitigate the ill effects of these biases. Broadly, their findings showed that many personality types and both genders are differentially disposed to numerous behavioural finance biases. They suggested that personality type and gender can be used to create an investment program that will compensate for behavioural biases.

To sum up, it can be said that researchers over time have indicated that significant differences occur in decision making depending on the gender of the individual. There seems to be tendencies for women to be less confident in their decisions and more risk averse than men. The present study is intended to show effects of gender differences on risk aversion and overconfidence in investment decision making.

**4. RESEARCH METHODOLOGY**

This research is to examine what factors affect risk aversion and overconfidence and also whether or not risk aversion and overconfidence is gender related. This section provides a detailed discussion of the data collection, the hypotheses. I propose, as well as the specific measures and method of analysis.

**DATA COLLECTION**

Primary data will be collected through a structured questionnaire to allow for an empirical assessment of problem under consideration. A narrow sample, explicitly 50 Management students conveniently would be selected and administered a behavioral finance questionnaire. Enough care would be taken to ensure that the respondents belong to age group of 20 years to 30 years, and should be well educated studying in Management course in a reputed college in capital city of Uttar Pradesh i.e. Lucknow. All responses may be anonymous, but the respondents would be requested to list their gender.

The purpose of the questionnaire is to distinguish general tendencies related to the theories underpinning the research. We will examine gender differences through presenting respondents of both genders with identical questions. The questions in the questionnaire will be selected from previous surveys presented in the literature.

Secondary data will be collected through various sources of articles, books and web pages, to provide a wider perspective studying an area where we know little. The secondary sources will be used which allow us to apply the deductive method in order to derive hypotheses to be tested. The results by secondary sources can also be used to complement the result those will be obtained from this research. In our research we will gather information and literature from articles, books, webpages and previous studies related to our subject of choice.

**DATA ANALYSIS**

The primary data was collected from respondents through questionnaire for the research and analyzed using Statistical Package for Social Sciences (SPSS) and SYSTAT. Chi-square seems to be the most appropriate statistical tool which could justify the purpose and hypotheses of the study. For the chi-square test a 95% confidence interval is used. The rationale behind using chi-square for analyzing data of the present study is that the data was nominally scaled and the chi-square test was used to measure if the differences between the genders are statistically significant.

Multivariate Regression Analysis is also conducted to establish the relationship among various dependent, independent and control variables.

**MEASURES**

**Dependent, Independent and Control Variables:**

The dependent variable in the analysis would be measures of risk aversion and over confidence. The independent variables are the respondents' gender (male or female). The control variables are financial knowledge, experience, and confidence. These will be measured in the survey with statements that are rated by the respondents on a one to five scale (one is strongly disagree and five is strongly agree).

In addition, it is important to consider the variables affecting the investors. Each student investor had a different background with different financial knowledge, experience, confidence, and wealth. I believe that knowledge, experience, and wealth all play a role in an investor's confidence, which is why I proposed to use these control variables.

**HYPOTHESES & MODEL DEVELOPMENT**

Most of the past research on gender and investing has found that females tend to have greater risk aversion when compared to males in investing decisions (Graham, Stendardi, Myers, Graham, 2002). In the 1989 Survey of Consumer Finances, 60 percent of females responded that they were unwilling to accept any financial risks, and only 40 percent of males were unwilling to accept any financial risks. In general, males tend to be the ones to take greater risks. The purpose of the present research would be to study possible gender effects on risk aversion and overconfidence in investment decision making, thus the hypotheses are:

**HYPOTHESIS 1:** *There is no significant association between gender and risk aversion.*

**HYPOTHESIS 2:** *There is no significant association between gender and overconfidence.*

Structural Equation Modeling using SPSS AMOS software was applied to the data. The model structure is given in chart below:



**CRITERIA FOR RESEARCH**

During an evaluation of quantitative research three main criteria were taken into consideration. These three criteria's were reliability, replication and validity. The concern with reliability refers to whether the results of the study could be repeatable by other researches, i.e. if they would come to the same result. Replication means if it is possible for other researchers to replicate the study and validity evaluates if the study actually measures what it was intended to measure. (Bryman and Bell, 2007:40-41)

**RELIABILITY**

For the researcher to get a reliable result is important. Measures should be consistent; if the researcher is not consistent the results will be inaccurate. The reliability of a study is dependent on its measures. If these measures fluctuate between different times this will cause variations that could have a negative effect on the results. Questionnaires was created and constructed in a clear way and this had not cause a negative effect on reliability. (Ejvegård, 1996:67-68) Chronbach alpha was calculated for scale variables and variables were selected only with high reliability.

| Variables               | Number of Items | Chronbach alpha |
|-------------------------|-----------------|-----------------|
| Risk Aversion           | 08              | 0.719           |
| Over Confidence         | 06              | 0.856           |
| Financial Knowledge     | 06              | 0.755           |
| Experience              | 05              | 0.873           |
| Wealth Management Skill | 03              | 0.625           |

**REPLICATION**

To fulfill the criteria of replication it was important that other researcher were able to replicate or re-do the study. The process that was used in the study was described in detail herein. This means that the methods that were used, the construction of the survey and the sample that was selected were clearly stated by the researchers. (Bryman and Bell, 2007:41)

We have kept these criteria in mind throughout the study with a focus that the process should be described in as detailed a way as possible. We therefore believe that the study should be replicable for other researchers.

**VALIDITY**

For a study to be valid it has to measure what it was intended to measure. Within the field of quantitative research validity could be divided into two different parts: internal- and external validity. The internal validity is mainly concerned with causality or connections between variables. This means that the variables that have been measured should be related to each other and relevant to the study. The external validity measures if the results could be generalized beyond the specific sample of the study. (Bryman and Bell, 2007:41-42)

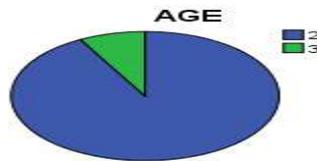
For us to make our study as valid as possible I took help of my doctorate course supervisor during the construction of the questionnaire, this was to make sure that the questions asked should be relevant for the purpose. Before the actual survey a pilot study was conducted to ensure that the interpretation of the questions is accurate. We used a strata sample to ensure that the survey was conducted with the same proportion. In order to increase the randomness of sample we had collected the survey response throughout several days and at different hours of the day. With this method we were able to generalize the findings of our study. We therefore consider that the internal validity is high and the external validity may be medium.

5. RESEARCH FINDINGS

AGE OF THE RESPONDENTS

| Age            | SPSS Code | Percentage | Mean | Mode |
|----------------|-----------|------------|------|------|
| Below 20 Years | 01        | 00         | 2.08 | 2    |
| 20 to 30 Years | 02        | 92         |      |      |
| Above 30 Years | 03        | 08         |      |      |

92% respondents were in the age group of 20 to 30 years followed by 08% in the age group of above 30 years. The mean age lies in 20 to 30 years age group.



GENDER OF THE RESPONDENTS

| Gender | SPSS Code | Percentage | Mean | Mode |
|--------|-----------|------------|------|------|
| Male   | 01        | 56         | 1.44 | 1    |
| Female | 02        | 44         |      |      |

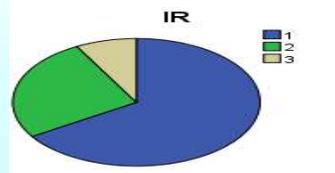
56% respondents were male whereas 44% were female thus mean value is 1.44 and mode is 1.



INVESTMENT RATIO

| Investment Ratio | SPSS Code | Percentage | Mean | Mode |
|------------------|-----------|------------|------|------|
| Below 25%        | 01        | 66         | 1.42 | 1    |
| 26 to 50%        | 02        | 26         |      |      |
| 51 to 75%        | 03        | 08         |      |      |
| Above 76%        | 04        | 00         |      |      |

66% respondents invest below 25% followed by 26% who invests between 26 to 50%, 08% invest 51 to 75% whereas no one invests above 76%. The mean and mode values lie below 25%.



INVESTMENT IN STOCK MARKET

| ISM | SPSS Code | Percentage | Mean | Mode |
|-----|-----------|------------|------|------|
| Yes | 01        | 90         | 1.10 | 1    |
| No  | 02        | 10         |      |      |

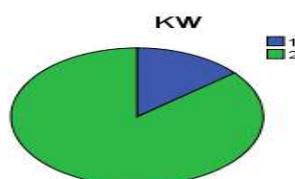
90% respondents invest in stock market thus it can be said that the majority of the management students invest in Market whereas only 10% management students do not invest in stock market. The mean and mode lies in the category which invest in stock market.



KNOWLEDGE OF FUTURE MARKET

| KWOFM | SPSS Code | Percentage | Mean | Mode |
|-------|-----------|------------|------|------|
| Yes   | 01        | 14         | 1.86 | 2    |
| No    | 02        | 86         |      |      |

86% Respondents do not have knowledge of the future market whereas 14% had knowledge. The mean is 1.86 and mode is 02.



GAIN FROM MARKET

| GFM | SPSS Code | Percentage | Mean | Mode |
|-----|-----------|------------|------|------|
| Yes | 01        | 80         | 1.20 | 1    |
| No  | 02        | 20         |      |      |

80% Respondents gained from the stock market whereas 20% have not gained. The Mode and mean value lies in category 01 i.e. Yes.

HYPOTHESIS TESTING

For the first hypothesis, the Chi<sup>2</sup>-test showed that the responses between the genders are significantly equal at a 95% level of confidence. The critical value is 7.815 and the calculated Chi<sup>2</sup> value is 53.60. The Chi<sup>2</sup> values is higher than the critical value, which confirms that the responses are not significant and null hypothesis i.e. there is no significant association between gender and risk aversion is rejected. Therefore it can be said that there is a significant association between gender and risk aversion.

In Second Hypothesis, the critical value is 7.815 and the calculated Chi<sup>2</sup> value is 32.85. The Chi<sup>2</sup> values is higher than the critical value, which confirms that the responses are not significant and null hypothesis i.e. there is no significant association between gender and overconfidence is also rejected and it thus results that there is significant association between gender and overconfidence.

MODEL TESTING

TABLE 1.5: STANDARDIZED REGRESSION WEIGHTS OF IMPACT VARIABLES – RISK AVERSION & OVER CONFIDENCE

| Impact Variable          | Regression Coefficient | SE    | Critical Value | p Value |
|--------------------------|------------------------|-------|----------------|---------|
| Gender                   | 0.959                  |       |                |         |
| Financial Knowledge      | 0.643                  | 0.113 | 8.673          | ***     |
| Experience               | 0.761                  | 0.067 | 11.867         | ***     |
| Wealth Management Skills | 0.472                  | 0.101 | 6.240          | ***     |

Note: According to AMOS software \*\*\* indicates p-value is smaller than 0.001, thus, the regression coefficient value is statistically significant. It is not significant if p-value is greater than 0.05.

The findings are connected to previous researches that have been conducted within this field, as we have discussed in the literature review. In a study conducted by Bernasek and Shwiff (2001) the conclusion was reached that gender differences are a significant factor when explaining an individual's decision making. From the study, they found that women are more conservative than men in financial decisions. Barber and Odean (2001) suggested that gender plays a vital role for the individual's decision making. Our study suggests that gender tends to affect the financial decision of the individual; these tendencies are similar to findings presented in earlier studies.

In the analysis of our results we have found indications that women approach the financial decision in a more conservative manner than men, depending on the situation presented. The results indicate that a financial decision made by an individual seems to be dependent on the gender of the individual and how they perceive risk. Gonzach (2001) suggests that risk is an essential feature to be considered when making any type of financial decisions. Each gender evaluates the risk of a financial decision differently. Furthermore, our study shows that men tend to completely disregard the opportunity of a risk free investment implying that a financial decision made by a male respondent would be different to a financial decision made a female respondent.

As we previously discussed, women tend to be more conservative and avoid risk in financial decisions. We can determine from our study that men invest more frequently in the financial market which can imply that this group of individuals has more experience with financial decisions. Women tend to invest less frequently which can indicate that they are not as familiar as men in financial decisions making.

According to Markowitz (1952), individuals are wealth maximizers; this implies that they strive to obtain as much gain as possible from any monetary situation. He also argues that individuals are rational and only make decisions based on all available information. However, the willingness and the ability of the individual to take risk is the ultimate factor that affects their decision (Markowitz 1952:6-7). As I mentioned earlier, men tend to completely neglect the lowest risk alternative and strive towards medium/higher risk alternatives. The opposite tendency was found among female respondents who strive for lower risk alternatives.

Several researchers have consistently found that women are indeed more risk averse than men. Results show that this specific group of women, business school students, are more risk averse than men from the same population. In general, a greater proportion of women have chosen the lowest risk alternative throughout the survey compared to their male co-respondents. When offered, both men and women tend to choose the medium risk alternative in similar proportions. Whilst, the highest risk alternative is much more preferred by men than by women. The trend identified here is that women, in almost all cases, avoided the highest risk alternative.

It can also be observed that our results are, to some extent, in line with earlier researchers such as Bernasek and Shwiff (2001). They found that the effect of being a women reduced the percentage invested in stocks, thus they conclude that women were more conservative than men when allocating financial assets. I find that women, to a lesser extent, intended to invest in the stock market. A great proportion of the female respondents would rather invest in savings accounts and mutual funds, whereas, the reverse trend is found with the male respondents. They focused their investment intentions on mutual funds and the stock market.

Research regarding overconfidence in relation to gender has consistently shown that women are less confident in their financial decisions. Graham et al (2002) found that women with lower risk taking tendencies would display less confidence in their investment decisions. It is of importance to mention that our results captured the overconfidence level through the use of general assessment questions. I used four different questions, which assess overconfidence similarly. This implied that I can only assess overconfidence as a characteristic within the target group.

It can be observed from our results that both men and women show similar tendencies to see themselves better than average compared to other people. The results indicate that women have chosen in a relatively higher level of confidence on half of the questions. On the other half of the questions women showed a tendency to be just about average whereas men chose to be above average in these questions.

The results indicate that the questions could have had an effect on individual's responses. We attempted to formulate the questions in a neutral manner and keeping in mind that they would only assess the general opinion of the surveyed individuals. We think that the questions about overconfidence became too gender influenced, which means that they basically perceived the questions differently.

Results indicate that on half of the questions some women considered themselves to be below average. While none of the men have considered themselves as below average on that half of the questions. On the other half of the questions both men and women have to some extent answered that they considered themselves to be below average, but the proportion for women is relatively larger than for men.

In general, we can observe that the female respondents have considered themselves to be below average to a larger proportion than men. However, the proportion of women that answered below average is a very small compared to the total amount of respondents.

The primary purpose of this study was to determine if gender can really have an effect on financial decisions, particularly among a group of well-educated Management students. We also wanted to see if there was any relationship between risk aversion, gender and overconfidence. The population used was the students of the Sherwood College of Management. This implies that our generalizations are only applicable to this target group and similar groups in other business schools in Lucknow in Uttar Pradesh. Our main goal was to gather knowledge about how gender affects financial decisions. With help from the research question and our analysis we could draw some inferences from our study:

1. We can say that there is a general indication that gender has an effect on financial decisions. We found that women approach financial decisions in a more conservative manner compared to the males surveyed in this study.
2. We also find that males invest more frequently in the financial market than women. Furthermore, we have found that men display a tendency to completely disregard the opportunity of a risk free investment.

3. When looking at risk aversion, we can say that women show an inclination towards being more risk averse than men. This supports the general view that men take more risk and that women are more risk averse.
4. In terms of overconfidence, we are not able to say that either gender is more confident than the other. We could not see any specific pattern of overconfidence in the results. However, we could observe, to a small extent, that women considered themselves to be below average in terms of confidence questions. Given the obtained results, we think that overconfidence is highly dependent on the situation in which the question is presented.

## 6. RECOMMENDATIONS & SUGGESTIONS

1. The main recommendation for students is to make constant attempts to increase their awareness on behavioral finance by educating themselves on the field. Studying about the biases, and reflecting on their decisions are likely to help achieve better self-understanding of to extent and manner to which they gets influenced by emotions while making financial decisions under uncertainty.
2. Even after satisfactory awareness is achieved it is highly recommended that they maintain a chart of the behavioral biases they are likely to be vulnerable to. This should be reviewed periodically in order to recollect and refresh their memory thus giving themselves a better chance to make improved financial decisions in the stock market.
3. Most essentially, what remains unanswered is whether greater awareness of investors about behavioral biases is likely to increase the market efficiency. Awareness about behavioral biases and its application in the course of making investment decision would be increasing the rationality of investment decisions thus making way for higher market efficiency.
4. Behavioral Finance should be given more importance in the Academic Curriculum, if it has not already been given its due. The schools do an excellent job in equipping students with knowledge of the sciences and various techniques, which definitely serves as a foundation to a great career. If they are equipped with excellent knowledge in Behavioral finance, the psychological aspect of the field would have already helped them achieve better self-understanding, and hence decision making in pressure situation might not be as challenging to them as it would be otherwise. Knowing what to do is important, but knowing when to do what is to be done, is priceless.
5. Behavioral finance, as a field, brings psychology and finance together. From a research perspective, behavioral finance presents a lot of fresh opportunities and challenges mainly because it is a relatively young field. Moreover, it offers numerous opportunities for creative thinking and experimental studies, since there is an opportunity to focus on the human mind and its ways. The field is closely related to behavioral economics, which focuses on understanding the rationale behind economic decisions, by researching on various identified cognitive or emotional biases, which people may be suffering from.

## 7. CONCLUSION

The findings of the study contribute more material to the field of behavioral finance and gender differences. In the present research paper it has been concluded that frequency of investment in female is lesser when compared to the male. Hence, we can say that the gender has a major effect on the investment decision making. Female are more conservative than their male. Our study is supported by other research done within this field and confirms risk aversion differences due to the gender of the individual. We can also conclude that male does not prefer to invest in risk free investment.

Regarding the risk aversion, it has been observed that female are more risk averse than male, from this we can conclude that male are more inclined towards risk taking. In supporting to the above statement it has been observed that the male prefer to invest in more risky avenues when compared to female, female prefer to invest in risk free investment. In terms of overconfidence, we cannot reach to any conclusion with certainty because research has shown mixed results.

## 8. LIMITATIONS

1. Within the subject of financial decisions two behavioral variables-risk aversion and overconfidence had been investigated. The other behavioral variables such as; herding and anchoring may contribute even greater understanding of the variations between genders but those are outside the scope of study.
2. The sample size proposed may be a little small. So the study may not be readily generalized to the population as a whole.

## 9. SCOPE FOR FURTHER RESEARCH

The research work gives some important major implications on gender differences and risk aversion in financial decisions. Due to some limitations as mentioned earlier herein, we suggest that there is a lot scope for further research in this field of finance. Studying carefully the behavioral patterns in investment decision making process may have major implications between genders. In addition to this a more accurate manner should be followed in evaluating the overconfidence levels in the gender.

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**BUSINESS ETHICS: A STUDY OF TEN INDIAN BANKS**

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**ABSTRACT**

*Ethics in Banks has been widely discussed since the 2008 financial crisis, which many believe was caused by unethical practices in major global banks, which was substantiated by investigations conducted by regulators post the crisis. Indian Banks survived the financial crisis due to strict regulations Reserve Bank of India imposed on banks and Reserve Bank of India even strengthened the regulations further as done by regulators across the world. The study analyses the top ten Indian banks implementation of ethical code of conduct and how has been their performance post 2008 financial crisis by looking at the financial performance including the key parameter of nonperforming assets that highlight the distress and unethical practices in banks. The study concludes that there has been a significant rise in the nonperforming assets of the eight of the ten banks studied except for the two private sector banks ICICI Bank and HDFC Bank. Nonperforming assets are a big concern for the large public sector banks like SBI, etc. and even Reserve Bank of India also has warned them about increasing nonperforming assets that will harm the banking system in India.*

**JEL CLASSIFICATION**

**M140** Corporate Culture; Social Responsibility - Ethics

**KEYWORDS**

Banking Industry, Ethics, Ethical Code of Conduct, Ethical Failures, Nonperforming Assets.

**FINANCIAL INSTITUTION AND RISK**

**F**inancial Institutions like banks, investment banks, insurance companies, trading firms, asset management companies etc. not only become too big to fail but also have become highly complex and sophisticated in their operations. The complexity of operations can be attributed to the fact that the clients of the banks and shareholders too forced the financial institutions to focus on creating wealth and maximize financial assets and increase the overall profitability significantly. Banks particularly the retail banks that deal mostly with consumer banking and business banking were forced to enter into the highly complicated and complex areas of investment banking, asset management, trading, derivatives markets, mutual funds and other exotic products that are not only risk but also significantly increase the risk of total failure or bankruptcy. Globalization and Free Market economy also led to the entry of foreign banks into the country and increased competition also led to the banks significantly increase the risk on the balance sheets of the Indian Banks. Another contributable reason can be the fact that customers in India are also attracted to innovative financial products that banks are designing and selling to them also further encouraged the Indian Banks to take more risk on their balance sheets.

Post the 2008 financial crisis, which was caused majorly by banks that took extraordinary risks and finally failed led to the serious discussion of ethics in Banking. The importance of Ethical standards for financial markets is further signified in case of commercial banks and other financial institutions as they operate with public money. The crisis not only had a significant economic effect globally but also brings to the fore the lack of moral values in financial institution particularly banks, which has been highlighted by the bank failures, job losses and more importantly loss of confidence of consumers. Governments and regulators across the globe started strictly regulating the financial institutions particularly banks as they caused significant economic losses and the governments were forced to provide the funding support to all the major banks as their failure would have led to systemic risk which is devastating. Financial Institutions were accused of mis-selling the products and services, cover-up risk and indulge in transactions that furthered losses than recovery. Risk management practices and operational risk teams that are headed by the Top Management of Banks like CEO, CFO failed miserably and all the mechanism and regulations mandated by regulators totally failed which caused mayhem across the globe. (Belás. J, 2013)

**ETHICS BLAMED FOR FINANCIAL CRISIS**

Ethical issues in the financial services industry have a significant everyone and it justifies the public perception that the industry is highly unethical and toxic. The industry deals with trillions of dollars of assets and the billions of transactions take place every day across the globe further increases the complexity of the industry. The study of the 2008 financial crisis provided other reasons for the failure of the banks along with the risk management failures. Greed of Managers and Organizations is one of the primary reasons blamed and for managers it is their bonuses and for financial institutions it is short term profitability. Financial Institutions too instead of selling financial products and services to consumers and business clients started to utilize the money for investing and investment departments that invest with banks money were given free hand and assume more risk which proved devastating. Ethics and moral values of the employees and banks also came under scrutiny as employees and banks that were supposed to work for the interest and benefits of the customers were instead working for the benefit of banks and their own interests that directly affected the consumer confidence. (Federwisch. A, 2006)

Financial Institutions failed to mitigate the conflicts of interests. Stiff targets and promise of hefty bonuses by banks further accentuated the unethical behavior and regulators failed to stem this in the early stages. Another major reason is blamed on clients and consumers that involved in money laundering and tax avoidance activities that led to flaunting of the Know Your Consumer norms which flooded the financial institutions with illegal drug money, terrorist funds and other money from illegal activities. Most of the banks including the large top banks too were penalized by the regulators for this activity. Banks not only charged higher fees from the customers but also lent to unworthy customers with poor credit records and also didn't explain the risks involved in the products and services. Unethical marketing and sales practices by banks were blamed for the customers taking unnecessary risks and thus earning more fees for the banks. Speculative banking where in banks invested public money in exotic, risk and speculative products also led to failure for the financial institutions and irresponsible bank managements are solely to be blamed for the fiasco. (Serrano. R.S, 2010)

**REASONS FOR ETHICAL FAILURES – PSYCHOLOGICAL OR BEHAVIORAL TRAPS**

There are numerous stories that highlight the unethical behavior of executives and organizations that failed because of this reason. Broadly these are the reasons for ethical failures like malicious intent, ignorance of concepts, rules and regulations, indifference to existing regulations, rules and guidelines, errors caused due to miscalculation of probabilities as finance is based on numbers, mathematical and statistical concepts, failure to properly assess the various impacts of decisions basically failing to see the other side or whole picture and finally mistakes or errors in executing the strategy may due to lack of information, proper resources and understanding. If one looks at the recent financial crisis and scandals in the financial institutions, all the above mentioned factors can be easily related to actual reasons for the financial institutions failure. Many articles, research papers and investigations by regulators across the nations have supported this argument and forced the financial institutions to relook at their internal structures and mechanisms and strengthen accordingly. Even regulators too came up with harsh new regulations and rules to make sure this scenario does not repeat again. The European Banking Authority with an

aim to restrict high risk investments and lending announced plans to cap bonuses at 100% of a banker's annual salary, or 200% if shareholders approve. (Hoyk. R & Hersey.P, 2009)

Sociologists Jan E. Stets of UC Riverside and Michael J. Carter of California State University, Northridge have developed a theory of the moral self that tries to explain the ethical failures in the financial services industry. In a study, "A Theory of the Self for the Sociology of Morality," published in the journal *American Sociological Review*, the authors found that individual's moral terms is an important motivator of behavior. The reason behind non guiltiness of stock brokers, investment advisors, and mortgage lenders responsible for financial crisis was attributed to fact that their low moral identity standards and no challenge or questioning by the colleagues about morals even brought down personal standards further to low levels. One's identity standard guides a person's behavior. Then the person sees the reactions of others to one's own behavior. If others have a low moral identity and others do not challenge the illicit behavior that follows from it, then the person will continue to do what s/he is doing. This is how immoral practices can emerge," Stets explained. This study also highlights that since the financial services market is unregulated and new complex products and services are developed it is even more important to study moral self. (Bettye Miller, 2012)

## ETHICS IN BANKING INDUSTRY – INDIAN SCENARIO

The Reserve Bank of India has many roles and responsibilities that include monetary authority, issuer of currency, regulator of banks, Non-Banking Finance Companies and Financial Markets, Debt Manager of Government, etc. and the guiding principles that guide RBI are institutional values and professional integrity. RBI is responsible to protect the interests of depositors and to ensure banks are well capitalized, prudently managed and have adequate and appropriate internal controls. RBI is also focusing on the financial inclusion providing financial services to poor, rural people and financial literacy to educate people on the type of services offered by financial sector, rights that they have and grievance redressal mechanism. As per preamble of RBI Act Reserve Bank has to ensure monetary stability, maintain the financial and economic integrity of the country but also has ethical responsibility to make sure banks work for the nation development. (SubbaRao. D, 2009)

Indian Banks' Association (IBA) had been working on banking ethics since 1973 when it set up a formal system of self-discipline in the Banking Industry by putting a ceiling on rate of interest on inter-bank borrowings in call money market. In 1977, the Ground Rules and Code of Ethics (GRACE) were evolved which for 20 years were a standard of ethical behavior among Member Banks in certain focal areas of interest to the banking public. The IBA Committee to Monitor Code of Ethics (CMCE) set up a working group with members from the CMCE itself to revise the GRACE and drafted a code for banking practice for uniform adoption by the banks approved by member banks and RBI which came into effect from 1st September, 1999. The IBA had brought out its "Bankers' Fair Practice" code in June 2004 which member banks adopted it voluntarily which was a commitment to be fair and transparent in dealing with individual customers. The IBA had also separately come out with "Fair Practice Code for Credit Card Operations" and "Model Code for Collection of Dues and Repossession of Security" to address specific concerns voiced by customers about banking practices in these areas.

The Banking Codes and Standards Board of India (BCSBI) was set up in 2006 as a collaborative effort of RBI and member banks which functions as an independent and autonomous watch dog to monitor and ensure that the banking codes and standards voluntarily adopted by banks are adhered to and deliver the services, as promised, to their customers. The Working Group had examined fair practice codes adopted by Bankers in other countries like UK, Canada, Singapore and Australia and prepared a draft Bankers' Fair Practice Code, incorporated the important points and developed the draft Code incorporating the suggestions from member banks and submitted it to the BCSBI that added some more amendments. The Code sets minimum standards of banking practices for banks to follow when they deal with individual customers and came into effect in 2006. BCSBI member banks adopted the code after getting approval by their respective boards. Banks also made necessary changes in policy and procedural aspects around their products and services. With the adoption of "Code of Bank's Commitment to Customers" by BCSBI member banks, the voluntary Codes of IBA would not be applicable to them: Bankers' Fair Practice Code, Fair Practice Code for Credit Card Operations and Model Code for Collection of Dues and Repossession of Security. However, member banks who are not members of BCSBI or eligible to become members of BCSBI would continue to follow these Codes.

## PURPOSE OF THE STUDY

Indian Banking industry escaped the 2008 financial crisis with not much of an impact but the global banking landscape has seen some significant changes happening since then. Global macro and micro economic conditions deteriorated, countries across the globe face economic slowdown and regulators across the globe stiffened the regulations related to banking industry. With these changes, Indian banks too were faced with challenges to change their policies and procedures accordingly as needed and even have to train employees about the changing regulations. RBI never allowed Indian banks excessive risks and built a safety wall around the Indian Banking industry that protected the industry during the 2008 crisis. RBI made sure that Indian Banks maintained their capital adequacy ratios, keep a check on the nonperforming assets, do not take risky positions and manage their expenses. Indian Banks too have changed their policies and procedures and also implemented all the risk management measures as prescribed by the Indian government and RBI. One such measure was stricter ethical code of conducts and procedures for employees and managers.

This study focuses on the ethical procedures and code of conduct that are implemented by top ten Indian Banks in terms of revenues that include SBI, ICICI Bank, HDFC Bank, Punjab National Bank, Bank of Baroda, Canara Bank, IDBI Bank, Bank of India, Union Bank of India and Axis Bank. Key parameters we study in this study include total income, expenses, net profit, nonperforming assets (NPAs both Gross & Net) and percentage of NPAs in relation to total loan advances made to customers. The data is gathered from the respective bank's annual reports for the past five years and used in analysis. The study also uses the secondary research methods where in each banks website is studied for the ethical procedures and code of conduct formulated and implemented. The hypothesis that is studied in this paper is how effectively the Indian banks are implementing the ethical code of conduct and procedures and impact of this on the banks financial performance and nonperforming assets.

## RESULTS OF THE STUDY

State Bank of India is the first Indian Bank that introduced a code of Fair Banking Practices in India called "Towards Excellence" in 1997. The code reflected the commitment of the Bank to provide Banking services of a high order to individual banking customers. The Bank implemented the code for products, interest rates, default & penal interest, lending practices information security, accounting practices, financial distress and grievance redressal mechanism. The bank also implemented the Model Code of Conduct for Recovery Agents (RAs) will be applicable to all RAs appointed by the Bank and make sure the customers are not harassed. The bank is maintaining good profitability but the NPAs are big problem as both the % Gross NPAs and %Net NPAs have been rising which suggests the bank is not lending properly or is failing to recover the dues.

ICICI Bank implemented a Group Anti Money Laundering Policy which establishes the standards of AML compliance and is applicable to all activities. ICICI Bank has formulated a Code of Business Conduct and Ethics for its directors and employees. The bank has good profitability and revenues and is also very efficient in reducing its both % gross NPAs and % net NPAs. HDFC Bank too implemented stricter code of ethics for both the managers and employees and the bank is also successful in reducing its % gross NPAs and maintains stable % Net NPAs. Punjab National Bank too implemented code of ethics for its employees but the code is not much visible on its website when compared to SBI, ICICI and HDFC whose ethical code of conduct is clearly visible on their bank websites which customers can see. PNB is maintaining its profitability but YoY profit growth % has fallen over years and in 2013 the bank had losses and the reason for its poor performance is drastic increase in both the % Gross and % Net NPAs which shows the bank failed to lend prudently and recover dues efficiently.

Bank of Baroda also implemented ethical code of conduct but the bank also has seen its YoY profitability growth % fall since 2011 and in 2013 but the bank is making profits and again the major contributor for this also significant rise in both % Gross and % Net NPAs. Canara Bank too is struggling with financial profitability YoY growth % but still has profits and also both the % Gross and % Net NPAs have been increasing for the past three years. Canara Bank also implemented an ethical code of conduct for employees and for recovery agents too. In 2013 IDBI Bank reported profits but the YoY profit growth % is falling and the reason for this significant rise in the % Gross NPAs but it has slightly reduced the % Net NPAs in 2013 and the bank has also implemented the code of

conduct for its employees. Bank of India also has seen its both gross NPAs and Net NPS rising over the past three years and the bank also saw its YoY profitability growth falling. Union Bank of India has seen rise in both gross and net NPAs in 2012 but the bank has been able to slightly reduce the both in 2013. Axis Bank gross and net NPAs are low for the bank but slightly rising over the year and the bank profitability is also good.

**CONCLUSION**

The study concludes that despite implementing the ethical code of conduct and fair lending policy both for employees and recovery agents, as mandated by the RBI and Indian government all the banks except for private banks ICICI bank and HDFC bank are struggling with nonperforming assets which increased over the past three years and reduced the profit growth % year on year. A recent report 'Trends and progress of banking report 2012-13' by RBI highlights the fact that Banks need to strictly implement effectively the rules and regulations that RBI and the government put for resolution and recovery of bad loans and also have to strengthen due diligence, credit appraisal and post sanction loan monitoring systems to minimise and mitigate the problems of increasing non-performing assets (NPAs). The study also concludes that the asset quality of the banking system deteriorated significantly in the past couple of years that led to increase in the total stressed assets in the banking system that is NPAs plus restructured assets.

Banks also need to focus on improving the effectiveness of the recovery system and make sure to protect the value of the underlying assets and jobs and also redeploy unviable assets to new uses and fair employee compensation, the central bank report said. It is very important for the major Indian banks as it is evident from the 2008 financial crisis that any problems in the banks will lead to massive economic failure. Banking Industry in India is dominated by public sector players that are very conservative in approach but these banks also have piled up significant amount of nonperforming assets which is a major area of concern, Banks need to strictly implement the ethical codes of conduct and make sure all the employees stick to it strictly. Indian Economy is going through a slowdown as the macroeconomic parameters like GDP and industrial production highlight and there will be problems in recovering the loans but banks need to find a way to reduce NPAs. Overall the public sector banks have to improve their performance as the private sector banks are doing well in terms of improving their asset quality.

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**ANNEXURE**

**TABLE 1: FINANCIAL DATA & NPA DATA OF TOP TEN INDIAN BANKS (All the data is in Rupees Crores)**

| Bank Name & Details         | 2009      | 2010      | 2011      | 2012        | 2013        | 2009                | 2010  | 2011 | 2012 | 2013 |
|-----------------------------|-----------|-----------|-----------|-------------|-------------|---------------------|-------|------|------|------|
| <b>State Bank of India</b>  |           |           |           |             |             | <b>YoY Growth %</b> |       |      |      |      |
| Total Income                | 76,479.78 | 85,962.07 | 96,324.78 | 1,20,872.90 | 1,35,691.94 | 31%                 | 12%   | 12%  | 25%  | 12%  |
| Total Expenses              | 67,358.55 | 76,796.02 | 88,954.45 | 1,09,165.61 | 1,21,586.96 | 30%                 | 14%   | 16%  | 23%  | 11%  |
| Net Profit                  | 9,121.23  | 9,166.05  | 7,370.33  | 11,707.29   | 14,104.98   | 36%                 | 0.49% | -20% | 59%  | 20%  |
| Gross NPAs                  | 15,588.60 | 19,534.89 | 25,326.29 | 39,676.46   | 51,189.39   | n/a                 | 25%   | 30%  | 57%  | 29%  |
| % Gross NPA-Advances        | 2.84      | 3.05      | 3.28      | 4.44        | 4.75        | n/a                 | 7%    | 8%   | 35%  | 7%   |
| Net NPAs                    | 9,552.00  | 10,870.17 | 12,346.89 | 15,818.85   | 21,956.48   | n/a                 | 14%   | 14%  | 28%  | 39%  |
| % Net NPA-Advances          | 1.76      | 1.72      | 1.63      | 1.82        | 2.1         | n/a                 | -2%   | -5%  | 12%  | 15%  |
| <b>ICICI bank</b>           |           |           |           |             |             | <b>YoY Growth %</b> |       |      |      |      |
| Total Income                | 39,210.31 | 32,999.36 | 32,621.94 | 41,045.41   | 48,421.30   | -1%                 | -16%  | -1%  | 26%  | 18%  |
| Total Expenses              | 35,452.17 | 28,974.37 | 27,470.56 | 34,580.16   | 40,095.82   | 0%                  | -18%  | -5%  | 26%  | 16%  |
| Net Profit                  | 3,758.14  | 4,024.99  | 5,151.38  | 6,465.25    | 8,325.48    | -10%                | 7%    | 28%  | 26%  | 29%  |
| Gross NPAs                  | n/a       | n/a       | 10,034.26 | 9,475.33    | 9,607.75    | n/a                 | n/a   | n/a  | -6%  | 1%   |
| % Gross NPA-Advances        | n/a       | n/a       | 4.47      | 3.62        | 3.22        | n/a                 | n/a   | n/a  | -19% | -11% |
| Net NPAs                    | n/a       | n/a       | 2,407.36  | 1,860.84    | 2,230.56    | n/a                 | n/a   | n/a  | -23% | 20%  |
| % Net NPA-Advances          | n/a       | n/a       | 1.11      | 0.73        | 0.77        | n/a                 | n/a   | n/a  | -34% | 5%   |
| <b>HDFC Bank</b>            |           |           |           |             |             | <b>YoY Growth %</b> |       |      |      |      |
| Total Income                | 19,802.89 | 19,983.52 | 24,263.36 | 32,530.04   | 41,917.49   | 61%                 | 1%    | 21%  | 34%  | 29%  |
| Total Expenses              | 17,557.96 | 17,034.82 | 20,336.96 | 27,362.97   | 35,191.21   | 64%                 | -3%   | 19%  | 35%  | 29%  |
| Net Profit                  | 2,244.93  | 2,948.70  | 3,926.40  | 5,167.07    | 6,726.28    | 41%                 | 31%   | 33%  | 32%  | 30%  |
| Gross NPAs                  | n/a       | n/a       | 1,694.34  | 1,999.39    | 2,334.64    | n/a                 | n/a   | n/a  | 18%  | 17%  |
| % Gross NPA-Advances        | n/a       | n/a       | 1.05      | 1.02        | 0.97        | n/a                 | n/a   | n/a  | -3%  | -5%  |
| Net NPAs                    | n/a       | n/a       | 296.41    | 352.33      | 468.95      | n/a                 | n/a   | n/a  | 19%  | 33%  |
| % Net NPA-Advances          | n/a       | n/a       | 0.2       | 0.2         | 0.2         | n/a                 | n/a   | n/a  | 0%   | 0%   |
| <b>Punjab National Bank</b> |           |           |           |             |             | <b>YoY Growth %</b> |       |      |      |      |
| Total Income                | 22,245.85 | 25,032.22 | 30,599.06 | 40,630.63   | 46,109.25   | 37%                 | 13%   | 22%  | 33%  | 13%  |
| Total Expenses              | 19,154.96 | 21,126.87 | 26,165.56 | 35,746.43   | 41,361.57   | 35%                 | 10%   | 24%  | 37%  | 16%  |
| Net Profit                  | 3,090.89  | 3,905.35  | 4,433.50  | 4,884.20    | 4,747.68    | 51%                 | 26%   | 14%  | 10%  | -3%  |
| Gross NPAs                  | n/a       | n/a       | 4,379.39  | 8,719.62    | 13,465.79   | n/a                 | n/a   | n/a  | 99%  | 54%  |
| % Gross NPA-Advances        | n/a       | n/a       | 1.79      | 2.93        | 4.27        | n/a                 | n/a   | n/a  | 64%  | 46%  |

|                            |           |           |           |           |           |     |      |     |       |      |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-----|------|-----|-------|------|
| Net NPAs                   | n/a       | n/a       | 2,038.63  | 4,454.23  | 7,236.50  | n/a | n/a  | n/a | 118%  | 62%  |
| % Net NPA-Advances         | n/a       | n/a       | 0.65      | 1.52      | 2.35      | n/a | n/a  | n/a | 134%  | 55%  |
| <b>Bank of Baroda</b>      |           |           |           |           |           |     |      |     |       |      |
| <b>YoY Growth %</b>        |           |           |           |           |           |     |      |     |       |      |
| Total Income               | 17,849.24 | 19,504.70 | 24,695.11 | 33,096.05 | 38,827.27 | 29% | 9%   | 27% | 34%   | 17%  |
| Total Expenses             | 15,622.03 | 16,446.37 | 20,453.42 | 28,089.10 | 34,346.56 | 26% | 5%   | 24% | 37%   | 22%  |
| Net Profit                 | 2,227.21  | 3,058.33  | 4,241.69  | 5,006.95  | 4,480.71  | 55% | 37%  | 39% | 18%   | -11% |
| Gross NPAs                 | n/a       | n/a       | 3,152.50  | 4,464.75  | 7,982.58  | n/a | n/a  | n/a | 42%   | 79%  |
| % Gross NPA-Advances       | n/a       | n/a       | 1.36      | 1.53      | 2.4       | n/a | n/a  | n/a | 13%   | 57%  |
| Net NPAs                   | n/a       | n/a       | 790.88    | 1,543.64  | 4,192.02  | n/a | n/a  | n/a | 95%   | 172% |
| % Net NPA-Advances         | n/a       | n/a       | 0.35      | 0.54      | 1.28      | n/a | n/a  | n/a | 54%   | 137% |
| <b>Canara Bank</b>         |           |           |           |           |           |     |      |     |       |      |
| <b>YoY Growth %</b>        |           |           |           |           |           |     |      |     |       |      |
| Total Income               | 19,546.15 | 21,752.78 | 25,890.99 | 33,800.37 | 37,377.52 | 18% | 11%  | 19% | 31%   | 11%  |
| Total Expenses             | 17,473.73 | 18,731.35 | 21,865.10 | 30,517.67 | 34,407.81 | 17% | 7%   | 17% | 40%   | 13%  |
| Net Profit                 | 2,072.42  | 3,021.43  | 4,025.89  | 3,282.70  | 2,969.71  | 32% | 46%  | 33% | -18%  | -10% |
| Gross NPAs                 | n/a       | n/a       | 3,089.21  | 4,031.75  | 6,260.16  | n/a | n/a  | n/a | 31%   | 55%  |
| % Gross NPA-Advances       | n/a       | n/a       | 1.45      | 1.73      | 2.57      | n/a | n/a  | n/a | 19%   | 49%  |
| Net NPAs                   | n/a       | n/a       | 2,347.33  | 3,386.31  | 5,278.07  | n/a | n/a  | n/a | 44%   | 56%  |
| % Net NPA-Advances         | n/a       | n/a       | 1.11      | 1.46      | 2.18      | n/a | n/a  | n/a | 32%   | 49%  |
| <b>IDBI Bank</b>           |           |           |           |           |           |     |      |     |       |      |
| <b>YoY Growth %</b>        |           |           |           |           |           |     |      |     |       |      |
| Total Income               | 13,107.35 | 17,614.59 | 20,704.38 | 25,379.47 | 28,283.81 | 34% | 34%  | 18% | 23%   | 11%  |
| Total Expenses             | 12,248.80 | 16,583.46 | 19,054.07 | 23,485.12 | 26,401.73 | 35% | 35%  | 15% | 23%   | 12%  |
| Net Profit                 | 858.55    | 1,031.13  | 1,650.31  | 1,894.35  | 1,882.08  | 18% | 20%  | 60% | 15%   | -1%  |
| Gross NPAs                 | n/a       | n/a       | 2,784.73  | 4,551.37  | 6,449.98  | n/a | n/a  | n/a | 63%   | 42%  |
| % Gross NPA-Advances       | n/a       | n/a       | 1.76      | 2.49      | 3.22      | n/a | n/a  | n/a | 41%   | 29%  |
| Net NPAs                   | n/a       | n/a       | 1,677.91  | 2,910.93  | 3,100.36  | n/a | n/a  | n/a | 73%   | 7%   |
| % Net NPA-Advances         | n/a       | n/a       | 1.06      | 1.61      | 1.58      | n/a | n/a  | n/a | 52%   | -2%  |
| <b>Bank of India</b>       |           |           |           |           |           |     |      |     |       |      |
| <b>YoY Growth %</b>        |           |           |           |           |           |     |      |     |       |      |
| Total Income               | 19,399.22 | 20,494.63 | 24,393.49 | 31,801.84 | 35,674.97 | 34% | 6%   | 19% | 30%   | 12%  |
| Total Expenses             | 16,391.87 | 18,753.56 | 21,904.79 | 29,124.32 | 32,925.63 | 32% | 14%  | 17% | 33%   | 13%  |
| Net Profit                 | 3,007.35  | 1,741.07  | 2,488.70  | 2,677.52  | 2,749.34  | 50% | -42% | 43% | 8%    | 3%   |
| Gross NPAs                 | n/a       | n/a       | 4,811.55  | 5,893.97  | 8,765.25  | n/a | n/a  | n/a | 22%   | 49%  |
| % Gross NPA-Advances       | n/a       | n/a       | 2.23      | 2.34      | 2.99      | n/a | n/a  | n/a | 5%    | 28%  |
| Net NPAs                   | n/a       | n/a       | 1,944.99  | 3,656.42  | 5,947.31  | n/a | n/a  | n/a | 88%   | 63%  |
| % Net NPA-Advances         | n/a       | n/a       | 0.91      | 1.47      | 2.06      | n/a | n/a  | n/a | 62%   | 40%  |
| <b>Union Bank of India</b> |           |           |           |           |           |     |      |     |       |      |
| <b>YoY Growth %</b>        |           |           |           |           |           |     |      |     |       |      |
| Total Income               | 13,371.93 | 15,277.42 | 18,491.40 | 23,476.66 | 27,676.73 | 25% | 14%  | 21% | 27%   | 18%  |
| Total Expenses             | 11,645.37 | 13,202.50 | 16,409.46 | 21,689.52 | 25,518.80 | 25% | 13%  | 24% | 32%   | 18%  |
| Net Profit                 | 1,726.56  | 2,074.92  | 2,081.94  | 1,787.14  | 2,157.93  | 24% | 20%  | 0%  | -14%  | 21%  |
| Gross NPAs                 | n/a       | n/a       | 3,622.82  | 5,449.86  | 6,313.83  | n/a | n/a  | n/a | 50%   | 16%  |
| % Gross NPA-Advances       | n/a       | n/a       | 2.37      | 3.01      | 2.98      | n/a | n/a  | n/a | 27%   | -1%  |
| Net NPAs                   | n/a       | n/a       | 1,803.44  | 3,025.03  | 3,353.38  | n/a | n/a  | n/a | 68%   | 11%  |
| % Net NPA-Advances         | n/a       | n/a       | 1.19      | 1.7       | 1.61      | n/a | n/a  | n/a | 43%   | -5%  |
| <b>Axis Bank</b>           |           |           |           |           |           |     |      |     |       |      |
| <b>YoY Growth %</b>        |           |           |           |           |           |     |      |     |       |      |
| Total Income               | 13,732.37 | 15,583.80 | 19,786.94 | 27,414.87 | 33,733.68 | 57% | 13%  | 27% | 39%   | 23%  |
| Total Expenses             | 11,917.00 | 13,069.27 | 16,398.45 | 23,172.66 | 28,554.24 | 55% | 10%  | 25% | 41%   | 23%  |
| Net Profit                 | 1,815.37  | 2,514.53  | 3,388.49  | 4,242.21  | 5,179.44  | 69% | 39%  | 35% | 25%   | 22%  |
| Gross NPAs                 | n/a       | n/a       | 159.94    | 1,806.30  | 2,393.42  | n/a | n/a  | n/a | 1029% | 33%  |
| % Gross NPA-Advances       | n/a       | n/a       | 1.01      | 0.94      | 1.06      | n/a | n/a  | n/a | -7%   | 13%  |
| Net NPAs                   | n/a       | n/a       | 41.04     | 472.64    | 704.13    | n/a | n/a  | n/a | 1052% | 49%  |
| % Net NPA-Advances         | n/a       | n/a       | 0.26      | 0.25      | 0.32      | n/a | n/a  | n/a | -4%   | 28%  |

Source of Data: 1. Relevant Bank Annual reports accessed on Bank Websites. 2. www.moneycontrol.com

**MENTAL HEALTH IN REFERENCE TO LENGTH OF SERVICE AMONG MALES & FEMALES ACADEMICIANS**

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**ABSTRACT**

*The present study has explored the “mental health in reference to length of service among males & females academicians”. The study further tries to make an in-depth investigation on mental health of academicians at the different academic institutions. The data was collected on 120 (60 males and 60 females) academicians. Subjects were selected from academic Institutions of Dehradun, Uttarakhand, India using Stratified Random Sampling technique. Employee’s Mental Health Inventory (EMHI) administered on the same group of subjects to collect the data. The scale was designed and planned by Dr. Jagdish, consists of 24 items. The data was analyzed by SPSS software (version 17). The mean & F ratio results of the present study revealed a significant difference in mental health between both the genders. The study had also revealed that Length of service for more than 10 years and length of service for less than five years differ significantly from each other.*

**KEYWORDS**

Gender difference, Length of Service and Mental Health.

**MENTAL HEALTH**

**M**ental Health Stress affects not only our physical wellbeing but our mental comfort, too. In recent years, clinical psychologists as well as educationalists have started giving proper attention to the study of mental health. Mental health connotes those behaviours, perceptions and feelings that determine a person’s overall level of personal effectiveness, success, happiness, and excellence of functioning as a person (Kornhauser, 1965). Mentally healthy person is firm in his/her intentions and is least disturbed by strains and stresses of day to day life. The concept of mental health has taken ‘Gestalt’ view of individual. It incorporates the concepts of personality characteristics and behaviour all in one. It may also be understood as the behavioural characteristic of the person. A mentally healthy person shows a homogeneous organization of desirable attitudes, healthy values, and righteous self-concept and a scientific perception of the world as a whole. The expression ‘Mental Health’ consists of two words ‘Mental’ and ‘Health’. Mental health, therefore, may refer to a sound mental condition or a state of psychological well-being or freedom from mental diseases. It is said that a sound body determines a sound mind and a sound mind exists in sound body. The noun mental health has one meaning that the psychological state of someone who is functioning at a satisfactory level of emotional and behavioural adjustment (WordNet, 2009). Wikipedia Dictionary (2010) explains the meaning of mental health as a state of emotional and psychological well-being in which an individual is able to use his or her cognitive and emotional capabilities, function in society and meet the ordinary demands of everyday life. According to Longman’s Dictionary of Psychology and Psychiatry (Goldenson, 1984), “Mental health is a state of mind characterised by emotional well-being, relative freedom from anxiety and disabling symptoms, and coping with ordinary demands and stresses of life”. Generally mental status has two possibilities: either health or illness. Mental health is more than the absence of mental illness (World Health Organisation (WHO), 2006). Mental Health includes the ability to enjoy life, resilience, balance, flexibility, and self-actualization. Positive mental health consists of protection and development and satisfying human relationships and in the reduction of hostile tensions in persons and groups. Some psychologists considered mental health as absence of mental illness. Mental illness is any of various conditions characterized by impairment of an individual's normal cognitive, emotional, or behavioural functioning and caused by social, psychological, biochemical, genetic, or other factors, such as infection or head trauma. It is also called emotional illness, mental disease, and mental disorder. Some experts consider mental health as a continuum. Thus, an individual's mental health may have many different possible values.

**METHODOLOGY****AIMS AND OBJECTIVES**

The main objective of the study is to study mental health in reference to length of service among males & females academicians of Dehradun district.

**HYPOTHESES**

H1: Males and females will differ significantly from each other Mental Health.

H2: Length of service for more than ten years and length of service for less than five years will differ significantly from each other on Mental Health.

**TOOL USED**

**Employee Mental Health Index (EMHI) Test** was used to measure mental health of academicians. The test was Constructed and standardized by Dr Jagdish. EMHI, assess mental health of employees working in any organization; it is useful in screening the employees with poor psychological wellbeing, who need help to their happier job and personal life. It measures the state of mental pleasure, overall well-being and lacking of psycho-physiological complaints.

**Sample:** The criteria for selection of the respondents for the study were the full time employed academicians in the academic institutions namely, Graphic Era University, SelaQui Academy of Higher Education, SelaQui World School, Sri Guru Ram Rai Mission, MKP College, Uttaranchal University, & GRD Academy of Dehradun city. The total sample size was comprised of 120 academics (60 males and 60 females), who were selected by random sampling method from the selected academic institutions.

**DESIGN**

2x2 factorial design will be used where the length of service (Less than 5 years and more than 10 years) will matched with the levels of sexes (males & females).

**PROCEDURE**

Data was collected using stratified random sampling method. Data was collected on permanent employed academicians working at higher study centers based at Dehradun city, the respondents were contacted personally. The questionnaire consisting of 24 items were given to them to be filled in 5-10 minutes of time.

**RESULTS**

Keeping in view the objectives of the present study, the obtained data were analyzed using Mean, SD's, F ratio testing. (Table No1) the obtained results are discussed as under:

1. Males and females will differ significantly from each other on Employee Mental Health: As it is evident from Table No 1 the first hypothesis was found to be true and correct. Males and females differ from each other on Mental Health. Study indicated that there existed positive and statistically significant difference of gender on occupational stress. A similar study by Manikandan, K (2012) concludes that sex and institution have significant & main interaction effects on certain components of occupational mental health but not in the case of total occupational mental health of teachers. Female teachers experience more job satisfaction than the male teachers. Some reviews that does not stand in line with "Males and females differ significantly from each other on Employee Mental Health" like Anita Chawla (2012) mental health in boys and girls of College students; and its relation to academic achievement, female students have better mental health than male students. High academic achievement corresponds to high mental health. Auja et al. (2004) showed that working women were significantly more stressed due to psychological stressors than non-working women. The mental health inventory developed by Jagdish and Srivasta was employed to assess the mental health of the college teachers. Study revealed that male teacher exhibit significant better mental health than their female counterparts. Ojha and Rani (2004) examined the level of life stress and various dimensions of mental health among working and non-working Indian women. Working women were significantly scored higher on life stress in comparison to non-working women.

2: Length of service for more than 10 years and length of service for less than five years will differ significantly from each other on Employee Mental Health referring to (table No 20), the proposed hypothesis was found to be correct and we accept the hypothesis by confirming "Length of service for more than 10 years and length of service for less than five years will differ significantly from each other on Employee Mental. A study by Bhagawan (1997) revealed that higher the teaching experience, lesser the perceived burn out. Bhatia and Kumar (2005) studied on occupational stress and burn out in industrial employees. Their experience/length of service varied from 2-6 and 7-12 years. Industrial employees at supervisor rank and below supervisor rank with more experience of service had more occupational stress due to more feeling of depersonalization and more emotional exhaustion. Ryhal and Singh (1996) considered university academicians for their study. Results revealed that those with 26-35 years' experience had higher job stress than those with teaching experience of 16-25 years and 5-15 years. Those with 16-25 years' experience had higher job stress than those with teaching experience of 5-15 years and this effect their mental wellbeing.

**TABLE NO 1: TOTAL EMPLOYEE MENTAL HEALTH INDEX**

| Total Employee Mental Health Index |       |                |      |
|------------------------------------|-------|----------------|------|
| Males (N=60)                       |       | Females (N=60) |      |
| Mean                               | SD    | Mean           | SD   |
| 18.68                              | 4.070 | 16.91          | 5.61 |
| <b>17.80</b>                       |       |                |      |

The above table no 1 shows the total Mean and SD of Males and Females on Employee Mental Health Index. In observation of mean and SD values, males are found to have higher values in comparison to their female counterparts.

**TABLE NO 2: COMPARISON OF MALES AND FEMALES ON LENGTH OF SERVICE**

| Length of Service    |       |      |         |      |
|----------------------|-------|------|---------|------|
| Less than Five Years | Males |      | Females |      |
|                      | Mean  | SD   | Mean    | SD   |
|                      | 18.4  | 3.52 | 15.13   | 6.33 |
| More than Ten Years  | Males |      | Females |      |
|                      | Mean  | SD   | Mean    | SD   |
|                      | 18.96 | 4.60 | 18.07   | 4.17 |

In the above table No 2, it was observed that means value of males is higher than the mean value on females in Length of service for less than 5 years, It was also observed that means of males are again found to be higher than the mean value of females in Length of service for more than 10 years on EMHI.

**TABLE 3: ANALYSIS OF VARIANCE OF EMPLOYEE MENTAL HEALTH INDEX**

| ANOVA Summary for Employee Mental Health Index |        |    |        |      |
|--|--------|----|--------|------|
| Source of Variation                            | SS     | Df | MS     | F    |
| Sex  | 93.63  | 1  | 93.63  | 4.11 |
| Length of Service (LS)                         | 128.13 | 1  | 128.13 | 5.63 |
| Sex X LS                                       | 67.51  | 1  | 67.51  | 2.96 |

The above table No 3 showed the calculated F value for sex which was found to be statistically significant on Employee Mental Health Index at 0.05 level. F value for length of service also appeared to be highly significant at 0.05 level. Whereas F value on interaction effect between sex and length of service was appeared to be statistically insignificant.

**CONCLUSION**

The first proposed hypothesis was found to be correct and we accept the hypothesis by confirming that males and females will differ significantly from each other on Employee Mental Health.

The second proposed hypothesis was also found to be correct and we accepted the hypothesis by confirming "Length of service for more than 10 years and length of service for less than five years will differ significantly from each other on Employee Mental health.

**DELIMITATIONS**

The study had following limitations:

- Academicians working in various institutions are from Dehradun city only.
- The sample size of the study was small to predict the very exact picture of occupational stress and mental health of the academicians.
- Scales used in the study had limited number of variables.

**SUGGESTIONS FOR FUTURE RESEARCH**

The following suggestions were evolved from the present study for future researches

- Further research is needed with larger samples. This study was confined to Dehradun city. Similar study can be conducted taking a larger geographical area; at regional or state level.
- A similar study can also be conducted on other professionals.
- In depth research may be undertaken to identify "at the job" and "off the job" problems of academicians.
- This study was concerned with inter group gender differences. Similarly, a study may be designed with intra group comparisons.

- The working conditions and workplace strategies may be studied in relation to mental health and stress.
- Future research may attempt to study mental health of family members and its impact on employees mental well-being.

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**THE EFFECT OF WORK PRESSURE ON EMPLOYEES' PERFORMANCE IN COMMERCIAL BANKS**

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**ABSTRACT**

*The study aimed to analyzing the work pressure resulted from organizational variables on the level of employees performance in Jordan, those variables are (job nature, managerial aspects, work relations nature and used technologies) and its effect on the performance of employees in commercial banks in Jordan. It also aimed to knowing whether there is a difference in organizational work pressure on employees' performance based on: (Gender, educational qualification, social status, managerial level, and years of previous experience). The results of the study revealed significant with negative relationship has been found between the work pressure and performance of employees. The results suggest that bank should adapt strategies of handling job pressure that aim to keeping the individual performance level and improving it.*

**KEYWORDS**

Employees, work pressure, performance and banks.

**INTRODUCTION**

Work pressure is considered to be one of the main subjects that management researchers concentrate on studying in terms of causes, effects and the way of helping those effects, taking into consideration that work pressure is one of the challenges facing modern entities in achieving its goals especially in the increased competition level, as high levels of work pressure might affect individuals' performance and thus the whole entity.

In addition the individual faces in his everyday life different kinds of pressure, some related to the social environment resulted from values, directions and desires difference, and some related in the economic environment resulted from low incomes, high living cost, and high unemployment rates and some related to the organizational environment like work nature, management aspects and work relations.

Work pressure facing employees sources differ according to the professional specialties for each job, and the level of feeling the job pressure differ according to many factors related to the individual himself according to his personality, gender and educational level.

**GENERAL FRAMEWORK OF THE STUDY****THE STUDY ELEMENTS AND ITS ELEMENTS**

The study's problem is summarized in knowing and analyzing the effect of work pressure variables (job nature, managerial aspects, work relations nature and used technologies) on work pressure. In Jordan Bank where the banking work has its professional privacy as it requires preciseness in accomplishing tasks, working long hours, intense use of technology, and direct dealing with customers...That is what makes bank workers more exposed to work pressure compared to employees in other sectors which causes negative effects on them health, physical and mental wise and other social effects, and as a result effects their professional performance.

Many studies have shown in those past years that continuous work pressure may lead to negative effects on employees' health physically and mentally, and might cause many dangerous diseases such as heart diseases, high blood pressure, stomach diseases and other diseases causing increase in absences, quitting leading to lower performance levels affecting the overall performance negatively.

The elements of this study are represented in the following questions where it tries to cover:

- Does work pressure resulting from the job's nature (workload, routine level and the volume of work responsibility) affect the performance of employees in Jordan Bank?
- Does work pressure resulting from the management aspects (fairness of tasks distribution, bonuses and incentives distribution fairness, participating in decision making) affect the performance of employees in Jordan Bank?
- Does work pressure resulting from the work relations (colleagues' relations nature, employee to employers' relations, customers' relations) affect the performance of employees in Jordan Bank?
- Does work pressure resulting from the used technology (information security level, systems reliability and information transactions volumes) affect the performance of employees in Jordan Bank?
- Does the influence degree of work pressure resulted from (job nature, managerial aspects, work relations nature and used technologies) change the performance of employees in Jordan Bank.

**STUDY HYPOTHESIS TESTING**

There is no statistically significant relationship between work pressures resulted from the job's nature, managerial aspects, work relations nature and used technologies and between the performance of employees in the bank.

**First hypothesis:** There is no statistically significant relationship between work pressure resulted from the jobs nature and performance of banks in Jordan.

**Second hypothesis:** There is no statistically significant relationship between work pressure resulted from the management aspects and performance of banks in Jordan.

**Third hypothesis:** There is no statistically significant relationship between work pressure resulted from the work nature and performance of banks in Jordan.

**Fourth hypothesis:** There is no statistically significant relationship between work pressure resulted from the used technologies and performance of banks in Jordan.

**Fifth hypothesis:** There is no statistically significant difference between the effect of changing work pressure variables on the performance on employees in Jordan bank by changing (gender, educational qualification, social status, managerial level, and years of previous experience).

**Study Model:**

Below a model showing the study variables and dimensions consisting each of them:

**Independent Variables****(Work Pressure variables)**

Job's Nature  
 Management Aspects  
 Work Relations  
 Used Technologies

**Dependent Variable**

Performance of  
 Bank's Employees

**Demographic Values:**

- Gender
- Educational Qualification
- Social Status
- Management Level
- Years of service

**STUDY IMPORTANCE**

The importance of this study is as it is taking the subject of work pressure, considering it of the subjects having currently the researches interest in many aspects especially in management as it has negative results on the employee and on the organization.

In addition, its important as well lies in linking the work pressure variables to individual performance, as previous researches did not study the relation between work pressure and the performance whether individually or on the whole organization's level.

Adding to that, the Jordanian banking industry is considered to be of the most important industries in the national economy, where banks have witnessed important changes in its structure in regards to merger, buying and acquisition cases and new banks entering to the competition, adding to that what those banks witness from quick developments in the area of banking services, and necessarily, those developments will reflect on the employees working in the banking industry, requiring raising the performance level in what serves the set targets.

**STUDY OBJECTIVES**

This study's objectives are as follows:

- Developing a complete theoretical framework covering most of the work pressure ethics and what relates to it of concepts and related mutual effect subjects.
- Analyzing the work pressure effect on the performance of Jordan Bank employees through its main causes solely or combined, represented in: the job's nature undertaken by an individual, management aspects related to the bank's management, work relations and the used technologies during work.
- Analyzing whether there is a difference in the level of work pressure influence in employees' performance in the bank by changing (Gender, educational qualification, social status, managerial level, and years of previous experience).
- Recommendations, in light of the study, would decrease the job pressure and its negative causes on employees in the bank under study, to achieve higher level of individual and group performance.

**ANALYZING UNIT**

Considering each individual in the study's sample a source of information and data, even if the results represent analyzing all the answers of the individuals in the sample, the analyzing units of this study is the working factor in Jordan Bank at all of its managerial levels.

**STUDY SPECIFICATIONS**

The study faced the following difficulties:

- Inability of setting a clear precise concept of work pressure, resulting in the difficulty of determining its variables due to their complexity.
- The difficulty of separating between work pressure variables related to the internal environment and those related to the external one, where the level of work pressure is not related only to the internal environment variables but it is also extended to the external factors, thus determining the effect of non organizational completely variables is of high difficulty.
- The inability of determining the variables related to the individual performance in addition to the importance of each of them, considering the difference of that importance between on level and another in the organization based on its activity, lead to difficulty in concluding which variables to depend on.

**MANAGERIAL THEORETICAL FRAMEWORK OF THE STUDY****INTRODUCTION**

The pressure feeling does not result from the job itself but from the acceleration of the modern life we are living, as many studies pointed out that the quick change leads to laziness, slowness in response and lowering of job satisfaction level, those alone are the consequences of feeling a high level of pressure.

In the opposite side, without a specific level of pressure in our lives, our reason of existence would be denied; as a result, we have to maintain a convenient level of pressure reflecting a positive dimension of our lives.

**WORK PRESSURE**

Selye defines work pressure as an "unidentified response of the body to any obligations forced on it" (Scott, 1992, P15). And that points out that the pressure represents a biological state an individual lives, accompanied by a deteriorating in his physical health and/or psychological health when he/she cannot accomplish the job's set requirements.

In addition, (Gibson, Ivancevich and Donnelly, 1994, P 263) presents a definition to work pressure as "a response to adaptability adjusted by individual differences and/or psychological processes produced from a situation demanding new physical/ psychological requirements"

And this definition points out that work pressure is represented in reactions resulted from internal psychological procedures reflecting the personal characteristics of the individual resulted by a certain circumstance or situation, demanding new psychological/physiological requirements, in other words, it happens as a result of psychological procedures in the individual bind by his/her personality as the attempt to adapt to a new excitement.

Luthans defines work pressure as well as "an individual respond to a certain situation or circumstance producing a physical, psychological or behavioral deviation in the organization's individual." (Eliot, 1992, P. 400). This definition includes the physical or psychological reactions resulting from a certain event around the individual affects his/her performance level and we also notice that this definition justifies the reasons of work pressure to external factors and that it is interpreted by clear physiological symptoms.

**WORK PRESSURE CHARACTERISTICS**

Malon 1998, points out that all employees are exposed to different level of work pressure, but if this pressure exceeds the normal level, it then needs interfering and treating, where work pressure is not necessarily a negative as it represents a positive if controlled, as it empowers the self esteem, challenge spirit and accomplishment feeling in case of balancing the professional and personal lives where there's joy, satisfaction and acceptance of the accomplishments level, and he adds that the following characteristics of work pressure can be identified:

- Pressure is a perceived process, as individuals response to a certain excitement differs according to their perceiving of such excitement and what it represents to them.
- The level of work pressure depends meeting the individuals' mental and physical abilities and the work pressure causing situation needs.
- The level of feeling pressure differs between individuals according to their adaptively abilities to a certain situation, and the circumstantial situations connected to such situation.
- The nature of individuals response to work pressure is based on the his/her personal characteristics, training and previous experiences and on the possibility of him/her receiving support along the expected effect period and on the expected results as well.
- The nature and mechanisms of the individuals' response may change based on the change on his/her abilities, development of recognition state and on the periodical change of the causing reason.

Kelly, 1994, P 28 shows several work pressure characteristics such as:

- Pressure is not a symptom to anxiety, as anxiety can be an individual reaction when exposed to pressure, and in the same time it can be resulted from the anxiety the individual s feeling, as it is a partial state of pressure whether it is a cause or a result.
- Pressure is not a nervous tension, where nervous tension might be a result of the individual's pressure feeling considering it a signal of the level of work pressure faced by the individual.
- Pressure is not necessarily resulted from the weight of demands of the situation faced by an individual but it also can be derived from requirements above his/her abilities and can be derived as a result of appointing him/her tasks beneath his/her abilities as well.

**Work Pressure Sources:** Point of views of researchers regarding the classification of work pressure sources diverted, and in this study, the sources of work pressure will be classified into three main categories based on the belonging of each source, and the three categories are:

**Organizational Sources:** meant by it is variables that work environment consist that can be a source of work pressure.

**Individual Sources:** meant by it the set of characteristics that describe an individual (personal characteristics) that might be a motivation to his/her feeling of work pressure.

**External Environment Sources:** meant by it the political, economical social and technological variables affecting the individual or the organization that might lead to the feeling of work pressure.

**Work Load:** Baron and Greenberg, 1990, P228 points out that work pressure contains two sides: the first related to quantitative load representing the excess in the work requirements to increase the outputs with keeping a specific deadline, or when the work load is beneath the abilities of the individual, and tasks appointed to him are less than his abilities where he/she loses motivation to complete the work until it accumulates and becomes the uncomfortable feeling sources.

**Salaries and Incentives:** Which are considered to be the primary goal of working employees, and it is the primary determinant of the life level of the individual as it is the primary index of the career level, and social position.

One of the most important sources of work pressure is in salaries and incentives, related to the fairness of this pay as a compensation of the work done in work, in addition to fulfilling the life requirements in general.

And the individual feeling injustice regarding any of the previous areas might lead to the increase in job rotation percentage, and eventually the decrease of the individual performance level and the organizational performance (Hanafi, Aho Kahaf and Bilal, 2001).

**Work circumstances:** Those circumstances affect the physical and psychological state of an individual, and such circumstances include daily working hours, lighting and noise, temperature and ventilation and professional security and safety. (Maher, 2003, P384)

**Organizations Culture:** Represents a set of characteristics that describes the organization, including values and social ethics spread between the employees and the behavioral criteria that are relied upon. Thus, the organizational culture frames the individuals' behavior in dealing within the organization, and rules the way of the organizations dealings with external parties, and that culture and its characteristics is an interpretation of the management's philosophy and vision in achieving its goals. (Yukl, 1995, P.5)

**Organizational Values and Traditions:** The organizational culture differs according to the leadership pattern and its urging to commit to time, rules and regulations, and the level of caring in the client's needs and developing the personality, enforcing justice values and achieving efficiency, and if the individual was unable to match his/her culture to the organizational culture and its traditions and values he/she will face many difficulties in the working environment.

**The organizational Philosophy and believes:** Considered to be one of the basis of organizational cultures, and it form the structure of formal and informal relations within the organization, so if the organizational philosophy and believes represent centrality in decisions and limiting participation opportunities and freedom space in acting and choosing work mechanisms, it will be considered a source of work pressure for employees of different managerial level, in addition, the control mechanisms, the supervising pattern in the organization, the fairness of performance evaluation, efficiency of formal and informal communication mechanisms that are philosophy results of the organization and are of great impact in feeling the work pressure especially in cases of low job satisfaction within employees. (Kirkpatrick and Locke, 1991, P.49).

**Behavior and expectation rules:** They are relied upon to determine the accepted form unaccepted in the organization and are resulted from the individual's commitment to the organizations expectations, and in the other side, the organizational commitment to the individuals' expectations, which means they represent a contract between the two parties in controlling the behavior by the responsibilities of each party towards the other.

In addition, those behavior and expectation rules may cause work pressure in many cases such as: the individual's feeling the duality of relying on those rules and expectations by the management, or when he/she feels that those rules and expectation limit his/her freedom and invades his/her privacy, or when he/she feels that those are forced on him/her by power and politics of specific parties in the organization, and thus not achieving his/her expectations of the organization. (Brass and Burkhardt, 1993, P.443)

**Management Procedures:** And those procedures include supervising, communicating, decision making, motivating and evaluation. Those procedures may cause work pressure if they were not performed conveniently which causes the decrease of the job satisfaction level that is considered as an indicator of feeling high levels of job pressure.

**Work Pressure Effects on Individuals:**

Cox points out that many symptoms appearing on the individual as a result of work pressure can be summarized in the following: (Gibson et Al., 1994, PP. 279 – 281)

- **Health Symptoms:** Such as high blood pressure, sugar in blood and intestinal system problems etc...
- **Psychological Symptoms:** Anxiety, fear, aggression, depression, and frustration feeling, in addition, the individual might lose concentration, face deterioration in the performance level, ability on solving problems and acting in different situations, excessive sensitivity and withdrawal attitude.
- **Behavioral Symptoms:** Represented in complaining and nagging, losing seriousness in work and chilling in the relations with colleagues.
- **Social Symptoms:** Deteriorating in personal relations, which may lead to social isolation, family problems, disintegration between family members and weakness in response.

**Work Pressure Affects on the Organization:**

Studies shows that the relation between increase in costs and work pressure is becoming an interesting subject in the past few years for what job pressure affects have on the organization directly and indirectly, where (Hanafi and others, 2001, P. 212 – 214) sum the following direct results:

- Increase in the absence percentage, leading to the increase in remunerations paid to the employees, spreading of wrong behaviors in the work environment, increase in the job rotation percentage, increase in work accidents percentage, increase in error in judgment, increase in work conflict, increase in violence in the work place, lowering the products quality and increase in problems with customers.

Singh, 2001, PP 665 – 666) sums the indirect effects in the following: decrease in the total productivity, decrease in the total quality level, in addition to financial burdens related to the organizational environment, and deterioration in the creativity level.

Those effects on the organization's level weakens the total performance, as individuals under work pressure make parts of their effort and power to treat the cases facing them and trying to adjust with them instead of orienting those efforts to increasing productivity and enhancing the level of performance.

#### **Strategies Dealing with Work Pressure:**

Business organizations gave extra attention to treating work pressure for what it causes negative effects and costs on the individual's and organizational level, and those interests focused on studies of the reasons of work pressure, and working on treating it and reducing its effects, and putting required programs to prevent it.

There are basic principles the organization's management must believe in enabling it to out applicable methods to deal with work pressure mainly in: (Girdano, 1999, PP, 154 – 155)

- The individual is the base of existence of the organization and its future and his safety means its safety and survival and progress ability.
- Individuals differ based on their individual differences, thus those differences must be taken into consideration in the pressure reasons and the ways they respond to it, and the difference in methods used to deal with what they face of pressure.

In addition, the individual must have faith in many principles so he/she can deal and live with those work pressure, such as:

- He/she is responsible for his/her own safety and protecting himself of pressure facing him, thus he has to commit to preserving his physical and psychological health.
- Work pressure is inevitable and cannot be completely ignored, thus living with those in what achieves a better health and performance level is a must.
- The change is continuous and inevitable, and must be responded to in the right way through self developing to be able to live with its demands.

The following is a review of strategies to deal with work pressure generally and the most important reasons that an individual must follow to limit the work pressure and limiting its effects:

**Rebuilding self esteem and self respect:** those self enforcing sides play an important role in facing pressure efficiently, and help leaving negative thoughts and building positive orientations towards self and towards other. (Muhareb, 1990, PP 74 – 75).

**Adjusting the personality pattern:** will is a must to abandon some behavioral characteristics harmful to the individuals' physical and psychological health like anger, high competitiveness with colleagues, multitasking and worrying about the fear of losing gains and accomplishing goals. (Girdano, 1990, P 200).

**Building Positive Orientations towards others:** Demanding building self conviction that an individual must not look around him from one angle, but he has to think that he is a part of an environment to organize within, and does not organize based on his point of view only. (Lussire, 1990, PP 61 – 62).

**Working positively with work environment conflicts:** work conflict form differ in the working environment, and the individual is demanded to be aware of the sacredness of the work relations, taking into consideration the gap between the cultural and educational background of the others, in addition, the assumption that other individuals are going through personal issues preventing him of being the usual person is a must. (Edris, 2004, P 80 – 81)

**Getting Social Support:** meant by it the individual getting others support by participating with them in interaction, and this support takes different forms from helping in taking a decision to giving advice, analyzing the situation and sharing feelings. (George and Battenhausen, 1990, P 699).

This social support is considered important for the individual in facing work pressure, and this support is of family and friends, through pitching point of views regarding different subjects, where an individual finds participation and support in what he obtains of information and help in growing ideas. (LaRocco, 1991, PP 202 – 203)

**Referring to personnel specialized in work pressure:** as he needs specialized help in this area whether from doctors or guides. (Hareem, 2004, P 296).

**Believe and Faith Depth:** it depends on believing that a person only needs to work hard by doing what he thinks is important and self satisfactory, and that all results of his work are for granted and destined and out of his will eventually, which makes the person more accepting and satisfied and has less feeling of loss.

#### **Work pressure and individual performance relation hypothesis:**

There are four hypothesis related to the effect work pressure on the individual performance level presented below: (Hanfi and other, 2001, P 210 – 212).

**First Hypothesis:** There is a relationship between work pressure and performance, and according to this hypothesis there is a mental contract between the individual and the organization where the individual presents his efforts for the benefits he gets, and it points out that as long as the individual is aware and minded, he would pass the obstacles facing him and as result he will not be affected by work pressure as he's loyal to the contract's demands between him and the organization as an adult assuming awareness in his behavior.

**Second Hypothesis:** There is a positive relationship between pressure and performance, and based on this hypothesis, the work pressure triggers more increase in work pressure, as when an individual is feeling challenge, he/she puts extra effort to achieve more accomplishments with a better level, however, when the work pressure level is low, the challenge feeling is low and thus the motivation to work becomes limited, reflecting negatively on the performance level.

**Third Hypothesis:** There is an opposite relationship between work pressure and the individual performance, and based on this hypothesis, work pressure is related oppositely to individuals' performance according to two sides:

- Work pressure leads to physical and psychological responses affecting generally the level of individual performance.
- High pressure level causes weakness in the individual's perception and thus neglecting, ignoring or forgetting things related directly to the performance level.

**Fourth Hypothesis:** The presence of a conditional relationship between work pressure and individual performance, and based on this assumption, there is no general rule regarding the effect of work pressure on the performance level but it depends on the case's conditions.

#### **Previous Studies:**

Below is a presentation of the previous studies and the sides that distinguishes this study from others:

Awamleh Study, 1994 titles (Analyzing the phenomenon of work exhaustion of managers in civil service – field study).

This study aimed to knowing the reasons of work exhaustion of managers in civil services in Jordan and analyzing those reasons. The study was made on a sample of managers in the civil services in Amman representing the study population consisting of managers in the civil services system.

In addition, the study took two sets of variables the first related to the internal environment including the work load and the complication in procedures, whereas the second set includes the social relations and family life and its effects on doing job tasks, where the researcher used many statistical methods some related to descriptive statistics like the mean and standard deviation, and some related to quantitative statistics like using regression analysis to test the hypothesis.

The study showed two sources for work exhaustion, the first relates to the organizational environment which comes in the first place and relates to the work volume and complication in procedures as well whereas the second source relates to the external environment and the family social relations.

In addition, the study recommends simplifying the procedures and decreasing the work load and organizing the social relations demands and the family commitments where it limits the job exhaustion for managers in civil services.

Zu'bi Study, 1997 titled Work Pressure of Managers in Civil service – Greater Amman – Field Study).

This study aimed to knowing the reasons and level of work pressure of managers working in the civil services in Amman city, which included a sample of 518 managers and the study was based on the following variables: (Decision making mechanism, work load, personal connections and personal visits).

Descriptive statistics was used from central tendency and measures of dispersion to summarize the data and extract criteria and to test the hypotheses, the regression analysis was used.

This study pointed that the previous variables, leads to the management feeling the work pressure but in different degrees, where the following variables (work load, mediation and personal visits) are of the most influential factors, and pointed that there is no effective mechanism to decrease the pressure feeling in its managers.

The study came out with several recommendations most of them revolving around the necessity of putting solutions to each factor of the factors leading to increasing the work pressure level through specified instructions, such as setting the work mechanism and appropriate mechanisms to meet visitors to eliminate it as a source of pressure to managers working in the civil services.

Hneeti Study (2002) titled **(The effect of professional and personal factors on work pressure in Governmental Hospitals in Jordan – Analytical Study)**.

It aimed to discover some effects of professional factors (work nature, work environment, health and professional safety) in causing work pressure to employees working in Jordanian governmental hospitals and also analyzing the level of work pressure according to different factors (Gender, social status and age), in addition it aimed to knowing whether there is a difference of the work pressure feeling level to employees in the medical and in the managerial jobs in Jordanian governmental hospitals.

This study showed that the professional factors are more affective in causing the work pressure feeling to employees working in medical positions that those working at managerial levels in the Jordanian managerial hospitals, and it also pointed out that the level of feeling work pressure to all employees whether in managerial or medical professions differ according to the variables (gender, social status and age).

Hindawi Study (1994) titled (Strategies of dealing with work pressure in the medical sector in Saudi Arabia).

This study aimed to test the relationship between several independent variables which are gender, job level and nationality on one hand and job pressure as a dependent variable on the other,

and it also aimed to analyze the reasons of the difference in feeling the work pressure according to these factors. In addition, the study showed that the work pressure feeling was higher for non Saudi nationals than it is for Saudi nationals, however, in regards to the job level and age variables, the relationship between them and work pressure was not proved.

This study recommends taking into consideration gender and nationalities for employees in specifying their jobs requirements, to limit the work pressure feeling in the medical sector.

Qaisi Study (2000) titled (The relationship between professional pressure and the feeling of physiological loneliness in the employees of the social affairs department in the west bank).

This study aimed to knowing the relationship between several professional variables (tasks nature, work hours, jobs risks and job responsibility) as assumed sources of work pressure on one hand and the loneliness feeling of employees in the aforementioned areas on the other, in addition, it aimed to knowing whether there is a difference between the level of the loneliness feeling according to the change of their gender., social status, years of experience, years of service, work jurisdiction, educational qualification and professional specialty.

The study showed as well that there is a clear relationship between the professional variables and the level of the loneliness feeling, and showed that there is a difference in the loneliness feeling level of those employees according to their gender and social status, as the level of the loneliness feeling of females was more than it is of males and of singles more than it is of marries individuals, whereas there was no difference in the feeling level according to the change of years of experience, years of service, work jurisdiction, educational qualification and professional specialty.

The study recommended the necessity of choosing employees according to specific criteria that takes into consideration the possibility of lowering the effect of work nature on their mental and physical health.

## METHODS AND PROCEDURES

The population of the study is from Bank of Jordan, of its 92 branches, and the sample of the study was picked randomly of 10 of those branches, where a questionnaire was designed to collect necessary information for this study.

The study and analysis unit was constituted of the Bank's employees, branch managers, heads of departments, employees related to managers and departments' heads where the units' total individuals totaled 100 responders, and the questionnaire was distributed on the individuals under study, as 10 questionnaires in each branch.

Note: The characteristics of the sample and the analysis of results and hypotheses testing was attached in an appendix in the research.

**STUDY RESULTS**

Study results presentation: The mean and the standard deviation to describe the sample's responses regarding the below statements:

| Serial | Variable's Nature  | Statement   | Standard Deviation | Average Mean |
|--------|--------------------|---|--------------------|--------------|
| 1      | Work Nature        | I have the necessary abilities to do the tasks appointed to me.                                       | .60794             | 4.7100       |
| 2      |                    | I have enough experience to solve any problem facing me in work.                                      | .90587             | 4.2600       |
| 3      |                    | Hard work is what accomplishes success not luck.  | 1.23844            | 3.9600       |
| 4      |                    | My work nature is described to be routine.  | 1.40169            | 3.5700       |
| 5      |                    | The repeated routine makes me feel bored.   | 1.02351            | 4.2300       |
| 6      |                    | I do many tasks over my limits.   | 1.39320            | 3.2800       |
| 7      |                    | There is a job description to my work.  | .97151             | 4.1600       |
| 8      |                    | I have better job benefits compared to other institutes.  | 1.30593            | 3.5400       |
| 9      |                    | I work to achieve the benefits of those working below me.   | 1.01995            | 4.0100       |
| 10     |                    | My job demands taking decision that might oppose to those working below my management.                | 1.38808            | 3.4500       |
| 11     |                    | There is a rewards and incentives system in my work.  | 1.23239            | 3.5800       |
| 12     |                    | Enough development opportunities and career progress exist in the institute I work in.                | 1.29064            | 3.5300       |
| 13     | Management aspects | I do more than one task at once   | 1.50000            | 3.4500       |
| 14     |                    | There are clear and precisely determined work programs.   | 1.13258            | 3.9900       |
| 15     |                    | What I get compensated for is what I actually do.   | 1.16619            | 3.5600       |
| 16     |                    | There is fair annual raises to all employees  | 1.18339            | 3.4400       |
| 17     |                    | There is clear fairness in distributing rewards on employees.   | 1.25606            | 3.4100       |
| 18     |                    | I decide what I want and do not let the others decide for me.   | 1.09747            | 3.7400       |
| 19     |                    | Performance evaluation is done clearly and fairly.  | 1.00156            | 4.1300       |
| 20     |                    | There are definite limits regarding my responsibilities and authorities.                              | .97540             | 4.0900       |
| 21     |                    | I am authorized to take managerial decisions.   | 1.14852            | 3.7900       |
| 22     |                    | I participate in setting goals that help the organization.  | 1.11808            | 3.6800       |
| 23     | Work relations     | I express my feelings towards my colleagues without any embarrassment.                                | 1.10550            | 4.0100       |
| 24     |                    | I can influence my colleagues in deviating the work direction.  | .98144             | 3.9200       |
| 25     |                    | There is a competition between me and my colleagues of the same level.                                | 1.13969            | 3.7900       |
| 26     |                    | Differences between me and my managers occur because of work.   | 1.20185            | 3.5000       |
| 27     |                    | My employees appreciate me and complement me when doing a specific job.                               | 1.00358            | 3.7700       |
| 28     |                    | My employers consult me when the decision is related to my work.                                      | 1.13707            | 3.8000       |
| 29     |                    | My primary goal in work is serving the external customer.   | 1.03568            | 4.0900       |
| 30     |                    | I have to disobey the orders of my managers in order to serve my customer.                            | 1.52749            | 2.9900       |
| 31     |                    | My relation with the outside audience is built on work interest only.                                 | 1.50541            | 3.4200       |
| 32     |                    | I try to achieve the desires of important social persons even if I disobeyed the rules.               | 1.50232            | 2.8400       |
| 33     |                    | I am requested to accomplish specific work to social and civil persons.                               | 1.46539            | 2.7100       |
| 34     | Used Technologies  | My management obtains the needed modern systems to accomplish the work.                               | .95235             | 4.3900       |
| 35     |                    | I can handle the systems used in my work.   | .83720             | 4.3100       |
| 36     |                    | The available appliances are convenient to completing my jobs.  | .96106             | 4.1600       |
| 37     |                    | I can complete some of the jobs without some appliances.  | 1.15924            | 3.6400       |
| 38     |                    | There is high confidentiality in transferring information.  | .99549             | 4.1700       |
| 39     |                    | I face some problems in understanding some data or information related to work.                       | 1.40115            | 3.5800       |
| 40     |                    | Available programs are easy to use and uncomplicated.   | .91337             | 4.2100       |
| 41     |                    | I need training to be able to keep up with the developed systems.                                     | 1.17051            | 3.9400       |
| 42     |                    | The misunderstanding of available information leads to doing wrong actions.                           | .85723             | 4.1500       |
| 43     |                    | I have previously been exposed to do my work wrongly.   | 1.26826            | 3.7400       |
| 44     |                    | I have been previously punished because of my misunderstanding of the information during doing a job. | 1.40346            | 3.5000       |

We notice that the orientations of the sample individuals regarding the statements (30, 32, 33) as their means are less than the significant value which is 3, whereas the orientations of the remaining statements towards the rest of the are positive as their mean is more than the significant value.

**HYPOTHESES AND RECOMMENDATIONS**

**STUDY HYPOTHESES TESTING**

The study shows that there is a statistically significant relationship between the work pressure resulted from (work nature, managerial level, work relations' nature and technology) and between the performance of bank employees:

- It also shows that there is a statistically significant relationship between work pressure resulting from the work's nature and the performance of the Jordan Banks employees.
- There is a statistically significant relationship between work pressure resulting from the managerial aspects and the performance of the Jordan Banks employees.
- There is a statistically significant relationship between work pressure resulting from the work relations nature and the performance of the Jordan Banks employees.
- There is a statistically significant relationship between work pressure resulting from the used technologies and the performance of the Jordan Banks employees.
- There is statistically significant difference between the variables and the performance of Jordan Bank employees according to (Gender, educational qualification, years of experience, social status and managerial level).

**RECOMMENDATIONS**

1. The necessity of adapting strategies of handling job pressure that aim to keeping the individual performance level and improving it.
2. Increasing the awareness level in employees of the nature of job pressure and dealing with it.
3. Developing mechanisms inside the organization working on decreasing the job pressure and clarifying those mechanisms to individuals to be able to apply it.
4. Putting programs related to work pressure clarifying its positives, dangers and limitation methods.
5. Presence of consultants within the organization to provide individuals with information regarding dealing with job pressure.

6. Creating subunits inside the organization to identify the strategies of choosing and picking individuals taking into consideration work pressure built on individuals, some of those considerations are:
  - Ability to work under work pressure.
  - Having a high level of preciseness during work pressure situations.
  - Ability in taking responsibility.
  - The level of accepting the routine work without boredom ore laziness.

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**APPENDIXES**

**Frequencies**

|   |         | sex | edlevel | level | status | expert |
|---|---------|-----|---------|-------|--------|--------|
| N | Valid   | 100 | 100     | 100   | 100    | 100    |
|   | Missing | 0   | 0       | 0     | 0      | 0      |

Frequency Table

**Sex**

|            | Frequency | percent | Valid Percent | Cumulative |
|------------|-----------|---------|---------------|------------|
| Valid 1.00 | 67        | 67.0    | 67.0          | 67.0       |
| 2.00       | 33        | 33.0    | 33.0          | 100.0      |
| Total      | 100       | 100.0   | 100.0         |            |

**Edlevel**

|            | Frequency | percent | Valid Percent | Cumulative |
|------------|-----------|---------|---------------|------------|
| Valid 1.00 | 3         | 3.0     | 3.0           | 3.0        |
| 2.00       | 9         | 9.0     | 9.0           | 12.0       |
| 3.00       | 70        | 70.0    | 70.0          | 82.0       |
| 4.00       | 12        | 12.0    | 12.0          | 94.0       |
| 5.00       | 6         | 6.0     | 6.0           | 100.0      |
| Total      | 100       | 100.0   | 100.0         |            |

**Level**

|            | Frequency | percent | Valid Percent | Cumulative |
|------------|-----------|---------|---------------|------------|
| Valid 1.00 | 17        | 17.0    | 17.0          | 17.0       |
| 2.00       | 59        | 59.0    | 59.0          | 76.0       |
| 3.00       | 24        | 24.0    | 24.0          | 100.0      |
| Total      | 100       | 100.0   | 100.0         |            |

**Status**

|            | Frequency | percent | Valid Percent | Cumulative |
|------------|-----------|---------|---------------|------------|
| Valid 1.00 | 27        | 27.0    | 27.0          | 27.0       |
| 2.00       | 67        | 67.0    | 67.0          | 94.0       |
| 3.00       | 5         | 5.0     | 5.0           | 99.0       |
| 4.00       | 1         | 1.0     | 1.0           | 100.0      |
| Total      | 100       | 100.0   | 100.0         |            |

**Expert**

|            | Frequency | percent | Valid Percent | Cumulative |
|------------|-----------|---------|---------------|------------|
| Valid 1.00 | 33        | 33.0    | 33.0          | 33.0       |
| 2.00       | 43        | 43.0    | 43.0          | 76.0       |
| 3.00       | 24        | 24.0    | 24.0          | 100.0      |
| Total      | 100       | 100.0   | 100.0         |            |

**Descriptive**

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**Descriptive Statistics**

|     | N   | Minimum | Maximum | Mean   | Std. Deviation |
|-----|-----|---------|---------|--------|----------------|
| q1  | 100 | 2.00    | 5.00    | 4.7100 | .60794         |
| q2  | 100 | 2.00    | 5.00    | 4.2600 | .90587         |
| q4  | 100 | 1.00    | 5.00    | 3.9600 | 1.23844        |
| q4  | 100 | 1.00    | 5.00    | 3.5700 | 1.40169        |
| q5  | 100 | 1.00    | 5.00    | 4.2300 | 1.02351        |
| q6  | 100 | 1.00    | 5.00    | 3.2800 | 1.39320        |
| q7  | 100 | 1.00    | 5.00    | 4.1600 | .97151         |
| q8  | 100 | 1.00    | 5.00    | 3.5400 | 1.30593        |
| q9  | 100 | 1.00    | 5.00    | 4.0100 | 1.01995        |
| q10 | 100 | 1.00    | 5.00    | 3.4500 | 1.38808        |
| q11 | 100 | 1.00    | 5.00    | 3.5800 | 1.23239        |
| q12 | 100 | 1.00    | 5.00    | 3.5300 | 1.29064        |
| q13 | 100 | 1.00    | 5.00    | 3.4500 | 1.50000        |
| q14 | 100 | 1.00    | 5.00    | 3.9900 | 1.13258        |
| q15 | 100 | 1.00    | 5.00    | 3.5600 | 1.16619        |
| q16 | 100 | 1.00    | 5.00    | 3.4400 | 1.18339        |
| q17 | 100 | 1.00    | 5.00    | 3.4100 | 1.25606        |
| q18 | 100 | 1.00    | 5.00    | 3.7400 | 1.09747        |
| q19 | 100 | 1.00    | 5.00    | 4.1300 | 1.00156        |
| q20 | 100 | 1.00    | 5.00    | 4.0900 | .97540         |
| q21 | 100 | 1.00    | 5.00    | 3.7900 | 1.14852        |
| q22 | 100 | 1.00    | 5.00    | 3.6800 | 1.11808        |
| q23 | 100 | 1.00    | 5.00    | 4.0100 | 1.10550        |
| q24 | 100 | 1.00    | 5.00    | 3.9200 | .98144         |
| q25 | 100 | 1.00    | 5.00    | 3.7900 | 1.13969        |
| q26 | 100 | 1.00    | 5.00    | 3.5000 | 1.20185        |
| q27 | 100 | 1.00    | 5.00    | 3.7700 | 1.00358        |
| q28 | 100 | 1.00    | 5.00    | 3.8000 | 1.13707        |
| q29 | 100 | 1.00    | 5.00    | 4.0900 | 1.03568        |
| q30 | 100 | 1.00    | 5.00    | 2.9900 | 1.52749        |
| q31 | 100 | 1.00    | 5.00    | 3.4200 | 1.50541        |
| q32 | 100 | 1.00    | 5.00    | 2.8400 | 1.50232        |
| q33 | 100 | 1.00    | 5.00    | 2.7100 | 1.46539        |
| q34 | 100 | 1.00    | 5.00    | 4.3900 | .95235         |
| q35 | 100 | 1.00    | 5.00    | 4.3100 | .83720         |
| q36 | 100 | 1.00    | 5.00    | 4.1600 | .96106         |
| q37 | 100 | 1.00    | 5.00    | 3.6400 | 1.15924        |
| q38 | 100 | 2.00    | 5.00    | 4.1700 | .99549         |
| q39 | 100 | 1.00    | 5.00    | 3.5800 | 1.40115        |
| q40 | 100 | 1.00    | 5.00    | 4.2100 | .91337         |
| q41 | 100 | 1.00    | 5.00    | 3.9400 | 1.17051        |
| q42 | 100 | 12.00   | 5.00    | 4.1500 | .85723         |
| q43 | 100 | 1.00    | 5.00    | 3.7400 | 1.26826        |
| q44 | 100 | 1.00    | 5.00    | 3.5000 | 1.40346        |

**Reliability**

[DateSet0] C: /Users/tareq 2/Desktop/abeer al ramahi.sav

Scale: ALL VARIABLES

**Case Processing Summary**

|                       | N   | %     |
|-----------------------|-----|-------|
| Cases Valid           | 100 | 100.0 |
| Excluded <sup>a</sup> | 0   | .0    |
| Total                 | 100 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's | N of Items |
|------------|------------|
| .915       | 44         |

**T-Test**

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**One-Sample Statistics**

|    | N   | Mean   | Std. Deviation | Std. Error Mean |
|----|-----|--------|----------------|-----------------|
| h  | 100 | 3.7770 | .54343         | .05434          |
| h1 | 100 | 3.8567 | .66867         | .06687          |
| h2 | 100 | 3.7280 | .75359         | .07536          |
| h3 | 100 | 3.5309 | .75595         | .07559          |
| h4 | 100 | 3.9809 | .53092         | .05309          |

One-Sample Test

| Test Value = 3 |        |                 |                 |   |        |
|----------------|--------|-----------------|-----------------|---|--------|
|                |        |                 |                 | 95% Confidence Interval of the Difference |        |
| t              | df     | Sig. (2-tailed) | Mean Difference | Lower                                     | Upper  |
| h              | 14.299 | .000            | .77705          | .6692                                     | .8849  |
| h1             | 12.811 | .000            | .85667          | .7240                                     | .9893  |
| h2             | 9.660  | .000            | .72800          | .5785                                     | .8775  |
| h3             | 7.023  | .000            | .53091          | .3809                                     | .6809  |
| h4             | 18.476 | .000            | .98091          | .8756                                     | 1.0863 |

T-Test

[DateSet0] C: /Users/tareq 2/Desktop/abeer al ramahi.sav

Group Statistics

| Sex | N    | Mean | Std. Deviation | Std. Error Mean |
|-----|------|------|----------------|-----------------|
| h   | 1.00 | 67   | 3.7493         | .56352          |
|     | 2.00 | 33   | 3.8333         | .50378          |

Independent Sample Test

| Levene's Test for Equality of Variances |      |      | T-test for Equality of Means |        |  |
|---|------|------|------------------------------|--------|--|
|   | F    | Sig. | t                            | df     |  |
| h Equal variances assumed               | .001 | .975 | -.725                        | 98     |  |
| Equal variances not assumed             |      |      | -.754                        | 70.595 |  |

Independent Sample Test

| T-test for Equality of Means |                 |                 |                       |
|------------------------------|-----------------|-----------------|-----------------------|
|                              | Sig. (2-tailed) | Mean Difference | Std. Error Difference |
| h Equal variances assumed    | .470            | -.08401         | .11585                |
| Equal variances not assumed  | .454            | -.08401         | .11149                |

Independent Sample Test

| T-test for Equality of Means              |         |        |  |
|---|---------|--------|--|
| 95% Confidence Interval of the Difference |         |        |  |
|   | Lower   | Upper  |  |
| h Equal variances assumed                 | -.31391 | .14589 |  |
| Equal variances not assumed               | -.30634 | .13832 |  |

Oneway

[DateSet0] C: /Users/tareq 2/Desktop/abeer al ramahi.sav

ANOVA

| h              | Sum of Squares | df | Mean Square | F     | Sig. |
|----------------|----------------|----|-------------|-------|------|
| Between Groups | 2.749          | 4  | .687        | 2.465 | .050 |
| Within Groups  | 26.487         | 95 | .279        |       |      |
| Total          | 29.236         | 99 |             |       |      |

Oneway

[DateSet0] C: /Users/tareq 2/Desktop/abeer al ramahi.sav

ANOVA

| h              | Sum of Squares | df | Mean Square | F     | Sig. |
|----------------|----------------|----|-------------|-------|------|
| Between Groups | 2.075          | 2  | 1.038       | 3.705 | .028 |
| Within Groups  | 27.161         | 97 | .280        |       |      |
| Total          | 29.236         | 99 |             |       |      |

Oneway

[DateSet0] C: /Users/tareq 2/Desktop/abeer al ramahi.sav

ANOVA

| h              | Sum of Squares | df | Mean Square | F    | Sig.  |
|----------------|----------------|----|-------------|------|-------|
| Between Groups | .609           | 3  | .203        | .680 | .0566 |
| Within Groups  | 28.628         | 96 | .298        |      |       |
| Total          | 29.236         | 99 |             |      |       |

Oneway

[DateSet0] C: /Users/tareq 2/Desktop/abeer al ramahi.sav

ANOVA

| h              | Sum of Squares | df | Mean Square | F     | Sig. |
|----------------|----------------|----|-------------|-------|------|
| Between Groups | 2.400          | 2  | 1.200       | 4.338 | .016 |
| Within Groups  | 26.836         | 97 | .277        |       |      |
| Total          | 29.236         | 99 |             |       |      |

Please put (X) where applicable:

- 1- Gender:  Male  Female
- 2- Educational Qualification:  High School or less  Middle Diploma  Bachelors Degree (Bs)  Master's  PHD
- 3- Management Level:  Higher Management  Middle Management  Lower Management
- 4- Social Status:  Single  Married  Divorced  Widowed
- 5- Professional Experience:  Less than 5 years  6 – 10 years  More than 10 years.

| Serial | Variable           | Statement   | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
|--------|--------------------|---|----------------|-------|---------|----------|-------------------|
| 1      | Work Nature        | I have the necessary abilities to do the tasks appointed to me.                         |                |       |         |          |                   |
| 2      |                    | I have enough experience to solve any problem facing me in work.                        |                |       |         |          |                   |
| 3      |                    | Hard work is what accomplishes success not luck.  |                |       |         |          |                   |
| 4      |                    | My work nature is described to be routine.  |                |       |         |          |                   |
| 5      |                    | The repeated routine makes me feel bored.   |                |       |         |          |                   |
| 6      |                    | I do many tasks over my limits.   |                |       |         |          |                   |
| 7      |                    | There is a job description to my work.  |                |       |         |          |                   |
| 8      |                    | I have better job benefits compared to other institutes.                                |                |       |         |          |                   |
| 9      |                    | I work to achieve the benefits of those working below me.                               |                |       |         |          |                   |
| 10     |                    | My job demands taking decision that might oppose to those working below my management.  |                |       |         |          |                   |
| 11     |                    | There is a rewards and incentives system in my work.                                    |                |       |         |          |                   |
| 12     |                    | Enough development opportunities and career progress exist in the institute I work in.  |                |       |         |          |                   |
| 13     | Management aspects | I do more than one task at once   |                |       |         |          |                   |
| 14     |                    | There are clear and precisely determined work programs.                                 |                |       |         |          |                   |
| 15     |                    | What I get compensated for is what I actually do.                                       |                |       |         |          |                   |
| 16     |                    | There is fair annual raises to all employees  |                |       |         |          |                   |
| 17     |                    | There is clear fairness in distributing rewards on employees.                           |                |       |         |          |                   |
| 18     |                    | I decide what I want and do not let the others decide for me.                           |                |       |         |          |                   |
| 19     |                    | Performance evaluation is done clearly and fairly.                                      |                |       |         |          |                   |
| 20     |                    | There are definite limits regarding my responsibilities and authorities.                |                |       |         |          |                   |
| 21     |                    | I am authorized to take managerial decisions.   |                |       |         |          |                   |
| 22     |                    | I participate in setting goals that help the organization.                              |                |       |         |          |                   |
| 23     | Work relations     | I express my feelings towards my colleagues without any embarrassment.                  |                |       |         |          |                   |
| 24     |                    | I can influence my colleagues in deviating the work direction.                          |                |       |         |          |                   |
| 25     |                    | There is a competition between me and my colleagues of the same level.                  |                |       |         |          |                   |
| 26     |                    | Differences between me and my managers occur because of work.                           |                |       |         |          |                   |
| 27     |                    | My employees appreciate me and complement me when doing a specific job.                 |                |       |         |          |                   |
| 28     |                    | My employers consult me when the decision is related to my work.                        |                |       |         |          |                   |
| 29     |                    | My primary goal in work is serving the external customer.                               |                |       |         |          |                   |
| 30     |                    | I have to disobey the orders of my managers in order to serve my customer.              |                |       |         |          |                   |
| 31     |                    | My relation with the outside audience is built on work interest only.                   |                |       |         |          |                   |
| 32     |                    | I try to achieve the desires of important social persons even if I disobeyed the rules. |                |       |         |          |                   |
| 33     |                    | I am requested to accomplish specific work to social and civil persons.                 |                |       |         |          |                   |
| 34     | Used Technologies  | My management obtains the needed modern systems to accomplish the work.                 |                |       |         |          |                   |
| 35     |                    | I can handle the systems used in my work.   |                |       |         |          |                   |
| 36     |                    | The available appliances are convenient to completing my jobs.                          |                |       |         |          |                   |
| 37     |                    | I can complete some of the jobs without some appliances.                                |                |       |         |          |                   |
| 38     |                    | There is high confidentiality in transferring information.                              |                |       |         |          |                   |
| 39     |                    | I face some problems in understanding some data or information related to work.         |                |       |         |          |                   |
| 40     |                    | Available programs are easy to use and uncomplicated.                                   |                |       |         |          |                   |
| 41     |                    | I need training to be able to keep up with the developed systems.                       |                |       |         |          |                   |
| 42     |                    | The misunderstanding of available information leads to doing wrong actions.             |                |       |         |          |                   |

## ATM SERVICES AND CUSTOMER'S SATISFACTION LEVEL: A CASE STUDY OF PUBLIC AND PRIVATE SECTOR BANKS IN HAMIRPUR DISTRICT (HP)

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### ABSTRACT

*In the present modern era, technology has played very remarkable role in transforming the face of various industries including banking sector. Various distribution channel has come up for providing the financial services without depending upon the bank branches and these are ATM, internet banking RTGS, NEFT, mobile banking, Cash Deposit Machine, IVR Banking, POS, Kiosk etc. with the use of these channel banking sector is providing better service quality to the customers. In the present study attempt has been made to study the different aspects of ATM i.e. ATM facilities, factor considered while choosing bank ATM, purpose, satisfaction level, accessibility and problem faced by the card holders. The primary data through the well designed questionnaire was collected from a convenience sample of 200 ATM cardholders of various public and private sector Banks and data was analyzed by using the various statistical methods to meet the objectives of the present study.*

### KEYWORDS

ATM, Customer Satisfaction, Problem, Public and Private Banks, Respondents.

### INTRODUCTION

The Automated Teller Machine has completed five decades of existence in the world but still there has been much debate on who actually invented the first version of ATM. The history of the ATM can be traced back to 1960 when the first ATM which was mechanical in nature was invented by John Shepherd-Barron was a Scottish National born in India. There are various other person's who has contributed towards this invention. The first ATM that dispensed paper currency was installed outside a Barclay's bank in North London. The first ATM in India was installed by HSBC Bank at Kolkata in 1987 and Indian bank was first public sector bank to install an ATM.

ATM as a cash dispenser which is designed to enable customers to enjoy banking services without coming into contact with bank tellers. It is an innovative service delivery mode that performs the most important functions of the bank. It issue withdraws, accept deposits, transfer funds between accounts, collects bills, recharge mobile, collects cheques, generate statements of accounts, payment of utility and credit cards bills, making balance inquiries, access to loans, mobile banking, cheque book request, PIN Change, provision of self service option for customers and various other facilities to the customers.

It is known by various other names i.e. Cash point or Hole in the Wall Machine (Britain) Automatic Banking Machine (USA) All Time Money (India) and Mini Bank (Norway). ATM Technology has converted the cash economy into plastic card economy, reduced the cost per transaction, increase the efficiency, accuracy and speed, saving of time, improved value added customer's services, security and fees based income to the banks.

### REVIEW OF LITERATURE

The study of Agnihotri (2001) explains the working and services provided by ATM. Simhan (2003) stated that sharing the network by various public and private banks not only reduce the cost for banks but also provide more facilities to their customers. Kaul (2007) explain the role of ATM in Indian banking market and its growth and importance. Sultan (2009) evaluates the satisfaction level of ATM customers in SBI, HDFC and ICICI and found that material customer satisfaction level is highest in SBI and customer satisfaction is highest in HDFC and ICICI Bank. Khan (2010) identified that security, privacy, location; proper operation and reliability are the main factors which contribute towards the maximum satisfaction of the customers. Vijay (2011) find that private banks are ahead of public sector banks in providing better services and infrastructure to customers. Shariq and Rameshwar (2012) observed that the customer prefers ATM use over other e-banking services and suggested that in- security can be overcome by awareness and training programmes. Prem Lata and Ajay (2012) find that ATM is accepted as a modern and useful tool for dispensing cash in the present era of modern technology. Richa, Abhijeet and Anita (2012) observed that there is difference in attitude of customer of ICICI and SBI bank towards the use of ATM and find that the most important factor which influences the customers to use ATM is its convenience, easy availability and security. Savita (2013) suggested that banks should focus on functionality, security, privacy, monitoring and maintenance of the ATM's. Manpreet (2013) concluded that customers prefer accessibility, convenience and reliability as the most important dimension of service quality in ATM.

### OBJECTIVES OF THE STUDY

- The study the role and ATM facilities provided by various public and private banks.
- To examine the purpose of using ATM and level of satisfaction of the customers regarding the ATM services.
- To know the factors taken into consideration before choosing bank ATM.
- To know the accessibility and practical problem faced by the customers while using ATM.

### RESEARCH METHODOLOGY

The present study is related to Hamirpur district of H.P. There are 200 respondents in the study who are the regular customers and getting ATM services from the various leading banks of public and private sector i.e. SBI, SBOP, PNB, ICICI, HDFC, IDBI, Canara etc. Attempt has been made to take the proper sample of the public and private banks according to age, gender, qualification, and Income. A questionnaire which comprise of various questions regarding satisfaction level, efficiency, responsiveness, services, security, and problem faced was used to collect the information from the respondents. The data collected from the various customers of the different public and private banks is based on the convenience methodology. The minimum age of the respondents is 21 years. Percentages method has been used for analyzing the data. Mini charts and tables are prepared to present the data in more attractive manner.

### LIMITATIONS OF THE STUDY

- In the present study the main emphasis is on the public and private banks ATM facilities but there are other state own banks such as The Kangra Central Co-Operative Bank, H.P. State Co-Operative Bank and H.P. Gramin Banks having branches in the every corner of the district which plays very important role are not included in the research because the ATM of The Kangra Central Co-Operative Bank is not accepted by public and private banks and Gramin Bank having no such facility.
- Limited number of respondents from rural areas is taken.
- The size of the sample is also small as compare to the proportion of ATM card holders in the district.

- The responding behaviour of the respondents also varies from person to person.
- The information from the internal management of the banks is also not taken into consideration.

### DEMOGRAPHIC PROFILE OF THE ATM USERS

The demographic profile of the respondents comprise of gender, age, occupation, qualification, monthly income, year of association, type of account and bank shown in table No. 1. There are 200 respondents out of which 74% are male and 26% are female, 60% are having ATM Cards in public sector banks and 40% in private banks. 84% of the respondents having saving account and remaining are having current account. The educational profile of the respondent's shows that majority of them (56%) are highly qualified. 51% of the respondents fall in the Rs. 40000-60000 per month income and 24% are in the range above Rs. 60,000 per month and majority of them (53%) are salary class employees. About 59% of the respondents from whom data has been collected belong to the age group of 40-45 years and 9% are above the age of 55 years. There are 56% ATM users who are associated with ATM for a period of 1-4 years, 26% for 4-8 years and 18% more than 8 years. The reason of increase in number of ATM users is opening of new branches along with ATM facilities of various banks during last 5-6 years in the district.

TABLE – 1: DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

#### PUBLIC SECTOR BANK

| Gender | No | % age |
|--------|----|-------|
| Male   | 92 | 46    |
| Female | 28 | 14    |

#### PRIVATE SECTOR BANK

| Gender       | No         | % age      |
|--------------|------------|------------|
| Male         | 56         | 28         |
| Female       | 24         | 12         |
| <b>Total</b> | <b>200</b> | <b>100</b> |

#### AGE

| Below 25     | 6          | 3          |
|--------------|------------|------------|
| 25-40        | 58         | 29         |
| 40-55        | 118        | 59         |
| 55 and above | 18         | 9          |
| <b>Total</b> | <b>200</b> | <b>100</b> |

#### TYPE OF ACCOUNT

|              |            |            |
|--------------|------------|------------|
| Saving A/c   | 168        | 84         |
| Current A/c  | 32         | 16         |
| <b>Total</b> | <b>200</b> | <b>100</b> |

#### EDUCATION

|               |            |            |
|---------------|------------|------------|
| Upto +2       | 20         | 10         |
| Graduate      | 68         | 34         |
| Post-Graduate | 112        | 56         |
| <b>Total</b>  | <b>200</b> | <b>100</b> |

#### OCCUPATION

|                 |            |            |
|-----------------|------------|------------|
| Govt. Employees | 106        | 53         |
| Professionals   | 18         | 9          |
| Businessman     | 42         | 21         |
| Private         | 12         | 6          |
| Retired         | 8          | 4          |
| Others          | 6          | 3          |
| <b>Total</b>    | <b>200</b> | <b>100</b> |

#### MONTHLY INCOME

| Rs.              | No         | % age      |
|------------------|------------|------------|
| Less than 20,000 | 16         | 8          |
| 20,000-40,000    | 34         | 17         |
| 40,000-60,000    | 102        | 51         |
| 60,000 and above | 48         | 24         |
| <b>Total</b>     | <b>200</b> | <b>100</b> |

#### YEARS OF ASSOCIATION

|              |            |            |
|--------------|------------|------------|
| Upto 4 years | 112        | 56         |
| 4-8          | 52         | 26         |
| 8 and Above  | 36         | 18         |
| <b>Total</b> | <b>200</b> | <b>100</b> |

Source: Questionnaire Data

### FACTORS CONSIDERED WHILE CHOOSING THE BANK ATM

There are various factors which have been taken into consideration by the respondents while taking the ATM card of the particular bank. It is clear from the table that 45% of the respondents take the ATM Card of those banks in which their salary is transferred followed by time saving 34% i.e. to avoid the long queue generally at the counter of the public sector banks. There are 26% respondents who prefer the ATM of those banks in which they have their saving/current account. The trust and security factor was considered by 16.5% respondents while choosing bank ATM. 9% card holders have given their preferences to the bank ATM which are easily approachable or near to their residence. The service charges factor was not given much importance by the respondents.

TABLE – 2: FACTORS CONSIDERED WHILE CHOOSING BANK ATM

| Sr. No. | Factors                         | No | % age | Ranking |
|---------|---------------------------------|----|-------|---------|
| 1       | Trust and Security              | 33 | 16.5  | V       |
| 2       | Easy approach/near to residence | 18 | 9     | VI      |
| 3       | Bank Account                    | 52 | 26    | III     |
| 4       | Salary Transfer                 | 90 | 45    | I       |
| 5       | Better Services                 | 43 | 21.5  | IV      |
| 6       | Time Saving                     | 79 | 34.5  | II      |
| 7       | Service Charges                 | 2  | 1     | VII     |

Source: Questionnaire Data

**PURPOSE OF USING ATM**

All the respondents (100%) are using ATM for the purpose of withdraw of cash followed by enquiry of balance (34%). There are only 9% respondents who are using the ATM for cash deposit. The main reason of less percentage is that there are only few banks who have installed the deposit machine in the ATM. The respondents who are using ATM for the transfer of funds and bill payments are businessman and very few are salary class employees who use it for the payment of bills and other purpose.

TABLE – 3: PURPOSE OF USING ATM

| Sr. No. | Purpose                    | No. | % age |
|---------|----------------------------|-----|-------|
| 1       | Cash withdrawal            | 200 | 100   |
| 2       | Enquiry about cash balance | 68  | 34    |
| 3       | Deposit of cash            | 18  | 9     |
| 4       | Transfer of funds          | 14  | 7     |
| 5       | Bill Payment               | 23  | 11.5  |
| 6       | Other purpose              | 6   | 3     |

Source: Questionnaire Data

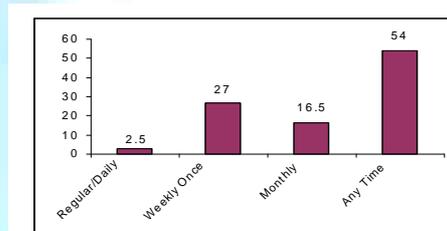
**USAGE OF ATM**

As 100% of the respondents are using ATM for the purpose of withdrawal of cash but only 2.5% ATM card holders responded that they use the ATM on a regular/daily basis and majority of them are businessman/professionals. 27% of the respondents utilize it on weekly basis and these belong to salary class employees. There are 16.5% respondents most of them are the spouse of the army person who utilized on a monthly basis but majority of the respondents i.e. 54% has reported that they make the use of ATM anytime i.e. whenever money is required.

TABLE-4: USAGE OF ATM

| Sr. No. | Usage of ATM  | No.        | % age      |
|---------|---------------|------------|------------|
| 1       | Regular/Daily | 5          | 2.5        |
| 2       | Weekly once   | 54         | 27         |
| 3       | Monthly       | 33         | 16.5       |
| 4       | Any Time      | 108        | 54         |
|         | <b>Total</b>  | <b>200</b> | <b>100</b> |

Source: Questionnaire Data



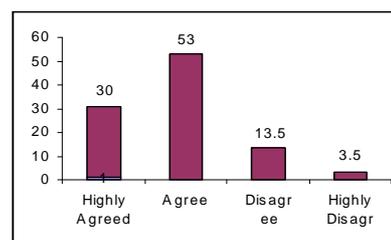
**AVAILABILITY OF ATM**

The various factors have been taken into consideration by the respondents while taking the ATM card of the banks. There are 30% respondents who are highly agreed and 53% agreed regarding the easy availability of ATM. Majority of them are living in the city or near to ATM or near to job place. All the banks taken for the study are having their ATM in the vicinity of the city. There are 13.5% customers who are disagreed and 3.5% highly disagree to the availability of the ATM. These respondents are those who are living in the village or rural areas and have to travel at least 5 km or more to avail the facility of ATM. The few public sector banks have their branches in the rural areas and private sector banks are having branches at the district headquarter only. Although the Kangra Central Co-Operative Bank which is providing banking facilities in every town but their ATM are not accepted by public and private banks.

TABLE – 5: AVAILABILITY OF ATM IN THE AREA

| Sr. No. | Views           | No.        | % age      |
|---------|-----------------|------------|------------|
| 1       | Highly agreed   | 60         | 30         |
| 2       | Agreed          | 106        | 53         |
| 3       | Disagree        | 27         | 13.5       |
| 4       | Highly Disagree | 7          | 3.5        |
|         | <b>Total</b>    | <b>200</b> | <b>100</b> |

Source: Questionnaire Data



**PRIVACY/SECURITY AT THE TIME OF TRANSACTION**

There are only 28% respondents who have reported that they feel highly secure while using ATM and 51% reported that they feel secure at the time of using their ATM Card secret code. The privacy is generally maintained only in those ATM where the security person/guard is on duty. The public sector banks ATM given to agencies lacks the security guard. The ATM having security guard maintains the privacy of transaction by allowing only one card holder inside the ATM. But 4.5% of the card holders feel insecure and 6.5% feels highly insecure in those ATM where there is no security guard and reported by these respondents that there are 3 to 4 persons inside the ATM. It is also reported by some respondents that some ATM card holders also take the help of other person inside the ATM while using ATM card/code which create the insecurity to holders of the cards and other also.

TABLE – 6: PRIVACY/SECURITY AT THE TIME OF TRANSACTION

| Sr. No. | Security         | No.        | % age      |
|---------|------------------|------------|------------|
| 1       | Highly Secure    | 56         | 28%        |
| 2       | Secure           | 102        | 51         |
| 3       | Unsecured        | 29         | 14.5       |
| 4       | Highly Unsecured | 13         | 6.5        |
|         | <b>Total</b>     | <b>200</b> | <b>100</b> |

Source: Questionnaire Data

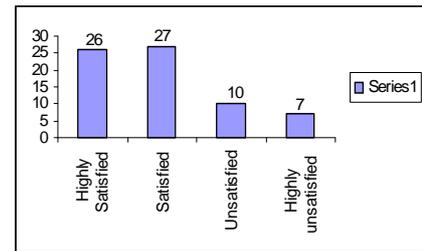
**INSTRUCTIONS AT ATM SCREEN**

The instructions given by the various banks on the screen of ATM while using it vary from bank to bank but their main motto is to provide easy understanding and better service to the customers. It is reported by the 26% respondents that they are highly satisfied followed by 52% satisfied with the instructions given while using ATM. The screen language, direction, mode, menu option are easily understandable. There are only 10% respondents who are unsatisfied and only 7% are highly un-satisfied and are of that group whose qualification level are up to plus two.

**TABLE – 7: INSTRUCTION AT ATM SCREEN**

| Sr. No. | Satisfaction Level  | No.        | % age      |
|---------|---------------------|------------|------------|
| 1       | Highly Satisfied    | 52         | 26         |
| 2       | Satisfied           | 114        | 27         |
| 3       | Un-satisfied        | 20         | 10         |
| 4       | Highly Un-satisfied | 14         | 7          |
|         | <b>Total</b>        | <b>200</b> | <b>100</b> |

Source: Questionnaire Data



**ACCESSIBILITY AND PROBLEM**

Table 8 shows the accessibility and problems faced by the customers during using the ATM. It is reported by 14.5% of the respondents that they faced with the problem of machine out of order followed by 21.5% respondents complaint machine out of cash specially during the first week of every month, which compel them to shift to another ATM where there is no such problem. It is also reported by 24.5% respondents that they do not get the new notes and 25.5% reported that they found long queue outside the ATM in the first week of the month and disclose that they prefer to use those ATM which are in the unsuitable location for them rather to stand in the queue. The debit of the account, going back of cash, fake currency notes, and blockage of cards was reported by very few respondents. The loading of grievances with the Toll Free No. is very complicated process as reported by few respondents.

**TABLE – 8: ACCESSIBILITY, SECURITY AND PROBLEMS**

| Sr. No. | Heading  | Yes | %    | No  | %    |
|---------|--|-----|------|-----|------|
| 1       | Language and direction on screen easily understandable | 166 | 83   | 34  | 17   |
| 2       | Security and Privacy at the time of withdrawal         | 158 | 79   | 42  | 21   |
| 3       | Got the receipt after transaction                      | 174 | 87   | 26  | 13   |
| 4       | Time taken for the completion of transaction           | 182 | 91   | 18  | 09   |
| 5       | Debit of Account without withdrawal/cash in hand       | 16  | 8    | 184 | 92   |
| 6       | Going Back of Cash                                     | 2   | 1    | 198 | 99   |
| 7       | Long Queue outside the ATM                             | 51  | 25.5 | 151 | 74.5 |
| 8       | Blockage of Card                                       | 5   | 2.5  | 195 | 97.5 |
| 9       | Machine out of order                                   | 29  | 14.5 | 171 | 85.5 |
| 10      | Machine out of cash                                    | 43  | 21.5 | 157 | 78.5 |
| 11      | Fake Currency Notes                                    | 03  | 1.5  | 197 | 98.5 |
| 12      | Old Currency Notes                                     | 49  | 24.5 | 151 | 75.5 |

Source: Questionnaire Data

**CONCLUSION AND SUGGESTIONS**

It is concluded from the above study that ATM acts as a “personal bank” to the ATM card holders which provide the various facilities to the customers anytime, anywhere. Majority of the respondents are highly satisfied with the facilities as per the geographical conditions of the rural areas. The habit of using ATM for various other purposes can be developed by creating the awareness about the various facilities of ATM. The public sector banks should concentrate on personal contact and problem solving while private bank should concentrate on winning the confidence of the public towards the private banks. The proper security personnel must be deployed at every ATM round the clock so that proper co-ordination can be maintained between the banks and ATM i.e. information of shortage of cash, machine out of order, privacy and security. More cash in the beginning of every month, pass book entry provision at ATM, deposit machine at every ATM, cheque deposit facilities, proper maintenance, no hidden charges, acceptance of local banks ATM i.e. H.P. state co-operative banks and The Kangra Central Co-operative Bank are the some suggestion which can play an important role in improving the effectiveness of ATM.

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## TOWARDS A DEEPER UNDERSTANDING OF HUMAN EMOTIONS IN THE CONTEXT OF ADVERTISING SLOGANS

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### ABSTRACT

*Slogans have been extensively employed as a vital component in advertising campaigns. Overall, the slogan-related research revealed that to a great extent this research has investigated effects connected to brand awareness, issues concerning how to make a slogan memorable, and relationships between consumer demographic characteristics and slogan learning and assessment. Nevertheless, examining the role emotion plays in advertising slogans is important. This study tested the conceptual model and hypotheses developed based on existing literature. Thus, this research intends to understand how consumers' emotional responses to advertising slogans influence advertising effectiveness by integration with the new theoretical research construct: the consumer's emotional corridor. Compared to previous researcher's suggestion for overall assessments of continuous measures, the construct seems to be more beneficial for measuring consumers' emotional responses to advertising slogans.*

### KEYWORDS

Advertising effectiveness, Advertising slogan, Emotional response.

### INTRODUCTION

logans have a positive influence on their brands and function as carriers of brand equity (Dahlen and Rosengren, 2005; Rosengren and Dahlen, 2006). On the whole, a review of the slogan-related research reveals that this research has investigated primarily the effects of brand awareness, issues concerning how to make a slogan memorable (e.g., Bradley and Meeds, 2002; Dahlen and Rosengren, 2005), relationships between consumer demographic characteristics (e.g., Dotson and Hyatt, 2000), and slogan learning and assessment (e.g., Dahlen and Rosengren, 2005). Nevertheless, it is important to investigate how consumers' emotional responses to advertising slogans affect advertising effectiveness. This question needs to be addressed with the intention to uncover the role and nature of emotions elicited by advertising slogans and their effect on the development of advertising effectiveness.

### REVIEW OF LITERATURE

Most advertising with a substantial feeling constituent involves heavy repetition (Aaker et al., 1986). Advertising commercials can be structured to extract various affective responses that continuously shift while the commercial unfolds (Baumgartner et al., 1997). The researcher is faced with the question as to whether the existing system relationships between these different affect patterns influence individuals' overall advertisement judgments. Researchers from the field of psychology (e.g., Davidson et al., 1990; Schwartz, 1990) have argued that an incident may evoke emotions of mixed intensity involving one dominant and several non-dominant emotions, which are firmly embedded in memory, in connection with the stimulus representation. Based on the above, there is an absence of linkage between repetitive emotions, mixed emotions and the dominant emotion. In addressing this gap, the present study focuses particularly on examining the dynamic characteristics of the emotional process and the connection among the above mention.

### IMPORTANCE OF THIS STUDY

This research contributes to the existing literature by establishing the construct of the consumer's emotional corridor, which appears to be more advantageous for measuring consumers' emotional responses to advertising slogan

### OBJECTIVES

This research aims to achieve an in-depth understanding of consumers' emotional responses to advertising slogans and their impact on the development of advertising effectiveness.

### HYPOTHESES

#### COGNITIVE APPRAISALS

Cognitive appraisal theorists consider that emotions are elicited from a subjective evaluation of the situation and that it is not the actual situation that induces emotions, but the psychological assessment (Scherer, 2001). Researchers have suggested that the cognitive appraisal approach is a promising avenue for studying emotions in consumer behavior contexts (e.g., Johnson and Stewart, 2005; Watson and Spence, 2007). Researchers (e.g., Faseur and Geuens, 2006; Martensen et al., 2007) have found a significant relationship between positive emotion and advertising effectiveness. Thus, the positive emotions and their associated appraisals will have a significant effect on advertising effectiveness. Therefore, the following hypothesis relates to cognitive appraisal:

H1 *cognitive appraisals*: Positive emotions and their associated appraisals have a positive effect on attitudes towards the advertisement.

#### PRODUCT INVOLVEMENT

Consumers process advertisements more actively, devote more time and cognitive effort to advertisements (Celsi and Olson, 1988), and focus more on product-related information in the advertisements (Celsi and Olson, 1988) when product involvement is high. Involvement, specifically product involvement, has been proved a major determinant of consumer behavior and advertising response (e.g., Zaichkowsky, 1985, 1994). In addition, some scholars differentiate between cognitive involvement and affective involvement (e.g., Park and Young, 1986) or rational and emotional involvement (e.g., Laurent and Kapferer, 1985). Cognitive involvement highlights a person's informational processing activities and the attainment of idealization states (Zaichkowsky, 1994). Affective involvement emphasizes an individual's feelings and accomplishments of particular emotional states, and it is employed to illustrate all emotions, moods, and feelings evoked by an object (McGuire, 1974). Therefore, the following hypothesis relates to product involvement:

H2 *product involvement1*: The level of product involvement has a negative relationship with the preference of emotional appeals.

H2 *product involvement2*: The level of product involvement has a positive relationship with the preference of cognitive involvement.

H3 *product involvement3*: The level of product involvement has a negative relationship with the preference of affective involvement.

#### GENDER

Gender differences in emotions, personality, and values have been found significant (Guimond et al., 2007). Numerous studies have found that women are more emotionally sensitive compared to men (e.g., Burriss et al., 2007; Chentsova-Dutton and Tsai, 2007). Therefore, the following proposition will be examined in relation to gender:

H3 *gender*: Gender differences have a significant effect on the consumer's emotional responses to advertising slogans.

**EMOTIONAL RESPONSES**

Scherer (2005, 2009) confirmed that emotions are conceptualized as an emergent, dynamic process derived from an individual’s subjective appraisal of an important event. Important lessons from neuroscience have revealed that emotional and memory systems are dynamic and change momentarily (DuPlessis, 2005; Marci, 2006). Therefore, the following hypothesis is developed in relation to emotional responses:

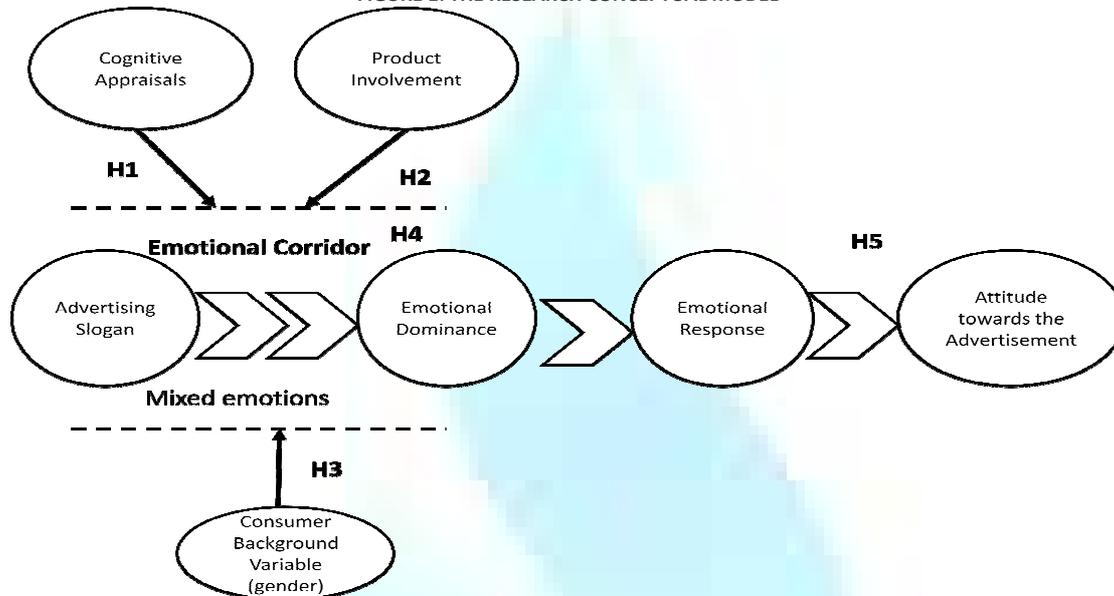
H4 *emotional responses*: The greater the repetition of exposure, the higher the variability of consumers’ emotional responses.

**ATTITUDE TOWARDS THE ADVERTISEMENT (AAD)**

Past research has shown that emotions affect attitudes towards the advertisement and greatly motivate consumption behavior (e.g., Derbaix, 1995; Morris et al., 2002) Therefore, the following propositions will be examined in relation to attitude towards the advertisement (Aad):

H5 *Aad*: Consumers’ emotional responses to the advertising slogan have a positive relationship with the likelihood of attitudes towards the advertisement (Aad). Hence, this research conceptualises consumers’ emotional responses to advertising slogans as an “emotional corridor” which is fluid and dynamic. The “emotional corridor” is here defined as a corridor for emotions to pass through, which contains repetitive emotions and/or mixed emotional experiences and individuals’ emotional perceptions are blurred. If the emotional responses are prolonged, the individuals’ emotional states will be reinforced and one emotion will become dominant and prevail. Figure 1 presents the research conceptual model.

**FIGURE 1: THE RESEARCH CONCEPTUAL MODEL**



**RESEARCH METHODOLOGY**

McDonald’s advertising slogan was chosen because it belongs to world renowned and long-established brand that is familiar to Taiwanese consumers. McDonald’s commitment is to provide a joyful environment for consumers. Consumption emotion includes a set of emotions, such as joy (Kuenzel and Yassim, 2007). Madrigal (1995) found that enjoyment had a strong relationship with satisfaction. Pride concerns feelings of superiority (Laros and Steenkamp, 2005). Additionally, happiness, anger, sadness, and boredom are primary emotions (Murray and Arnott, 1993). Hence, in this study, six emotions were chosen for testing, i.e., joy, happiness, pride, anger, sadness, and boredom.

In East Asia, a marketing style called the “night market” has been very successful (Wu and Luan, 2007). According to a report of the Ministry of Transportation and Communications Tourism Bureau, night markets take the first place as a domestic tourist site. They can contribute more than 10 billion New Taiwan dollars a year, with the Feng Chia night market being the famous night market in Taiwan. Thus, this survey research was conducted in the Feng Chia night market with an aim to approach various consumers (Malhotra, 1996).

This study used a systematic sampling technique. It is expected that the disadvantages caused by the use of the night market can be compensated for by employing the probability sampling technique. This survey was carried out over a period of three weeks that included weekdays and weekend days in order to avoid respondent bias. The sample comprised 191 shoppers in Taichung. Table 1 presents the sample characteristics.

**TABLE 1: SAMPLE CHARACTERISTICS**

| Gender | McDonald’s |            |
|--------|------------|------------|
|        | N          | Percentage |
| Female | 100        | 52.4       |
| Male   | 91         | 47.6       |
| Total  | 191        | 100        |

**RESEARCH INSTRUMENT**

This study had to develop a questionnaire of such cognitive appraisals as the lack of well-established measures of the cognitive appraisals especially designed for advertising slogans. Additionally, this research proposed the consumer’s emotional corridor construct. Hence, this study conducted semi-structured interviews with an aim to define cognitive appraisals that consumers use for advertising slogans and to validate the research model. The snowballing technique was used to recruit participants for the semi-structured interviewees. Out of 12 participants, 5 were female participants and 7 were male. Their average age was 37.5 (ranging from 20 to 52). Overall, drawing on the insights from the analysis of the semi-structured interviews, this qualitative interview reconfirmed the preliminary conceptual framework that was developed for this study. The appraisals proposed by Ortony, Clore, and Collins (1988), the Revised Personal Involvement Inventory (RPII) proposed by Zaichkowsky (1994) to measure involvement, and the measure of purchase intention (PI) proposed by Spears and Sigh (2004) were used due to their suitability, reliability, and validity. All items were measured on a five-point Likert scale (1=strongly disagree, 5=strongly agree). This research applied Principle Component Analysis (PCA) with oblique rotation to condense the information obtained regarding cognitive appraisals and involvement of the tested advertising slogans. The oblique rotation allows for some correlation between factors. Hence, oblique rotation could yield important and meaningful factors (Hutcheson and Moutinho, 2008). For the cognitive appraisals data, four factors were extracted (Table2). For the involvement data, two factors were extracted (Table3). In addition, one-factor solution, based on a minimum eigenvalue of one, appeared suitable for attitudes towards the advertisement (Table 4).

Principal Factor analysis and Cronbach’s Alpha analysis (and Pearson analysis if applicable) were conducted to test the reliability and validity of all adopted scales and extracted factors (see Appendix 1). The results revealed that all scales are unidimensional and reliable.

TABLE 2: EVALUATION OF MCDONALD'S COGNITIVE APPRAISAL FACTORS

| No                                      | Items              | McDonald's (KMO: 0.823) |         |              |         |               |
|---|--------------------|-------------------------|---------|--------------|---------|---------------|
|   |                    | Factor1                 | Factor2 | Factor3      | Factor4 | Communalities |
|   |                    | Value&                  | Novelty | Outcome      |         |               |
|   |                    | Certainty               |         | Desirability |         |               |
| 1                                       | pleasant feelings  |                         |         | 0.804        |         | 0.692         |
| 2                                       | enjoyable feelings |                         |         | 0.766        |         | 0.613         |
| 3                                       | attractiveness     |                         |         | 0.699        |         | 0.609         |
| 4                                       | appeal             |                         |         | 0.659        |         | 0.654         |
| 5                                       | desirability       |                         |         | 0.706        |         | 0.692         |
| 6                                       | expectancy         |                         |         | 0.687        |         | 0.653         |
| 7                                       | worth              | 0.803                   |         |              |         | 0.662         |
| 8                                       | value              | 0.823                   |         |              |         | 0.703         |
| 9                                       | reliability        | 0.853                   |         |              |         | 0.740         |
| 10                                      | trustworthiness    | 0.860                   |         |              |         | 0.742         |
| 11                                      | freshness          |                         | 0.950   |              |         | 0.909         |
| 12                                      | novelty            |                         | 0.945   |              |         | 0.904         |
| 13                                      | other agency       |                         |         | 0.596        |         | 0.657         |
| 14                                      | self-agency        |                         |         |              | 0.843   | 0.728         |
| <b>Eigenvalues</b>                      |                    | 5.88                    | 1.749   | 1.272        | 1.057   |               |
| <b>Cumulated variance explained %</b>   |                    | 0.71127                 |         |              |         |               |
| <b>Percentage of variance explained</b> |                    | 41.999                  | 12.493  | 9.086        | 7.549   |               |

Note: Only factor loadings of at least 0.4 are presented

TABLE 3: EVALUATION OF MCDONALD'S INVOLVEMENT FACTORS

| No                                      | Items             | McDonald's (KMO: 0.883) |                  |               |
|---|-------------------|-------------------------|------------------|---------------|
|   |                   | Factor1                 | Factor2          | Communalities |
|   |                   | Affective factor        | Cognitive factor |               |
| 1                                       | important         | 0.721                   |                  | 0.6           |
| 2                                       | interesting       |                         | 0.695            | 0.486         |
| 3                                       | relevant          | 0.725                   |                  | 0.536         |
| 4                                       | exciting          | 0.781                   |                  | 0.616         |
| 5                                       | means a lot to me |                         | 0.832            | 0.692         |
| 6                                       | appealing         | 0.865                   |                  | 0.761         |
| 7                                       | fascinating       | 0.787                   |                  | 0.669         |
| 8                                       | valuable          |                         | 0.824            | 0.679         |
| 9                                       | involving         | 0.758                   |                  | 0.605         |
| 10                                      | needed            |                         | 0.839            | 0.709         |
| <b>Eigenvalues</b>                      |                   | 5.151                   | 1.202            |               |
| <b>Cumulated variance explained %</b>   |                   | 63.53%                  |                  |               |
| <b>Percentage of variance explained</b> |                   | 51.511                  | 12.023           |               |

Note: Only factor loadings of at least 0.4 are presented

TABLE 4: FACTOR SOLUTIONS OF ATTITUDES TOWARDS THE ADVERTISEMENT OF MCDONALD'S

| No                                      | Items            | McDonald's |               |
|---|------------------|------------|---------------|
|   |                  | Factor     | Communalities |
|   |                  | KMO: 0.764 |               |
| 1                                       | like             | 0.818      | 0.669         |
| 2                                       | react favourably | 0.766      | 0.586         |
| 3                                       | feel positive    | 0.715      | 0.512         |
| 4                                       | feel good        | 0.849      | 0.721         |
| <b>Eigenvalues</b>                      |                  | 2.488      |               |
| <b>Percentage of variance explained</b> |                  | 62.197     |               |

**RESULTS AND DISCUSSION**

The stepwise OLS regression was applied for this study. According to Wright (1997), the stepwise regression method is appropriate for exploratory model building. With the intention to investigate the consumer's emotional corridor, "three-hit-theory" and "projective sentence completion techniques" were chosen. In particular, participants were first required to say each slogan aloud three times. Each time after saying the slogan aloud, they were asked to report their perceptions of emotions. In other words, the slogan was embedded in three phrases that the participants had to repeat, thus prolonging their emotions. Subsequently, participants were asked to identify their dominant emotion in relation to the slogan. This was intended to obtain the participant's dominant emotion to the advertising slogan. More specifically, the dominant emotion was regarded as the consumer's emotional response and was modeled in the regression models. In general, most respondents did not appear to have any difficulty in responding to the questionnaires. This study chose the three most dominant emotions as explanatory variables. Since they are dummy variables, this research used effect coding to code the three highest ranking emotions. Table 5 shows the frequency of dominant emotions.

TABLE 5: FREQUENCY OF DOMINANT EMOTIONS

| Dominant Emotion / Frequency | McDonald's |
|------------------------------|------------|
| Joy                          | 90         |
| Happiness                    | 41         |
| Pride                        | 24         |
| Sadness                      | 0          |
| Anger                        | 7          |
| Boredom                      | 28         |
| Missing                      | 1          |
| Total                        | 191        |

Three variables appear to significantly influence attitude towards the advertisement. The three variables are cognitive appraisal-outcome desirability (Beta=0.359, p<0.000), effect coding (joyful: bored) (Beta=0.269, p<0.000), and affective involvement (Beta=0.191, p<0.01). The adjusted R square for the three explanatory variables was 0.321 in the regression model (Table 6). The cognitive appraisals-outcome desirability appeared to exert the greatest influence on the dependent variable.

The results also showed that compared with the 'bored' emotion, the 'joyful' emotion exerts the greatest positive influence on attitude towards the advertisement. Since joy is a positive emotion (Laros and Steenkamp, 2005), this finding is consistent with previous research (e.g., Faseur and Geuens, 2006; Martensen et al., 2007). These studies revealed a positive relationship between positive emotion and attitude towards that advertisement. Affective involvement had the smallest effect on the model in this study. This result supports the findings of previous research (e.g., MacKenzie and Spreng, 1992), which indicated that attitude towards advertisements affects the peripheral route to persuasion. Positive beta value indicates that the subjects are more likely to have a favorable attitude towards the advertisement when they are affectively involved with the product. All beta values for these three variables were positive.

TABLE 6: OLS STEPWISE REGRESSION RESULTS

| Dependent variable: Attitude towards the advertisement |                               |                    |                     |       |              |          |                   |
|--|-------------------------------|--------------------|---------------------|-------|--------------|----------|-------------------|
| Step   | Variables entered             | Coefficients       |                     | t     | Significance | R Square | Adjusted R Square |
|  |                               | Unstandardised (B) | Standardised (Beta) |       |              |          |                   |
|  | Constant                      | 1.794              |                     | 6.374 | 0.000        |          |                   |
| 1.   | M Cog (outcome desirability)  | 0.358              | 0.359               | 5.154 | 0.000        | 0.221    | 0.216             |
| 2.   | Effect coding (joyful: bored) | 0.252              | 0.269               | 3.882 | 0.000        | 0.300    | 0.290             |
| 3.   | Affective involvement factor  | 0.176              | 0.191               | 2.818 | 0.005        | 0.334    | 0.321             |

\* The F values are all significant at 0.000 level.

This study conducted repeated measures analysis of variance on the six emotions, with participants' gender as the between-subject factor and participants' emotional responses at three times as the within-subjects factor. Table 7 presents the results of these tests. Four out of six emotions were significantly different each time. This means that after participants said the McDonald's slogan aloud three times, their perceptions of the emotions of joy, happiness, pride, and boredom differed significantly. Nevertheless, males and females did not differ in their perceptions of emotions. Interaction between participants' gender and times was not significant.

Overall, the repeated measures analysis outcomes confirmed the dynamic nature of the consumers' emotional responses to the advertising slogan. However, gender and interaction between participants' gender and the number of times participants read the slogans aloud did not reach statistical significance. The results support those researchers who claimed that gender difference would vanish due to the exposure to a new situation that causes an overwhelming emotional experience (Kring and Gordon, 1998; Robinson and Clore, 2002). However, the results contradict those of researchers who claimed that female respondents have stronger emotional responses (e.g., Becht and Vingerhoets, 2002; Morre, 2007). With the intention to provide a clear overview of the generalized research results given above, the results of all the proposed hypotheses are presented in Table 8.

TABLE 7: REPEATED MEASURES ANALYSIS OF VARIANCE WITH PERCEPTION OF EMOTIONS AND GENDER

|                                  | McDonald's |             |        |       |
|----------------------------------|------------|-------------|--------|-------|
| Joy                              | df         | Mean Square | F      | Sig   |
| Within-subjects effects (times)  |            |             |        |       |
| times                            | 2          | 14.305      | 19.771 | 0     |
| times * gender                   | 2          | 0.025       | 0.034  | 0.966 |
| Between-subject effects (gender) | 1          | 11.534      | 2.178  | 0.142 |
| <b>Happiness</b>                 |            |             |        |       |
| Within-subjects effects (times)  |            |             |        |       |
| times                            | 2          | 8.017       | 11.444 | 0     |
| times * gender                   | 2          | 1.068       | 1.524  | 0.219 |
| Between-subject effects (gender) | 1          | 16.056      | 2.968  | 0.087 |
| <b>Pride</b>                     |            |             |        |       |
| Within-subjects effects (times)  |            |             |        |       |
| times                            | 2          | 3.758       | 8.354  | 0     |
| times * gender                   | 2          | 0.152       | 0.338  | 0.713 |
| Between-subject effects (gender) | 1          | 4.515       | 1.081  | 0.3   |
| <b>Sadness</b>                   |            |             |        |       |
| Within-subjects effects (times)  |            |             |        |       |
| times                            | 2          | 0.42        | 2.6    | 0.076 |
| times * gender                   | 2          | 0.019       | 0.118  | 0.889 |
| Between-subject effects (gender) | 1          | 0.599       | 0.784  | 0.377 |
| <b>Anger</b>                     |            |             |        |       |
| Within-subjects effects (times)  |            |             |        |       |
| times                            | 2          | 0.223       | 0.695  | 0.5   |
| times * gender                   | 2          | 1.165       | 3.635  | 0.027 |
| Between-subject effects (gender) | 1          | 0.021       | 0.023  | 0.88  |
| <b>Boredom</b>                   |            |             |        |       |
| Within-subjects effects (times)  |            |             |        |       |
| times                            | 2          | 2.155       | 3.751  | 0.024 |
| times * gender                   | 2          | 0.982       | 1.709  | 0.182 |
| Between-subject effects (gender) | 1          | 7.024       | 2.872  | 0.092 |

TABLE 8 HYPOTHESES TEST RESULTS OF THE STUDY

| Hypothesis              | Description   | McDonald's  |
|-------------------------|---|-------------|
| H1cognitive appraisals1 | Positive emotions and their associated appraisals will have a positive effect on attitudes towards the advertisement.                                   | Support     |
| H1cognitive appraisals2 | Positive emotions and their associated appraisals will have a positive effect on attitudes towards the brand  | Support     |
| H1cognitive appraisals3 | Positive emotions and their associated appraisals will have a positive effect on purchase intention.  | Support     |
| H2product involvement1  | The level of product involvement has a negative relationship with the preference of emotional appeals.  | Support     |
| H2product involvement2  | The level of product involvement has a positive relationship with the preference of cognitive involvement.  | Support     |
| H2product involvement3  | The level of product involvement has a negative relationship with the preference of affective involvement.  | Support     |
| H3gender                | Gender difference will have a significant effect on the consumers' emotional responses to advertising slogans.  | Not support |
| H4emotional responses   | The greater the repetition of exposures, the higher the variability of consumers' emotional responses.  | Support     |
| H5 Aad                  | Consumers' emotional responses to the advertising slogan have a positive relationship with the likelihood of attitudes towards the advertisement (Aad). | Support     |

**CONCLUSION**

A new theoretical research construct has been developed by this research, the consumer's emotional corridor, providing the missing link between repetitive emotions, mixed emotions and the dominant emotion, which appears to be more advantageous for measuring consumers' emotional responses to advertising slogans compared to previous researcher's suggestion for overall assessments of continuous measures. For example, Polsfuss and Hess (1991) calculated the mean score across the advertisement as a measure of overall advertisement. The identical or similar mean could be generated by a flat affect pattern and affect curves with positive or negative slopes, although respondents may not assess them identically (Hughes, 1992). Fredrickson (2000) employed the peak-and-end rule, however, it is difficult to decide which should be modeled as an explanatory variable. Accordingly, this research argues that the consumer's emotional corridor construct provides insights into consumers' emotional responses to advertising slogans that are more rational.

**LIMITATIONS AND SCOPE FOR FURTHER RESEARCH**

The present study is exploratory in nature. Compared to most confirmatory studies, the present study lacks to some extent statistical rigor and sophistication, although it benefitted from the probability sampling technique and introduced probability elements. Therefore, the results of this study cannot be generalized to the entire population. Further research should use a probability sample in order to generalize results. This study chose the well know advertising slogans. However, participants might have already had their own opinions about the brands and/or slogan before completing the questionnaires, which may have influenced the results to a certain extent and produce bias. Further research could employ fictitious advertising slogans that would be entirely new to participants to reduce or eliminate bias.

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**APPENDIX**

**APPENDIX 1: MCDONALD'S COGNITIVE APPRAISAL FACTORS SCALE OF RELIABILITY ANALYSIS & PEARSON CORRELATION**

| McDonald's                   |                                     |                                  |          |   |  |  |
|------------------------------|-------------------------------------|----------------------------------|----------|---|--|--|
|                              | Corrected Item-to-Total Correlation | Cronbach's Alpha if Item Deleted | Cronbach | Pearson Correlation                           |  |  |
| <b>Value &amp; Certainty</b> |                                     |                                  | 0.868    |   |  |  |
| worth                        | 0.676                               | 0.848                            |          | 1   |  |  |
| value                        | 0.713                               | 0.834                            |          | 0.774** 1                                     |  |  |
| reliability                  | 0.742                               | 0.822                            |          | 0.510** 0.536** 1                             |  |  |
| trustworthiness              | 0.747                               | 0.82                             |          | 0.506** 0.545** 0.866** 1                     |  |  |
| <b>Outcome Desirability</b>  |                                     |                                  | 0.858    |   |  |  |
| pleasant feelings            | 0.708                               | 0.817                            |          | 1   |  |  |
| enjoyable feelings           | 0.623                               | 0.829                            |          | 0.725** 1                                     |  |  |
| attractiveness               | 0.673                               | 0.821                            |          | 0.529** 0.392** 1                             |  |  |
| appeal                       | 0.66                                | 0.822                            |          | 0.559** 0.417** 0.688** 1                     |  |  |
| desirability                 | 0.734                               | 0.812                            |          | 0.552** 0.514** 0.626** 0.571** 1             |  |  |
| expectancy                   | 0.709                               | 0.814                            |          | 0.500** 0.480** 0.574** 0.576** 0.762** 1     |  |  |
| other agency                 | 0.262                               | 0.885                            |          | 0.267** 0.283** 0.169* 0.136 0.185* 0.228** 1 |  |  |
|                              | <b>Mean</b>                         | <b>Std. Deviation</b>            |          |   |  |  |
| <b>Novelty</b>               |                                     |                                  |          |   |  |  |
| freshness                    | 3.24                                | 0.837                            |          | 1   |  |  |
| novelty                      | 3.21                                | 0.857                            |          | 0.821** 1                                     |  |  |

\*\*Correlation is significant at the 0.01 level (2-tailed) \* Correlation is significant at the 0.05 level (2-tailed)

**MCDONALD'S PRODUCT INVOLVEMENT FACTORS SCALE OF RELIABILITY ANALYSIS & PEARSON CORRELATION**

| McDonald's               |                                     |                                  |          |   |
|--------------------------|-------------------------------------|----------------------------------|----------|---|
|                          | Corrected Item-to-Total Correlation | Cronbach's Alpha if Item Deleted | Cronbach | Pearson Correlation                       |
| <b>Affective factors</b> |                                     |                                  | 0.870    |   |
| important                | 0.666                               | 0.849                            |          | 1   |
| relevant                 | 0.638                               | 0.854                            |          | 0.630** 1                                 |
| exciting                 | 0.673                               | 0.848                            |          | 0.477** 0.515** 1                         |
| appealing                | 0.786                               | 0.828                            |          | 0.608** 0.540** 0.639** 1                 |
| fascinating              | 0.594                               | 0.861                            |          | 0.415** 0.358** 0.506** 0.611** 1         |
| involving                | 0.669                               | 0.849                            |          | 0.501** 0.490** 0.520** 0.633** 0.501** 1 |
| <b>Cognitive factors</b> |                                     |                                  | 0.821    |   |
| interesting              | 0.549                               | 0.815                            |          | 1   |
| means a lot to me        | 0.661                               | 0.766                            |          | 0.496** 1                                 |
| valuable                 | 0.673                               | 0.761                            |          | 0.459** 0.537** 1                         |
| needed                   | 0.702                               | 0.747                            |          | 0.456** 0.599** 0.651** 1                 |

\*\*Correlation is significant at the 0.01 level (2-tailed) \* Correlation is significant at the 0.05 level (2-tailed)

**MCDONALD'S ATTITUDES TOWARDS THE ADVERTISEMENT SCALE OF RELIABILITY ANALYSIS & PEARSON CORRELATION**

| McDonald's                                 |                                     |                                  |              |                           |
|--|-------------------------------------|----------------------------------|--------------|---------------------------|
|  | Corrected Item-to-Total Correlation | Cronbach's Alpha if Item Deleted | Cronbach's a | Pearson Correlation       |
| <b>Attitudes towards the advertisement</b> |                                     |                                  | 0.797        |                           |
| like                                       | 0.643                               | 0.728                            |              | 1                         |
| react favourably                           | 0.58                                | 0.759                            |              | 0.501** 1                 |
| feel positive                              | 0.521                               | 0.786                            |              | 0.389** 0.423** 1         |
| feel good                                  | 0.692                               | 0.703                            |              | 0.646** 0.503** 0.489** 1 |

\*\*Correlation is significant at the 0.01 level (2-tailed) \* Correlation is significant at the 0.05 level (2-tailed)

## SHOPPER'S PERCEPTION TOWARDS STORE BRANDS WITHIN RETAIL STORES: A CASE OF NELLORE CITY OF ANDHRA PRADESH

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### ABSTRACT

*The aim of the present study is to focus on shopper's perception towards the store brands and their emotions associated with the purchase of store brands with special reference to Nellore, one of the fast-emerging tier-2 cities of Andhra Pradesh. This paper aims at discovering current shopper's perceptions on, and attitudes towards, store brands in the FMCG sector. In doing so, the research will find out the impact of different demographic factors (with particular reference to gender and income) on purchase of private labels. Moreover, it aims at throwing lights on the effect that factors like pricing, accessibility, packaging, retail communications, shelf-positioning and in-store advertising have on shopping behavior with reference to purchase of store brands. A self administered questionnaire was used to collect data from respondents. A non-probability, convenience sampling technique was used to administer a consumer survey. Products of FMCG category sold at retail stores are considered for the present study. The results of the study point out that the store brands can be positioned as products of premium quality with price levels ranging from slightly lower to the prices of the brands promoted by leading manufacturers from the product category considered. Conversely, retailers can position their brands on the basis of their sheer value-for-money. This equates to average quality products at very affordable prices. Sadly, more often than not retailers consider store brand packaging to be unimportant and hence are packed unattractive and are failed to convey a sense of high product quality. However, a key drawback of the study is the sampling frame. Future studies should work on this study in different perspectives and with different target groups. The knowledge gained through this study should ideally facilitate the process of advancing store brand research in an academic milieu and improving positioning of store brands, increasing their market share and optimizing profits achieved from store brands in a managerial context.*

### KEYWORDS

Organized retail, own label, Shopper's perception, store brand and supermarket.

### INTRODUCTION

Store brands or private label brands are brands owned, controlled, and sold exclusively by a retailer<sup>1</sup>. Store brands are existing in a wide variety of industries from groceries to cosmetics to web hosting. They are mostly positioned as low-priced alternatives to regional, national or international brands, even if lately some store brands have been positioned as premium brands to fight with existing name brands. Growth of store brands in India is also attributed to growth of organized retail in India. The nation's economy has registered an average growth rate of nearly 7% since the year 1994, placing purchasing power in the hands of customer. Though, the initial growth of store brands in India has been limited to certain categories like food and clothing, it is gradually expanding into other product lines as well. Indian retail is the 5th largest retail destination globally and has been considered the most attractive emerging market for investment<sup>2</sup>. Overall the Indian retail market is growing at 30% annually, with the organized segment, which currently accounts for around 9% of the Indian retail market, registering above average growth of 30%<sup>3</sup>. Thus, with growth of organized retail in India, store brands are also expected to grow. Store brands matter for quite a lot of factors, the most important of which is their higher margins. The introduction of a store labels also gives the retailer greater leverage with manufacturer margins and an increased ability to ride out trade phases, because the retailer has more breathing space in pricing, promotion strategies and long term business planning. With the growth of store brands, name brands are slowly getting down to these retailers who are not only low priced but are also on par with quality standards and for the retailers themselves who are able to get anywhere from 25 to 45% margin, while manufacturer brands pay only 10-25% margin for the sale. The next reason being the local effect of cultural preferences of customers in a country like India wherein retailer have been found to be having 30% products having local taste and preference and 70% which is found in an all India basis to cater the regional needs and wants<sup>4</sup>. Effect of private label brands on national brands was best exemplified during the tussle between Frito Lays and Future Group and later on Frito Lay's brand like Lays got off-shelf and Tasty Treat private label brand of Future Group took over and now is amongst the highest seller in the Future Group retail outlets and have a considerable amount of market share in fried chips market. Day by day many of the giant retailers are heading towards private brands. Largely Future Group is fueling the growth in private brands while others have yet to crack the private label space. Reliance Retail and Aditya Birla's More Retail have said they will slow down and consolidate their portfolios<sup>5</sup>.

The credit to the growth story of private label brands does not include only the retail outlets but also the manufacturer brands. The former tactics of name brands have themselves now eaten into their own market. In the beginning of the previous decade MNCs such as HUL, P&G, Britannia and others opted to outsource their product manufacturing to third-parties. These companies shared their trade formulae and knowhow updates with their third-parties to manufacture products which were on par with the quality of products manufactured by the MNC's themselves only to keep them away from the manufacturing and human resource problems and give more attention towards the research and development of new products and expanding the product lines<sup>6</sup>. While the third party manufacturers parted ways with MNC's and as they already had the technology ready to produce such quality products which not only helped the third party companies to get their own brand into the market but also helped new entrants like ITC (Sunfeast Biscuits, Vivel Soaps, and Bingo Chips) and retail biggies like Future Group to get into the market who need not invest in the manufacturing or into human resource and were able to get their products faster in the market and had to only invest in research and development capability. Consumers base judgment of brand quality on direct and indirect factors. Direct attributes include ingredients, taste and texture, whilst indirect factors are represented by price and brand name. Direct factors are usually difficult for consumers to test without consuming the product, or completing various tests. Therefore, basing on indirect quality indicators like brand name and price are heavily relied upon. The author thus suggest that a thorough understanding of how these indirect cues impact different consumer groups in their purchasing decisions may help retailers to improve success of private label brands. Through further investigation, they identified brand, package and advertising as indirect factors which impact consumer perceptions and hence influence purchasing decisions<sup>7</sup>. Consumers become brand loyal when they perceive some unique value in the brand that no alternative can satisfy. This uniqueness may be derived from a greater trust in the reliability of a brand or from a more favorable experience when a customer uses the brand<sup>8</sup>. There are at least four tiers of private label brands. These include low quality generics; medium quality private labels; somewhat less expensive but comparable quality products; and premium quality private labels that are priced in excess of competitor manufacturer brands. Whilst the nature of a store's brand(s) should be first guided by its target customers, the author suggests that successful retailers will adopt more than one tier of private label brand if they are to achieve wide scale market coverage<sup>9</sup>. Half of private label brands are copycat brands. These brands essentially attempt to imitate the packaging and content of first tier manufacturer brands. Retailers analyze the contents of leading brands, and then re-create the product, through a process known as reverse engineering. Thus, since there are minimal research and development costs, and the retailers have already recognized that there is a potentially lucrative market available, these products are more often than not successful<sup>10</sup>. The success of private label brands is dependent on factors such as

the country's retail structure, the level of retailer concentration, the advertising rate of manufacturer brands, economies of scale, management, and even imagination<sup>11</sup>.

**METHODOLOGY**

A non-probability, convenience sampling technique was used to administer a consumer survey. Although predefined quotas were not firmly set, the examiner attempted to pick a sample which was fairly representative of supermarket shoppers in Nellore. 340 questionnaires were deployed using the self-administered, mall-intercept method at local shopping markets which comprises of Reliance Mart, Nanda's Orbit mall, More, & Magna Super Mart. This approach was adopted so as to facilitate measure questionnaire completion. A preliminary check was done, to find out any discrepancies, omissions or errors with the questionnaire. The data from self-administered questionnaires was then captured, cleaned, coded and examined. Lastly, the data was tested for normality and this was confirmed to be in order.

**RESULTS AND DISCUSSION**

**STORE BRANDS AND QUALITY PERCEPTION**

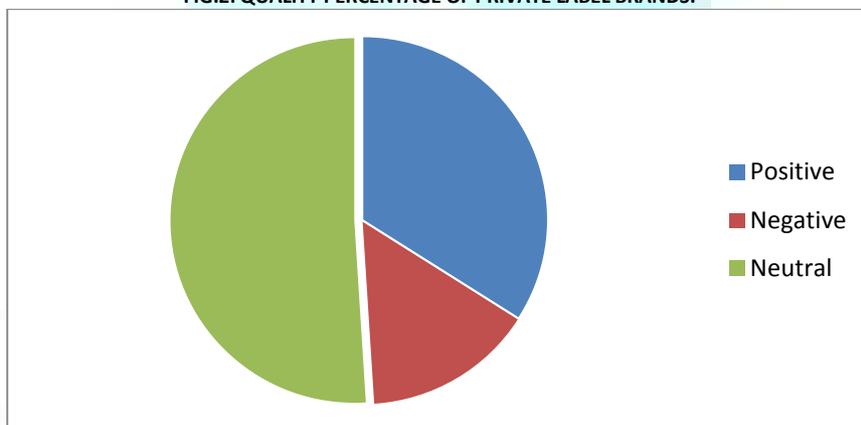
As shown in Figure 2 proportion of private label brand purchasers in the sample is notably high with 84% of respondents confirming that they have purchased these brands earlier. This may say that there is a considerable amount of potential market for private label brands in the Indian Market. Furthermore, this serves to authenticate the perceptions and attitudes revealed in the survey as the majority of respondents have experience in this respect.

**FIG. 1: CUSTOMER OPINION REGARDING PRIOR PURCHASE OF STORE BRANDS**



According to the survey findings, the majority of consumers (66%) were either relatively neutral or negative in their attitude towards private label brand quality levels. Only one in three respondents expressed a positive view concerning their perceptions of private label brands. This is depicted in Figure 2. It is clear that respondents are still somewhat skeptical about the quality of private label brands which may partially explain why penetration of private label brands in the organized retail sector is relatively less.

**FIG.2: QUALITY PERCENTAGE OF PRIVATE LABEL BRANDS.**



**FACTORS AFFECTING PURCHASE DECISION OF STORE BRANDS & TEST OF NORMALITY**

T-test was conducted to ascertain whether purchasers of private brands tend to perceive these brands differently to non-purchasers. The results are included in Table 1.

**TABLE 1: DIFFERENCE IN PERCEPTIONS BETWEEN STORE BRAND PURCHASERS AND NON-PURCHASERS**

| Parameters           | T-value  | DF  | p      |
|----------------------|----------|-----|--------|
| Quality              | -6.18379 | 339 | 0.0000 |
| Price                | 1.96362  | 339 | 0.0072 |
| Reliability          | -3.34567 | 339 | 0.0009 |
| Attractive packaging | -0.45877 | 339 | 0.7948 |
| Location             | -1.48371 | 339 | 0.2421 |

Perceptions around quality, price and reliability differed remarkably between purchasers and non-purchasers. These attributes were all highlighted at the 1% significance level, revealing a very high degree of significance. Store location and product packaging weren't spotted as differentiating factors between purchasers and non-purchasers. The former is unlikely to be a differentiating factor as the major supermarket chains have achieved ubiquitous coverage in Nellore city. All supermarket retailers included in this study stocked at least store brand, therefore making these easily accessible. As explained later in this discussion, packaging was found to be substandard, across the board, therefore reducing its impact as a differentiating factor between purchasers and non-purchasers of store brands. The most important criteria in the purchasing of store brands were probed. Here, respondents were asked to indicate the most

important aspect in the decision process. The ranked results are displayed in Table 2 along with the percentage of respondents who indicated that to be the case. Perceived quality of the product was considered to be of the utmost importance, followed by accessibility of the product, trust in the brand and, thereafter, the price tag. This illustrates that consumers are not completely fixated with the price charged and therefore point of differentiation do exist beyond this single criterion.

TABLE 2: KEY FACTORS IN THE PRIVATE LABEL BRAND DECISION PROCESS

| Rank | Factor                    | % of respondents |
|------|---------------------------|------------------|
| 1    | Perceived quality         | 36               |
| 2    | Accessibility of products | 22               |
| 3    | Trust in brand            | 18               |
| 4    | Price charged             | 21               |
| 5    | Others                    | 03               |

In terms of gender, a marginally greater degree of brand loyalty was observed in females (Table 3).

TABLE 3: LEVELS OF BRAND LOYALTY WITH RESPECT TO GENDER

|       | Male % | Female % |
|-------|--------|----------|
| Yes   | 73.04  | 81.21    |
| No    | 26.96  | 18.79    |
| Total | 100    | 100      |

A trend was evident when considering brand loyalty based on income levels. Here, less affluent consumers (earning below Rs 5000 per month) recorded the highest levels of brand loyalty. A decrease in loyalty was evident as monthly income increased. The highest earners (above Rs 20000 per month) were also the least loyal to manufacturer brands (Table 4).

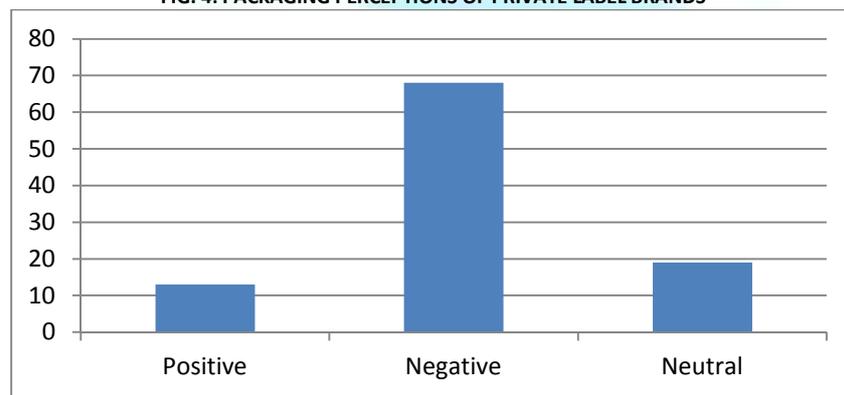
TABLE 4: LEVELS OF BRAND LOYALTY (IN PERCENTAGE) WITH RESPECT TO INCOME

|       | < 5000 | 5000-7500 | 7501-10000 | 10001-12500 | 12501-15000 | 15501-17500 | 17501-20000 | > 20000 |
|-------|--------|-----------|------------|-------------|-------------|-------------|-------------|---------|
| Yes   | 80.88  | 73.82     | 63.22      | 69.41       | 72.91       | 64.11       | 61.17       | 61.76   |
| No    | 19.12  | 26.18     | 36.78      | 30.59       | 27.09       | 35.89       | 38.83       | 38.24   |
| Total | 100    | 100       | 100        | 100         | 100         | 100         | 100         | 100     |

**PRODUCT PACKAGING**

Product packaging was highlighted in the literature as an important component of conveying a signal of quality to consumers. Figure 4 illustrates that perceptions of private label brand packaging are most often negative. Almost two thirds of respondents (68%) felt that packaging was unattractive and a mere 13% responded positively with regard to this product characteristic. Furthermore, it would appear that the majority of private label brand packages do not visually display the actual product contents.

FIG. 4: PACKAGING PERCEPTIONS OF PRIVATE LABEL BRANDS



**EXTERNAL INFLUENCES AFFECTING PURCHASING DECISION**

Purchasing of groceries in a supermarket is influenced by a number of extrinsic cues. Figure 5 depicts that most of purchase decision is influenced by advertising and past experience. Respondents indicated that television, newspapers and pamphlets can be the most effective means of communicating the benefits of private label brands to grocery shoppers.

FIG. 5: PURCHASE INFLUENCERS OF PRIVATE LABEL BRANDS.

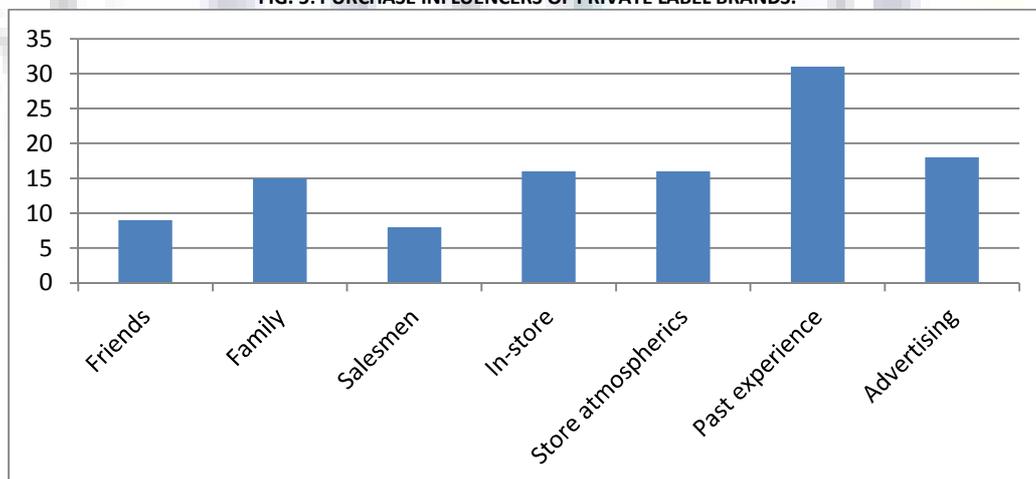
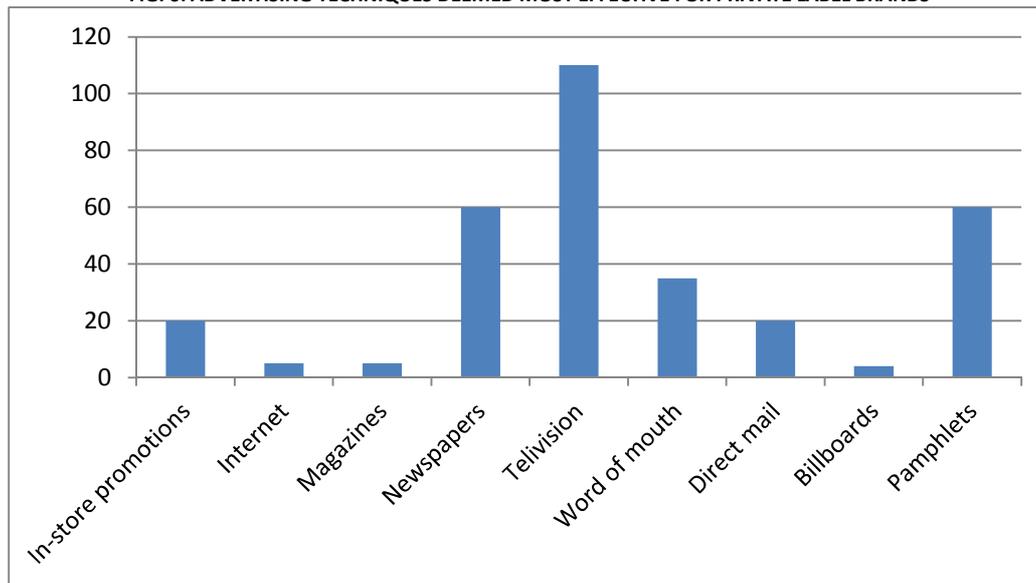


Figure 6 illustrates that the majority of respondents consistently feel that television can be the most effective way of communicating the advantages offered by these brands. The media perceived to be least effective at conveying private label brand benefits were billboards, magazines and internet/online methods. Thus it supports Justin Beneke's studies that the media consumed within the home, the same environment in which grocery products are consumed, work best<sup>12</sup>.

FIG. 6: ADVERTISING TECHNIQUES DEEMED MOST EFFECTIVE FOR PRIVATE LABEL BRANDS



## CONCLUSIONS

Consumers seem hesitant to embrace private label brands to the full. There appears to be skepticism surrounding the quality of the entire spectrum of such brands, with significant heterogeneity between specific private label brands. Private label brand communication strategies have yet to reach large proportion of the Indian market. However, overall effectiveness in terms of influencing perceptions appears to be unsuccessful and the direct impact on volume share appears negligible. Home-based media, wherein retailers are known to advertise their wares, were found to be the most effective in relaying the message to consumers. Demographic variables were largely ineffective in determining an individual's propensity.

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**IMPACT OF GOVERNMENT POLICIES ON DEVELOPMENT OF WOMEN ENTREPRENEURSHIP IN INDIA**

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**ABSTRACT**

*The purpose of this study is to analyze the impact of Government policies on Women Entrepreneurship in India by analyzing the viewpoint of Women Entrepreneurs. This study examines the views of the Women Entrepreneur (religion wise) about benefit of Government schemes and how they helped them in any form like motivation, financial assistance, training, awareness about entrepreneurial activities and infrastructural facilities. It also examines the views of the respondents (occupation wise) about government schemes for development and promotion of entrepreneurship. The study is mainly conducted using primary sources of information or data which were collected with the help of the questionnaire cum schedule and personal interview technique. In order to supplement the primary data, secondary data has been collected from various sources such as Census Report, Annual reports of different ministries, five year plans, statistical abstracts, Government documents, research journals and magazines and unpublished research reports. The universe of the study is confined to women entrepreneurs engaged in small scale industries in the Delhi NCR Region. The Study reveals that there is a positive impact of Government policies on women entrepreneurs. Ample opportunities have been provided to women entrepreneurs through various policies and programmes started in the banner of liberalization. This study is useful in making policy implications for the government policies in a developing country like India.*

**KEYWORDS**

DI (Directorate of Industries), ICWE (Indian Council of Women Entrepreneurs), NCR (National Capital Region).

**1. INTRODUCTION**

India made rapid strides for improving the socio-economic status of women, long before the International Decade for Women (1975-85). The Constitution of India guarantees to all its citizens, irrespective of sex, equality of status and opportunities, social, economic and political; justice, liberty and dignity of the individual. Significant steps have been taken to make these Constitutional rights a reality. Legislative measures to protect women's rights are there, but it is difficult to say that what extent these measures have improved women's status in India. The realization, that the Constitutional obligations have not been met, came when the Report of the Committee on the Status of Women in India, 1974 set out in detail the inequalities suffered by women, as a sex and pointed out the promises which were not fulfilled. The Report gave a lot of prominence to the position of 'unorganised workers', as well as to the status of poor women with regard to education, politics and the law. This Report, followed by the International Women's Year, 1975, saw a sudden growth in the women's entrepreneurship in India.

The United Nations Women's Decade influenced women's thinking all over the world and forced governments to shift the emphasis of women's programmes from welfare to development. Since then, there has been a proliferation of policy announcements, research projects and publicity brochures designed to promote an awareness of a concern for the impact of women on development. National and international bodies took up women's cause for equality and economic independence and for increasing awareness of the importance of women's participation. Talking about the women's movement in India, the general impact of socio-cultural- political movement has been most pronounced on the urban middle class (Shramshakti, 1988, p. 215). Presently the rising aspirations of women in the Plan projections can be seen as a part of the overall economic and social development strategy laid down in the Seventh Plan which includes a special chapter on 'Integration of Women in Development'.

The decade 1975-85 focussed attention on women (seen as risk takers and innovators), who came forward to start and manage their own commercial ventures. The New Industrial Policy of the Government of India in 1980s<sup>7</sup> (the earlier one was in 1956) has specially highlighted the need for conducting special entrepreneurship programmes for women to enable them to start small scale industries. Because of their economic and organizational characteristics small industries are well placed to have an impact on resource utilization, employment creation and income generation.

Starting and operating a business entails considerable risk and effort, especially for the entrepreneurs who creates and builds a business from scratch, thereby assuming the responsibility for development and management of the business venture as well as for coping with the corresponding uncertainties and risks. The risk is, perhaps, even greater for a woman entrepreneur who has general managerial problems as well as those associated with being a woman in a male dominated society. In spite of the constraints of a traditional society, both educated women and uneducated women are openly accepting the challenge of self-owned established ventures/enterprises. Among the factors favoring entrepreneurship, the spirit of enterprise appears to be the most important factor. In addition, personal and family factors of potential entrepreneurs, like education, technical qualification and business background may also influence the choice of entrepreneurship as a vocation and as an alternative to employment. Each of these factors could have a salient role in the emergence of entrepreneurs.

This is an opinion based study that aims to unleash the impact of government policies and programmes on development of Women Entrepreneur in Delhi-NCR region on the basis of perspective of Women Entrepreneur.

**2. REVIEW OF RELATED LITERATURE****DEVELOPMENT OF WOMEN ENTREPRENEUR IN FIVE YEAR PLAN**

Women development was not distinguished as an identified sector in the initial years of planning. It was only during the VIth Plan, which began in 1980, that the magnitude of women's problems was perceived and the need to make special efforts for the economic development of women recognized.<sup>8</sup> The Employment Policy envisages for the VIth Plan (1980-85) was designed with two major goals viz., reducing under-employment and lowering the age of retirement. The plan provided a 'New Deal', for self-employment by providing a package of services such as training, credit, marketing and general guidance for those who wanted to launch self-employment ventures. The main thrust of the New Deal was to ensure that the necessary information, application forms, etc., required for various facilities of self-employment were made available at one place, utilizing the 'one-window' approach. Special attention was paid to the large section of women who were neglected as part of the work force, by giving financial and technical assistance through organizations engaged in various development

<sup>7</sup> The Government of India's Industrial Policy Statement of 1980s states its commitment to rapid and balanced industrialization of the country with a view to benefiting the common man by increasing availability of goods at fair price, high employment and high per capita income.

<sup>8</sup> Sixth Five Year Plan, Planning Commission, Government of India.

activities. In the Vth Plan (1985-90) there was a definite shift in focus from the welfare concept to development concept in programming for women, thus ushering in a new thrust for the development of women. The plan suggested the following:

1. Treat women as specific target groups in all development programmes.
2. Properly diversify vocational training facilities for women to suit their varied needs and skills,
3. Encourage appropriate technologies, equipments and practice for reducing their drudgery and increase their productivity.
4. Provide marketing assistance at the state level, and
5. Increase women's participation in decision-making.<sup>9</sup>

The new Industrial Policy of 1991 has also stressed upon the need for conducting special entrepreneurship programmes for women. It emphasized on product and process-oriented courses so as to enable women to start small-scale industries. The policy further added that the objective of such courses would be to give representation to women in the field of small industry development with a view to uplift their status in the economic and social fields.

The approach paper to the IXth Plan indicates that, "The process of empowerment of women at the political level has already begun, but it needs to be carried forward into the social and economic spheres as well. Special emphasis would have to be placed on ensuring control of social infrastructure in the public domain invested in women and women's organizations."<sup>10</sup>

During the last few years, considerable progress has been made in the country to develop new women entrepreneurs through training, and at present many states are involved in WED (Women Entrepreneurship Development) Programming, and SEP/IGP (Self-Employment and Income Generation Programme). Supporting facilities like infrastructure, finance and training have been made quite favourable. There are a number of schemes of the government like Prime Minister's Rojgar Yojana (PMRY), a Scheme for Urban Micro Entrepreneurs; Development of Women and Children in Rural Areas (DWCR) and Indira Rojgar Yojana (I.R.Y) for encouraging women to become successful entrepreneurs.

In addition, the National Small Industries Corporation, (NSIC) Small Industries Development Organization (SIDO), National Research Development Corporation (NRDC), Khadi and Village Industries Commission (KVIC), Central Social Welfare Board (CSWB), National Institute for Entrepreneurship and Small Business Development (NIESBUD), Small Industries Development Bank of India (SIDBI), National Alliance of Young Entrepreneurs (NAYE), National Association of Women Entrepreneurs and Executives (NAWEE), State Bank of India, Industrial Financial Corporation of India (IFCI), Scheme of Interest Subsidy for Women Entrepreneurs (SISWE) and various other nationalized banks are some of the organizations which are trying to create a congenial environment for developing women entrepreneurship in urban as well as rural areas.

Financial institutions and nationalized banks have formulated various schemes to encourage small entrepreneurs especially women and solve problems faced by them. Special emphasis and provisions have been made for backward areas and economically and socially weak categories of women by giving them special concessions like low interest rate, subsidy etc. on loan schemes. The favourable environment created by government and financial institutions in the states encourages entrepreneurship development. The assistance and concessions of the government motivate prospective entrepreneurs, to commence their activities. Appropriate policies and programmes further create a conducive environment for entrepreneurship development.

Thus a network of promotional agencies and institutions have been set up at the national and state levels to promote women entrepreneurship through support measures in the form of policy, finance, infrastructure, training, raw material supply, marketing facilities etc. In spite of their best efforts, these agencies are unable to bring about the desired impact among the low-income strata women.

The accelerating population growth and migration to cities, lack of ability to create enough jobs to absorb the rapidly increasing supply of labour has led the urban poor especially women to resort to self-employment or setting up their own micro-enterprises in the manufacturing, service and trading sectors as an income-generating strategy. Most of these business are classified as part of the informal sector and thus majority of the entrepreneurs are unable to tap the existing government resources for the growth of their enterprises.

This is where the NGOs like Annapurna Mahila Mandal (AMM) and Bharatiya Yuva Shakti Trust (BYST) play an important liaising role between the various government promotional agencies and the entrepreneurs. Various government financial institutions like the National Minorities Development and Finance Corporation, Rashtriya Mahila Kosh, SIDBI, and banks like the State Bank of India, Bank of Baroda, Canara Bank, and Cooperative Banks provide loans through such NGOs to women entrepreneurs.

AMM is working in the field of socio-economic development for women in the low-income segment. AMM plays the role of mediating between banks and women from the low-income segment, as the women do not have the capital resources to utilize their entrepreneurial potential. AMM has set up its own Credit Cooperative Society with systems that are flexible and member friendly. The Cooperative Society has helped poor women to move away from the clutches of middlemen, traders and moneylenders which helped them to increase their bargaining power and enhanced their saving capacity. Credit has helped women from the low-income segment to find self-employment and earn on one hand and self-esteem and status on the other. AMM reaches out to women micro-entrepreneurs in the slums of Mumbai and Pune organizing and motivating them to venture as entrepreneurs. AMM provides women training to manage the work place, market their products and enhancement of their skills to earn more. It provides monitoring and follow-up through community level meetings.

BYST also promotes entrepreneurship among underprivileged women through financial and mentoring support. The organization reaches out to potential entrepreneurs by creating awareness about entrepreneurship through programmes in radio, local newspapers, participating in entrepreneurial fairs and expositions organized for entrepreneurs by other organizations. In mentoring, each entrepreneur of a group of entrepreneurs are linked with a mentor who helps the entrepreneur(s) to understand simple business management techniques, business option available and facilitate independent decision-making. The mentors apart from providing guidance provide information, advice and emotional support to entrepreneurs.

Thus, the NGOs provide financial, training and other support facilities for the development of entrepreneurship among low-income group women. The kind and type of financial assistance depended on the type of business activities (service, trading, manufacturing) chosen by women. The loan provided was without collateral and with soft rate of interest to be repaid within the time period fixed by NGOs constantly monitored by the staff.

The aforementioned description reveals that women entrepreneurs from the low income group are a vital group from the country's economic development and the programmes of the governmental and the non-governmental organizations should provide a wider entrepreneurial base. This entrepreneurial base can be provided by proper coordination and linkages between organizations (GOs and NGOs), reaching out to more women and playing a more proactive role in developing them as entrepreneurs, and the existing limit for obtaining working capitals from banks without collaterals should be raised to one lakh as women from the low-income group find it difficult to provide collaterals.

It may be stated efforts have been made to implement numbers of schemes / programmes during different five year plans for overall development of women entrepreneurship.

## GOVERNMENT PROGRAMMES VIS-À-VIS FOR SAMPLE

In a developing country such as India, the concern for increasing women's economic participation can be seen within the wider general concern to alleviate the socio-economic conditions of the poor households, especially those in the rural sector. As a result of un-relating poverty and deteriorating economic conditions, a lot of women have been forced to work outside the normal status and have therefore ventured into varied economic activities, while at the same time continuing to perform their traditional household duties. This situation has social as well as economic implications.

These women work long hours daily, carrying out household chores, such as cooking, cleaning, bringing up children, as well as engaging in their income generating or income substituting activities. The combination of two jobs, one at work and one at home, is difficult for a woman in any country, but it is doubly taxing for a woman in a developing country let alone in India, where poverty and lack of infrastructure can make the most basic tasks harder and more time consuming. The transformation of the social fabric of Indian society in terms of increased literacy among women and varied aspirations for better status have

<sup>9</sup> Seventh Five Year Plan, Planning Commission, Government of India.

<sup>10</sup> Ninth Five Year Plan, Planning Commission, Government of India.

witnessed a growing volume of unemployment. This problem necessitates a change in the life style of men and women in the country. Self-employment is recognized as a panacea, which generates a category of entrepreneurs, who own economic enterprises at micro and macro levels.

In India, the Planning Commission, Central and State governments recognize that women should be in the mainstream of economic development. In particular, the development of micro enterprises for women is such as an appropriate way to attack poverty at the grass roots level by generating income. The Industrial policy of the Government of India has highlighted the need for entrepreneurship programmes for women to enable them to start small-scale industries.

The emergence of entrepreneurs in a society depends to a great extent on the economic, social, religious, cultural and psychological factors prevailing in the society. The Indian society is multi-stratified, inter and intra-variations exist between rural and urban areas among regions, among classes, and among different religious, ethnic and caste groups, which led to variations in entrepreneurial activities too. Nevertheless, it is also a gender segregated patriarchal society with higher concentration of male entrepreneurs. However, women entrepreneurs have become successful despite certain inhibiting socio-economic factors.

It was observed that 75.23 percent of the respondents were engaged in self employment with various activities like small scale industries, training, financial companies, services censes and self help groups etc., it was also revealed that resource potential like capital, labour technology, market, finance, transport and communications etc. have been helpful for establishing the enterprises. It is clear that government schemes have been playing a pivotal role in providing various types of help to the entrepreneurs. It was also revealed that non-government organizations (NGO's) have been playing an immense role for establishing entrepreneurial activities industry firms in the sampled area. It was revealed that various hurdles / constraints like lack of confidence, lack of smooth working lack of technological development, lack of financial facilities, lack of marketing, socio cultural barriers, and inadequate training etc. are considered the main obstacles for running the entrepreneurs and activities.

Number of studies on globalization, structural adjustment, has been explored by researchers. Some of the studies along with their main findings are discussed as under:-

**Anna (1990)** found that industrial entrepreneurship among the women of Kerala has emerged from varied socio-economic, educational and cultural backgrounds. The occupational background of father/husband provides an environment favorable to the growth of entrepreneurship among women. The study indicated that rural-agricultural women are not fully prepared to accept the changes taking place in the urban and semi-urban areas. The author further finds that highly qualified women were motivated to enter industry in the prime of their age.

**Shah (1990)** in her study on 'Fostering Women Entrepreneurship -A study of Distinctive Features' conducted on three target groups (sample 100 each) of women entrepreneurs of middle and upper middle income groups; having Science and Technology (S & T) background and coming from middle and lower middle income groups, and of low income groups coming from low strata of the society found out that the motive to become entrepreneurs was summarized into five major responses i.e. economic needs or pressures; utilization of own experience and education, husband's (family's) interest and support; availability of free time and finance and desire to become independent and personal ego satisfaction (of doing something on own).

**Rao (1991)** in his study on 'Promotion of Women Entrepreneurship' lists economic backwardness, lack of familiar and community support, ignorance of opportunities, lack of motivation, shyness and inhibition, preference for traditional occupation and preference for secure jobs as the factors that inhibit promotion of grass root entrepreneurship among rural women.

**Srivastava and Chaudhary (1991)** found out that no single factor but a host of motivating factors act simultaneously on the individual creating dissonance in her, which in turn motivates her to take an action directed towards elimination or reduction of dissonance in the individual. Women faced problems mainly in the areas of marketing of their products and approaching the banks for getting loans. Personal problems like time constraint and family stress were also cited. The study concludes that joint family is not an obstacle for women entrepreneurs. Infact it is a facilitating factor. The entrepreneurial role enhances familial bonds and increases role satisfaction of women entrepreneurs as a wife, mother and maker of a 'home'.

**Rathore and Chhabra (1991)** stated that Indian women find it increasingly difficult to adjust themselves to the dual role that they have to play as traditional housewives and compete with men in the field of business and industry. Working women are often tossed between home and work and experience mental conflicts as they are not able to devote the necessary amount of time and energy to their home and children and find it mostly difficult and sometimes impossible to pursue a career. A study by Surti and Surupia (1983) showed that the married migrated women entrepreneurs coming from nuclear families experience greater role stress than the unmarried local women entrepreneurs coming from joint families.

**Harper (1992)** in her work on women of poor communities in Orissa with a view to develop hypotheses about the social and academic determinants that motivate women to cross the borderlines from generating no income to generating small income through self-employment, and the borderline from there to growth-oriented micro or small business, found that one major barrier for women to start or expand business is the lack of exposure. Women become more enterprising after interventions from outsiders.

### 3. NEED AND IMPORTANCE OF THE STUDY

The Review of Literature revealed by and large, comprehensive and focused research on women entrepreneurs is scarce and scattered with only a few studies of a view limited nature. Thus, there is a wide scope for further research to investigate issues pertaining to women entrepreneurs in a NCR Region where developmental changes have taken place very rapidly and the policies pertaining to liberalization towards women entrepreneurs have been implemented. Also since Opportunities for women are very scarce in our country and discussions about promoting women entrepreneurship, it would be interesting to examine the impact of government policies on women entrepreneurship.

### 4. STATEMENT OF THE PROBLEM

The study examines the impact of government policies on Women entrepreneurship in India.

### 5. OBJECTIVE OF THE STUDY

Main objectives of this study are:

- To examine the views of the Women Entrepreneur (religion wise) about benefit of Government schemes and how they helped them in any form like motivation, financial assistance, training, awareness about entrepreneurial activities and infrastructural facilities.
- To examine the views of the respondents (occupation wise) about government schemes for development and promotion of entrepreneurship.

### 6. RESEARCH METHODOLOGY

The study is mainly conducted using primary sources of information or data which were collected with the help of the questionnaire cum schedule. The personal interview technique has also been used to collect the information. In order to supplement the primary data, secondary data has been collected from various sources such as Census Report, Annual reports of different ministries, five year plans, statistical abstracts, Government documents, research journals and magazines and unpublished research reports .

#### SAMPLING

The universe of the study is confined to women entrepreneurs engaged in small scale industries in the Delhi NCR Region. Being a metropolitan part of North India, there has been a remarkable development of women for the last three and half decades. In this research and also in order to attain the objective of the study, researchers have collected data from 315 women Entrepreneurs from Delhi NCR Area. This includes the sample from Directorate of Industries (DI), Delhi State Industrial and infrastructure Development Corporation (DSIIDC), Indian Council of Women Entrepreneurs (ICWE) and the office of the Ministry of Industries, Government of India.

**7. RESULTS AND DISCUSSIONS**

Once the data was collected from the respondents, the same has been arranged and re-organized to find out the motivation, financial assistance training awareness about entrepreneurial activities from the schemes of government

The details of the same are given as under:-

Table 1.1 described views of the respondents about benefit of Government schemes according to religion in the sample. The respondents were asked the following question: (1) The respondents were asked the following questions: (i) Have Government Schemes helped you in any form like motivation, financial assistance, training awareness about entrepreneurial activities, successful in the mission and infrastructural facilities.

1. Table revealed that 19.04 per cent of the respondents felt that they were motivated by the Government schemes
  2. That 17.46 per cent of the respondents felt that they got financial assistance through the government schemes
  3. That 16.82 per cent of the respondents felt that they got training
  4. That 17.46 per cent of the respondents felt that they got awareness about entrepreneurial activities.
  - 5 That 15.87 per cent of the respondents felt that they were succeeded in their mission due to government schemes
  6. That 13.13 per cent of the respondents felt that they got all infrastructural facilities through the various government schemes.
- Thus, it is clear that Government Schemes have been playing a pivotal role in providing various types of help to the entrepreneurs.

**TABLE 1.1: VIEWS OF THE RESPONDENTS BENEFIT OF ABOUT GOVERNMENT SCHEMES ACCORDING TO RELIGION - IN THE SAMPLE**

| Have Government Schemes helped in any form? |               |                      |               |  |                           |                            |                 |
|---|---------------|----------------------|---------------|--|---------------------------|----------------------------|-----------------|
| Religion                                    | Motivations   | Financial Assistance | Training      | Awareness About Entrepreneurial Activities | Successful in the Mission | Infrastructural Facilities | Total           |
| Hindu                                       | 21<br>(6.66)  | 20<br>(6.34)         | 22<br>(6.98)  | 18<br>(5.71)                               | 19<br>(6.03)              | 19<br>(6.03)               | 119<br>(37.77)  |
| Muslim                                      | 7<br>(2.22)   | 6<br>(1.90)          | 5<br>(1.58)   | 6<br>(1.90)                                | 7<br>(2.22)               | 4<br>(1.26)                | 35<br>(11.11)   |
| Christian                                   | 14<br>(4.44)  | 13<br>(4.12)         | 12<br>(3.80)  | 13<br>(4.12)                               | 12<br>(3.80)              | 10<br>(3.17)               | 74<br>(23.49)   |
| Sikh  | 11<br>(3.49)  | 10<br>(3.17)         | 9<br>(2.85)   | 12<br>(3.80)                               | 8<br>(2.53)               | 6<br>(1.90)                | 56<br>(17.77)   |
| Jain  | 7<br>(2.22)   | 6<br>(1.90)          | 5<br>(1.58)   | 6<br>(1.90)                                | 4<br>(1.26)               | 3<br>(0.95)                | 31<br>(9.81)    |
| Total                                       | 60<br>(19.04) | 55<br>(17.46)        | 53<br>(16.82) | 55<br>(17.46)                              | 50<br>(15.87)             | 42<br>(13.35)              | 315<br>(100.00) |

Source: Primary data

**Note:** Percentage indicates in the brackets.

Table 1.2 described views of the respondents about government schemes for development of entrepreneurship according to occupation in the sample. The respondents were asked the following question: (1) Have government launched schemes for development of women entrepreneurs? If Yes, tell the name or service rendered like financial, technical, managerial, marketing, infrastructural support and guidance.

1. The table revealed that 79.04 per cent of the respondents felt that government launched various schemes for development of women entrepreneurship in the areas.
2. That 20.95 per cent of the respondents felt that government did not launch any scheme for development of women entrepreneurship.
3. That 20.08 per cent of the respondents felt that they availed financial help through the government schemes.
4. That 17.67 per cent of the respondents felt that they got technical help.
5. That 15.26 per cent of the respondents felt that they got managerial assistance through the government schemes.
6. That 18.47 per cent of the respondents felt that they benefitted marketing.
7. That 15.26 per cent of the respondents felt that infrastructural support has been provided through the government schemes
8. That 13.25 per cent of the respondents felt that various types of guidance were provided through the government schemes for further development of women entrepreneurship.

TABLE 1.2: VIEWS OF THE RESPONDENTS GOVERNMENT SCHEMES FOR DEVELOPMENT OF ENTREPRENEURSHIP ACCORDING TO OCCUPATION IN THE SAMPLE

| What are Resource Potential and How much Resources are Engaged? |  |               |  |               |               |               |                         |               |
|---|--|---------------|--|---------------|---------------|---------------|-------------------------|---------------|
| Occupation  | Have Government launched Schemes for development of Women Entrepreneurship |               | If Yes, tell the names of service rendered |               |               |               |                         |               |
|   | Yes  | No            | Financial                                  | Technical     | Managerial    | Marketing     | Infrastructural support | Guidance      |
| Unskilled labour  | 46<br>(14.60)  | 10<br>(3.17)  | 8<br>(3.21)                                | 7<br>(2.81)   | 6<br>(2.40)   | 7<br>(2.81)   | 8<br>(3.21)             | 10<br>(4.01)  |
| Skilled labour  | 70<br>(22.22)  | 17<br>(5.39)  | 13<br>(5.22)                               | 12<br>(4.81)  | 11<br>(4.41)  | 13<br>(5.22)  | 12<br>(4.81)            | 9<br>(3.61)   |
| Trade/<br>Business  | 62<br>(19.68)  | 16<br>(5.07)  | 12<br>(4.81)                               | 11<br>(4.41)  | 13<br>(5.22)  | 12<br>(4.81)  | 9<br>(3.61)             | 8<br>(3.21)   |
| Small<br>Industry   | 30<br>(9.52)   | 11<br>(3.49)  | 7<br>(2.81)                                | 6<br>(2.40)   | 5<br>(2.00)   | 6<br>(2.40)   | 4<br>(1.60)             | 2<br>(0.80)   |
| Service<br>Centre   | 25<br>(7.93)   | 6<br>(1.90)   | 6<br>(2.40)                                | 5<br>(2.00)   | 4<br>(1.60)   | 5<br>(2.00)   | 3<br>(1.20)             | 2<br>(0.80)   |
| Self<br>Employment  | 16<br>(5.07)   | 6<br>(1.90)   | 4<br>(1.60)                                | 3<br>(1.20)   | 2<br>(0.80)   | 3<br>(1.20)   | 2<br>(0.80)             | 2<br>(0.80)   |
| Total   | 249<br>(79.04)   | 66<br>(20.95) | 50<br>(20.08)                              | 44<br>(17.67) | 38<br>(15.26) | 46<br>(18.47) | 38<br>(15.26)           | 33<br>(13.25) |

**Note:** Percentage indicates in the brackets

Thus, it is clear that various types of service rendered for the women entrepreneurs through the Government Schemes are very useful. Thus, it can be concluded that there is a positive impact of Government policies on women entrepreneurs. Ample opportunities have been provided to women entrepreneurs through various policies and programmes started in the banner of liberalization. Women entrepreneurs have been facing to lot of hurdles and problems during the course of running their firms but overall there has been a remarkable development of women entrepreneurs in the area of study.

## 8. RECOMMENDATIONS

Following are the suggestions and recommendations that can accelerate the growth and development process of Women Entrepreneur in India:

### 1. Financial Cells

In various public financial institutions and banks, special cells may be opened for providing easy finance to women entrepreneurs. These cells should be manned by women officers and clerks.

### 2. Marketing Co-operatives

Encouragement and assistance should be provided to women entrepreneurs for setting up co-operatives. These co-operatives will pool the inputs of women enterprises and sell them remunerative prices.

### 3. Supply of raw materials

Scarce and imported raw materials may be made available to women entrepreneurs on priority basis. A subsidy may also be given to the products manufactured by women entrepreneurs.

### 4. Education and Awareness

It is necessary to change negative social attitude towards women. Elders need to be made aware of the potential of girls and their due role in society.

### 5. Training Facilities

Training and skills are essential for the development of entrepreneurship. Training schemes should be so designed that women can take full advantage. Family members do not like women to go away to far off places for training.

## 9. SCOPE FOR FURTHER RESEARCH

It would be further interesting to examine the impact of government policies in different states and their comparison. Further it would also be interesting to examine the impact of NGO's on Women Entrepreneurship.

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## STUDY OF CONSUMPTION PATTERN AND HEALTH AWARENESS AS REGARD THE EFFECTS OF FAST FOOD AMONG UNIVERSITY HOSTELLERS

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### ABSTRACT

*The paper aims to find out fast food consumption pattern among youth as well as their awareness about consequences on consumption of fast foods may have on their health. The survey is conducted among randomly selected 291 hostelling students of Invertis University, Bareilly to respond to questionnaire.*

### KEYWORDS

Fast Food, Hostellers, Eating Pattern, Health Awareness.

### INTRODUCTION

Food diversity is an implied feature of diversified Indian culture. Traditionally Indians liked home made food items but this trend seems to change with increase in awareness level and influence of western culture. It all started from developing eating habits outside due to changing work culture and changing lifestyle. Liberalization of the economy in 1990s gave way to several new players into the market which changed living pattern and fast food eating pattern. Fast food made its place in Indian market when these MNCs customized their products according to Indian requirement and culture viz. vegetarian meals and selected non – vegetarian options excluding beef and pork totally from their menu. Initially these food outlets faced opposition from Indian consumers as because there was a perception that these companies serve only non – vegetarian items and do not serve vegetarian items and also it was considered expensive. But today due to customization of products according to Indian consumers this fast food industry is been accepted in Indian market and growing two - fold. It is gaining momentum especially from Indian youth and it is becoming part of their life.<sup>1</sup>

### FAST FOOD INDUSTRY IN INDIA

India's fast food industry is growing by 40% a year and supposed to grow with same pace in coming years.<sup>2</sup> Before the entry of multinational fast food outlets, Nirula's<sup>3</sup> was a popular domestic fast food provider for eating out. Nirula's started with ice cream parlors and later moved on the range of fast food including burgers, pizzas, sandwiches etc. Wimpy was another fast food provider besides Nirula's in Indian Market. Wimpy was the only multinational fast food outlet in India before 1990s with one outlet in New Delhi. In the initial years of its operation, Wimpy used to be visited by foreigners in India. Indians were occasional visitors.

After liberalization of the Economy in 1991, fast food industry grown in India as many international fast food companies entered in India either jointly or as independent units. McDonald<sup>4</sup> entered in India in 1995 in the form of Joint Venture and opened its first store in New Delhi. In 1995 KFC<sup>5</sup> entered Indian market and opened its first outlet in New Delhi. In 1996 Dominos<sup>6</sup> entered Indian market with a in the form of Franchisee. Pizza hut<sup>7</sup> also entered in India in 1996 in the form of franchisee and opened its first store in Bangalore. (Now Bengaluru). These all are quite frequently visited outlets in India and as income level and life style is changing in Indian people specially youth. Fast food culture is on upswing among youngsters.<sup>8</sup> Although, its impact exists on whole society, irrespective of the class they belong. The foray of multinational fast food retailers into India has impacted the taste buds of Indian consumers significantly.<sup>9</sup> Instant food scored over traditional food due to influence of western countries and rise in income and subsequent standard of living, convenience, etc. As a result fast food preference are gaining wider acceptance from Indian consumers.

### CONSEQUENCES OF CONSUMING FAST FOOD

Consumption of diet in high in sugar, saturated fat, salt and calorie content can lead to early development of obesity, hypertension, dyslipidemia and impaired glucose tolerance. The concerns with fast food consumption in developing countries also include poor hygiene during preparation storage and handling leading to microbiological contamination. Fast foods have high level of fat and sugars that are not only unhealthy but addictive and that creates a vicious cycle making it hard for children to choose healthy food. High content of trans fats in fast food increases the risk of Heart diseases.

Junk food often contains colours that are inedible, carcinogenic and harmful to the body. Food coloring may result in hyperactivity and lapses of concentration. Poor nutrition habits can undermine these pre – requisites of learning as well as decreases the strength for doing various activities. Fast food consumption and globalization of diet has lead to loss of traditional healthy food practices. One of the consequences of ready availability of cheap food outside the home is devaluation of cooking skills.<sup>10</sup>

### OBJECTIVES OF STUDY

1. To study fast food consumption pattern among hostellers.
2. To study the awareness level regarding harmful effects of consuming fast food.

### HYPOTHESIS

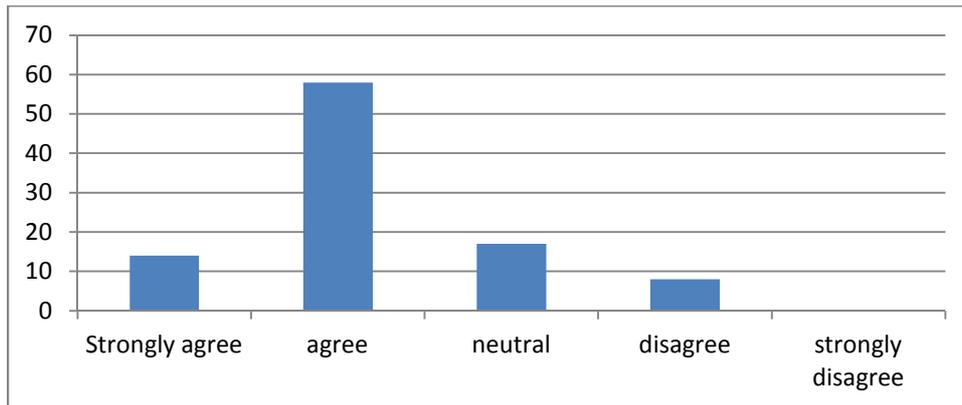
The respondents are aware about harmful effects of consuming fast food.

### MATERIALS AND METHODS

The study was conducted during July 2013 in Invertis University, Bareilly Hostels. At present there are approx 1200 students residing in the university hostels. The size of study sample was 291 students. Chi – square test which is a non – parametric test was used to analyze the point of parity and difference for the goodness of fit for the experimental value to the theoretical value at 95% significance level. Chi – square test is a non – parametric test. Such test have describes the magnitude of difference between observed frequencies and the frequencies expected under certain assumptions.

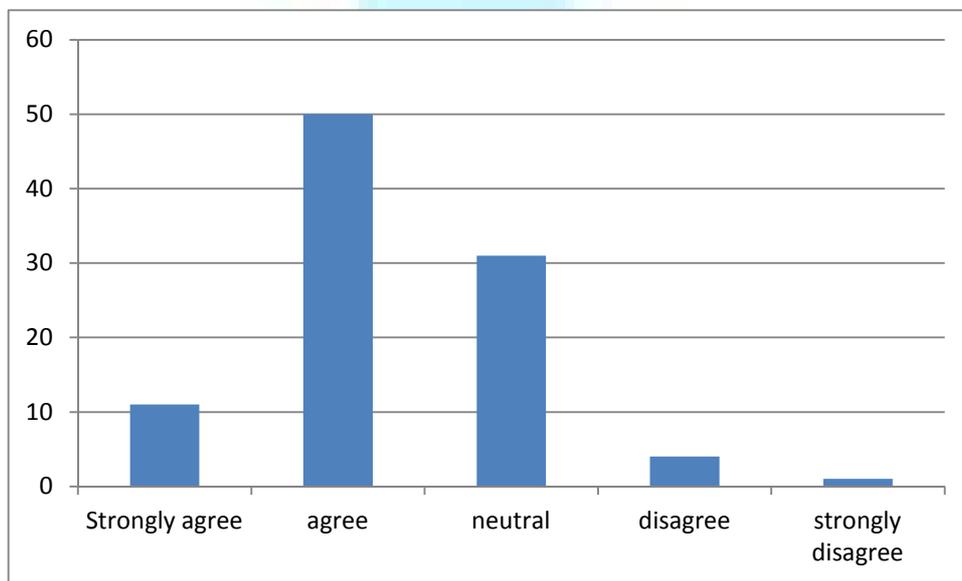
**DATA ANALYSIS AND PRESENTATION**

1. Does branding affect the choice of fast food?



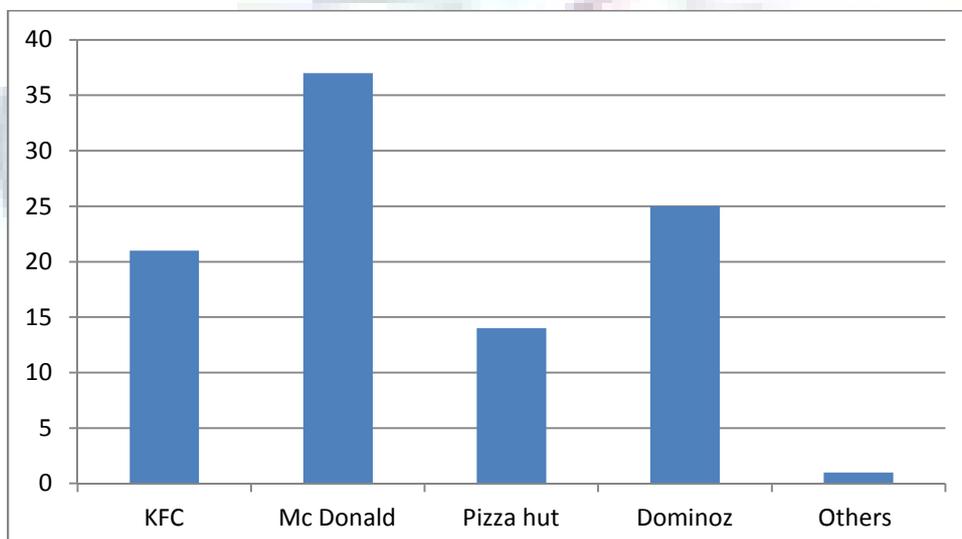
About 58% of the respondents agree that branding affect their decision to consume fast food of a particular type, while about 14% strongly agree on this. So, about 72% of the respondents choose fast foods on the basis of name of the producer.

2. Does fast food prices affect the choice of fast food?



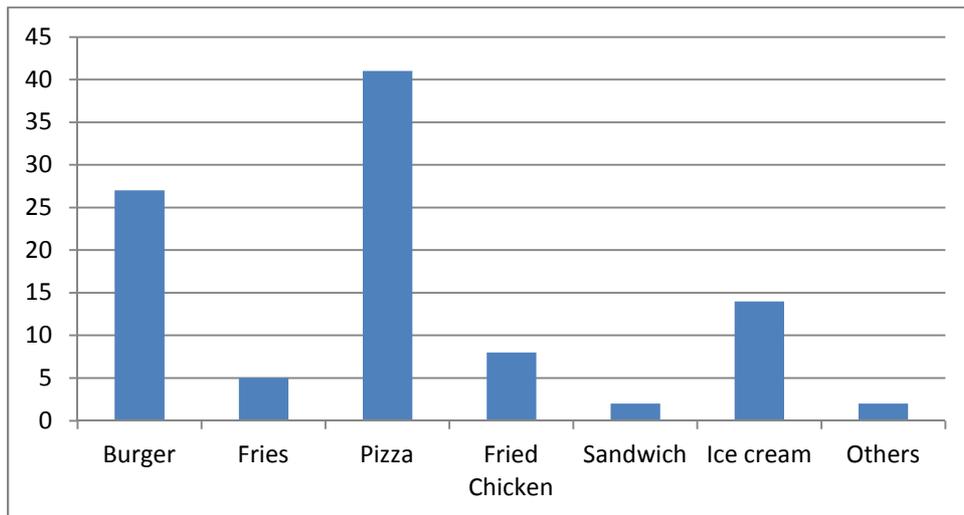
About half of the respondents agree and 11% respondents strongly agree that price of a fast food item does affect their choice. So, about 61% respondents feel that prices are a key factor in choosing fast foods.

3. Which of the fast food restaurant you would like to visit?



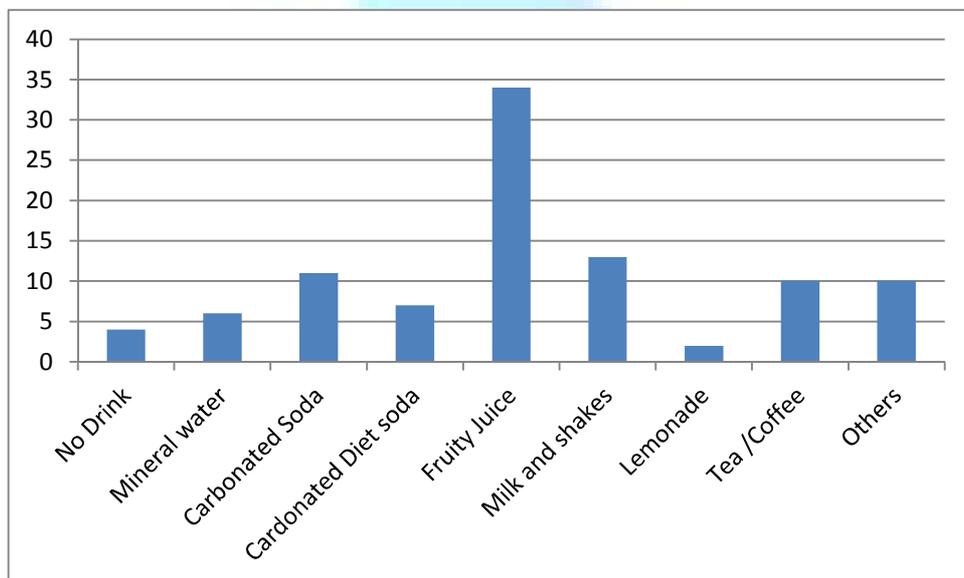
McDonald's is the most popular among the sample, Dominoz the next and then KFC and Pizza Hut.

4. What do you usually eat/order from fast food restaurant?



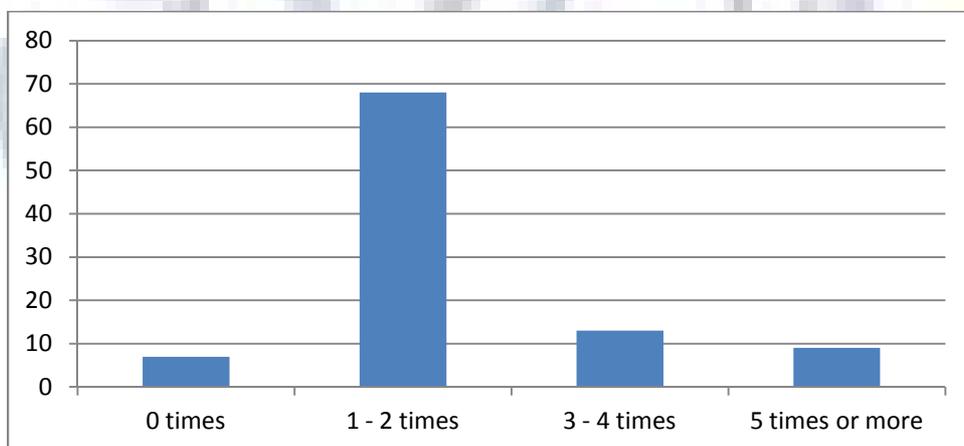
About 41% of the respondents eat pizza among the sample, about 28% prefer burger, about 14% ice-cream and then come fries, others and sandwiches.

5. What beverages do you usually order with fast food?



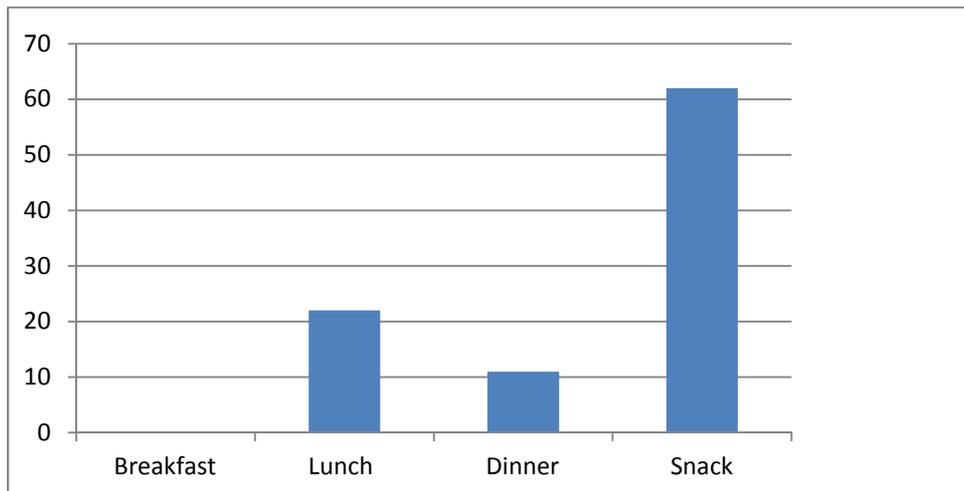
In this one can see respondents usually prefer fruity juice, then milk shakes, then carbonated soda, then tea/coffee, then carbonated diet soda, then mineral water, some respondents do not have beverages with their fast food.

6. Number of times in a week you consume fast food?



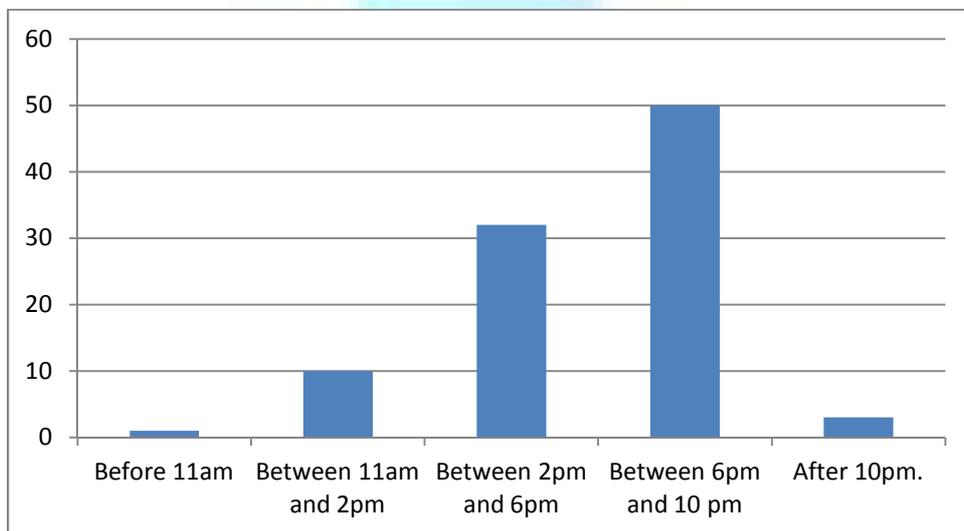
In this one can that respondents usually consume fast food 1 – 2 times a week, then, 3- 4 times, then 5 times or more, no respondents was there who consumed fast food not even once in a week.

7. When do you typically eat at fast food restaurant?



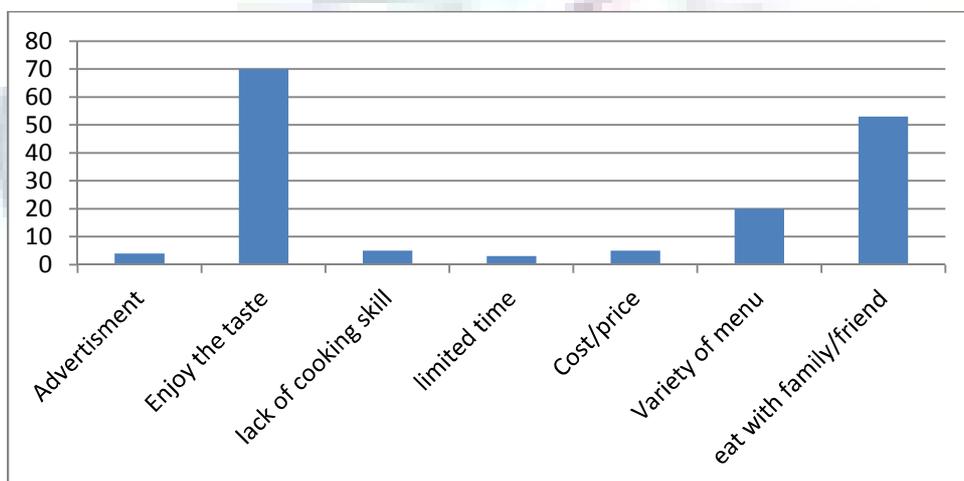
In this one can see that respondents prefer to have fast food during snack time, then for lunch, then dinner, no respondent preferred to have fast food for breakfast.

8. What time of the day you eat fast food?



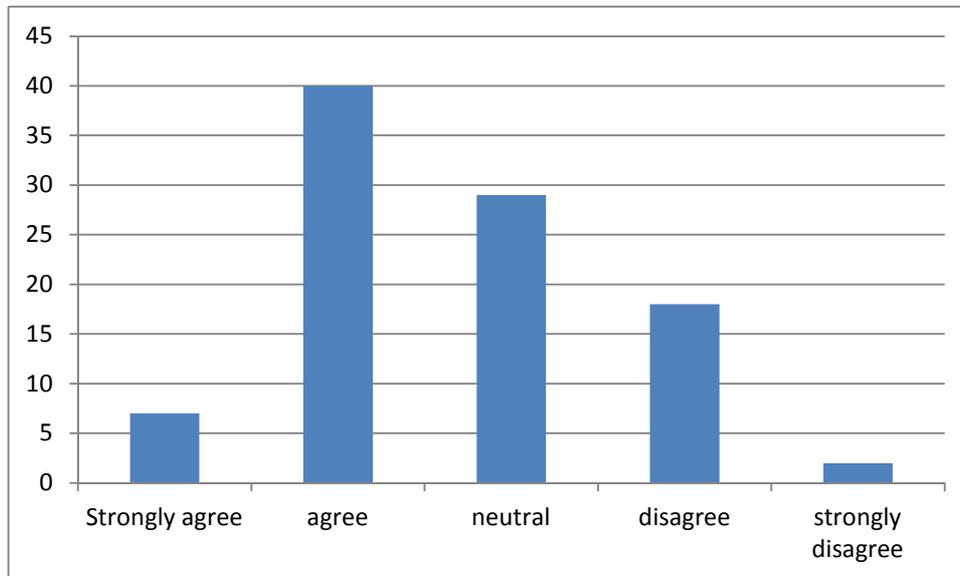
In this one can see that respondents usually prefer to have fast food between 6 pm to 10 pm, then between 2pm to 6pm, then between 11am to 2pm, very least prefer fast food after 10pm and before 11am.

9. Reason for choosing to eat at fast food restaurant?



In this one can see that respondents are having fast food for taste, then to eat with family and friends, then due to variety in menu, then cost, limited time, advertisement are almost at same level.

10. Taking fast food depends on emotions. Emotions such as happy, sad, angry, stress etc.



In this one can see that respondent agree that consumption of fast food depends on emotions, some were neutral, some disagree, some strongly agree, some strongly disagree.

## CONCLUSIONS

1. Respondents were asked about nutritional information and ingredients content in each of fast food they consume. The calculated value of Chi-square for this question came to be 193 and table value at 5% level of significance is 5.99. Thus, hypothesis is rejected. Hypothesis was that the respondents are aware about the nutritional information and ingredients content in fast food. Thus it is concluded that respondents are not aware about the same.
2. Respondents were asked about the ingredients of the fast foods that will affect their body if they consume them. The calculated value of Chi – square for this question came to be 165 and table value at 5% level of significance is 7.48. Thus, hypothesis is rejected. Hypothesis was that the respondents are aware about bad effects of these ingredients content in fast food. Thus it is concluded that respondents are not aware about the same.
3. Respondents were asked that whether they bother about the disease that will result due to consumption of fast food. The calculated value of Chi – square for this question came to be 193 and table value at 5% level of significance is 5.99. Thus, hypothesis is rejected. Hypothesis was that the respondents do bother about the disease that will result due to consumption of fast food. Thus it is concluded that respondents do not bother about the same.
4. Respondents were asked about the bad effects (diseases which may result) due to frequent consumption of fast food. The calculated value of Chi – square for this question came to be 219 and table value at 5% level of significance is 15.5. Thus, hypothesis is rejected. Hypothesis was that the respondents are aware about the diseases which may result due to frequent consumption of fast food. Thus it is concluded that the respondents are not fully aware about the same.
5. Respondents were asked whether they are aware about obesity that will result due to consumption of fast food. The calculated value of Chi – square for this question came to be 36 and table value at 5% level of significance is 3.84. The calculated value of Chi-square is way higher than its table value. Thus, hypothesis is rejected.

Hypothesis was that the respondents are aware that frequently consuming fast foods may cause obesity. Thus it is concluded that respondents are not aware about the same.

The study concludes that youngsters are having a particular pattern for consumption of fast food and they are not properly aware about effects of consumption of fast food on their health and body. This can be said that university hostellers should be given some counselling about bad effects which consumption of fast foods may have on their health and body. It may be proposed that a subject containing the same may be introduced in all the courses.

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## WTO NEGOTIATIONS ON AGRICULTURE AND THE IMPLICATIONS FOR DEVELOPING COUNTRIES INCLUDING INDIA

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### ABSTRACT

*The World Trade Organization has occasionally been criticized for being ruled by its wealthiest and strongest members and not taking into account the views and concerns of weaker economies. In many of these economies, agriculture is a major source of income. Therefore, it is perhaps vital for these countries that the WTO is efficient enough to deal with issues relating to international agricultural trade. Thus the present study aims at analyzing to what degree the WTO appears to have the capacity to deal with agricultural issues, which have arisen, in developing countries, partly due to the organization's trade agreements and regulations.*

### KEYWORDS

WTO, AOA, GATT, UNCTAD, IBRD, IMF, Final Act, Tariff and Non-tariff, Barriers, Duties.

### INTRODUCTION

A number of global economic Institutions, have been formed to carry out multilateral free trade in a world of multi-lingual and multi-religious community in order to boost the world trade and help the developing countries to improve their economy. The main Institutions that form part of global economic Institutions are General Agreement on Tariff and Trade (GATT) or, World Trade Organisation (WTO), United Nations Conference on Trade and Development (UNCTAD), International Monetary Fund (IMF) and the International Bank for Re-construction and Development (IBRD)-World Bank. Hence, WTO provides a forum to the member countries where international trade problems can be discussed and training opportunities are enlarged.

The Final Act at a meeting in Marrakesh, Morocco on 15th April, 1994 which confirmed that the Uruguay Round would strengthen "the world economy" and led to more trade, investment, employment and income growth throughout the world. The WTO agreement contained some 29 individual legal texts covering everything from agriculture to textiles and clothing and free services to Government procurements, rules of region and notwithstanding proper right. India is one of the founder members of the WTO among the 104 members. The GATT was not an organization but it was only a legal agreement. On the other hand WTO is designed to play the role of watch dog in the spheres of Trade in goods trade in services, foreign investment, and intellectual property rights etc., In order to implement the final Act of Uruguay round agreement of GATT the World Trade organization was established on January 1, 1995.

The birth of WTO has paved the way for the reduction of duties, tariffs, non-tariff barriers like quotas and controls. This phenomenon added new dynamism to the international businesses environment. WTO has enlarged the market access opportunities and provided efficient rules for undistorted competition among the world countries. These aspects would help the developing countries which have liberalized and globalised their economies to increase their exports. WTO contributes to strengthening the institutional frame work for business relations among member countries. The expanding world trade is expected to provide for the increase in productivity, economies of scale, technology transfer, diversified trade in terms of countries and products.

### OBJECTIVES OF THE STUDY

The broad objectives of this research study are as follows:

- ✚ To study the various agreements of WTO on Agriculture.
- ✚ To examine the potential impact of WTO on Agriculture and to provide a brief description of the status of WTO negotiations in agriculture and the Indian stand on some of these issues.
- ✚ To study the impact of AOA on Indian economy.
- ✚ To draw summary and conclusions.

### NEED FOR THE STUDY

The study becomes important as it illustrates the role of the WTO amidst the globalization in the prevailing agricultural crisis with specific reference to the Agreement on Agriculture (AoA) clause of the WTO Charter that determines the nature of agricultural trade. Many countries in the world especially, developing countries depends more on agriculture for their livelihood, when it comes to the India, agriculture is the backbone of our economy, more than 50% of our population depends on agriculture, 35% of our national income is derived from agriculture, many times we have given top priority to agricultural development in our 5 year plans. In spite of all these efforts Indian agriculture is said to be backward, hence, WTO's Agreement on Agriculture assumes importance, hence, this study. The study acquires special significance as it deals with greater responsibilities of the WTO with reference to 'fair trade' and 'free trade'. The study has more implications while it deals with the process of outcome arising out of Doha declaration with contribution to global democratization.

### RESEARCH METHODOLOGY

The data needed for the study were collected mainly from the secondary sources. The secondary data sources included published literature available in the form of journals, periodicals, magazines, newspapers, books, Acts and various Reports.

The data were also collected from the Business Associates like Confederation of Indian Industry (CII), Federation of Indian Chamber of Commerce & Industry (FICCI), Association of Chamber of Commerce & Industry (ASSOCHEM) and World Chamber of Commerce & Industry and other Governmental organizations.

### REVIEW OF LITERATURE

There have been a large number of studies on the probable impact of provisions under WTO and IMF-World Bank sponsored economic reforms. While many of the earlier studies had concentrated on analyzing different provisions and their possible impact on Indian agriculture, a host of studies have come up to discuss inappropriateness of the measures taken up by the IMF, the World Bank and the WTO under the name of globalization, from the perspective of development of the developing countries. Many of the studies have attempted to quantify the impact of multilateral trade reforms of agricultural sectors of the developing

countries. Filings and outcomes of dispute settlement cases at both the GATT and WTO have been of interest to a number of researchers. In particular, three primary questions have emerged in the previous literature. Obviously, the determinants of the actual policy outcomes of disputes and, in particular, the level of concessions made by the defendant, are of primary interest to many researchers. However, this research is more closely tied to two questions regarding the filing and escalation of disputes: what determines whether a country brings a complaint to the GATT/WTO dispute settlement system and why are countries able to settle some disputes while others escalate to a dispute settlement panel ruling.

A.V. Ganesan, has led to excessive production (as well as of import restrictions to keep out foreign agricultural products from their domestic markets) and its dumping in international markets. The obligations and disciplines incorporated in the agreement on agriculture relate to:

- (a) domestic subsidies;
- (b) export subsidies including volume of subsidized exports;
- (c) minimum market access commitments; and
- (d) Food stockholding/food aid operations.

Kainth Gursharan Singh<sup>1</sup> demanded a fresh look into the policy framework for agriculture within the WTO negotiations. According to Mitra Kanti Soumya<sup>2</sup> the present world trade in agriculture commodities is in the region of \$300 billion, and the likelihood is strong that this will further increase owing to the new trade environment ushered in by greatly vary. Narinder Pani<sup>3</sup> concluded that major gain of Uruguay round has been the opening of markets for agricultural products as well as a reduction in export subsidies for farm products in developed countries. This opens up the possibilities' of exports of several products from low wage agriculture.

Mr. Pranab Mukherjee<sup>4</sup> stated that the reduction in export subsidies on agriculture by developed countries will make Indian agricultural exports more competitive in world markets. It may be mentioned that despite their strong reservations regarding permitting the imports of rice, even countries like Japan and South Korea agreed to allow market access for rice to other exporting countries.

Manmohan Singh<sup>5</sup> felt that as per the GATT agreement, the developed countries will do away with the quota system for textile imports over the next ten years and will also reduce the farm subsidies. The GATT accord will give a major boost to the Indian textile industry and agriculture. He clarified that though India had also agreement to reduce import tariffs in general, it had retained 100 percent import duty on agricultural products, 150 per cent on processed food and 130 percent on oils.

Gupta R.K.<sup>6</sup> observed that with the globalization of markets general lowering of customs tariffs and the gradual removal of non-tariff barriers, the observance of fair trading practices has assumed far greater importance. Domestic industries need to protect themselves from dumped imports and exports need to safeguard their interests against undue protective measures resorted to by importing countries. Anti-dumping and countervailing law and procedures constitute the most important non-tariff barriers in these circumstances. Export Import (EXIM) Bank of India<sup>7</sup> studied the likely significant beneficial impact of the WTO agreement on exports and foreign investment. It adds that benefits would not accrue immediately. The study further points out there it is in the area of non-tariff barriers that the Uruguay Round Agreement has made it more difficult for industrialized countries to initiate anti-dumping procedures, countervailing duty, investigations or safeguard measures. The Government acquired powers to levy anti-dumping duty for five years with retrospective effect under the ordinance amending the Customs Tariff Act, 1975. The ordinance provides for extension of the duty by another five years if found necessary. The new provisions have made anti-dumping laws more precise and specific and bring them in line with the Act of the Uruguay Round of Multilateral trade negotiations. The amendments also empower the government to impose countervailing duties to prevent subsidized, exports from abroad coming into India.

Dani Rodrik<sup>8</sup> concludes that the so-called "development round" successfully, and farmers in poor countries will be lifted out of poverty and ensure that globalization remains alive. Biswajit Dhar<sup>9</sup> emphasizes the discordance between the major participating countries on agriculture and NAMA gets concluded the Doha round. Deepak Basu<sup>10</sup> stated that the proposal of the recently revived WTO's Doha round of negotiations suggested that developing countries will have to cut their agricultural targets by 36 per cent. Even the most important products of poor farmers would face around 19 per cent cuts. The proposal did not imply real cuts in huge farm subsidies in the US and EU. Both pretend to effect 70 per cent and 80 per cent cuts in subsidies. Actually, however, there were no real reductions.

Jordana Hunter<sup>11</sup> examines the way in which the multilateral trading system has accommodated development under the GATT. Looks at the way in which north/south issues are played out in reference to the Agreement on Agriculture. And also argues that the WTO has not lived up to its promises to developing countries. Lori Wallach and Patrick Woodall<sup>12</sup> argued that how TRIPs rules (and patents on seeds and plant varieties) endangers food security also criticizes, the Agreement on Agriculture, for treating food as a commodity, rather than a right and argues that rich world subsidies and food dumping causes hunger in developing countries and developing countries and the AoA is a threat to foods security and sovereignty in the developing world.

Thus, it is clear from the above review of literature that a number of studies have been conducted and different authors have held different viewpoints and thus, leaving a large scope for further studies. Notwithstanding this, studies encompassing various aspects of WTO are a very few. Hence, an attempt is made now to further study the functioning of WTO.

## WTO AND ITS IMPACT ON INDIAN AGRICULTURE

Agriculture occupies a prominent position in Indian policy-making not only because of its contribution to GDP but also because of the large proportion of the population that is dependent on the sector for its livelihood.<sup>13</sup>

The growth in population and wealth has stimulated demand to the extent that domestic production has not always been able to keep up and there is increasing speculation that the Indian economy may be overheating leading to inflation. The downside of the increased import demand and the current commodity boom is that India's food bill would rise sharply.<sup>14</sup>

However, it is clear that India's agricultural sector has made huge strides in developing its potential. The green revolution massively increased the production of vital food grains and introduced technological innovations into agriculture. This progress is manifested in India's net trade position where once India had depended on imports to feed its people, since 1990 it is a net exporter of agri-food products. Its agriculture is large and diverse and its sheer means that even slight changes in its trade have significant effects on world agriculture markets.

India is one of the fastest growing economies of the world and is currently the focus of a great deal of international attention. It is the seventh largest country in the world in terms of its geographical size.<sup>15</sup> India is the third largest economy in Asia after Japan and China, as measured in terms of its Gross Domestic product (GDP) and it's continuing to grow rapidly.<sup>16</sup>

The Indian economy has seen high growth rates of more than 8 per cent since 2003. In 2009 and 2010 GDP grew at a rate of over 7 per cent even in a worse recession scenario and is expected to grow at a rate of 8.3 per cent in the year 2011. Table 5.3 and figure 5.1 depicts the year on year growth rate of GDP. This is also expected to continue with growth at more than 8 per cent by 2015.<sup>17</sup>

TABLE 5.3: INDIA GDP – REAL GROWTH RATE

| Year | GDP - growth rate |
|------|-------------------|
| 2000 | 5.50 %            |
| 2001 | 6.00%             |
| 2002 | 4.30%             |
| 2003 | 4.30%             |
| 2004 | 8.30%             |
| 2005 | 6.20%             |
| 2006 | 8.40%             |
| 2007 | 9.20%             |
| 2008 | 9.00%             |
| 2009 | 7.40%             |
| 2010 | 7.40%             |
| 2011 | 8.30%             |

Source: International Monetary Fund- 2010 World Economic Outlook

FIGURE 5.1: INDIA GDP – REAL GROWTH RATE



Source: International Monetary Fund- 2010 World Economic Outlook

The high growth rates have significantly reduced poverty in India. However, its GDP per head is still very low (estimated at US\$ 820 in 2006), so it remains classified by the World Bank as a low-income country. The World Development Report 2008 states that over one third of the population in India was living below poverty line in 2004-2005, managing with a meager income of less than \$ 1 a day.<sup>18</sup>

Despite of the India's economic development, over 70 per cent of the population still lives in rural areas.<sup>19</sup> Agriculture is the key employment source with around 60 per cent of the labour force, down from 70 per cent in the early nineties. India's agricultural area is vast with total arable and permanent crop land of 170 million hectares in 2003-2005. It has the second largest arable area in the world after the United States.

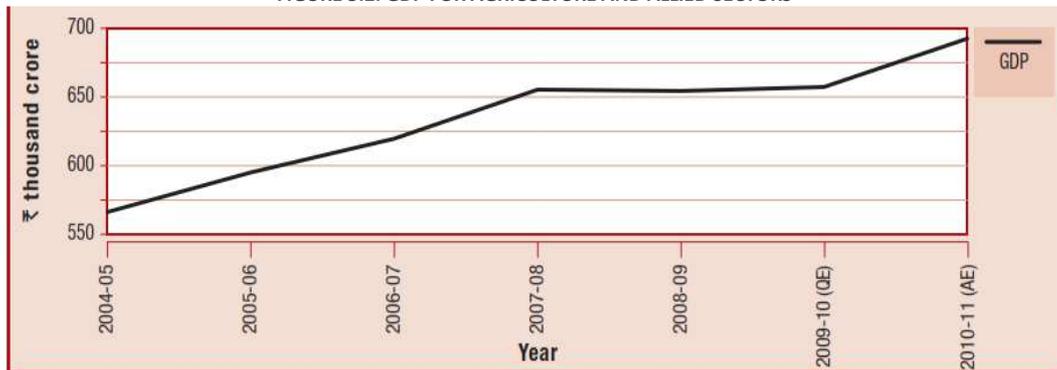
### PERFORMANCE OF INDIA'S AGRICULTURE

India is the second largest producer of food in the world with more than 200 million tonnes of food grains, 150 million tonnes of fruits and vegetables, 91 million tonnes of milk, 1.6 million tonnes of poultry meat, 417 million livestock, and 6.05 million tonnes of fish and fish products.<sup>20</sup> The Indian agriculture has made great strides over the years. The food grain production has increased more than fourfold - from 51 million tonnes in 1950-51 to 212 million tonnes during 2003-04 growing at an annual average rate of more than 2.4 per cent per annum. The recent trends in performance of Indian agricultural production, however presents a dismal picture. During the 1990s, there has been a deceleration in production of all the principal crops. The growth in production of 'all principal crops' decelerated from 3.19 per cent per annum during the decade of eighties to 2.29 per cent per annum during the decade of nineties.

The growth of agriculture and allied sectors is still a critical factor in the overall performance of the Indian economy. As per the 2010-11 advance estimates released by the Central Statistics Office (CSO) on 07.02.2011, the agriculture and allied sector accounted for 14.2 per cent of the gross domestic product (GDP), at constant 2004-05 prices. During the period 2004-05 to 2007-08, the GDP for agriculture and allied sectors had increased from Rs.5, 65,426 crore to Rs.6, 55,080 crore, at constant 2004-05 prices; thereafter it stagnated at this level for two years (2008-09 to 2009-10) (figure 5.2). In 2009-10, it accounted for 14.6 per cent of the GDP compared to 15.7 per cent in 2008-09 and 19.0 per cent in 2004-05.<sup>21</sup> Its share in GDP has, thus, declined rapidly in the recent past. This is explained by the fact that whereas overall GDP has grown by an average of 8.62 per cent during 2004-05 to 2010-11, agricultural sector GDP has increased by only 3.46 per cent during the same period. The role of the agriculture sector, however, remains critical as it accounts for about 58 per cent of employment in the country (as per 2001 census).<sup>22</sup> Moreover, this sector is a supplier of food, fodder, and raw materials for a vast segment of industry. Hence, the growth of Indian agriculture can be considered a necessary condition for 'inclusive growth'. More recently, the rural sector (including agriculture) is being seen as a potential source of domestic demand, a recognition that is even shaping the marketing strategies of entrepreneurs wishing to widen the demand for goods and services. In terms of composition, out of a total share of 14.6 per cent of the GDP in 2009-10 for agriculture and allied sectors, agriculture alone accounted for 12.3 per cent followed by forestry and logging at 1.5 per cent and fisheries at 0.8 per cent (table 5.4).

The budget comes in the backdrop of an emerging global food crisis, caused partly by extreme weather events in some major food producing countries including China, and partly, by escalating petroleum price arising from the battle for democracy in the Middle East. It also comes in the wake of continuing food inflation. Fortunately, 2010-11 has been a reasonably good year in India with food grain production reaching a level of 233 million tonnes, although it falls short of the 235 million tonnes achieved during 2008-09. According to the Economic Survey (2010-11), the agriculture sector needs to grow at 8.5 per cent during 2011-12, if we are to achieve the 11<sup>th</sup> Five Year Plan target of 4% in this sector. During last year, the agriculture and allied sectors accounted for 14.2 per cent of GDP, although nearly 60 per cent of the populations still depend on this sector for employment. Public investment in farm infrastructure including grain storage facilities and post-harvest technology is still very low.<sup>23</sup>

FIGURE 5.2: GDP FOR AGRICULTURE AND ALLIED SECTORS



Source: Economic Survey of India 2010-11

TABLE 5.4: AGRICULTURE SECTOR: KEY INDICATORS

| Sl No | Item  | 2008-09 | 2009-10 | 2010-11 (Proj.) |
|-------|---|---------|---------|-----------------|
| 1     | GDP—Share and Growth (at 2004-05 prices)  | -0.10%  | 0.40%   | 5.40%           |
|       | Growth in GDP in agriculture & allied sectors                                     |         |         |                 |
|       | Share in GDP—Agriculture and allied sectors                                       | 15.70%  | 14.60%  | 14.20%          |
| 2     | Agriculture   | 13.30%  | 12.30%  |                 |
|       | Forestry and logging  | 1.60%   | 1.50%   |                 |
|       | Fishing   | 0.80%   | 0.80%   |                 |
|       | Share in Total Gross Capital Formation in the Country (at 2004-05 prices)         |         |         |                 |
| 3     | Share of Agriculture & Allied Sectors in total Gross Capital Formation            | 8.30%   | 7.70%   |                 |
|       | Agriculture   | 7.70%   | 7.10%   |                 |
|       | Forestry and logging  | 0.07%   | 0.06%   |                 |
|       | Fisheries   | 0.56%   | 0.54%   |                 |
|       | Agricultural Imports & Exports (at current prices)                                |         |         |                 |
| 4     | Agricultural imports to national imports  | 2.71%   | 4.38%   |                 |
|       | Agricultural exports to national exports  | 10.22%  | 10.59%  |                 |
| 4     | Employment in the agriculture sector as share of total workers as per census 2001 | 58.20%  |         |                 |

Source: Central Statistics Office and Department of Agriculture and Cooperation, 2010-11.

The other aspect of the apprehensions relates to the policies of Government of India in regard to import of agricultural commodities and processed agricultural items. This fear can be easily offset by acting upon swiftly on import duties to a measure that discourages imports.

There are three commitments mandated in the AoA i.e., market access (ratification), domestic support and export competition.

**MARKET ACCESS**

Under Market Access Commitment, all member countries are required to remove quantitative restrictions (QRs) and import licensing and also reduce tariff duties with a view to improvising opportunities for exports. In the area of agriculture, discussions are still taking place on the basis of the revised draft agriculture modalities text of 6 December 2008. As per this draft, developed countries would have to reduce their bound tariffs in equal annual installments over five years with an overall minimum average cut of 54 per cent. Developing countries would have to reduce their bound tariffs with a maximum overall average cut of 36 per cent, over a larger implementation period of ten years. Both developed and developing country members would have the flexibility to designate an appropriate number of tariff lines as sensitive products, on which they would undertake lower tariff cuts. Developing countries would have a special products (SP) entitlement of 12 per cent of agricultural tariff lines. An average tariff cut of 11 per cent is proposed on SPs, including 5 per cent of total tariff lines at zero cuts. There are also reductions/disciplines proposed for various categories of domestic and export subsidies.

In the case of Non-Agricultural Market Access (NAMA) negotiations, the tariff reductions are proposed through a non-linear Swiss formula with a three-tiered coefficient of 20, 22 and 25 for formula reductions linked to specific flexibilities for protecting sensitive NAMA tariff lines of developing countries and a coefficient of 8 for tariff reduction of developed countries. With regard to the Sectoral proposal of some countries, by which the tariffs in certain identified sectors are proposed to be brought to zero or near zero levels, India's negotiating position has been that participation in sectoral initiatives must be non-mandatory and on a good faith basis without pre-judging the outcome. Another important aspect of NAMA negotiations pertain to Non-Tariff Barriers (NTBs). With regard to this, India is one of the initial proponents of the Horizontal Mechanism (HM) proposal. It aims to bring in a ministerial decision on "Procedures for the facilitation of NTBs". This proposal has received the support of more than 100 WTO Member countries. Though the Doha mandate refer to NTBs in the context of 'products of export interest to developing countries', there have been some moves to utilize this increasing market access of remanufactured goods by some countries, led by United States of America. India's negotiating position on this is that since there is no agreed definition on remanufactured goods, a work programme is required in the first place for defining and distinguishing remanufactured goods in contrast to other second hand goods which might have grave implications on the environment and livelihood aspects of the developing countries. The work programme has now got support from around 17 countries.<sup>24</sup>

India being one of the founder members of GATT as well as WTO, stand committed to adhere to the philosophy of removing quantitative restrictions (QRs), but it always took the recourse to the exceptions provided by GATT for maintaining such QRs owing to balance of payment situation in the country from mid of 90s; India has removed quantitative restrictions in a phased manner since April, 1996. To deal with the possible adverse consequences of elimination of QRs, India has considerable flexibility for imposing higher level of tariffs within the bound level on import of agricultural produce. This is evident from the import duties recently raised upward on several agricultural commodities to protect domestic producers. India can also resort to other GATT/WTO safeguard measures, like anti-dumping and counter-vailing duties, if subsidised imports were dumped in the country.

The provisions of Agreement on domestic support to farmers seek to discipline trade-distorting support to farmers. This preposition is popularly known as "Aggregate Measure of Support" (AMS). The agreement limits AMS within a maximum limit of 10 per cent of the total value to agricultural produce for developing countries. In case AMS exceeds 10 per cent, it has to be cut by 20 per cent over a period of 6 years by developed nations and by 13.3 per cent by developing countries.<sup>25</sup>

As India was maintaining Quantitative Restrictions due to balance of payments reasons (which is a GATT consistent measure), it did not have to undertake any commitments in regard to market access. The only commitment India has undertaken is to bind its primary agricultural products at 100%; processed foods at 150% and edible oils at 300%. Of course, for some agricultural products like skimmed milk powder, maize, rice, spelt wheat, millets etc, which had been bound at

zero or at low bound rates. Negotiations under Article XXVIII of GATT were successfully completed in December 1999, and the bound rates have been raised substantially.

India does not provide any product specific support other than market price support. Since our total AMS is negative and that too by a huge magnitude, the question of our undertaking reduction commitment did not arise. As such, we have not undertaken any commitment in our schedule filed under GATT. India's aggregate AMS is below the de minimis level of 10 per cent.

### NO OBLIGATION

India is under no obligation to reduce its support levels as AMS extended to agricultural sector in India is well below the maximum level of 10 per cent of the total value of agricultural products. Our product specific and non-specific product, specific AMS works out to (22.5 per cent) of the total value of agriculture output.

In fact if we examine the support level of other countries then the fear is not totally unfounded. Farming remains one of the most distorted and protected sectors of the world economy. Massive subsidizations by developed countries have continued to depress the world commodity prices. Almost all developed countries provide positive support to their cultivators, ranging from as high as 72 per cent in case of Japan to 37 per cent in case of USA.<sup>26</sup>

### EXPORT SUBSIDY

Export subsidies are quite common among European countries. Domestic prices are higher than international prices in order to maintain the price level of agriculture in domestic economy and to encourage disposal of surplus in outside market, these countries are providing large export subsidies. The export subsidies of USA, Canada, and EU countries are particularly high in regard to dairy and dairy products. In USA actual level, export subsidy on butter and butter oil was Rs.2.33 per kg, but committed level of subsidy is Rs.186.81 per kg. This clearly shows that developed countries are perceiving protectionist policies while extending subsidies and support to agricultural sector in one form or another, shifting from one box to another contrary to the agreement reached at Uruguay Round by WTO.<sup>27</sup>

In India, exporters of agricultural commodities do not get any direct subsidy. The only subsidies available to them are in the form of (a) exemption of export profit from income tax under section 80-HHC of the Income Tax Act and this is also not one of the listed subsidies as the entire income from agriculture is exempt from Income Tax per se. (b) subsidies on cost of freight on export shipments of certain products like fruits, vegetables and floricultural products. We have, in fact, indicated in our schedule of commitments that India reserves the right to take recourse to subsidies (such as, cash compensatory support) during the implementation period.

The net effect of subsidizing agriculture in developed countries at the expense of products of the relatively poor in developing countries like India is to aggravate global income inequalities. On the other hand against equity justice and fair play India being asked to liberalize their agriculture. What the farmers in India demand is protection from distortions in the trade of agricultural commodities, created through the high level of subsidies in the developed countries. The plight of these farmers is directly linked to the level and kind of subsidies in the developed world. Hence, it would be difficult for India to agree to negotiations, which could potentially place at high risk the very livelihood of 650 million people in India, who are solely dependent on agriculture. It is only when the developed countries agree to take five step forward in the removal of trade distorting subsidies that the developing countries can take one step forward in the area of market access. The legitimate concerns of millions of farmers in India for whom agriculture means survival, and not commercial operation, cannot be sacrificed to sub-serve, agri-business profits of a few millions elsewhere sustained through \$1 billion subsidies each day in the OECD countries.<sup>28</sup>

It has been stipulated under AoA to cut the value of direct export subsidies by 36 per cent and the volume of subsidized exports by 21 per cent over a period of 6 years in case of developing countries. While in case of developing countries, direct export subsidy, will have to reduce by 24 per cent and the quantity of subsidized, will have to reduce by 14 percent over a period of 10 years. As regards to commitment on export subsidy under the agreement, India has no obligation, as we are not providing export subsidies on agricultural commodities. The only subsidies available to exporters of agricultural items are in the form of:-

- a. exemption of income tax on profits from export sales, and
  - b. Subsidies on costs of freight on export shipment of certain products like fruit, vegetables and floriculture products. Since these payments by developing countries are exempted from the reduction commitment, during the implementation period, they will not have any adverse impact on agricultural exports from India. All the same, in order to encourage exports of agricultural products, these subsidies can be continued for the time being.
- (i) These facts amply demonstrate that our farmers have opportunities to take advantages of trade liberalization envisaged by WTO. The reduced support levels and rationalization of trade barriers will increase production and export of various commodities in India which has comparative advantage in the production of agricultural commodities.
  - (ii) Likewise the removal of import barriers will enable lowering consumer price and will generate strong demand.

Now let us revert to the basic question of reaping potential gain

- (i) Under the circumstance to obtain opportunities for meaningful expansion of our agriculture exports, it is proposed that an appropriate formula with a cap on tariff finding should be evolved to effect substantial reduction in all tariff levels including peak tariff escalation in developing countries.

Here it would be quite pertinent to address the transitional problems in an effective manner in order to minimize the adverse effects of changes. Integration of domestic economy with the global market sometimes has its share of problems. Viewed in this context problem of integration of global agricultural market is that it will face price fluctuations of the world market? Initially it was expected that the WTO would bring price stability in the world market. But something different happened. Price volatility must be arrested in any case.

Effective implementation of the AoA, prima facie, seems to be the most significant factor for ensuring a transparent trade in agriculture. However, various loopholes in the AoA provide enough space for developed countries to heavily subsidize their agricultural products. Although the AoA achieved a great deal by defining rules for international trade, its achievement in terms of immediate market opening has been limited. The anticipated gains from agricultural trade liberalization, therefore, have eluded the developing countries till now.<sup>29</sup>

The discussions, agendas, proposals and arguments made by the developed countries in meetings of various committees and conferences held in the recent past reveal that developed countries, particularly, EU and US plead for better market access to their agricultural products in the developing countries like India through negotiating on tariff reduction and raising in tariff quota, but they usually avoid to negotiate on reduction of domestic support and elimination of export subsidies. Agricultural prices have substantially depressed due to heavy subsidies. As a result, the competitiveness of developing countries like India in the export of these products has adversely affected.<sup>30</sup>

### FINDINGS

#### AGRICULTURE - EMERGED AS A MULTILATERAL TRADE NEGOTIATION

The Uruguay Round marked a significant turning point in world trade in agriculture. For the first time, agriculture featured in a major way in the GATT round of multilateral trade negotiations. Although the original GATT – the predecessor of the World Trade Organisation (WTO) – applied to trade in agriculture, various exceptions to the disciplines on the use of non-tariff measures and subsidy meant that it did not do so effectively. The Uruguay Round agreement sought to bring order and fair competition to this highly distorted sector of world trade by establishment of a fair and market oriented agricultural trading sector. Agriculture is featured as a multilateral trade negotiation.

#### UN-SCIENTIFIC USE OF FERTILIZERS

The use of fertilizers, pesticides and other chemicals at various stages of crops is highly unscientific in India and leads to increase of chemical levels beyond internationally permissible levels. Disease and pest control should be on modern lines to produce quality products. Chains of laboratories which are internationally accredited and well equipped to deal with the requirements of local exportable produce are required to be established, creation of awareness

amongst the farmers, exporters, middle men and government departments to cater to this challenge. Overall research and development environment in agriculture sector needs to be enhanced.

#### **MARKET ACCESS BUT NOT WITHOUT TARIFFS**

No doubt the WTO kind of arrangement addresses itself strongly towards eradication of tariff and non-tariff barriers. In case of tariff reduction commitment, however, certain lags have been noticed in the study. Market access provisions under WTO are based on the principles of "tariffs only". Non-tariff restrictions like quotas have been replaced by tariffs but the bound levels of tariffs for agricultural products originating in developing countries are excessively high in developed countries. In Japan, for instance, tariff on rice is up to 1000% making it very difficult for agricultural products from developing countries to enter and compete in developed country markets. Moreover developed countries have been discouraging value addition at each step in the processing ladder by tariff escalation.

#### **GREEN SUBSIDIES ENCOURAGED**

WTO rules permeate green subsidies, all subsidies that have normal or at most minimal, trade distorting effects or effects on production and do not have the effect of providing price support to producers are treated as green subsidies and are exempt from reduction commitments.

#### **LISTED SUBSIDIES HAVE LITTLE IMPACT ON INDIAN AGRICULTURE**

None of the subsidies listed in the GATT as export subsidies, apply to Indian agriculture as these are not provided at the moment. The only export subsidy provided at the movement by India is the exemption of export profit under sections 80-111C of the Indian Income Tax Act which is not on the listed subsidies. India is, therefore, free to provide subsidies for internal and of export marketing costs. The reduction in protection levels, which are high in developed countries, should help in India's exports though major benefits are to be appropriated by the developed countries.

#### **POSITIVE GAINS ON AGRICULTURE FRONT ARE FORECAST**

The phased reduction on agricultural subsidies in developing nations, did not decrease the market in the post Uruguay Round phase for most of the commodities. One can apprehend that world price volatility will increase the domestic price instability of agricultural products in India and consequently it may become an attractive market for agriculture imports. The fear is not totally unfounded. After 1996, domestic prices have turned higher than international prices causing shock waves among farmers as has been seen in case of wheat, broken rice chicken and some other commodities.

#### **EXPECTED GAINS ARE YET TO REACH FARMERS**

It is expected that the combined effect of the reforms in the domestic policies and international trade reforms would result in a much larger integration of the Indian economy with the rest of the world, and such a scenario would bring about substantial benefits to the Indian farmers. The reforms undertaken so far have, however, failed to bring about the expected gains to Indian farmers. The process of reforms is still continuing and it is hoped that once the negotiations on reforms conclude and the envisaged reforms are implemented in letter and spirit, the gains to Indian agriculture would be positive and substantial.

#### **EFFORTS TO REDUCE DISTORTIONS IN AGRICULTURE**

The primary objective of the Agreement on Agriculture (AoA) is to reform the principles of, and disciplines on, agricultural policy as well as to reduce the distortions in agricultural trade caused by agricultural protectionism and domestic support.

#### **POSITIVE IMPACT OF AoA**

One of the aims of AoA is to reform trade in agriculture sector, and to make policies more market oriented. Under the agreement, members commit themselves to reducing import tariffs, export-promoting subsidies, and total aggregate support to agricultural producers. The agreement also takes into account the particular needs and conditions that developing countries face and allow them a more gradual course of liberalization. The agreement allows governments to support their rural economies, but preferably through policies that cause minimum distortion to trade. Developing countries are given special and differential treatment regarding reduction in subsidies, and they are given a longer transition time to complete their obligations.

#### **UNREALIZED PART OF AOA OR SHORTFALL IN EXPECTATION**

Most studies reveal that the expectations on the gains arising out of the AoA have not materialized. It was expected that AoA would result in increased access for agricultural exports from developing countries to the markets of the developed countries. In reality, exports to the EU and Japan have declined in proportionate terms in the post Uruguay Round period. It was also expected that there would be a redistribution of grains production from the highly subsidizing West to the less subsidizing South. There is no evidence to show that this shift has taken place.

#### **A NEGATIVE IMPACT OF AOA ON FARMERS IN DEVELOPING COUNTRIES**

Developing countries have been pressed to open their economies to imports under structural adjustment programmes. Increase in imported foodstuffs displaces rural farmers from domestic markets, depriving them of incomes. Cheap food imports into many developing countries takes away the livelihoods of poor people of which farmers are in the majority. Reduction of tariffs allows cheap imports of low cost agricultural produce that compete (and often dislodge) with domestic products and destroy local livelihoods. Thus agricultural production may actually increase in the US and EU while developing countries becomes net-importers.

#### **AoA HELPED MORE THE RICH THAN THE POOR**

Agricultural subsidies remain in developed countries and as a result the dumping of surpluses on world markets continues unabated. Poor farmers in developing and least developed countries, who are barely supported by their governments, have to compete in world markets against rich farmers who often receive massive subsidies from their governments. As a result, rich farmers are getting richer while the poor get poorer.

#### **DOS AND DON'TS OF AoA**

Primarily covered under Article 8 of the Agreement, these commitments are intended towards curtailing the hitherto common practices of the nations to grant subsidies to farmers, which are contingent upon export performance. Therefore, if a farmer exports a part of this production, he would be rewarded in the form of increased benefits/tax incentives or other ways as the country may provide. These benefits, so far as they have the effect of promoting exports are justified. However, if they amount to reduction in costs of production of the commodities meant for export, would subvert the mechanism of comparative advantage, which is the entire basis/rationale for international trade. Thus the Agreement requires the Members from refraining to grant export subsidies and also obliges them from reducing the levels, which they have been maintaining. Similar to domestic support, the Agreement makes provision for identification of export subsidies.

#### **DISTORTIONARY EFFECTS OF AoA SUBSIDIES**

Domestic support policies with the most distortionary effects on trade are those, which provide farmers in major producing countries of the world with incentives to produce substantially more of a particular product than they would do without such policies. This tends to generate large agricultural surpluses. The sale of these surpluses on the world market can only occur at a loss unless subsidized because the domestic price of the commodity is higher than the world price of the same. Increased volumes of domestic production can substitute for imports in domestic markets, while subsidized exports can create unfair competition for external producers.

#### **THE POOR FARMERS IN DEVELOPING COUNTRIES ARE DISADVANTAGED A LOT**

Export subsidies increase the share of the exporter in the world market at the expense of those who are not subsidized. They also tend to depress world market prices through the dumping of surpluses and may make them more unstable. A vast majority of developing countries do not or cannot subsidize exports while many developed countries like the US and the EU do. Thus, poor farmers in developing countries, who are barely supported by their governments, are competing against rich farmers who often receive support from their governments.

Agriculture and farmers have a right to benefit from international trade and be freed from the heavy hand of government intervention. Three brief arguments in support of concluding the agriculture negotiations can be made at this juncture. First, reductions in export subsidies, domestic support and import tariffs can be seen as the first step to make agriculture more open and globally traded. This requires building of trust and assuring domestic groups that vital interests of food security are not being compromised. Second, our small and marginal farmers will not be deluged by subsidized imports because the great majority will be protected under the special safeguards mechanism (SSM) that will allow about 7 per cent of agriculture tariff lines to be exempt from the agreed tariff cuts. And in any case members are entitled to impose higher duties in case of import surges. There is then no question of our 'poor farmers' having to compete against the US treasury or the European bourses. Third, the plight of our small and medium farmers has much more to do with our own domestic policy-generated

constraints than the global trading regime. Our farmers suffer more from lack of adequate electricity and new seeds, and poor access to bank credit and markets than from subsidized import surges. Agriculture ministry has to implement the necessary reforms.

There were serious differences between developing and developed countries over the level to which they were willing to open their markets under NAMA.

A well-integrated agricultural sector should enhance food security, reduce real food prices especially beneficial to the poorer communities of the nation who spend a disproportionate share of their income on food, increase employment and income, create important economic linkages in production chains, and have a positive impact on the environment. Given the chronic incidence of rural poverty and the concomitant harmful environmental practices, a development framework for agriculture must now focus on, among other things, equity and sustainability.

Trade ministers should stick to the offers already on the table and build on them and called for an inclusive approach in the way negotiations are carried out and help accentuate the progress of the Doha Round talks.

## INTEGRATION OF INDIAN AGRICULTURE WITH THE GLOBAL ECONOMY

There is a strong possibility that India would emerge as a major beneficiary in the field of world of agriculture commodities. However Indian agriculture would not be able to escape fierce global competition. An appropriate policy instruments are required for gradual integration of the Indian agriculture with the global economy. Micro level research on competitiveness and other aspects of delivery system will have to be carried out by the firms involved in exports.

Amid the panorama of inequities caused by the force of certain agreements, the major developed countries are pushing for the launch of fresh negotiations that could result in new WTO rules which add to the already onerous obligations of the developing countries and further undermine their developments prospects. It is called that, developing countries to resist these pressures wholeheartedly and insist instead that the myriad asymmetries in the existing agreements be remedied. This in turn, demands that they shed their previous passive stance and forge coordinated and consolidated positions within the WTO, for only with proactive cooperation the countries of the South can advance their interests in the multi-lateral trade.

## SUGGESTIONS

### CREATE AWARENESS ON USE OF FERTILIZERS

Indian farmers are using fertilizers, pesticides and other chemicals to the crops in an unscientific manner. There is an immediate need to create awareness among farmers regarding use of pesticides at various stages of crops.

### SAFEGUARD THE INTEREST OF THE FORMERS

There is a need to safeguard the immediate and long term interests of farmers. As it is said that Indian farmers are born in debt, live in debt and die in debt, no country can insult its own economy and agriculture from external influences.

### NO INFILTRATION OF DISEASES

There is a projection that import of land and animal origin may lead to infiltration of diseases The measure should be taken in such way that India should not face these kind of problems in future.

### IMPLEMENTATION OF AoA

The most significant factor to ensure transparent trade in agriculture is effective implementation of the AOA. Developed countries heavily subsidized their agricultural products. It will have negative impact on developing countries hence effective implementation of AOA is essential.

### AGRICULTURAL ISSUES

India's position would continue to be guided by national interest, i.e., safeguarding agriculture – the backbone of her economy. India should not turn its back on country's legacy in the WTO and that the rights of farmers and farm produce must be strengthened. The rights of Indian farmers and farm produce must be safeguarded and the government must make all efforts to ensure this. Thus, main issue continues to be agriculture and protection of farmers, which has economic ramifications as well as larger domestic political implications.

### DEVELOPED COUNTRIES OVERRIDING ON AoA

Trade distortions are more conspicuous in agriculture sector. By providing export subsidies and export credits, developed countries have been able to effectively dump their excess production in international markets causing a fall in prices of agricultural products. Resultantly developing countries exports suffer from low profits due to fall in international prices and in worst scenarios their domestic markets have been lost due to inflow of artificially cheap imports from developed countries.

## CONCLUSION

Indian agriculture has gone through a serious crisis during the post-reform period. Besides domestic concerns, such as decline in productivity, high input cost, stagnated net-sown area, declining public sector investment, inadequate availability of institutional credit, depressing prices of farm products, and rising agricultural imports, Indian agriculture has also been facing external challenges under the WTO regime. In order to boldly face the challenges and avail the opportunity that may arise after successful implementation of Agreement on Agriculture (AoA), there is need to evolve a more conducive policy regime, facilitating removal of all sort of bottlenecks in procurement of inputs, credit, technology, processing, distribution, marketing and trade.

Post WTO trade liberalization helped India to achieve small increase in agricultural exports, whereas it resulted in sharp and continuous increase in imports. This has adversely affected self reliance in agriculture. The foremost reason for this adverse effect is unprecedented decline in international prices, which in turn, was caused by attempts by almost all the countries to push exports and continuation of high level of domestic support and export subsidies by OECD countries. As a net exporting country India stands to gain from increase in international prices.

The spirit and intent of the WTO AoA are noble in as far as they are meant to create a level playing field in international trade through the gradual reduction and eventual elimination of barriers to trade, domestic support measures and export subsidies. Some farmers will gain while others lose depending on their location relative to the issues at stake. However, some developing countries may not sufficiently take advantage of some formal exemptions and safeguards in WTO rules because of their complexity. As a result they may lose out where they are supposed to gain from the AoA. Supply side constraint in developing countries may also prevent farmers from realising the benefits of increased market access/lower tariffs supposed to come with the AoA. Developed countries, on the other hand, may manipulate some provisions of the AoA to their advantage at the expense of developing countries.

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**KAIZEN COSTING TECHNIQUE – A LITERATURE REVIEW**

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**ABSTRACT**

*Competition in global market and continuously changing demands of customers has proven the drivers of continuous improvement. Kaizen costing is a cost management technique and it is used by many manufacturing firms since 1960s. Concept of kaizen costing is simple but the implementation of kaizen costing needs an extensive cooperation from both inside and outside of the organization. This paper presents a review of related literature on this important concept; kaizen costing by examining 18 English articles published from 1991-2012. The paper aims to briefly discuss the contents of different research article that have been published to show what has been done and what is actually the kaizen costing as a technique of cost reduction.*

**KEYWORDS**

Kaizen costing technique, cost management techniques.

**INTRODUCTION**

Today the main objective of manufacturing companies is to increase productivity by using modern cost management techniques like kaizen costing. Mostly manufacturing companies are trying to respond the speedily changing customer needs and requirements. For manufacturing companies to remain competitive, to survive and to retain their market share in market, continuous improvement in the manufacturing process or cost reduction has become essential. Kaizen costing is a Japanese word and it was originated by Japanese car maker company Toyota and now it has become familiar in many western companies. Kaizen costing was originated as cost management practice in Japanese companies after World War II. Kaizen costing is known “Genkakaizen” in Japanese companies. Kaizen costing method is used in manufacturing stage of the existing products as cost reduction process. Kaizen costing focuses on continuous improvement in all processes, customers’ satisfaction and on involvement of all employees of company. Kaizen costing is derived by Japanese automobile companies. In 1960 Toyota established the cost management technique namely kaizen costing (Toyota Motor Corporation 1987). Guilding et al. (2000) stated that kaizen costing is a strategic management accounting practice which is forward-looking and closely aligned to a quest for competitive advantage. The strong point of kaizen costing comes from its close connection with the profit planning process of the company; hence company can examine its progress towards the long-term goals. Kaizen costing activities involve continual small incremental product cost improvements in the manufacturing phase of the product in contrast improvements in the design and development phase. Kennedy & Widener (2008) described the term kaizen costing as continuous improvement and time improvement by eliminating waste and reduction of costs. Kaizen costing is concerned with reducing the costs of existing products and processes (Hansen & Mowen 2003).

A rising and developing literature on kaizen costing was published after 1990. This paper presents a review of literature on kaizen costing and attempts to identify the relevant and useful knowledge about this subject. This paper includes reviews of the kaizen costing literature from 1991-2012. There are 18 articles and published works which are reviewed for the coverage of this study. The first part gives some general knowledge about the kaizen costing concept. The second part of the paper explains the contents of each research article and presents them according to their year of publication.

**REVIEW OF LITERATURE ON KAIZEN COSTING**

The philosophy of kaizen costing presented by some researchers and also researchers are taking considerable interest in this costing method because kaizen costing reduces costs of product, increases productivity and also helps to produce good quality products of the company. Several researchers have discussed the concept of kaizen costing method.

**Monden & Hamada (1991)** described the system of total cost management used by Japanese companies. Authors stated that this system includes target costing and kaizen costing as two main pillars and the first pillar target costing is used to reduce the cost of new products in the design and development stage while kaizen costing is used by the Japanese companies for the cost reduction of existing products in the manufacturing stage and through these two methods Japanese companies control the overall cost of product during the whole life cycle of product. In the paper authors explained the link between these methods and stated that management accounting is functioning well with these two methods in Japanese companies. They discussed the system of target costing, its various properties and said value engineering is very important in target costing though there is difference between value engineering and value analysis they stated that value engineering is used for new product development stage while value analysis is vital for existing products manufacturing stage. They stated that kaizen costing is not implemented like standard costing in Japanese companies. They showed the example of kaizen cost committee for cost reduction. They said the main part of cost is covered by variable cost like material, labour and other direct costs thus in kaizen costing target of kaizen cost is determined for variable cost only not for fixed cost in the Japanese companies. They stated that kaizen cost targets are achieved by kaizen activities and kaizen cost targets are decomposed among different departments on the basis of management by objectives. They pointed out the necessity of the involvement of all level employees for the implementation of target and kaizen costing and incentives for their motivation.

**Cheser & Tanner (1993)** indicated the use of kaizen costing within a given framework and with the involvement of groups. They stated that after the estimation of investment working groups which are working with that issue are informed about these estimates to make them understand about the earlier stage of the challenges and this also provides a clarification about the problem issues and cost rationalization to the working groups. They said usually the operators develop the ideas then designers apply the changes and the consumers give the purchase price. They stated that in kaizen costing every activity is managed by a work team and these teams share the outcome by establishing new ideas. They said that knowledge is developed by groups about the different ways to reduce costs.

**Monden & Lee (1993)** presented a case study of Daihatsu motor company of Osaka, Japan a mini car manufacturer on kaizen costing practice and this company was the partner of Toyota. They said that target costing is an effective system to manage the costs of new products in the design and development stage while kaizen costing is used to reduce the cost in the manufacturing stage of product and both target costing and kaizen costing helps Japanese companies to reduce the overall cost of a product and both techniques are used by Japanese companies to achieve the goal of total cost management. They pointed out six plans for

implementation of kaizen costing: (1) production, distribution and sales plan (2) projected parts and material costs (3) plant rationalization plan (4) personnel plan (5) facility investment plan and (6) fixed expense plan. They said that actual cost of the previous year is used as cost standards for next year in the company and variable cost is the main component of kaizen costing and for fixed cost target of cost reduction is generally not set by the company and these rates revised by the company in mid of the year mainly when there is a need of change in the quality of product or to adjust the expectations of customers. They stated that target cost reduction rate is determined for each cost element on the basis of last year performance of the element and target cost reduction rate is almost not changed. The overall cost reduction target are decomposed into different cost elements. They added that to evaluate the performance of each department actual cost reduction is compared to target cost reduction and find out the variance to know the favorable and unfavorable variance of the department. Authors explained that kaizen costing has aim to reduce the actual cost below cost standards while standard costing aim is to meet the standard cost only thus kaizen costing and standard costing are different methods and kaizen costing is superior method than standard costing.

**Cheser (1994)** demonstrated that kaizen costing creates a situation for those companies whose assignment is to cut those costs which are not adding any value in the product. The author said that investment in terms of resource and in costs of product can be estimated because the basis of estimation is determined in advance. The author said that it is basically a matter of entering the relevant values of product through the active members who are implementing kaizen costing in the organization. The author stated that kaizen costing is appropriate method for the survival of a firm. The author highlighted that long term competence development of firm is engaged in the activities and the value added activities develop the ability of firm to survive in the short period.

**Lee & Monden (1996)** reported the comparison of some manufacturing friendly management systems considered in the U.S.A and Japan. Authors focused on the comparison of activity based costing with new cost management systems target costing and kaizen costing. They expressed these two systems are popular on international level and they showed comparison of these systems on the basis of advantages in cost management, control and operational improvement. Authors presented a field study of a Japanese automaker and an analysis of cost management through past studies. They also pointed out most wanted characteristics of cost management systems that can solve the problems of many manufacturing firms under the speedily changing international market conditions.

**Williamson (1997)** explained the concepts of the manufacturing techniques, target costing and kaizen costing which developed in Japanese companies and stated that these two methods provide the base for total cost management. The author discussed that in a highly competitive market situation a firm can survive better with the implementation of these two techniques. The author said that target costing is a process to design products in such manner that products can be produced at low cost, the company can sell them at cheap price and still make a fair profit while kaizen costing focuses on the manufacturing phase of product to generate the value and profitability by the production of new and existing products. The author observed that the main aim of target costing and kaizen costing is to produce a product that can meet the customer's requirement by the functions and qualities of product and also can increase the profits of firm by profitable price and they said that cost reduction is vital to do this. The author opined that kaizen costing activities should be involved in the process of business improvement constantly with focus on the improvements in quality and product functionality. The author stated that targets and kaizen activities may differ on the basis of the type of cost and combination of target costing and kaizen costing provides a root of the total life cost management or the way to manage cost throughout the product life cycle. The author concluded that the increasing profit and value of products both are important but customer satisfaction is preferable for companies.

**Bayou & Reinstein (1998)** explained three routes of target cost management and all three routes have their own ways and goals. They included total cost management, cost cutting and cost shifting as three routes of target cost management. The author explained that the first route is total cost management which includes general target costing with kaizen costing methods for different stages of product and they used cost reduction or cost improvement only for this route. They stated that this route uses different strategies to achieve goals or to reduce costs. If firm can not apply strategies properly then they move to second or third routes which are cost cutting and cost shifting. They said cost cutting refers to decreasing avoidable inefficiencies and it is just moving downside on the same cost line means the resources used by the company are reduced to decrease costs like reduce raw material, less no of workers and other while cost shifting refers to movement from one alternative to other alternatives of costs or resources but it does not reduce quantity of resources instead it uses low or sub standard resources like low grade material, local suppliers and other. They concluded that first route is beneficial for companies than other two routes.

**Monden & Hamada (2000)** revealed the practices of target costing in Japanese car manufacturers and stated that only target costing in not final cost management the concept of final cost management also includes kaizen costing. They said that target costing is used in the developing and designing phases of product and kaizen costing is used in the manufacturing stage of both new products and existing products. They stated that kaizen costing always focuses on excellence by continuous small improvements in process and product with the involvement of all working levels in the company.

**Cooper & Slagmulder (2004)** presented a case study of Olympus Optical Company in Tokyo, Japan and discussed that cost can be reduced throughout the life cycle of product and the way a company manages costs across the product life cycle of consumer product. They explained five major cost-management techniques: (1) target costing, (2) product-specific kaizen costing, (3) general kaizen costing, (4) functional group management and (5) product costing in integrated manner that can be used across a product's life cycle. They demonstrated that costs can be forcefully managed not only in design phase of product but throughout the product life cycle. They found Olympus Optical Company was able to manage costs throughout a product's life cycle. They explained all five techniques have their own objectives, focus and application as: (1) Target costing technique is used in product design phase, cost reduction is its objective, it focuses on product design and it has systematic application, (2) Product-specific kaizen costing technique is used to redesign a new product during the early stages of manufacturing stage to correct any cost overruns after target costing, and when target cost is not achieved then this technique is used in manufacturing phase, cost reduction is its objective, it focuses on product design and it has ad-hoc or temporary or requirement base application, (3) General kaizen costing technique is used in manufacturing phase, cost reduction is its objective, it focuses on production process and it has systematic application, (4) Functional group management technique breaks the production process into autonomous groups and (5) Product costing technique helps to coordinate the efforts of above stated four techniques by providing them up to-date information and last two techniques are used almost in same situation of general kaizen costing. They concluded that target costing is used during design phase and other four are used during manufacturing phase and cost reduction is not important only in design stage but also important in manufacturing phase. They suggested that company should use multiple cost management techniques or integrated cost management techniques because it can provide benefits to the organization and also long life products have more possibility of cost reduction during manufacturing phase.

**Feil et al. (2004)** described that target costing is being used worldwide and previous studies had explained specific aspects of target costing they said there was some misconceptions about Japanese target costing therefore they presented the origin of target costing. They said before World War II it was used under the name of value engineering later it became target costing. They stated that target costing evolved slowly. They said this is useful for new product having complex and extensive process. The authors also showed that target costing is associated with kaizen costing and explained that both are different in application, have different attributes and used for different aspects still target costing and kaizen costing cannot be separated. They said both are basic elements of cost management and these are known as Japanese cost management system. They concluded that top management leadership, team-orientation, commitment to work, mutual trust and information network are the pillar of target costing implementation.

**Modarress et al. (2005)** presented a case study of kaizen costing implementation in Boeing Commercial Airplane Company's Interiors Responsibility Centre (IRC) division. They said that standard cost accounting and traditional cost management systems provide only cost related information and they cannot adequately evaluate the importance of non-financial measures such as quality and flexibility. They stated that kaizen costing activities focus on continual small product cost improvements in the manufacturing phase as opposed to improvements in the design and development phase. The authors mentioned that to face fierce competition US manufacturing companies adopted lean manufacturing philosophy. Many US manufacturing companies had used traditional standard costing systems to control costs during the manufacturing process but these systems were not sufficient in supporting lean manufacturing objectives. To remain in competition US manufacturing companies adopted kaizen costing as a new cost management tool and philosophy to support lean manufacturing. They described kaizen costing process and two key factors in successful implementation of kaizen costing which are: (1) after the establishment the cost-reduction targets, these cost reduction targets are displayed for information to everyone and then the work cell can be held accountable to these targets and (2) the kaizen process should be consistent and repeatable. They said that target setting for work cell is the most important step in the kaizen costing process and these

targets must be achievable and according to company's objectives. They recommended the use of value-added analysis on the shop floor level to facilitate work cells in reaching their kaizen targets. They said that the value added analysis is used to determine which activities in the manufacturing processes is value added and which one is not then work cells reduce non value added activities in the kaizen costing process. They compared the company's selected division condition before and after implementation of kaizen costing and found it was effective in cost reduction.

**Granja et al. (2005)** explained the concepts of target and kaizen costing in a construction company. They presented the framework to take these two matching concepts target and kaizen costing together approaches and stated that these two provides a basis for a total cost management system. The authors mentioned that there is the requirement of continuing series of kaizen activities to achieve product quality and reduce the cost. They pointed out that combination of target and kaizen costing is a commanding approach for the construction company to ensure value of product for the customer at a low cost with profitable price for company.

**Ellram (2006)** presented a case study of 11 organizations which were actively using the target costing method. The author stated that target costing process focuses on the voice of the customer, earlier supplier involvement, concurrent engineering and cross-functional teams. The author explained the target costing process for practices in the United States or for other Western firms with the popular theoretical model of target costing which can be fit in the current business environment and culture. The author highlighted the role of purchasing and supply chain management for successful application of target costing. The author said that to improve the cost and functionality outcomes of new product development process through target costing role of supply chain management is critical. The author mentioned that the new theoretical model of target costing is consistent with the existing theoretical framework explained in previous studies though there is very little difference among the old and modern theoretical framework of target costing process. The author stated that the last step of target costing process includes continuous improvement which is now referred as 'kaizen' in Japanese manufacturing practices. Therefore after target costing next kaizen costing picks up by the firm which focuses on improving the cost of product when product has introduced in the market and supply chain management also vital in this stage and this is the basic difference between old framework and modern target costing process. They concluded that supply chain management is vital throughout the new product development in target costing process and for continuous improvement efforts.

**Hines et al. (2006)** presented a case study of Australian canned pineapple industry to establish an alternative of traditional standard costing which was developed and implemented for non-engineered (agriculture and food) products. They used the approach holistic quality-based pricing for continuous improvement and change, which has similar features like target and kaizen costing but they studied the above said approach especially for agriculture and food products where this approach can be used well than target costing and kaizen costing however this approach has almost same criteria of use in food processor companies and for farmers. They said this approach also uses suppliers' development and highlighted six critical success factors for the implementation of this approach.

**Budugan & Georgescu (2009)** reported integration of budgeting and kaizen costing during budget period for continuously improving the number of work hours and way of cost management to reduce costs. They said that target costing is the first step and after these employees of the firm are tried to attain the cost targets by eliminating certain activities and by the reduction of the costs through kaizen costing. They expressed that kaizen costing focuses on the production process not on the product and it considers organizational aspects and it is calculated according to the standard cost. They found that if company does not achieve the continuous improvement kaizen costing objectives then the number of work hours will exceed and it will increase the budget level and if company achieve kaizen costing objectives then it will lead to the reduction of the general variable costs during budget but target costing and kaizen costing continuous cost reduction methods are stressful for the staff. They concluded that to achieve the continuous cost reduction objectives there must be entire organization involvement and adequate cost management which include: (1) control over all stages of product life cycle (2) profitability of the product during its life cycle (3) establish all main elements of the supply chain (4) engineers must collaborate with the suppliers to reduce costs (5) mobilization and motivation of workforce. They stated that kaizen costing with budgeting results in the form of minor improvements.

**Utari (2011)** outlined a case study of PT. Coca-Cola Bottling Indonesia-Central, Sumatera, on the application of kaizen costing to reduce the problem of increasing the rejected product in the production process which affect the cost of production and profit of the company and also provide suggestions to overcome the problems of increasing rejected products in the production process. Author also compared the traditional costing and kaizen costing. In the paper he concluded that rejected product is a main factor that causes of increase the production cost and reduce the company's profit and to reduce rejected products and maintain quality of product the company used kaizen costing and the implementation of kaizen costing method improved the production costs. The author discussed two sub cycles of kaizen costing method PDCA (Plan, Do, Check, Act) and SDCA (Standardize, Do, Check, Act) to solve these problems and said through the implementation of kaizen costing the number of rejected products can be decreased to zero and company can produce a quality product based on the customer desires.

**Sani & Allahverdzadeh (2012)** explained the concept of cost management, traditional tools of cost management and modern tools of cost management. They included mainly overhead cost allocation, budgeting, value engineering and standard costing as traditional cost management tools while in modern cost management they included mainly target costing or target pricing, kaizen costing, activity based costing, total quality management and integrated strategic management accounting. They described the functioning of traditional costing system and difference among old and modern costing tools. In the paper they also included the process of target costing and the benefits of target costing.

**Saleh et al. (2012)** discussed three methods of cost management and they identified three essential criteria and effective indicators for each system. The selected three cost management methods were: (1) activity based costing, (2) target costing and (3) kaizen (quality) costing. They developed a model. They considered that the use of each method was different according to production and activities of organization. They explained different indexes or factors required for the use of each method and found these cost management methods were different on the basis of factors. However they studied common factors which were required budget, human resources, required time for settlement, software system, hardware system and integration system. They found the activity based costing method was more adopted than target costing and kaizen costing by the firms for cost management.

## CONCLUSION

Kaizen costing is a cost management technique and it is used by many firms since 1960s. The successful implementation of kaizen costing needs a high level of cooperation from all departments or cross functional teams in the organization. However, awareness about the kaizen costing system among employees is required to use this system in the organisation. This paper discussed the relevant review of the literature on the kaizen costing technique from 1991-2012. The paper explained the main contents of each relevant article on kaizen costing. The literature also points out that Japanese companies used this method as an opportunity for cost reduction and it is mainly used by them for the management of costs of existing products. It is noted that many studies name kaizen costing as an important tool especially at manufacturing stage of product life cycle. From these studies it is commonly point out that kaizen costing implementation clears and improves the production processes for cost reduction during manufacturing stage of product life cycle. The kaizen costing method according to the most of previous studies have been used by manufacturing automobile companies. Value analysis tool is mainly used under kaizen costing for its successful implementation. Kaizen costing is also related with the famous Japanese costing technique namely target costing. The kaizen costing method is beneficial for cost reduction but it also increases the stress of employees. From the literature review, it can be concluded that there is limited literature available in English on kaizen costing, though after the review of literature it is noted that kaizen costing is an emerging costing technique for cost management of existing products and it is widely accepted as well as used by manufacturing companies.

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## FDI IN MULTI BRAND RETAIL: INDIA CALLING

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### ABSTRACT

*Retailing is one of robust pillars of Indian economy and one amongst the fastest growing retail markets of the world. The government has opened up multi brand retailing for foreign players. This will bring in the much needed investment to spur the growth of the country along with the technical know-how, global best practices back end infrastructural support ,quality standards and cost competitiveness necessary to sustain growth. However, there are concerns about competition to unorganised retailers and job displacement. The present paper analyses the pros and cons of this policy reform through review of select articles and examines the major challenges faced by the foreign players in operating in India along with recommendations to harness this reform so that it provides a win win situation for all the stakeholders*

### KEYWORDS

Boon, curse, FDI, Indian Retail Sector , Roadblocks, Road Ahead.

### INTRODUCTION

The Indian retail industry is one of the most promising sectors of the economy hailed as being the 5<sup>th</sup> largest in the world. The size of the retail industry in India is around USD 590bn expected to grow at a pace of 20 to 30% annually based on the reports of Indian Council for Research & International Economic Relations (ICRIER) . Given the tremendous growth potential of this sector along with an increase in disposable income of the middle class, it has become an attractive destination for FDI. All this led to intense lobbying to open up this sector for foreign players.Until 2011, the government denied foreign direct investment (FDI) in multi-brand retail. In November 2011, India's central government announced retail reforms for both multi-brand stores and single-brand stores. These market reforms paved the way entry of global competitors like Walmart, Carrefour & Tesco. The announcement sparked intense debate on the implications of these reforms on the unorganised retail which comprises 96% of the retail industry which led to the government putting these reforms on hold.

In Sep 2012, Government allowed 51% FDI in multi-brand retail in India amidst heavy opposition with certain stipulations to act as control on the foreign players.

### BACKGROUND TO THE PROBLEM AND NEED OF STUDY

India is a land of retail democracy, characterized by the dominance of highly fragmented unorganised sector. The unorganised retailers (street vendors, hawkers, local kirana stores) are spread across the country.The share of organised retailing is only 4% as compared to 66% in Japan, 55% in Malaysia, 30% in Indonesia and 20% in China.

As an answer to the stalled growth rate of the Indian economy, dismal growth rate of agriculture and industrial sectors, downgrading of India's rating by global rating agencies and to tackle the policy paralysis arising due to coalition compulsion in Sep 2012, the government allowed 51% FDI in multi brand retail sector to allure the global retailers who are very much interested in exploiting the untapped potential of Indian retail sector. This has infused a debate with one class hailing the decision as FDI will provide the necessary impetus to the economic growth and other class debating that thousands of unorganised retailers will be driven out of business.

In such a scenario, it becomes necessary to examine the structural changes resulting from such a move and analyse its impact on various stakeholders in the supply chain- farmer, wholesaler, retailer and ultimately the consumer.

### CONCEPTUAL FRAMEWORK

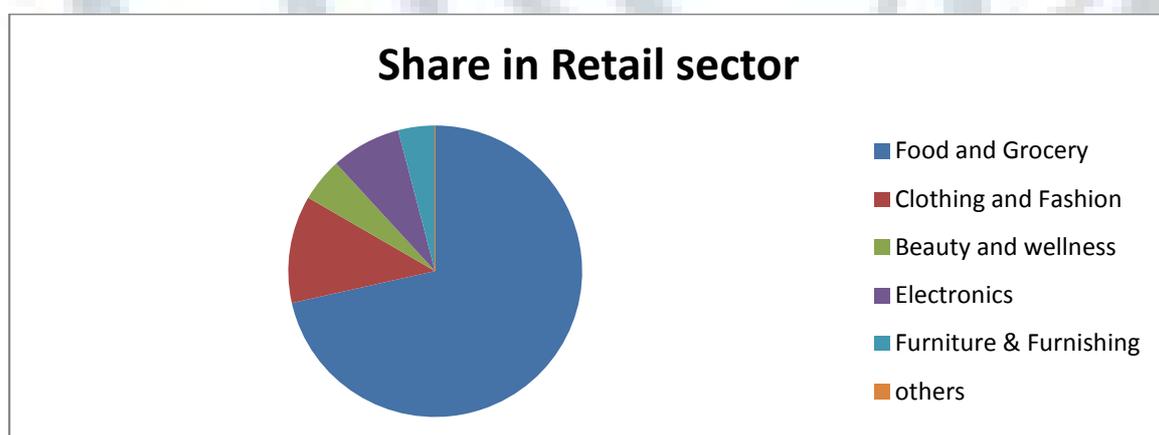
**RETAILING:** The word retail has been derived from the French word 'tailleur' which means to 'cut a piece of'. It means selling goods in small quantities to the ultimate consumer for consumption and not for resale. The retail sector in India is categorized into organized and unorganized sector.

**ORGANISED RETAILING:** Organized retailing refers to trading activities undertaken by retailers who have obtained registration and operate under the license granted by the state. For eg: retail chains, franchised shops, supermarkets etc

**UNORGANISED RETAILING:** Unorganized retailing refers to traditional form of retailing like local kirana stores, street vendors, haats, hawkers, handcart pullers, sole proprietor stores etc not registered.

### STRUCTURE OF INDIAN RETAIL SECTOR AND SEGMENTATION

The retail sector in India comprises of 2 parts: Organized retailing accounting for only 4% of total market share Unorganized Retailing accounting for 96% Indian retail market is broadly divided into 6 major segments:



Source: Retailmarketsearch.wordpress.com

**FOREIGN DIRECT INVESTMENT:** FDI refers to investment made by a resident of one country in a country other than its country of residence with the intention of acquiring a controlling interest in the assets of the host country. It can take the form of green field investment (setting up an entirely new production facility in the host country) or mergers and acquisition (amalgamation with an existing host company)

**MULTI BRAND RETAIL:** There is no definition of this term provided by the government. In common parlance it means offering products of multiple brands for sale under one roof in the form of departmental stores, hypermarkets, supermarkets. Global giants like Walmart, Carrefour and Tesco are examples of multi brand retailers.

**LIBERALISATION IN RETAIL:** WTO's General Agreement on Trade in Services mandates opening of wholesale and retail services. Consequentially, India had to open up its retail sector to foreign competition.

The regulations currently prevalent in India allow 100% FDI in wholesale cash and carry trading, 51% FDI in single brand retail in 2006 which was increased to 100% in 2012 & now 51% in multi brand retail.

### CURRENT SCENARIO OF FDI IN MULTI BRAND RETAIL

The Department of Industrial Policy & Promotion released a discussion paper in July 2010 wherein it was proposed to allow 51% FDI in multi brand retail subject to the following conditions:

- 1) Opening up of new stores is subject to the approval of the respective state government.
- 2) Minimum limit of FDI to be \$100 million
- 3) Atleast 50 % of the total investment to be in back end infrastructure
- 4) 30 % of supplies to be procured from small and medium enterprises (SMEs)
- 5) The retail stores were earlier allowed in cities with a population of more than 10 lakh as per the latest census. As such, 53 cities qualified under this condition. But this stipulation has now been done away with after lukewarm response from foreign players.
- 6) The government reserves the first right to procure agri products
- 7) Fresh agricultural produce, poultry, fishery and meat products may be unbranded.

In Sep, 2012, Union Cabinet passed and enacted the new policy allowing 51% FDI in multi brand retail with the following key changes:

- 5 year window was allowed to investors to achieve the 30% sourcing for the first time.
- Retail trading through e-commerce channel has been prohibited for companies with FDI
- In States/Union territories not having cities with population exceeding 1 million, retail stores are allowed in large cities of the states' choice

### INDIA: A PROMISING FDI DESTINATION

The 2012 A.T Kearney FDI Confidence Index which examines the country wise prospects for FDI flows ranks India as the 2<sup>nd</sup> best country. The 2011 A.T Kearney Global Retail Development Index puts India in the 4<sup>th</sup> position among 30 developing countries in terms of retail opportunities. The reason for such positive outlook towards India is rise in purchasing power, growth in the disposable incomes of the youth who have emerged as the primary buyer, preference for branded products, awareness of product choices.

The consumer expenditure in 2012 was \$1,176 bn which is an increase of 56% over the 2008 value. Annual disposable income, an important parameter of the size of any market had been growing at average annual rate of 10% over the past 3 yrs and this trend is expected to continue. 57% of Indians are in the youth segment which will surely encourage clothing, food and cosmetic products sectors. The Indian youth is becoming increasingly global with an intention to flaunt the latest brands and capacity to afford them also only makes the Indian market more attractive to the global giants who are making a beeline for entry in this sector.

### LITERATURE REVIEW : FDI IN RETAIL : BOON OR CURSE?

A review of select articles analyzing the pros and cons of FDI in multi brand retail is provided below :

#### **FDI IN MULTI-BRAND RETAIL: IS IT THE NEED OF THE HOUR?**

*Dr. Mamta Jain; Meenal Lodhane Sukhlecha 13*

In this paper it is recommended that the opening up of FDI regime should be in a phased manner over 5 to 10 years time frame so as to give the domestic retailers enough time to adjust to changes. It is also not desirable to increase FDI ceiling to more than 51% even for single premium brand stores to keep a check on global retailers and to protect domestic players. The limit of equity participation can be increased in due course of time as was done telecom, banking and insurance sector. They argue that the advantages of allowing unrestrained FDI in the retail sector evidently outweigh the disadvantages attached to it and the cite the role of FDI in increasing the GDP of countries like China and Thailand where it was initially opposed.

#### **Impact of Multi Brand Foreign Direct Investment in Retail Sector in India**

*Prof. (Dr.) G. S. Popli ; Prof. Sima Singh7*

This paper conducts research with the purpose of understanding the changes in the perception of consumers, investors, industrialists, government with respect to organised and unorganised retailers. The researchers have observed that there are tremendous changes in the demographic system of consumers in India. The key observations of the researchers are

- FDI is preferable and inevitable resulting in low prices, more choices, effective back end infrastructure and learning for the domestic players
- Global retailers will not become monopolies
- Better deal for the farmers who get a very low margin presently due to surreptitious middlemen who skim the cream
- New Source of income and investment for the govt

#### **Impact of FDI on Retail Sector**

*Prof. Shivanand.Chandrakant. Kore15*

This paper examines the changing habits of Indian consumers, impact on consumers, suppliers and present retailers. It raises the concern regarding the impact of FDI on employment opportunities citing the example of Wal-Mart, the world's largest retailer which has the capability of wiping out immediate competition and sustaining losses for few years, an estimated eight million people in the unorganized sector will be displaced. This paper calls for taking a deep hard look into this labour displacing phenomenon and calls for policymaking to ensure absorption of these people in alternate sectors rather than coming out with a policy based on vested interests of few categories.

#### **Corporate Hijack Of Retail - Retail Dictatorship vs Retail Democracy**

*A Report by Navdanya/ Research Foundation for Science, Technology and Ecology, New Delhi 4*

This report analyses the impact of Giant corporations like Wal-Mart on the Indian retail sector. The entry of the giant corporate retail in India's food market will have direct impact on India's 650 million farmers and 40 million people employed in tiny retail. More than 6600 mega Stores are planned with Rs. 40,000 crore by 2011. Wal-Mart is the biggest player in retail. If Wal-Mart and other retail chains get a foothold in India; it will mean displacement of small retailers and farmers

#### **Multi-Brand Retailing in India: curse or boon?**

*Priyanka Das 5*

This paper builds the case for FDI and states that it will create a stop shop opportunity to the newly sophisticated Indian middle class. Consumers will benefit in the form of lower prices and tough competition to woo customers Another community that will benefit is the Indian farmer. Lack of adequate storage facilities causes heavy losses to farmers, in terms. With liberalization, there could be a complete overhaul of the currently fragmented supply chain infrastructure and removal of intermediaries giving an impetus to the food and packaging industry. Improved technology and real estate development are also expected to result

from capital infows. In the end, this paper recommends opening up of this sector to enable the country to achieve its own objectives of technology sharing and employment.

#### Issues with FDI in Multi-Brand Retail for Indian Agrarian Community

*Organic Farming Association of India, Udyog Bhawan, Delhi*

This paper examines the issues associated with allowing FDI in multi brand retail for the agrarian community especially organic farming and does not support the proposed move believing it to be leading to more poverty, overall loss of nutrition and further environmental degradation, arguing that state should take up the cause of infrastructure development in this sector. Some of the issues are based on relevant international experiences are:

- Farmers do not get promised price even if foreign players enter the market or for that matter large retailers
- Organic food sector is actually squeezed to extremes by modern retailers even today
- Nutritional value of food will dip with processed food replacing fresh produce
- Food waste is not really reduced by large retailers as USA claims
- Interim market loss to small farmers

#### FDI in Multi-Brand Retailing: Economic Compulsions or Political Gains?

*Agricultural Market Intelligence Centre, Department of Agricultural Economics, Kerala Agricultural University, Thrissur8*

This paper conducts a SWOT Analysis of the proposed move and argues that the concerns regarding displacement of small time retailers are misplaced and akin to arguing that emergence of 5 star hotels would displace local *dhabhas*.

India is a large country, and there is enough space for each player to coexist. There will be mutual knowledge sharing and since foreign players don't have knowledge of local conditions, they would be dependent on domestic firms thereby resulting in partnership building and mutual learning. The same argument was raised when retail chains like Reliance, Bazaar were launched but there was no impact on local *kirana* stores which kept business as usual. That is why marketers believe that every market has a self corrective mechanism in the long run.

#### IMPACT OF FDI ON SME ( Small & Medium Enterprises)

*A Survey Report, CII3*

The Confederation of Indian Industry (CII) recently undertook a comprehensive survey on impact of Foreign Direct Investment (FDI) in retail on SME sector, in particular to assess the impact of the government's decision to allow 51% foreign direct investment (FDI) in multi-brand retail and 100% in single brand retail on the Indian SME sector on different aspects of growth based on some.

India is a large country, and there is enough space for each player to coexist. There will be mutual knowledge sharing and since foreign players don't have knowledge of local conditions, they would be dependent on domestic firms thereby resulting in partnership building and mutual learning. The same argument was raised when retail chains like Reliance, Bazaar were launched but there was no impact on local *kirana* stores which kept business as usual. That is why marketers believe that every market has a self corrective mechanism in the long run.

#### INDIAN RETAIL INDUSTRY: An Update

*Investment Information & Credit rating Agency of India Ltd. (ICRA) 9*

Opening up of FDI in multi-brand retail in India could potentially be a mixed blessing for domestic players.

While this long awaited move is not expected to have an immediate impact on the Indian retail sector, it is expected to reap benefits in the medium to long-term as it will help improve the

- a) balance sheet and liquidity profile of cash-starved retailers with aggressive expansion plans
- b) supply chain and back-end infrastructure while reducing margins for middlemen through direct sourcing from farmers and
- c) arrest inflationary pressures through increased supplies facilitated by improved productivity of farmers and reduction of agri-waste.

This paper argues that the riders introduced to protect the interests of small unorganized retailers could prove to be potential hurdles in the investment decision especially obtaining approval of the state governments. The move needs to be monitored in the wake of the current opposition by several political parties.

#### IMPACT ON VARIOUS STAKEHOLDERS

According to the report 'Indian Retail Industry : Opening doors' published by Deloitte (Jan, 2013) , the proposed move is likely to benefit the following stakeholders :

##### FARMERS

Farmers in India get a very small proportion of price paid by customers. Higher penetration of organized retail would reduce the role of the middleman and enable better realization of price to farmers. Farmers will get better rewards through long term contracts with retailers and better market access. Infrastructural and technical support of seasoned players will enhance the productivity of farming activity. With improved supply chain, retailers will pick up the produce right from the fields. This will save transport costs incurred to take the produce to the local mandis.

##### SME SEGMENT

The policy condition of 30 per cent sourcing from the small enterprises will enable the SME segment to work with the large retailers and have access to a much larger region in India and potential access to world markets.

##### TRADITIONAL RETAIL

In the last three years, both, modern retail and unorganized retail, have continued to grow., Traditional trade will continue to be a convenience store next door, whereas, organized retail is more likely to grow in the suburbs and outskirts of large cities. Both organized and unorganized retailers will coexist as both offer different value propositions to customers.

The Indian Council for Research on International Economic Relations (ICRIER) study (M. Joseph and N. Soundararajan, 2009) has shown that hardly 1.7 per cent of small shops have closed down due to competition from organized retail. They have competed successfully against organized retail through adoption of better business practices and technology.

A study conducted by Mukherjee and Patel (2005) found that foreign retailers are working with small manufacturers for in-house labels and are providing them technologies like packaging technologies and bar coding. Joint ventures with foreign retailers are helping domestic players to improve their competitiveness.

##### CONSUMERS

Food and Grocery, followed by Apparels, accounts for a significant proportion of the expenditure of Indian consumers. The consumer is more brand conscious in Consumer Electronics, Footwear and to some extent in Apparels. For Food and Grocery, the expenditure is predominantly on non-branded products.

With the entry of foreign retailers in multi-brand retail, the consumer will have a wider choice and a better shopping experience. There might be a gradual shift in consumption patterns such as non-food items gaining a larger share of the pocket and consumption of branded products in grocery items.

#### MACROECONOMIC IMPACT

FDI in multi-brand retail is likely to bolster capital investment by attracting foreign exchange inflow. Appropriate implementation of the policy is expected to address a number of supply side constraints plaguing the Indian agricultural sector and help reduce inflationary pressures. Indian agriculture has been traditionally plagued with low food-grains productivity and inefficient distribution. Increased scale of investments and better supply chain processes will help increase productivity and distribution efficiency. The agricultural sector can see higher use of technology in farming, packaging and storing leading to reduction in supply chain impediments, thereby, reducing supply side inflationary pressures.

Better retail access is also likely to provide consumers with wider product choice and rationalized prices.

**EXECUTION ROADBLOCKS**

Retailers have a long way to go before they establish their feet in Indian market. There are challenges that are unique to the Indian landscape that have to be considered for success in this industry :

- **Restrictive policy stipulations:** The mandate of sourcing a third of the supplies from the local players and investing necessarily half of the investment in back end infrastructure are two of the critical stumbling blocks according to representatives of foreign players. These reservations explain the fact that despite over a year of opening its doors, none of these giants has set shop on the Indian soil
- **Red tapism :** Bureaucracy and numerous approvals are a characteristic of Indian administration
- **Political Uncertainty :** Walmart and other giants face opposition from a lot of states presently, with Tamil Nadu becoming the first state in the country to stoutly resist MNC 'invasion' into the domestic retail sector. In Chennai, Tamil Nadu CMDA authorities placed a seal on the massive warehouse spreading across 7 acres that had reportedly been built for one of the world's leading multinational retail giants, Wal-mart. A change in political powerplay can put millions of investment at risk
- **Limited availability of land and High rental cost :** Superstores like Walmart need a lot of space to set up which in metro cities is costly and available only in outskirts.

**CONCLUSION**

FDI in multi brand retail is a topic of debate. There are concerns regarding job displacement, predatory pricing, political takeover, repatriation of earnings etc. To each claim there is a counter claim. However, the reform has been passed and it is quite evident that in the current scenario India is poised on the global retail landscape in a way which could not have been better. The opening of retail industry to global competition has the potential to transform not only the retailing landscape but also the nation's ailing infrastructure. A Wall Street Journal article claims that fresh investments in Indian organized retail will generate 10 million new jobs between 2012–2014, and about five to six million of them in logistics alone. KPMG - one of the world's largest audit companies - finds that in China, the employment in both retail and wholesale trade increased from 4% in 1992 to about 7% in 2001, post China opening its retail to foreign and domestic innovation and competition. In absolute terms, China experienced the creation of 26 million new jobs within 9 years, post FDI retail reforms. India needs capital to build its infrastructure, hospitals, housing and schools for its growing population. The Indian economy is small, with limited capital. The government is already operating on budget deficits. It is simply not possible for Indian investors or the government to fund this expansion, job creation and growth at the rate India needs. Global investment capital through FDI is necessary. Beyond capital, the Indian retail industry needs knowledge and global integration. Global integration can potentially open export markets for Indian farmers and producers. Walmart, for example, expects to source and export some \$1 billion worth of goods from India every year, since it came into Indian wholesale retail market.

**ROAD AHEAD**

MNCs in India need to do thorough homework for successful foray in the Indian market. The government also needs to assert its intention to make India an attractive investment destination by adjusting policy stipulations to accommodate the concerns of the foreign brands so that all the stakeholders can gain maximum out of the reforms. The entry of foreign retailers if managed properly has the potential to place India on a sustained growth trajectory. However, if left unchecked, the proliferation of supermarkets may prove to be harmful. Thus their entry and operation needs to be managed by the government and regulatory agencies in such a way that it proves to be a gamechanger for both the parties. A simple regulatory framework starting with internal code of conduct and then followed by legislation can help keep these players in check. The Competition Commission should be given more authority to curb and penalise collusion by the foreign brands. India may consider writing laws to prevent foreign retailers like Wal-Mart from having a high concentration of business in the country. Given the global experience, it is important to keep the foreign food supermarket expansion slow by using mechanisms such as zoning, business licences, and trading restrictions. India has opened its doors to the most lucrative sector of the market and through proper implementation it can change the retail landscape in the long run interest of the country as a whole. India needs to change with the changing times and embrace the winds of change

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## INDIA AND CHINA: POST CRISIS REBALANCING STRATEGY

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**ABSTRACT**

*The objective of this paper is to analyze the impact of the 2008 financial crisis on the Indian and Chinese economy and to study the effects of the various measures taken by the Government's to revive the economies. The global financial crisis and consequent economic recession in developed economies, has been a major factor in the global economic slowdown. The crisis had its impact on the developing countries as well, though in varying degree. No country, including India and China, remained immune to the global economic shock. This paper aims to address a number of pertinent issues in relation to the possible outcomes and adjustments being made by India and China in response to the global economic crisis. The research is based on the information available in public domain and primarily focuses on the financial crisis in terms of its types, causes and 2008 Global financial meltdown in particular. The study depicts how India and China have been hit by the crisis through various channels i.e. the financial channel (i.e. equity markets, money markets, foreign exchange markets and credit markets); the real channel (i.e. trade flows); and importantly the confidence channel (i.e. increased the risk aversion of the financial system and banks being more cautious about lending). Finally, it analyzes the various lessons learnt from the financial turmoil and the policy responses to overcome the weaknesses in the corporate governance practices so as to reduce the impact of such crisis, if at all they occur in future.*

**KEYWORDS**

financial crisis, Indian economy, Chinese economy.

**INTRODUCTION**

The world has witnessed a number of financial crises in the precedent few decades, such as the OPEC oil crises of the 1970s, the United States Savings and Loan crisis of the 1980s, the prolonged economic downturn in the Japanese economy in the 1990s, the Asian financial crisis in the latter part of the 1990s, and the evils following the crash of the dot com bubble in the last decade. Each of these events had been accompanied by shocks to the economies of one or more markets or regions and it took several years of rigorous economic and regulatory policy adjustments for the affected markets to return to stability. While it is normal for financial crises to occur frequently and the affected economies to recover subsequently, it nevertheless results in economic losses for the countries involved and for the people, businesses and institutions in those countries.<sup>11</sup>

**OBJECTIVES OF THE STUDY**

The study on "India and China: Post crisis rebalancing strategies" has been conducted with the main objectives as hereunder:

- 1) To study financial Crisis and their causes.
- 2) To describe the impact of global meltdown (2008) on India and China.
- 3) To identify the reforms undertaken by India and China to overcome the impact of crisis.
- 4) To recommend the appropriate policy response to overcome the weakness in the existing corporate governance practices so as to reduce the impact of such crisis, if at all they occur in future.

**RESEARCH METHODOLOGY**

The research is based on the information collected from various secondary sources.

1. Books, journals, working and white papers are used for reviewing the academic literature on the topic.
2. Newspapers, on line news channels, industry reports and websites are accessed for the collection of any other required information related to the topic.

**FINANCIAL CRISIS**

A financial crisis is a disturbance to financial markets that disrupts the market's capacity to allocate capital – financial intermediation and hence investment comes to a halt.<sup>12</sup> The term financial crisis is applied broadly to a variety of situations in which some financial institutions or assets suddenly lose a large part of their value. In the 19th and early 20th centuries, many financial crises were associated with banking panics, and many recessions coincided with these panics. Other situations that are often called financial crises include stock market crashes and the bursting of other financial bubbles, currency crises, and sovereign defaults.<sup>13</sup>

**TYPES OF FINANCIAL CRISIS**

- a) **BANKING CRISIS:** When a bank suffers an unanticipated rush of withdrawals by depositors, this is called a bank run. Since banks lend out most of the cash they receive in deposits, it is hard for them to quickly pay back all deposits if these are suddenly demanded, so a run may leave the bank in bankruptcy, causing many depositors to lose their savings unless they are covered by deposit insurance. A situation in which bank runs are widespread is called a systemic banking crisis. A situation without widespread bank runs, but in which banks are reluctant to lend, because they worry that they have insufficient funds available, is often called a credit crunch. In this way, the banks become an accelerator of a financial crisis.<sup>14</sup>

Examples of bank runs include the run on the Bank of the United States in 1931 and the run on Northern Rock in 2007. The collapse of Bear Stearns in 2008 has also sometimes been called a bank run, even though Bear Stearns was an investment bank rather than a commercial bank. The U.S. savings and loan crisis of the 1980s led to a credit crunch which is seen as a major factor in the U.S. recession of 1990-91.<sup>15</sup>

<sup>11</sup>Viswanathan(2010),"The Global Financial Crisis And Its Impact On India", available at [http://law.hofstra.edu/pdf/Academics/Journals/JIBL\\_vol9no1\\_Viswanathan\\_GFC\\_India.pdf](http://law.hofstra.edu/pdf/Academics/Journals/JIBL_vol9no1_Viswanathan_GFC_India.pdf)

<sup>12</sup>Eichengreen, B., and R. Portes, 1987, 'The Anatomy of Financial Crises', in Threats to International Financial Stability, ed. R. Portes and A. Swoboda, Cambridge University Press, Cambridge, pp. 10-58.

<sup>13</sup> Charles P. Kindleberger and Robert Aliber (2005), Manias, Panics, and Crashes: A History of Financial Crises, 5th ed. Wiley, ISBN 0471467146

<sup>14</sup> Fratianni, M. and Marchionne, F. 2009. The Role of Banks in the Subprime Financial Crisis available on SSRN: [http://papers.ssrn.com/sol3/papers.cfm?aabstract\\_id=138347](http://papers.ssrn.com/sol3/papers.cfm?aabstract_id=138347)

<sup>15</sup> Ibid

b) **SPECULATIVE BUBBLES AND CRASHES:** Economists say that a financial asset (stock) exhibits a bubble when its price exceeds the present value of the future income (such as interest or dividends) that would be received by owning it to maturity. If most market participants buy the asset primarily in hopes of selling it later at a higher price, instead of buying it for the income it will generate, this could be evidence that a bubble is present. If there is a bubble, there is also a risk of a crash in asset prices: market participants will go on buying only as long as they expect others to buy, and when many decide to sell the price will fall. However, it is difficult to tell in practice whether an asset's price actually equals its fundamental value, so it is hard to detect bubbles reliably. Some economists insist that bubbles never or almost never occur.<sup>16</sup>

Well-known examples of bubbles (or purported bubbles) and crashes in stock prices and other asset prices include the Dutch tulip mania, the Wall Street Crash of 1929, the Japanese property bubble of the 1980s, the crash of the dot-com bubble in 2000-2001, and the now-deflating United States housing bubble.<sup>17</sup>

c) **INTERNATIONAL FINANCIAL CRISES:** When a country that maintains a fixed exchange rate is suddenly forced to devalue its currency because of a speculative attack, this is called a currency crisis or balance of payments crisis. When a country fails to pay back its sovereign debt, this is called a sovereign default. While devaluation and default could both be voluntary decisions of the government, they are often perceived to be the involuntary results of a change in investor sentiment that leads to a sudden stop in capital inflows or a sudden increase in capital flight.<sup>18</sup>

Several currencies that formed part of the European Exchange Rate Mechanism suffered crises in 1992-93 and were forced to devalue or withdraw from the mechanism. Another round of currency crises took place in Asia in 1997-98. Many Latin American countries defaulted on their debt in the early 1980s. The 1998 Russian financial crisis resulted in a devaluation of the ruble and default on Russian government bonds.<sup>19</sup>

d) **WIDER ECONOMIC CRISES:** Negative GDP growth lasting two or more quarters is called a recession. An especially prolonged recession may be called a depression, while a long period of slow but not necessarily negative growth is sometimes called economic stagnation.<sup>20</sup>

Since these phenomena affect much more than the financial system, they are not usually considered financial crises per se. But some economists have argued that many recessions have been caused in large part by financial crises. One important example is the Great Depression, which was preceded in many countries by bank runs and stock market crashes. The subprime mortgage crisis and the bursting of other real estate bubbles around the world have led to recession in the U.S. and a number of other countries in late 2008 and 2009.<sup>21</sup>

### CAUSES OF FINANCIAL CRISIS [22] [23]

It is very hard to determine the main cause of the financial crisis. However economists and analysts indicate that a combined effect of many factors has led to the explosion in the credit markets in the U.S. and later to the rest of the world.

These factors are:

1. Strategic Complementarities in Financial Markets
2. Leverage
3. Asset-Liability Mismatch
4. Uncertainty and Herd Behavior
5. Regulatory Failures
6. Fraud
7. Contagion
8. Recessionary Effects
9. Unethical conduct on the part of Chairman/CEO
10. Heavy pay packages drawn /Compensation follies
11. Bad Risk Management and role of rating agencies and other watchdogs.

### 2008: YEAR OF GLOBAL FINANCIAL CRISIS<sup>24</sup>

The global financial crisis of 2008–2009 is a major financial crisis. It became prominently visible in September 2008 with the failure, merger or conservatorship of several large United States-based financial firms. The underlying causes leading to the crisis had been reported in business journals for many months before September, with commentary about the financial stability of leading U.S. and European investment banks, insurance firms and mortgage banks consequent to the subprime mortgage crisis. Beginning with failures of large financial institutions in the United States, it rapidly evolved into a global credit crisis, deflation and sharp reductions in shipping resulting in a number of European bank failures and declines in various stock indexes, and large reductions in the market value of equities (stock) and commodities worldwide. The credit crisis was exacerbated by Section 128 of the Emergency Economic Stabilization Act of 2008 which allowed the Federal Reserve System to pay interest on excess reserve requirement balances held on deposit from banks, removing the longstanding incentive for banks to extend credit instead of hoard cash on deposit with the Fed. The crisis led to a liquidity problem and the de-leveraging of financial institutions especially in the United States and Europe, which further accelerated the liquidity crisis, and a decrease in international shipping and commerce. World political leaders and national ministers of finance and central bank directors have coordinated their effort to reduce fears but the crisis is ongoing and continues to change, evolving at the close of October into a currency crisis with investors transferring vast capital resources into stronger currencies such as the yen, the dollar and the Swiss franc, leading many emergent economies to seek aid from the International Monetary Fund. The crisis was triggered by the subprime mortgage crisis and is an acute phase of the financial crisis of 2007–2008. (Global financial crisis of 2008–2009 begins).

### IMPACT OF GLOBAL FINANCIAL CRISIS

#### INDIA<sup>25</sup>

While the overall policy approach has been able to mitigate the potential impact of the turmoil on domestic financial markets and the economy, with the increasing integration of the Indian economy and its financial markets with rest of the world, there is recognition that the country does face some downside risks from these international developments.

The contagion of the crisis has spread to India through all the channels – the financial channel, the real channel, and importantly, as happens in all financial crises, the confidence channel.

<sup>16</sup> Peter Garber (2001), *Famous First Bubbles: The Fundamentals of Early Manias*. MIT Press, ISBN 0262571536.

<sup>17</sup> Ibid

<sup>18</sup> [http://en.wikipedia.org/wiki/Financial\\_crisis#cite\\_ref-4](http://en.wikipedia.org/wiki/Financial_crisis#cite_ref-4)

<sup>19</sup> Ibid

<sup>20</sup> Milton Friedman and Anna Schwartz (1971), *A Monetary History of the United States, 1867-1960*. Princeton University Press, ISBN 0691003548.

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<sup>24</sup> <http://www.economicstimes.indiatimes.com>

<sup>25</sup> <http://rbidocs.rbi.org.in/rdocs/Speeches/PDFs/87784.pdf>

India's financial markets – equity markets, money markets, forex markets and credit markets – had all come under pressure from a number of directions. First, as a consequence of the global liquidity squeeze, Indian banks and corporates found their overseas financing drying up, forcing corporates to shift their credit demand to the domestic banking sector. Also, in their frantic search for substitute financing, corporates withdrew their investments from domestic money market mutual funds putting redemption pressure on the mutual funds and down the line on non-banking financial companies (NBFCs) where the MFs had invested a significant portion of their funds. This substitution of overseas financing by domestic financing brought both money markets and credit markets under pressure. Second, the forex market came under pressure because of reversal of capital flows as part of the global deleveraging process. Simultaneously, corporates were converting the funds raised locally into foreign currency to meet their external obligations. Both these factors put downward pressure on the rupee. Third, the Reserve Bank's intervention in the forex market to manage the volatility in the rupee further added to liquidity tightening.

**THE REAL CHANNEL:** The transmission of the global cues to the domestic economy has been quite straight forward – through the slump in demand for exports. The United States, European Union and the Middle East, which account for three quarters of India's goods and services trade are in a synchronized down turn. Service export growth is also likely to slow in the near term as the recession deepens and financial services firms – traditionally large users of outsourcing services – are restructured. Remittances from migrant workers too are likely to slow as the Middle East adjusts to lower crude prices and advanced economies go into a recession.

**THE CONFIDENCE CHANNEL:** In sharp contrast to global financial markets, which went into a seizure on account of a crisis of confidence, Indian financial markets continued to function in an orderly manner. Nevertheless, the tightened global liquidity situation in the period immediately following the Lehman failure in mid-September 2008, coming as it did on top of a turn in the credit cycle, increased the risk aversion of the financial system and made banks cautious about lending. Overall, the Indian economic outlook is mixed. There is evidence of economic activity slowing down. Real GDP growth has moderated in the first half of 2008/09. Industrial activity, particularly in the manufacturing and infrastructure sectors, is decelerating. The services sector too, which has been our prime growth engine for the last five years, is slowing, mainly in construction, transport & communication, trade and hotels & restaurants subsectors. The financial crisis in the advanced economies and the slowdown in these economies have some adverse impact on the IT sector. According to the latest assessment by the NASSCOM, the software trade association, the developments with respect to the US financial markets are very eventful, and may have a direct impact on the IT industry. About 15 per cent to 18 per cent of the business coming to Indian outsourcers includes projects from banking, insurance, and the financial services sector which is now uncertain. For the first time in seven years, exports had declined in absolute terms in October. Data indicate that the demand for bank credit is slackening despite comfortable liquidity. Higher input costs and dampened demand have dented corporate margins while the uncertainty surrounding the crisis has affected business confidence.

## CHINA<sup>26</sup>

### TRANSMISSION CHANNELS OF ECONOMIC SHOCKS FROM THE GLOBAL CRISIS:

There are four major channels via which the global financial crisis impacted the Chinese economy:

**1) DIRECT LOSSES IN THE AMERICAN CAPITAL MARKET:** Before the subprime crisis, China's commercial banks had bought a moderate amount of mortgage-backed securities (MBS) and collateralized debt obligations (CDOs). The total direct loss suffered by China's four most important commercial banks on these securities amounted to \$20 billion. It seems that the underdevelopment of China's overseas indirect investment spared China from bigger losses. However, in August 2008, China was on the edge when Fannie Mae and Freddie Mac were on the brink of collapse. If these two US mortgage companies had collapsed, China would have lost some \$400 billion in its official foreign exchange reserves. The decision by the US government to place Fannie Mae and Freddie Mac into conservatorship not only saved the two companies but also spared China a very big disaster. Since then China's State Administration of Foreign Exchange (SAFE) has started to gradually change its holdings of government agency bonds into government securities, and from longer-term US government bonds to shorter-term Treasury bills.

As of June 2008, Chinese commercial banks' holdings of Fannie Mae and Freddie Mac bonds and mortgage-backed bonds guaranteed by Fannie Mae and Freddie Mac amounted to \$25.3 billion. The direct losses seem limited. As of August 2008, Bank of China, which was the most exposed to the subprime crisis among all Chinese commercial banks, had written off \$2 billion of subprime-loan-related assets. It was reported that, by the end of 2007, Bank of China's total holdings of subprime loans were \$4.9 billion. According to a study by Henseng Bank, as of the end of November 2007, Chinese commercial banks' total holdings of subprime-loan-related bonds came to \$18.2 billion. As of January 2008, the total holdings had been reduced to \$15.9 billion. In line with Bank of China's write-off rate (40 percent), roughly speaking, Chinese commercial banks should have written off some \$7.28 billion in losses. Taking into consideration the fact that since early 2008, more and more MBS and CDOs were turning bad, and Chinese commercial banks' losses can be significantly larger. But on the whole and relatively speaking, China's direct losses on MBS and CDOs should be limited. This is mainly because China, as a latecomer, failed to jump on the bandwagon in time to purchase more MBS and CDOs. On top of the abovementioned losses, seven Chinese commercial banks brought \$0.76 billion in Lehman Brothers bonds. Of course, all these investments have had to be written off.

China's total foreign exchange reserves amounted to \$2.1 trillion as of the end of the first quarter of 2009. Of these, some \$1 trillion was in the form of US government securities, and the bulk of the securities were short-term US Treasury bills. At this moment, the book losses on China's foreign exchange reserve holdings are moderate. In any event, the safety of the value of China's foreign exchange reserves is one of the biggest worries of the Chinese authorities.

**2) CHANGES IN CROSS-BORDER CAPITAL FLOWS:** Since China only partially liberalized its capital account, theoretically speaking, cross-border capital can only flow into and out of China via the channels of foreign direct investment (FDI), officially approved foreign borrowing, and portfolio investment by qualified foreign institutional investors and qualified domestic institutional investors, respectively. Soon after the outbreak of the US subprime crisis, Chinese economists began debating the question of whether international capital would flow into or out of China. Some argued that because of China's relatively strong economic performance, international capital would flow into China to seek safe haven and China should be prepared for a new wave of hot money inflows. Others argued that because of the liquidity shortage, need for capital injection and deleveraging, unwinding of carry trades, and the flight to safety (i.e., US government securities), international investors would liquidate their holdings in emerging markets, and hence international capital would flow out of China and return to the US and other financial centres of developed countries. As it turned out, since early 2008, capital seemed to have been flowing out of China. For example, China's FDI inflow declined to some \$20 billion in 2008 from \$50 billion in the previous year.

Traditionally, there are two ways to measure the magnitude of cross-border speculative capital flows (hot money): one is to check the volume of the "errors and omissions" item in the balance of payments; the other is to calculate the so-called unexplained capital inflows (or outflows), which is equal to the change in foreign exchange reserves minus FDI and trade surplus. The statistics on errors and omissions in the balance of payments showed a negative figure of some \$40 billion in the second half of 2008, compared with a positive figure of nearly \$20 billion in the first half. According to the second measurement, in 2007 and the first half of 2008, there were hot money inflows, and in the second half of 2008, there were hot money outflows. [In fact, in 2007 and the first half of 2008 hot money greatly complicated the Chinese monetary authorities' efforts to contain asset bubbles and stabilize the Yuan exchange rate.] However, because of the strong recovery of the Chinese economy and perhaps also due to the improved risk appetite of international investors in general, hot money started to flow back into China since early 2009, increasing strongly since March of that year. In recent months, China's stock prices have rebounded with a vengeance and housing prices have broken the historic record set in 2007 when the asset bubble peaked. In August, hot money seems to have begun flowing out of China again, which may have impacted on the stock exchange crash in the same month. However, due to the lack of statistics, the direction of causality is difficult to judge. Most Chinese economists believe that the alternating between boom and bust in China's stock markets so far is mainly a domestic matter. They also believe that hot money will continue to flow into China but the scale and variation are difficult to estimate. The Chinese government is keeping a close eye on the cross-border capital flows and is ready to take action to maintain the stability of China's capital market. It seems that the most serious impact of the crisis on the financial front in China was the difficulty in obtaining trade finance, the adverse effect of which was most acutely felt in the processing trade industry.

<sup>26</sup> Yongding (2010), "The Impact of the Global Financial Crisis on the Chinese Economy and China's Policy Responses". Third World Network, Malaysia.

3) **REDUCTION IN GROWTH OF EXPORTS:** Compared with other areas, the far more serious impact of the global financial crisis on the Chinese economy has been on trade. China's fast growth came to a sudden halt in the third quarter of 2008. In the third quarter, China's annualized GDP growth dropped to 9 percent (6.8 percent in the fourth quarter) from 13 percent in 2007; the growth rate of industrial production fell to 8.2 percent, about half the rate in the same period of the previous year; and the growth rates of many important product sectors fell from the double digits into negative territory. The export growth rate fell from 20 percent in October 2008 to -2.2 percent the following month. Statistics show that the most important cause behind the fall in China's growth in the third quarter of 2008 was the sudden collapse of the export market, which was in turn caused by the sudden worsening of the US financial crisis after the Lehman Brothers collapse. Among Chinese industries, the most dramatic fall in production happened in the steel industry. Indeed, an analysis of the causes of the decline in steel production would shed light on the factors behind the slowdown in the Chinese economy in general. It can be seen that the drop in steel exports directly accounted for 54 percent of the total decrease in steel production in September 2008, and the fall in exports in turn was a direct result of the global economic downturn. Besides the direct impact, the indirect impact on steel production of the fall in demand experienced by steel-related exporting industries was also very great. On the whole, the decline in external demand can explain more than 60 percent of the fall in steel production.

### POST CRISIS REBALANCING STRATEGIES

#### INDIA<sup>27</sup>

In order to tackle the negative fallout of the global financial crisis on Indian economy in terms of economic slowdown, the government responded by taking a number of measures. These measures can be broadly classified as follows:

**MONETARY MEASURES:** These measures aimed at reducing the cost of borrowing and improving market liquidity and cash flows so as to facilitate the flow of funds from the financial system to meet the needs of the productive sectors. The RBI took a number of monetary easing and liquidity enhancing measures including reduction in cash reserve ratio (CRR), statutory liquidity ratio (SLR) and key policy rates such as repo and reverse-repo. Between August 2008 and March 2009, RBI's successive policy announcements reduced reverse-repo and repo rates from 6 percent to 3.5 percent and 9 percent to 5 percent respectively. CRR was reduced from 9 percent to 5 percent and SLR was reduced from its statutorily maximum limit of 25 percent to 24 percent. This was supplemented by a wide variety of measures to support liquidity, including to distressed segments of the financial system such as non-banking financial companies (NBFCs) and mutual funds. All these measures, by injecting more money, helped in augmenting liquidity in the system to the extent of Rs. 3, 88,000 crore (RBI, 2009).

**FISCAL MEASURES:** These measures related to substantial fiscal expansion in the form of tax relief to boost demand and increase in expenditure on public projects such as public works and social safety nets to create employment and public assets. The net impact of these measures was an increase in fiscal deficit from 2.7 percent in 2007-08 to 6.2 percent of GDP in 2008-09. Thus, an overall fiscal stimulus of nearly 3.5 percent was created notwithstanding the fact that some expenditure was on account of the implementation of the Sixth Pay Commission award and the agriculture debt relief scheme (small farmers' debt waiver of Rs. 50,000 crore) announced in the Union Budget 2008-09. For implementing the fiscal stimulus, the government increased its spending on the plan, both for Central sector as well as on Central assistance to State and Union Territories, by nearly 1 percent of the GDP. There was an increase of nearly 2.5 percent of GDP on non-plan expenditure that included increased spending on fertilizers and food subsidies, agriculture debt waiver, defense, salaries and pensions and additional allocations for the National Rural Employment Guarantee Act. The government also stepped up its efforts to increase infrastructure investments in telecommunications, power generation, ports, airports, roads and railways. These three stimulus packages introduced by the government to help the industry tide over the impact of global financial crisis led to a sacrifice of Rs. 1.86 lakh crore in revenue.

**TRADE-RELATED MEASURES:** The government also undertook specific measures to address the impact of global slowdown on India's exports. These included:

- Extension of export credit for labour-intensive exports.
- Improving the pre- and post-shipment credit availability.
- Additional allocations for refund of terminal excise duty/CST and export incentive schemes.
- Removal of export duty and export ban on certain items.

Although the above measures could not substitute for the dramatic slump in foreign demand, yet they were helpful in facilitating the adjustment of companies and workers to the new reality and to survive the temporary setbacks.

**INSTITUTIONAL MEASURES:** The broad objective of these measures was recapitalization of banks as well as consolidation of financial sector institutions. The government contributed to recapitalization of Regional Rural Banks (RRBs). In order to restructure and consolidate these banks, 196 RRBs were merged into 85 RRBs. The government also recapitalized public sector banks (PSBs) over two years to maintain credit to risk-assets ratio (CRAR) of 12 percent. As a result of these efforts, the non-performing assets (NPAs) of PSBs declined from 7.8 percent on March 31, 2004 to 2.3 percent on March 31, 2008.

**OTHER MEASURES:** Besides the above short-term measures, the government also responded by resorting to some medium-term measures relating to domestic financial sector reforms and other reforms and reforms of international financial architecture. The domestic financial sector reforms and other reforms aimed at:

- Increasing access to finance
- Improving domestic resource mobilization
- Improving efficiency of the banking sector
- Avoiding financial repression.
- Strengthening property and contractual rights, judiciary and rule of law.

The government initiatives here included:

- Extension of interest subvention on pre- and post-shipment credit for specific sectors.
- Improving regulatory oversight of capital markets
- Putting in place a disinvestment plan for public sector enterprises (PSEs)

#### CHINA<sup>28</sup>

When the global slowdown became apparent, the Chinese government shifted its policy direction quickly and forcefully. In November 2008, the government started to implement a very large stimulus package. At the same time the PBOC also ushered in an expansionary monetary policy.

**EXPANSIONARY FISCAL POLICY:** In November 2008, the government introduced a 4 trillion Yuan (\$580 billion) stimulus package for 2009 and 2010. In 2008, China's GDP was 29 trillion Yuan. The package thus amounted to 14 percent of GDP. Besides the increase in expenditures, the government also considered possible tax reductions, which included value-added tax (VAT) reform, purchase tax cut and raising the threshold of individual income taxes. According to the National Development and Reform Commission (NDRC), assuming that the fiscal multiplier in China is 2-3, the package can induce an increase in GDP of about one percentage point in both 2009 and 2010. On top of the central government's stimulus package, provincial governments were encouraged to raise money to launch their own complementary stimulus packages. The total amount of planned stimulus packages announced by local governments stood at 18 trillion Yuan. The structure of the 4 trillion Yuan stimulus package is summarized in Figure 1. It is easy to see that most of the money has been and will be spent on infrastructure such as railways, highways and so on, followed by post-earthquake rebuilding.

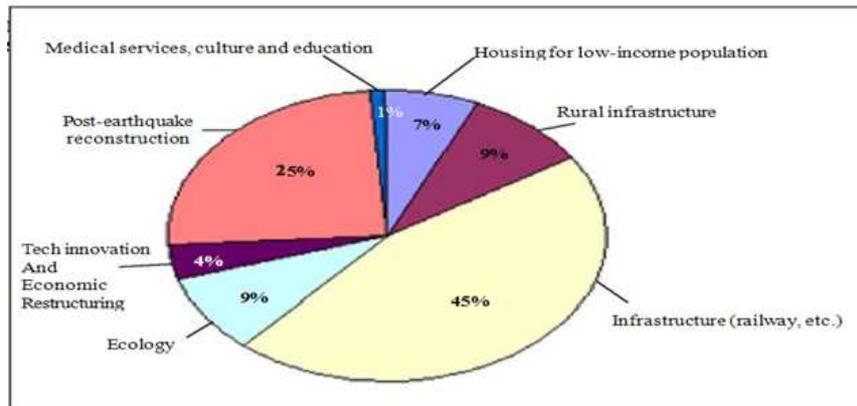
The sources of financing of the stimulus package were designed as follows:

- The central government will finance one-quarter of the 4 trillion Yuan package in the form of direct grants and interest rate subsidies. In the case of central government-sponsored projects, the NDRC and Ministry of Finance may inject all of the registered capital.
- Government bonds will be issued to cover the budget deficit.

<sup>27</sup> [www.globalissues.org/article/768/global-financial-crisis](http://www.globalissues.org/article/768/global-financial-crisis)

<sup>28</sup> [www.bruegel.org/...Global.../AEEF4PublicationYuYongding.pdf](http://www.bruegel.org/...Global.../AEEF4PublicationYuYongding.pdf)

- The central government will issue bonds on behalf of local governments to fill the shortfall in financing local projects.
- Bank loans will be an important source of funds, especially for local governments.

**Figure 1 The Structure of China's Stimulus Package**

In March 2009, the National People's Congress approved the government's new budget for 2009. According to this budget, in 2009, the total government (central plus local) revenue would be 6.674 trillion Yuan, up 8.0 percent from 2008. Of this, the revenue of the central government should reach 3.586 trillion Yuan, an increase of 9.8 percent over 2008. Total government expenditure (central plus local) would be 7.624 trillion Yuan, up 22.1 percent; the expenditure of the central government would be 4.3865 trillion Yuan, an increase of 848.501 billion Yuan or 24 percent. In 2009, the total government deficit would be 950 billion Yuan (\$139 billion), the highest in six decades, compared with 111 billion Yuan in 2008. The central government's deficit will be at 800 billion Yuan, 570 billion Yuan more than the previous year. The State Council will allow local governments to issue 200 billion Yuan worth of government bonds through the Ministry of Finance. The expected budget deficit/GDP ratio is estimated to be about 3 percent, compared with a ratio of 0.4 percent in 2008. There is no detailed information available on how the budget for 2009 was amalgamated with the 4 trillion Yuan stimulus package. However, attention should be paid to some key figures provided by the Ministry of Finance in a related report on the central government's 2009 budget:

- 908 billion Yuan in public spending, an increase of 487.5 billion Yuan, or 54 percent, over 2008
- 123.08 billion Yuan for direct subsidies to agricultural production and trade, an increase of 19.4 percent over 2008
- 220.833 billion Yuan for subsistence allowances for both urban and rural families.
- 103.341 billion Yuan for subsidizing rural residents' purchase of home appliances and vehicles and increased reserves of important materials such as grain, petroleum, non-ferrous metals and specialty steel products.
- 716.14 billion Yuan, an increase of 120.59 billion Yuan or 20.2 percent, to assist agriculture, rural areas and farmers
- 728.463 billion Yuan for items directly related to the people's wellbeing such as education, medical and healthcare, the social safety net and so on, an increase of 29.4 percent over 2008.
- 146.103 billion Yuan for science and technology, an increase of 25.6 percent over 2008.3
- 500 billion Yuan in tax and fee reductions, which partially will be the result of VAT restructuring, increase in tax rebates and exemptions. On the whole the government plans to withdraw or suspend 100 administrative charges by 2009.

According to the Ministry of Finance, as of 31 May 2009, China had allocated 562 billion Yuan (\$82.3 billion) for public works projects, completing 61.9 percent of its central budget for 2009. More than half of the allocated funds went to rural development and prominent infrastructure construction:

- 163.5 billion Yuan went towards infrastructure projects such as railways, highways, airports and harbour construction.
- 138.1 billion Yuan was spent on projects to enhance rural infrastructure and improve living standards in the countryside through the construction of irrigation facilities, power grids and paved roads.

Other spending included:

- 84.8 billion Yuan for reconstruction in areas hit by the 12<sup>th</sup> May 2008 earthquake
- 44.2 billion Yuan for education, medical care and cultural development
- 42.7 billion Yuan for low-income housing projects
- 41.2 billion Yuan for industrial upgrades
- 27.8 billion Yuan for environmental protection and energy saving
- 19.7 billion Yuan for public service facility buildings

It can be seen that the most important component in the stimulus package is investment in infrastructure. Fixed asset investment has long been the most important driving force behind China's economic growth, and has been growing faster than GDP since the turn of the century. Due to the dual role of fixed asset investment in creating demand in the short run and supply in the long run, an increasing investment rate will create immediate excess demand for a while, and then the economy will shift from a phase of overheating to overcapacity. Since 2001, China's investment rate has been increasing steadily. Investment hit an annual growth rate of 32.9 percent on a year-on-year basis in the first five months of 2009. As a result, China's investment rate may have surpassed 50 percent of GDP.

**EXPANSIONARY MONETARY POLICY:** Up to May 2009, the increase in bank credits was 5.77 trillion Yuan, higher than the official target of 5 trillion Yuan for the entire year of 2009. In contrast, the annual increases in bank credits in 2006 and 2007 were 3.18 trillion Yuan and 3.63 trillion Yuan respectively. The increase in bank credits in the first quarter of 2009 was surprisingly high, and the same was true of the growth rate of broad money M2. The gap between the growth rate of M2 and nominal GDP has broken the historical record (Table 1).

**Table 1 Credit and Monetary Expansion**

| Billion Yuan, %   | May   | April | March | February | January |
|-------------------|-------|-------|-------|----------|---------|
| Growth of M1      | 18.7  | 17.5  | 17.0  | 10.9     | 6.7     |
| Growth of M2      | 25.7  | 26.0  | 25.5  | 20.5     | 18.8    |
| Credit            | 664.5 | 591.8 | 1890  | 1070     | 1620    |
| Growth of credits | 30.6  | 29.7  | 29.8  | 24.2     | 21.3    |

(Source: People's Bank of China)

The most important cause of the rapid increase in credits and money supply is the PBOC's expansionary monetary policy. Previously, corresponding to the rapid increase in liquidity caused by PBOC intervention in the exchange market, which was aimed at offsetting the appreciation pressure on the Yuan created by a persistent trade surplus, the PBOC sold large amounts of central bank bills to mop up the excess liquidity. Since the fourth quarter of 2008, the PBOC has almost stopped selling more bills. As a result, the liquidity has inundated the inter-bank money market and once even made the interest rates in the inter-bank market lower than the interest on deposits with commercial banks with the same terms of maturity. This was described in China's banking circles as "flour being more expensive than bread".

### CORPORATE GOVERNANCE PRACTICES AND POLICY RESPONSE TO OVERCOME WEAKNESSES<sup>29</sup>

The collapse of the sub-prime mortgage market is the most apparent cause of the global financial crisis but it needs to be recognized that the sub-prime crisis was building for years before showing any signs and attention intensified in the year 2007, only when there was a dramatic rise in the mortgage delinquencies and foreclosures in the United States, with major adverse consequences for banks and financial markets around the globe. Other major factor that played a contributing role in precipitating and exacerbating the crisis is the failure of the corporate governance practices of the financial institutions such as lax board oversight, misaligned compensation structure that encouraged aggressive risk taking, abuse of the process of securitization, dishonesty among the mortgage lenders, greedy hedge funds and rating agencies, and mistakes of the U.S. government in over-promoting homeownership, fraud in mortgage lending, overleveraged banks and financial institutions, shadow banking system and off balance sheet transactions. The recent turmoil suggests a need to re-examine the corporate governance practices in these key areas and learn the right lessons from the crisis in order to introduce appropriate reforms, which not only reduce the probability of occurrence of such events in future but also minimizes the impact of such events, if at all they occur.

The following are the major areas of reforms in corporate governance practices after noticing the collapse of major investment banks:

1. Splitting the offices of CEO and Chairman
2. Efficient risk management i.e. having a Chief Risk Officer responsible for risk management
3. Close supervision of rating agencies
4. Encouraging competent directors
5. Abolish practice of nominating independent directors
6. Exempt independent directors from vicarious liability and provide insurance cover to them
7. Review the definition of independent director given in clause 49 of listing agreement
8. Initiate superior Board practices
9. Improve remuneration policy
10. Have ethics code in listed companies
11. Legislative sanction to insider trading laws
12. Rotation of external auditors in non-financial institutions
13. Introduce new audit standards and joint audit
14. Make audit committee strictly independent
15. Prohibit political funding
16. Install whistleblower system
17. Introduce class action suit & compensation
18. Have in place permanent PPP system, and
19. Enhance criminal and civil penalties.

### CONCLUSION

The financial crisis of the US is has being viewed as the biggest challenge to the international financial system since the Great Depression. What started as turbulence in segments of the U.S. subprime mortgage market has become a global financial crisis due to the integration and interconnectedness of the US economy with the rest of the world and increasing globalization. Many wonder how such a small sub-prime market could cause so much of trouble around the globe, especially in countries, which were not even involved in sub-prime lending. The contagion of crisis has spread through all channels i.e. financial channel, real channel and the confidence channel. In case of India and China, the robust growth rates in the country over the last few years, cautious policies, prudent regulation and effective supervision helped the economy in being relatively less affected by the global financial market turmoil. It is important for the corporate sector to learn right lessons from the crisis so as to avoid such happenings in future. There is need to reform corporate governance by taking harsh policy measures.

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**E-WOM AND SIMILAR EMERGING TERMS: A LITERATURE REVIEW**

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**DELHI**

**ABSTRACT**

*Emergence of electronic communication via mobile and internet has multiplied the effect and reach of traditional WOM (Word of Mouth) marketing. This new form of word of mouth marketing is known as electronic- word of mouth (e-wom) marketing. Though this area has remained focus for many studies in the past but still it is not easy to confine it into certain limits because of involvement of technology and related innovations. This is a review paper based upon available literature in the area. Secondary sources of data are used like journals, books and websites. This work aims at understanding the concept and working of e-wom; and e-wom's relationship with similar emerging terms. Various merits of using e-wom have been identified along with related issues. Finally some critical factors for e-wom success have been mentioned.*

**JEL CLASSIFICATION**

JEL- M310

**KEYWORDS**

Internet marketing, social network marketing, viral marketing, word of mouth marketing.

**1. INTRODUCTION**

Due to the development of information and communication technologies (like the Internet), consumers' communication environment has been changed and enriched (Vilpponen et al., 2006). Online communication appears important as more websites offer user-generated content like blogs, video and photo sharing, and social networking options like twitter, facebook etc. Traditional word of mouth has become more speedy and widespread due to availability of electronic communication medium, whether it is mobile based communication or the internet. Companies have adapted to these trends by shifting their budgets from above-the-line (mass media) to below-the-line (e.g., promotions, direct mail, viral) marketing activities (Hinz et al., 2011). These new marketing techniques are cost efficient also as compared to traditional marketing. This is evident from the Hotmail campaign which can be seen as one of the oldest example of online marketing campaign. It generated 12 million subscribers in just 18 months with a marketing budget of only \$50,000, largely because the product included an advertisement link for their service at the bottom of every email and offered a compelling service (Hinz et al., 2011; and Thevenot and Katherine 2001). This shows the importance of spreading word of mouth via electronic means.

**1.1 NEED OF THE STUDY**

The area of word of mouth has always remained the area of attention for researchers and academicians. While the existing word of mouth (hereafter WOM) literature can inform us about E-WOM, it is important to note that electronic referrals differ from their "offline" counterparts. First, there is no face to face communication in electronic referrals and second, these referrals are usually unsolicited, that is, they are sent to recipients who are not searching for information, and hence are not necessarily willing to pay attention to them (Bruyn and Gary 2008). Moreover, due to involvement of technology, this is still a rapidly evolving area and further research is clearly needed (Woerndl et al., 2008). Therefore, for above mentioned reasons, despite an abundant literature, attention has been given to E-WOM (Bruyn and Gary 2008).

This work will add to the existing literature and will provide a base for beginners in this area. It is an attempt to sum up important literature in a single study.

**1.2 OBJECTIVES**

Objectives of this study are threefold. First, it aims at understanding the concept and working of E-WOM Marketing. Second objective is to study the relationship of E-WOM with similar emerging terms. Third aim is to identify the merits of E-WOM marketing and key issues related to it.

**1.3 RESEARCH METHODOLOGY**

This is a conceptual paper reviewing the existing literature. Source of data used is secondary like journals, books and websites. Literature is collected mostly online from websites like jstor.org, emeraldinsight.com, sciencedirect.com, scholar.google.com etc accessed from e-library of Ram Lal Anand College (Eve), University of Delhi. This work is based upon my understanding of the subject. Authentic works of various authors have been quoted where required.

**2. MEANING AND DEFINITION**

This section studies the meaning and definition of E-WOM. But first of all we need to understand traditional WOM.

**2.1 WOM**

To study E-WOM, one cannot neglect traditional WOM. As Nyilasy, 2006 suggested that some might think that WOM is something new but it is not. In actual fact, the term has been used for a long time – probably much longer than any other term in marketing. According to the Oxford English Dictionary, the first written occurrence of the term "word-of-mouth" dated back to 1533. The dictionary defines the long-standing term as 'oral communication', 'oral publicity', or simply 'speaking', in contrast with 'written and other method[s] of expression' (referred in Lindholm, 2009).

In 1967, Johan Arndt defined WOM as "Oral, person-to-person communication between a receiver and a communicator whom the receiver perceives as non-commercial, concerning a brand, product, or a service" (referred in Lindholm, 2009). Nyilasy, 2006 clarifies the above definition consists of three essential parts:

**1. INTERPERSONAL COMMUNICATION**

This element sets word of mouth apart from mass communication (such as advertising) and other impersonal channels available for consumers (e.g. third-party sources of consumer information such as Consumer Reports).

**2. COMMERCIAL CONTENT**

The WOM is about commercial entities, products, brands and marketers including even their advertising.

**3. NON-COMMERCIALLY MOTIVATED COMMUNICATORS**

It means that though the message is commercial in nature but the communicators are not motivated commercially, or at least they are perceived not to be. They talk at their own will and not because they are hired by the company.

In 2006, Marsden defined WOM as "the promotion of a company or its products and services through an initiative conceived and designed to get people talking positively about that company, product or service". Again in 2008, Litvin et al., defined WOM as the communication between consumers about a product,

service, or a company in which the sources are considered independent of commercial influence. All the above definitions are in tandem with the explanation given by Nyilasy, 2006 which is depicted in the Fig 1.

FIG 1: THE NATURE OF TRADITIONAL WOM



Source: Lindholm, 2009.

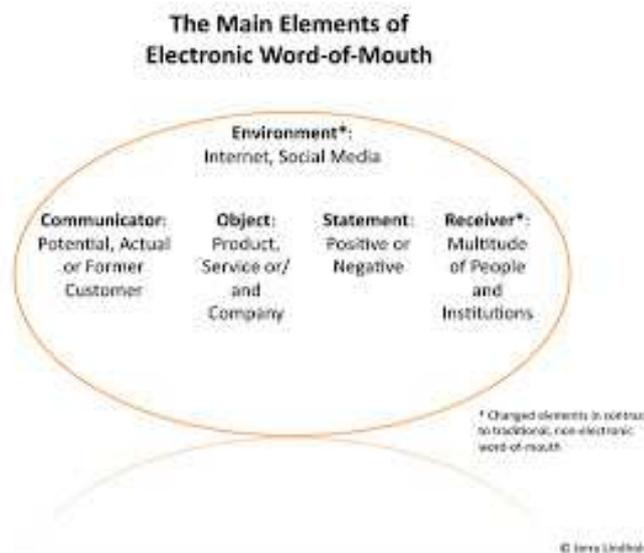
**2.2 E-WOM**

In simple words one can define E-WOM as WOM electronically over most commonly medium internet and other medium like mobile. Vilpponen et al., 2006 viewed that the literature review on electronic word of mouth behaviour revealed that the terminology for this relatively new phenomenon has not yet been established because of emergence of new terms. Based on the definition of WOM by Westbrook, 1987; Litvin et al., 2008 defined E-WOM as all informal communications directed at consumers through Internet based technology related to the usage or characteristics of particular goods and services, or their sellers. Hennig-Thurau et al., 2004 has defined E-WOM as "any positive or negative statement made by potential, actual, or former customers about a product or company, which is made available to a multitude of people and institutions via the Internet." Lindholm, 2009 further analysed this definition and discovered 5 elements of E-WOM. These are:

1. Statement: positive, negative or neutral
2. Communicator: statement creator i.e. potential, actual or former customer
3. Object: product, service or/and company
4. Receiver: multitude of people and institutions
5. Environment: the Internet, particularly the social media

The statement, communicator and object are same as in traditional, non-electronic word of mouth but the nature of receiver and environment have changed in consequences of Internet and social media. The receiver in EWOM is not a single person; rather it consists of multitude of people and institutions. The statement passing process has shifted from oral, person to person communication to electronic and written form, in many cases from person to unknown person communication. The whole environment has changed from face to face context to the extensive Internet and social media. This is shown in Fig 2.

FIG 2: THE ELEMENTS OF E-WOM



Source: Lindholm, 2009.

**3. E-WOM AND SIMILAR EMERGING TERMS**

The research on electronic communication is relatively new and still developing. Since the advent of information technologies and the Internet, word-of-mouth has acquired several new names. Various competing and overlapping definitions have been used to describe the phenomenon. Authors refer to interactive marketing, viral marketing, Internet communication, Internet word of mouth and word of mouse, word of modem online feedback mechanisms, stealth marketing, buzz marketing, electronic word-of-mouth communication, interactive or electronic word-of-mouth advertising, and electronic referral marketing, email marketing when they describe the phenomenon (Goyette 2010; Thevenot and Katherine 2001; Vilpponen et al, 2006).

**3.1 SIMILARITY BETWEEN E-WOM AND THE RELATED TERMS**

Though E-WOM has many closely related terms but it is frequently used as synonyms for viral or buzz marketing. Thevenot and Katherine, 2001 mentioned that *viral marketing* naturally integrates on-line and off-line techniques through *word of mouth* and word of mouse. Fundamentally, *viral marketing* on the Internet is the simple technological extension of *word-of-mouth* marketing. A virally marketed product is often said to have *buzz*. Viral marketing relies on human psychology and the power of social networks to create *buzz*.

Wilson, 2005 explained that off the internet, *viral marketing* has been referred to as *word of mouth, creating a buzz*, etc. But on the Internet it's called *viral marketing*. Brands big and small launch *viral videos* via YouTube, post new product information on their MySpace pages, court the blogosphere and send forth armies of evangelists to spread the gospel by *word of mouth* (Ferguson 2008).

*Viral marketing* is associated with *word of mouth* through electronic media. In addition, the concept of *buzz marketing* which resembles *viral marketing* is known as a new marketing strategy derived from *word of mouth* (Goyette 2010).

Kaplan, 2011 also defined *viral marketing* as *electronic word of mouth* whereby some form of marketing message related to a company, brand, or product is transmitted in an exponentially growing way, often through the use of social media applications. He said that when WOM gets the advantage of exponential growth of the message over a social media it becomes E-WOM.

**3.2 DIFFERENCE BETWEEN E-WOM AND THE RELATED TERMS**

Though E-WOM, viral marketing, and buzz marketing seems to be same terms, Mardsen, 2006 clarified the difference between these terms.

Mardsen, 2006 stated that viral marketing is derived from 'viral' and hence it is meant to be *spread*, especially in *person to person* context. He defined viral marketing as "the promotion of a company or its products and services through a persuasive message designed to spread, typically online, from person to person."

He defined WOM marketing as "the promotion of a company or its products and services through an initiative conceived and designed to get people talking positively about that company, product or service". If we see this definition of WOM in online context to make it E-WOM, we won't find any difference between E-WOM and viral marketing.

He defined buzz marketing as "the promotion of a company or its products or services through initiatives conceived and designed to get people and the media talking positively about that company, product or service." This definition shows that buzz marketing is not in the context of *person to person* communication only, but to the *media as well*.

Therefore as per Marsden, 2006; viral marketing and E-WOM are same things but these are different to buzz marketing as later involves personal as well as media communication.

He also mentioned about 'connected marketing' coined to include all the terms related with E-WOM. He defined connected marketing as an "umbrella term for viral, buzz and word of mouth marketing. It means any promotional activity that uses word of mouth connections between people, whether digital or traditional, as communications media to stimulate demand".

Goyette, 2010 defined the three concepts as follows:

Word of Mouth is defined as a verbal informal communication occurring in *person, by telephone, email, mailing list, or any other communication* method regarding a service or a good. A recommendation source may be personal or impersonal.

Viral Marketing is defined as a rapidly spreading informal *online* communication between individuals regarding a service or a good.

Buzz Marketing is defined as a *catalyst for a WOM* conversation to occur in *person or online* derived from a formal corporate strategy with a view to creating an *illusion of spontaneity*.

He explained that the difference between viral marketing and WOM is one of *cause and effect*. Viral marketing is the cause which takes the form of message (marketing programs, community-building portals, viral videos and street-level guerrilla campaigns) builds awareness and buzz. Whereas the effect is positive WOM which leads to trial and acquisition.

Buzz marketing is explained as the *catalyst* for WOM conversation. For example, a classic buzz catalyst is to place interesting people who know what they are talking about, in locations on the Internet or in the real world where they are able to share reflections and their personal ideas on one product or another. Buzz marketing provides incentives to persons to speak favourably about the good/service. There is an illusion of spontaneity of conversational exchange so that consumers do not suspect that there is a company behind entire communication.

Viral marketing and buzz marketing are differentiated in the terms of electronic connectivity. Where viral marketing is always via online medium, buzz marketing is not at all associated with the internet or any other electronic communication medium. It does sometime happen that the word "Internet" crops up in explanations of buzz marketing. So buzz marketing may or may not be linked with internet.

Vilpponen et al., 2006 concluded this debate by quoting that available literature shows that these terms are separate but related. Therefore, following Vilpponen et al., 2006; this study will consider E-WOM and viral marketing as same concepts for further study.

**4. WORKING OF E-WOM**

It would not be right to study E-WOM working without studying the working of traditional WOM.

**4.1 WORKING OF TRADITIONAL WOM**

On the basis of available literature, Nyilasy, 2006 explained the working of WOM. As per his study, there exist two separate groups of studies. One view WOM working in the context of receiver (acquisition and processing of information) and communicator (information provision). This is known as input (receiver) versus output (communicator) word of mouth. The other group of study looks into antecedents (causes behind the WOM phenomenon) and its consequences (effects of occurrence of WOM phenomenon). The relationship between both the groups of studies is shown in Fig 3.

FIG 3: FOUR AREAS OF WOM WORKING

| Unit of analysis                                | Main focus of study  |   |
|---|--|---|
|   | Antecedents to word of mouth (causes)  | Consequences of word of mouth (effects)   |
| Receiver of communication (input word of mouth) | QI: 'Why do people listen?'<br><i>Related variables:</i> external information search, product category (perceived risk), type of relationship with source (tie strength) | QII: 'The power of word of mouth'.<br><i>Related variables:</i> key communication effectiveness variables (awareness, attitude change, behavioural intention, purchase behaviour) |
| Communicator (output word of mouth)             | QIII: 'What makes people talk?'<br><i>Related variables:</i> opinion leadership, satisfaction/dissatisfaction, promotional activities/direct influence of advertiser     | QIV: 'What happens to the communicator after the word of mouth event?'<br><i>Related variables:</i> cognitive dissonance, ego-enhancement   |

Source: Nyilasy, 2006.

**Quadrant I: Antecedents of input word of mouth**

This quadrant deals with the antecedents of word of mouth and focus on the receiver. It tries to identify factors that influence the probability that consumers will use (seek out or be exposed to) word of mouth. One of the important factors is *perceived risk*, the subjective assessment of potentially negative outcomes of

using the product. More risky the consumer perceives the purchase decision, the more likely he/she would be exposed to word of mouth. Another important factor is the kind of social relationships the receiver has with potential communicators (preceding the communication event). The stronger the relationship between the members of a social network, the more likely that these strong-tie relationships will be used for word of mouth communication.

#### **Quadrant II: Consequences of word of mouth for the receiver**

This quadrant studies the power of word of mouth. It examines the effects of word of mouth once consumers have been exposed to it. Word of mouth is a much more important factor influencing brand awareness and favourable attitude change than paid for messages. It has a positive influence on brand awareness, positive attitude change toward the brand, brand evaluations, service quality expectations and purchase intentions.

#### **Quadrant III: Antecedents of output word of mouth**

This area investigates the factors influencing the likelihood and extent to which communicators engage in positive or negative word of mouth. One of the factors is opinion leadership. Opinion leaders are interested in the product category and they spend a lot of time with these products. It is because they are involved with the category that they talk about it so much. Others are 'innovators', consumers who are first to try new products and sometimes talk about these products. There may be 'purchase pals' who even accompany you to the store, giving useful information while shopping. And finally there are 'surrogate consumers' also who charge for their information provision services about products. One of other incidental factors is product usage and derived satisfaction or dissatisfaction. Numerous studies have shown that satisfaction causes an increased likelihood of engaging in positive WOM while dissatisfaction causes negative WOM behaviour. A number of other antecedents have also been identified, such as: surprise as an emotional state, consumer participation in the service, promotional efforts, and incentives and deal proneness.

#### **Quadrant IV: Consequences of word of mouth for the communicator**

Word of mouth has an effect on the communicator also. The most important effects are ego enhancement and the reduction of cognitive dissonance. A word of mouth episode reassures the communicator that he/she has made the right purchase decision. He/she can get rid of negative feelings associated with cognitive dissonance. On the other hand, the communicator might also feel good about him/herself that he/she is knowledgeable and competent in something. These forms of ego enhancement due to word of mouth can be powerful emotional effects on the communicator.

### **4.2 WORKING OF WOM IN ELECTRONIC CONTEXT**

Here is the concept that is specific to the electronic WOM by Stewart et al., 2009. He explains the process of E-WOM in context of spreading of 'viral message'. He specifically talks about the 'virus' i.e. message being spread in viral marketing process. He used commonly used terminology in epidemic theory to describe the transitional states of individuals as the disease travels the population of interest is 'susceptible', 'infective' and 'immune'. Individuals are susceptible before receiving the virus, infective before passing it on, after which they are immune. This terminology fits directly to a viral marketing context where a member of a target audience is initially susceptible (receptive) prior to receiving the marketing message, infective (reached) upon receipt of the message and immune (removed) once they choose not play a further role in the transmission of the message or the campaign is terminated or expires.

Bampo et al., 2008 used the concept of generations, rather than time, to explain the transmission of message. They define generation by the number of transmissions required to reach a member along a chain of communication initiated by a single seeding of the message. They viewed that a lengthy campaign can be due to the long time taken by members to pass the message on, rather than the message being passed on many times (generations). Thus, in viral contexts, the notion of generation better captures the transmission of the message from one individual to the next. Campaign duration is not necessarily an indicator of success

Bruyn and Gary, 2008 explained that the message transmission can either be intentional or unintentional. In the latter situation, consumers are not intentional actors in the message transmission process. For example, users sending e-mails from a Hotmail account automatically promote the service to every person they send a message. Intentional transmission occurs when consumers willingly become promoters of the product/service and spread the word to their friends. They do so either because of an explicit incentive (e.g., financial incentives) or simply out of a desire to share the product benefits with friends (e.g., fun, intriguing, valuable for others etc.).

### **5. ADVANTAGES PROVIDED BY E-WOM**

A significant advantage provided by E-WOM over traditional mass marketing is the 'self selection' within the message (Stewart et al., 2009). Those forwarding the messages will be more likely to know which of their friends, family members, and colleagues have similar interests. Therefore, the message can be more effectively targeted (Dobele et al., 2005).

Effective targeting increases the likelihood of the message effectively reaching interested individuals and reduces the likelihood of the message being spread to uninterested individuals. It may even reach beyond the core target market (Kirby, 2006). One-to-many reach makes E-WOM more influential (Phelps et al., 2004).

An electronic viral process also increases the speed with which the message is transmitted. E-WOM marketing can also be highly cost effective. It incurs very little expense since the individual passing on the referral carries the cost of forwarding the brand message which is almost negligible (Dobele et al., 2005; Stewart et al., 2009).

E-WOM maintains the trust and integrity of the message. Whereas consumers are quick to delete messages from marketers, a message from a known person is less likely to be deleted (Phelps et al., 2004). Moreover as the act of forwarding electronic messages is voluntary rather than a paid testimonial or a mass ad campaign, it may be viewed more favorably by the recipient (Dobele et al., 2005).

E-WOM campaigns have also been used successfully not only to build widespread brand awareness (Abedniya and Sahar, 2010), but also to help generate sales. These campaigns can provide accountability when tracked, thereby measuring and proving ROI. Moreover, have no fixed cut-off point, so they can provide an ever-increasing ROI (Kirby, 2006).

E-WOM also dramatically lowers the cost of promotion and boosts the speed of adoption, a critical concern for new product launches (Abedniya and Sahar, 2010; Dobele et al., 2005). Other benefits may include creation of buzz around the product, reinforcing existing advertising messages, extend other marketing communications activities, capturing recipients' attention, triggering interest, and eventually leading to adoption or sales (Bruyn and Gary, 2008; Kirby, 2006).

### **6. KEY ISSUES RELATED TO E-WOM**

One of the biggest issues with viral marketing is spam. If a message is being sent to large number of people it becomes a spam message. Therefore companies should be vigilant that the motivation they give to spread the message should not be so large to lead to spamming (Thevenot and Katherine, 2001).

Privacy is another related issue. Some persons who are referred to companies by their friends do not like companies keeping their personal information, such as e-mail address. Therefore companies should not retain personal information of persons referred; rather it should ask those persons to opt in for the service voluntary (Thevenot and Katherine, 2001).

Viral marketing overkill is another major problem. Companies should not risk annoying or alienating their target audience by executing the E-WOM campaign poorly. Therefore companies should maintain the control over the campaign (Stewart et al 2009; Thevenot and Katherine, 2001).

Where speed is the advantage, it also acts as key issue some times. Thevenot and Katherine, 2001 identified that because of speed even negative words spread too fast.

There are also some technology related issues to consider. Viral marketing involves substantial programming. It also assumes that the target audience will have the technology and skills to participate (Thevenot and Katherine, 2001).

### **7. CRITICAL FACTORS FOR SUCCESS OF E-WOM CAMPAIGN**

In Marsden, 2006 provides a checklist before planning E-WOM campaign. There should be a *right product* which is new, better and can be sampled. It should be targeted to *right people*. Right people, here means opinion leaders. Then there should be *right action* like giving the say to trial participants in marketing campaign. Finally there should be proper *measurement* mechanism to measure the effectiveness of the campaign.

Kirby, 2006 provided three key factors to increase the likelihood of a successful online viral marketing campaign:

- Specialist *strategic planning* to ensure that viral marketing is used to deliver tangible, measurable, ongoing brand benefits.
- Appropriate *'wow' factor* material that users want to seek out, talk about and pass on of their own freewill.
- Appropriate *specialist seeding* of the buzz story and the viral agent to places where viral and brand influencers already gather.

Kaplan, 2011 conclude with five points of caution that managers should heed while launching E-WOM marketing campaign:

- Viral marketing is only as good as the *remaining marketing mix*.
- Viral marketing needs to be *backed up by traditional forms* of communication.
- Excessive planning and *intervention kills* any viral marketing campaign.
- Highly provocative and edgy *messages are a tricky business*.
- Successful viral marketing requires a little bit of *luck and gut feeling*.

## 8. CONCLUSION

To conclude, this literature analysis provides an overview of the current status of knowledge in the domain of E-WOM research. It provides basic insights into E-WOM and related aspects. With the advent of technology, many terms emerged along with E-WOM such as viral marketing, buzz marketing, network enhanced marketing, email marketing etc. As these concepts differ to each other minutely, therefore can be considered related. Connected marketing is the single term used to cover all these concepts. E-WOM is much beneficial over traditional WOM but it involves some issues like spamming, privacy etc. A company needs to take care of these issues to make the campaign successful. E-WOM, because of its ever evolving nature, provides ample scope for future research. More empirical studies are required to finally ascertain what makes a viral marketing campaign successful

It is believed that this study stimulates future research on E-WOM communication by drawing attention to the variables and linkages that need further investigation.

## 9. LIMITATION AND IMPLICATIONS

First and most important limitation is that it is not an empirical study. It is a conceptual work based upon researches of other researchers. But this research provides its own managerial and research implications.

This research suggests marketing managers to further analyze the role of E-WOM marketing and related upcoming technologies. As past research shows the role of viral marketing on brand awareness, sales, ROI, credibility of the company, it may be considered as an option for marketing strategies. The essence of E-WOM communication is to know what customers and potential customers are saying about the brand (Jansen et al. 2009). Marketing practitioners can use it favourably to impact their brand image.

Further this research motivates scholars to do more empirical studies on this area as one cannot be sure about the factors on which success of E-WOM marketing depends. Other upcoming forms of E-WOM marketing like blogs, tweets, sms, need to be explored more.

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**CONSUMER PERCEPTIONS TOWARDS SMS MARKETING**

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**ABSTRACT**

*The expansion of Global Market, as well as advance and convergence of new technologies has created new advertising opportunities for markets. Together with this technological advance, a shift towards advertising philosophies supporting one to one marketing and interactivity, and the increase of mobile penetration, have facilitated emergence of direct marketing channel. SMS and MMS are widely used marketing tools. This study investigates the effectiveness of these tools we proposed that demographic relevance to advertisement brand familiarity and attributes towards SMS and MMS have significant effects on the consumers response towards these tools.*

**KEYWORDS**

consumer perceptions, SMS marketing.

**INTRODUCTION**

Innovation creates marketing opportunities and challenges. Mobile advertising, an area of mobile marketing is a form of advertising that targets users of handheld wireless devices such as mobile phones. It can reach the target customers anywhere any time. In order to promote the selling of products or services, all the activities required to communicate with the Customers are transferred through mobile devices. Combining with the customer's user profile and context situation, advertising companies can provide the target customers exactly the information needed by them. The current study attempts to study consumer's responsiveness to mobile marketing, in terms of its impact on purchasing decision. The primary objective is to gain insight into the perception of mobile users, towards mobile marketing/advertisements and their utility value in terms of impact on purchasing decision.

The perception of consumers towards mobile marketing can be broadly categorized into three factors;

- Lack of contextualization and personalization of mobile advertisements.
- Disruptive nature of mobile advertisements.
- Perceived usefulness of advertisements.

Technology developments have created new marketing communication channels or media such as e-mail, SMS (short message Service) and MMS (Multimedia messaging service). These digital media are considered to potentially improve the possibilities to reach customers by allowing personalization there is potential downside to the development of new digital channels. The basic question here is thus whether there are obstacles for the marketer to use mobile media to its potential. Are customers more reluctant to receive marketing information through mobile media than through traditional media?

Mobile marketing, which is an area of mobile Commerce, is a form of advertising that targets users of handled wireless devices such as mobile phones and personal digital assistants (PDAs). In comparison to with traditional advertising, the main advantage of mobile marketing is that it can reach the customers anywhere. In order to promote the selling of products and services, all the activities required to communicate with the customers are transferred through mobile devices.

The devices on which these value added services are pushed onto or downloaded to operate in an environment that imposes constraints such as wireless environments are unreliable and bandwidth is low, and the very mobility of devices increases the risk that a connection will be lost or degraded. More importantly, mobile services must work within the daunting constraints of the devices themselves, which include memory, processing power, input capabilities, and size of display. It is therefore important that mobile marketing take into account the user's context, optimize sources usage and minimize input effort imposed on the user.

Mobile India, for example, transcend traditional communication and support one to one many-to-many and mass communication. Phones and personal digital assistants increase the availability, frequency and speed of communication. Yet the technology associated with these devices which let marketers personally communicate with consumers, continuous to evolve. The most popular mobile application, referred to as text messaging or Short message Service. The high diffusion of SMS facilitates analyzing usage behavior and hints at the commercial potential of future communication services. Multimedia Messaging Services (MMS) will build on the success of SMS but allow for richer content based on similar asynchronous, digital and interactive communication. Interactive mobile services such as SMS and MMS suggest drawing upon theories in marketing, consumer behavior, psychology and adoption to investigate their organizational and personal use. The increased number of media has led to a harder competition for consumer's attention. Attention and time has increasingly become scarce resources for the consumers in the information age. Information age empowers consumers and creates immediate 24 hour access, which changes consumer's behavior. Many consumers have attitudes; aspirations and purchasing patterns that are different compared to what companies have been used to. Today's consumers are claimed to be independent, individualistic, involved and informed which makes it harder than ever to conduct interruption based communication.

In traditional marketing communication planning has focused on the marketer's objectives of reaching relevant consumers. A key issue is the responsiveness of the consumer to marketing communication. Responsiveness depicts the consumer's willingness to receive and respond to marketing communication and can be viewed as a function of the content and the context of the message. Any channel can and should be evaluated to consumer responsiveness in order to understand communication effects and effectiveness.

New media in the digital Economy have created potentially powerful tools for direct and interactive marketing. Traditional marketing communication strategies have been based on the interruption logic where the consumer is forced to momentarily pay attention. Permission marketing was introduced as a managerial approach in marketing communication. Permission from the consumer would resolve the difficulties to get access to consumer. Permission is, however, not necessarily a guarantee that the consumer pay attention. It is only a door opener and gives an indication of the consumer's potential interest areas.

Customers are looking for customization of mobile marketing messages as per the individual requirements, tastes and preferences and parameters of its instructor and operate without intervention of the user at a specific problem definition. Agents can be used by both customers as well as mobile marketing firms. Mobile marketing firms can deploy these agents to customize products as well as advertisements. In the age of mass customization and one-to-one marketing, individualizing the marketing communications is even more strongly in the focus of the strategic conclusions of the firms. Software agents represent a marketing tool par excellence for this individualization. Mobile users can use agents in order to execute complex search and filter functions. A software agent indicates the following features;

By successfully deploying intelligent software agents, the marketing firms can incorporate the following attributes in their mobile marketing communications.

**Personalization:** Marketers can personalize text messages based on consumer's local time, location, and preferences.

**Time:** less intrusive than phone calls, recipients can read text messages at their leisure and choose when to respond, if at all. Still, Organizations must consider the best time and message frequency for the target group. Targeting students, messages should not be sent before noon, because at this time students can either not be reached efficiently nor might get into trouble receiving messages during their classes.

**Location:** Mobile phones amplify two key arguments for electronic commerce, location independence and ubiquity. Consumers increasingly expect tailored and location-based services, thereby underlining the importance of personalized mobile marketing. Properly applied, location based services can create or reinforce virtual communities.

**Preferences:** personalizing messages increases their impact. Similar media a personalized SMS campaign relies upon databases with enough active and potential clients to reach the target group profitably. Such data bases regularly contain personal information such as leisure activities, holidays, and music and media interests, type of internet access, occupation, marital status, car ownership and income.

**Consumer control, permission and privacy:** There is a trade off between personalization and consumer control. Gathering data for tailoring messages raises privacy concerns. Corporate policies must consider legalities such as electronic signatures, electronic contracts and conditions for sending SMS messages. According to all the experts, advertisers should have permission and convince consumers to opt in before sending advertisements. A simple registration ensures sending relevant messages to an interested audience. Unsolicited messages, commonly known as spam, stifle user acceptance-particularly as mobile phones cannot distinguish between spam and genuine communication automatically. UN wanted messages are illegal in some countries and annoy consumers regardless of the medium (fax, telephone, electronic mail or mobile devices). Spam may work as the shortest negative influence on consumer attitudes towards SMS advertising.

## LITERATURE REVIEW

The mobile advertising is another complementary marketing communications instrument, much of the theorising about why consumers accept or do not accept SMS advertising is speculative. SMS location-based services are likely to become increasingly valued as a marketing tool (Ververidis and Polyzos, 2002). Via the mobile channel, the response can be nearly immediate, interactive and the consumer can be reached everywhere at anytime because the service is typically ubiquitous (Jelassi and Enders, 2004).

Dickinger et al.'s (2005) model of success factors for SMS marketing are divided into two categories: the message and the media. Message factors include: message content, Krishnamurthy (2001) found that the factors affecting consumer willingness to give permission to receive advertisement were: message relevance (e.g. message fit and advertiser attractiveness), and special offers; personalisation according to time (i.e. time of day and frequency of advertisements), location (including real-time location-specific offers) and consumers' preferences; and consumer control, permission and privacy, which has been identified as the strongest negative influence on consumer attitudes toward SMS advertising.

Moreover, Akaah et al. (1995) found that the factors that influence attitude toward direct marketing most are the volume of advertisements and past direct experience. Media factors include issues regarding the device, transmission, product fit (the media appears to better suit low budget items, young people and services rather than goods), and media cost (which suggests that the medium is cheaper and more effective than other alternatives).

Xu et al. (2003) identified three consistent success indicators for SMS messaging: (1) the cost-effectiveness and interoperability of the wireless infrastructure; (2) the high penetration of mobile phones (ubiquitous penetration levels of over 80% in some countries); and (3) the relatively low cost of the SMS messaging service. Also, some research believe meaningfully interprets that cost of SMS does matter to consumptions (Joost Wouters and Martin Wetzels, 2006).

For the case of demographic, some research believe that age, mobile phone users 16 to 45 years old are receptive to experience SMS marketing (Pastore 2002), and gender, females have more likely to respond SMS ads (Trappey, Randolph J.; Woodside, Arch G., 2005), play the critical role of response to SMS ads. In addition, there are 6 external factors; simplicity of input method or input language, economic development which substitute for less developed information structure, cultural difference, marketing competition which substitute for pricier voice service in a noncompetitive market, business model which enhance information richness and benefit from positive feedback in value web, and political censorship (Xu Yan, Min Gong; James Y.L. Thong, 2006). However, most of the people still have the negative attitude toward SMS ads (Fatim Bamba, Stuart J. Barnes 2007).

Besides advertisings, SMS can be the powerful tool for do a survey because it collects information quickly, as the average speed of response (3.3 days) is better than for other survey modes (Balabanis, George; Mitchell, Vincent-Wayne; Heinonen-Mavrovouniotis, Sarah, 2007). This paper focuses on examining the factors that influence Thai consumers' intentions to accepting SMS advertising.

## OBJECTIVES OF THE STUDY:

The objectives of the study are as per following:

- Understand the mobile marketing sector in India
- Checkout the awareness of the mobile marketing on the youngsters of Chirala town
- Know the preferences of subscribers towards mobile marketing
- Probe the reliability of mobile marketing and its possible impact.

## RESEARCH METHODOLOGY

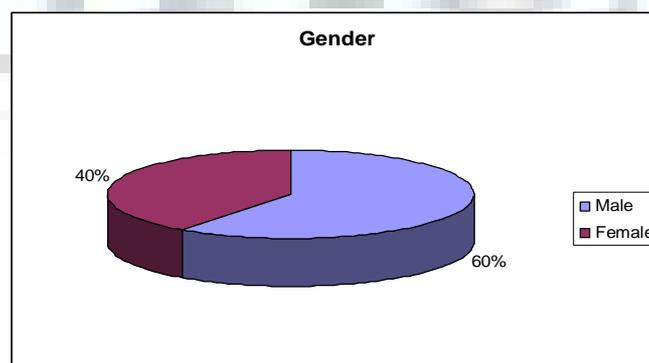
Methodology is the key to finding answers to the question that initiates the research and therefore comprises a very important part of any study. The research methodology that is chosen has to enhance the reliability and generalization of the results. It should furthermore be cost effective, efficient and versatile. This balance can only be obtained by using the appropriate methodology for gathering data.

As previous research on strengthening of CRM practices by the Indian mobile service providers through customer loyalty are limited, the current study can be defined as an early attempt with the aim to develop the body of knowledge regarding the existing phenomenon.

We prepared a structured questionnaire to collect the data. The data collected from students who are studying in engineering colleges at Chirala. We use simple perce.

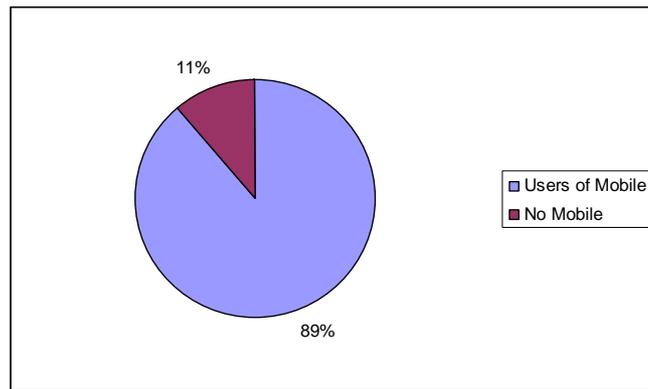
## DATA ANALYSIS

### 1. DIAGRAM SHOWING THE GENDER OF MOBILE USERS



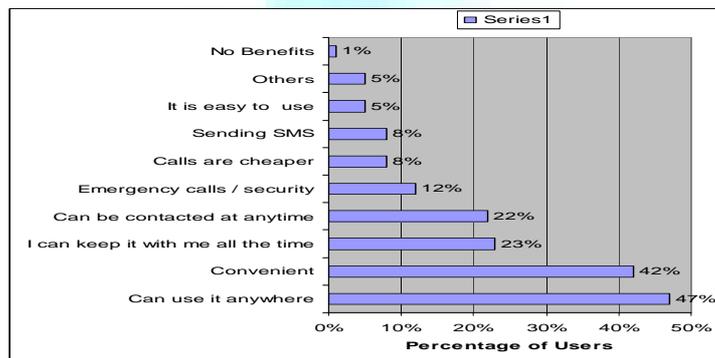
It can be inferred that 60% of the mobile users belongs to male and 40% belongs to female.

2. DIAGRAM SHOWING THE USERS OF MOBILE PHONES



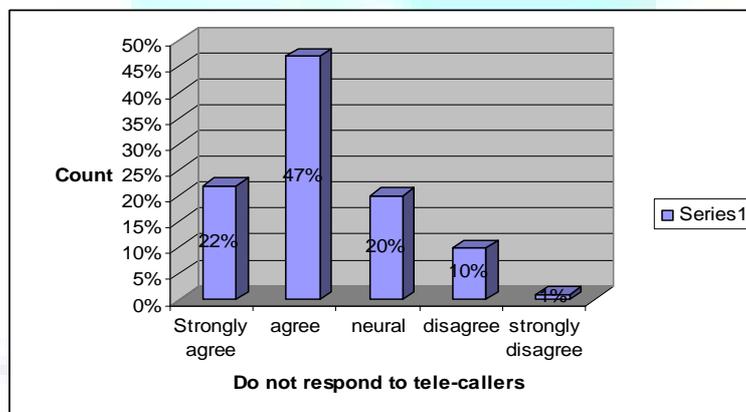
This diagram indicates that 89% of the users have mobile phones and 11% of the users do not use Mobile phones.

3. DIAGRAM SHOWING THE BENEFITS OF MOBILE PHONES



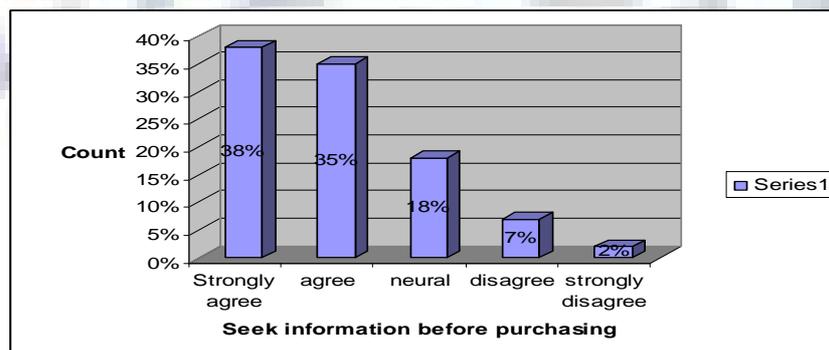
This diagram shows that majority of the respondents are of the opinion that mobile can be used anywhere and different users are using for varied purposes. Very negligible percentage of users says that they are no benefits of Mobile phones.

4. DIAGRAM SHOWING RESPONSE TO TELE-CALLERS



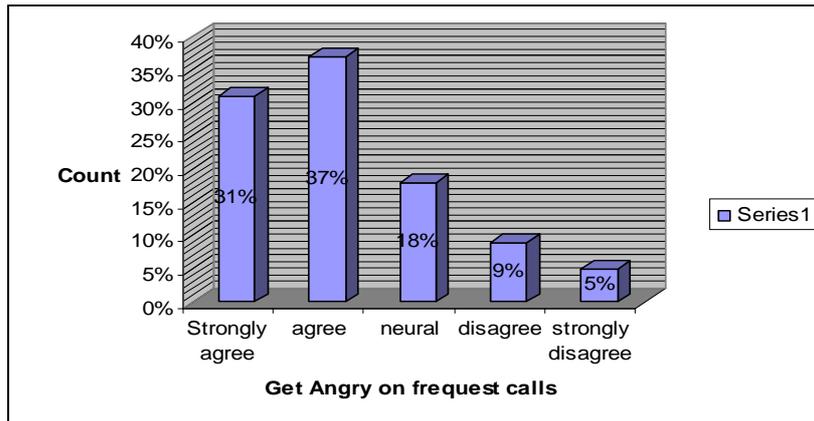
Here it can be analyzed that majority is with the option of agree and majority of people are strongly agree and most of them do not like to respond to tele-callers at all.

5. DIAGRAM SHOWING THE PRELIMINARY INFORMATION BEFORE PURCHASING.



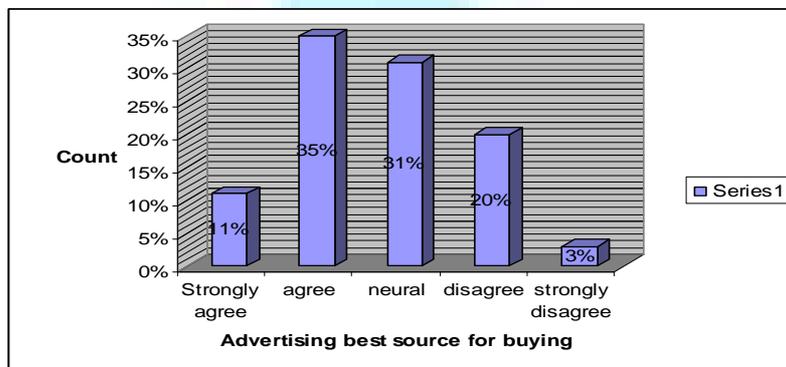
Here it can be analyzed that majority are strongly agree with this statement that they seek full information before purchasing.

6. DIAGRAM SHOWING BEHAVIOR ON FREQUENT CALLS



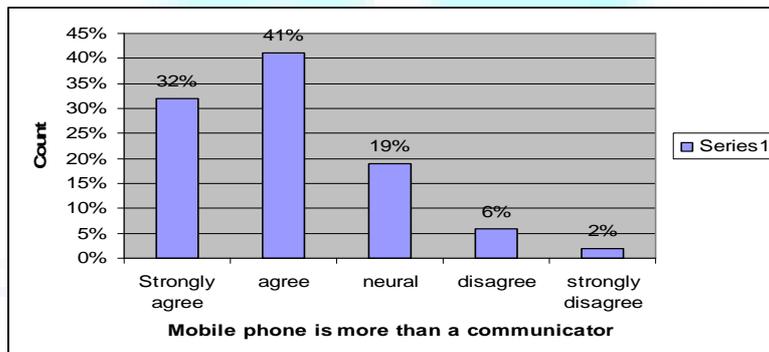
Here it can be analyzed that majority is with the option of agree and majority of people are strongly agree and most of them do not like callers call them on frequent basis and ask them for the feed back or something as reminder for the purchasing.

7. DIAGRAM SHOWING THE BEST SOURCE OF BUYING THROUGH ADVERTISEMENTS



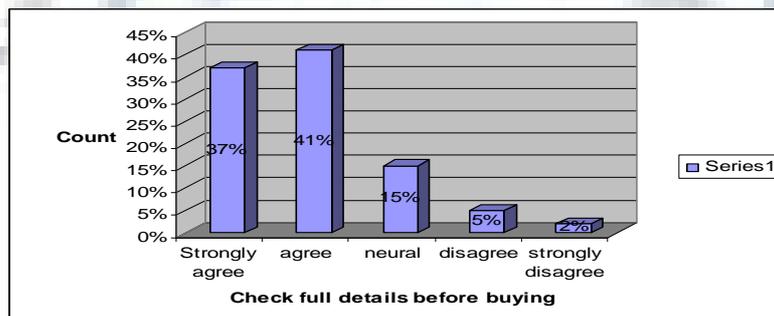
Here it can be analyzed that majority of people are agree and neutral so by cross checking of question 1 and question 5 are almost same respond. So it is clear that are truly aware about the filling questionnaire.

8. DIAGRAM SHOWING MOBILE AS AN INSTRUMENT OF COMMUNICATION



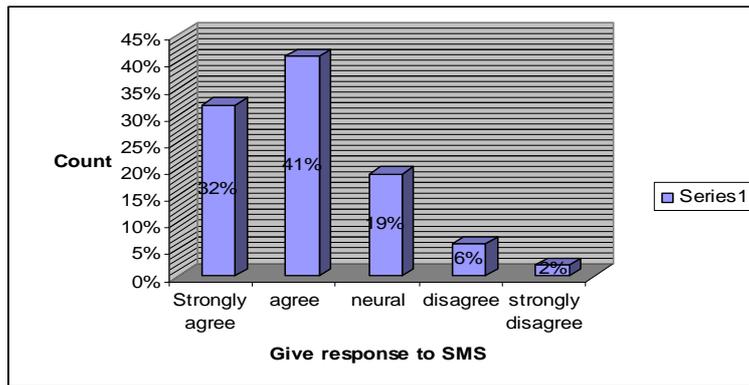
Majority are fully agreed with the statement because they think that mobile phone can be use for entertaining perspective and today most of the teenagers use mobile for that perspective only as camera facilities are also available.

9. DIAGRAM SHOWING THE RESPONDENTS AWARENESS BEFORE PURCHASE DECISION



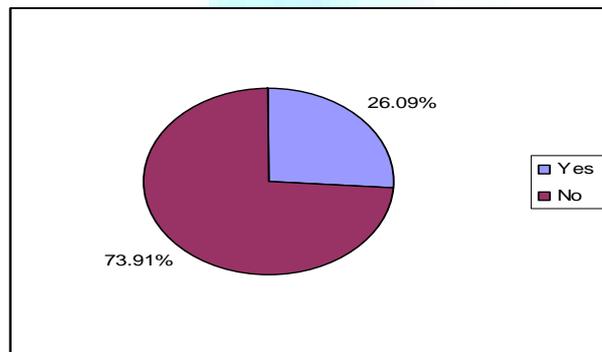
Here this statement is asked for the verification if the people are giving true respond or not. It also crosses checks with the 3 question. So it can be said that majority of people have given true respond. As the ratio is almost same for both the statements.

10. DIAGRAM SHOWING THE RESPONSE TO SMS

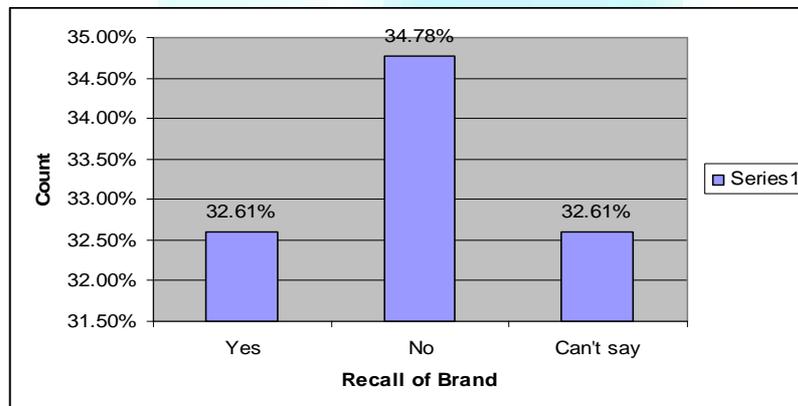


Here it can be analyzed that people like to delete the SMS or rarely read it on the immediate basis. They read the SMS only when they get time, only students give immediate response to SMS.

11. DIAGRAM SHOWING THE USAGE OF 3G ENABLED MOBILE PHONE?



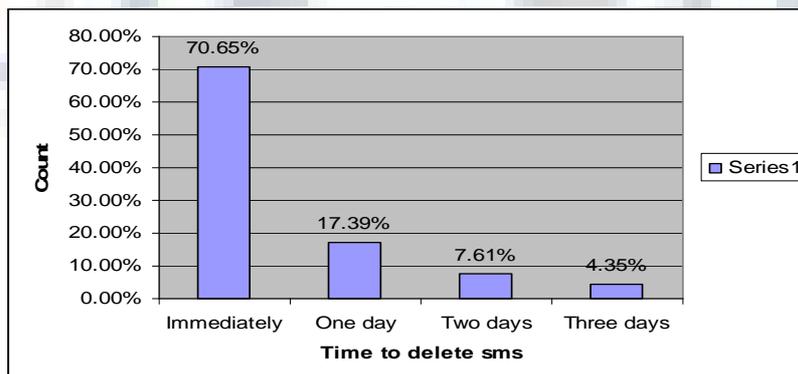
12. DIAGRAM SHOWING THE RECALL OF THE BRAND THROUGH SMS



|                      | N  | Minimum | Maximum | Mean | Std. Deviation |
|----------------------|----|---------|---------|------|----------------|
| Recall increase      | 92 | 1       | 3       | 2    | 0.812          |
| Valid N ( list wise) | 92 |         |         |      |                |

Here it can be analyzed that consumers are not that much aware whether recall of brand is there or not, here the mean is 2.0000 that suggests brand recall may not increase mobile marketing.

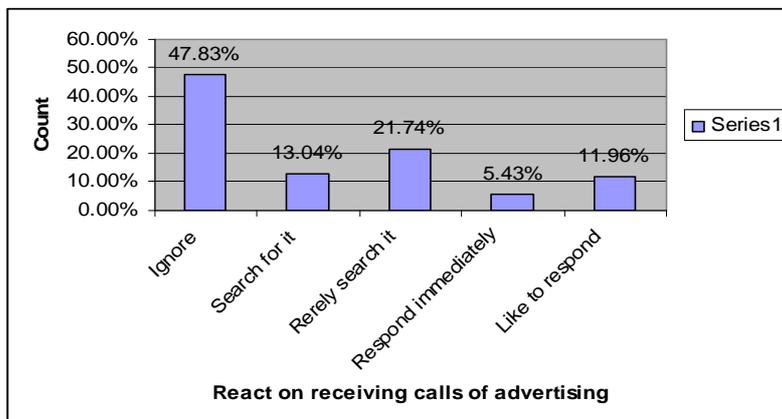
13. DIAGRAM SHOWING THE TIME TO DELETE THE SMS?



|                      | N  | Minimum | Maximum | Mean   | Std. Deviation |
|----------------------|----|---------|---------|--------|----------------|
| Time to delete sms   | 92 | 1       | 4       | 1.4565 | 0.81757        |
| Valid N ( list wise) | 92 |         |         |        |                |

Here it can be analyzed that consumers like to ignore such sms and do not prefer to store it in mobile.

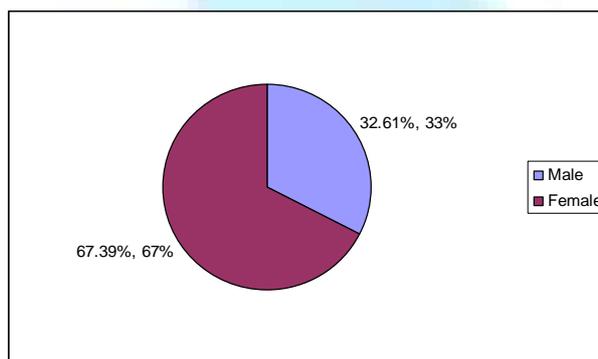
14. DIAGRAM SHOWING THE REACTION OF RESPONDENTS FOR MOBILE ADVERTISING THROUGH CALLS



|                                  | N  | Minimum | Maximum | Mean   | Std. Deviation |
|----------------------------------|----|---------|---------|--------|----------------|
| Mobile advertising through calls | 92 | 1       | 5       | 2.2065 | 1.40281        |
| Valid N ( list wise)             | 92 |         |         |        |                |

It has been observed that consumers ignore tele-callers for the reason, that the mean is 2.2065 and many people do not like to respond to tele-callers.

15. DIAGRAM SHOWING THE RESPONSE OF RESPONDENTS REGARDING CUSTOMER CARE EXECUTIVE CALLS?



It can be inferred that customers prefer to attend the calls given by the female executives when compared to male executives.

OVER ALL FINDINGS

- Those customers who like to respond mobile advertising are mainly for reaching schemes and other value added services. Many of them do not like to get calls/sms from various commercial establishments.
- Many people like to respond to advertisements and also like to purchase by analyzing the features and schemes that are provided so when the service is customized it becomes more useful to customers.
- Customers not merely depend on Sms because they think that there is always some conditions apply and it may not be disclosed properly.
- Many respondents are not using 3G enabled mobile phone because the service is not fully operational in Andhra Pradesh. So it takes time to utilize this service by the customers.
- Customers like to read SMS but they rarely go through it for mobile marketing because generally they feel it is more costly and Indian consumers get satisfaction when they personally visit the shop and decide to take purchase decision.
- Recall of brand does not increase but some times it creates negative impression if mobile marketing is done frequently.
- Customer's awareness is growing and they wish to purchase only when they make comparative analysis about product, service, price and value added services.
- Finally Indian per capita income is increasing and consequently purchasing power is also equally increasing.
- Even though Number portability is allowed some service provides are creating hurdles to customers.
- Degree of education has more chance to respond to SMS advertisements.
- Teenagers are likely to respond SMS because this age is in the period of liking to learn new thing so they are interested in new technology
- Since, mobile phones are personal objects marketers can specifically address the person targeted, as well as recognizing their social context, individual preferences, time and location.
- In a country like India women are having more time and at homes. In case of being at home, most of them are not in hurry and also have much time to open and read sms advertisements than males most work at offices establishments etc., Hence it can be construed that women are more likely to respond to sms than males.
- Some one has a mobile phone but they have never known how to open the sent message. Then it will be wasted.
- Mobile is actually an interesting marketing tool which can reach target customers.
- On the other hand, it may disturb the customers which results in more negative perception about the products and the business.

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APPENDIX

**QUESTIONNAIRE**

1. Gender  
Male                      Female
2. Are you using Mobile phones  
Yes                      No
3. Benefits of Mobile phones  
Can use it anywhere      Convenient      I can keep it with me all the time      Can be contacted anytime      Emergency calls/ security      Sending SMS  
Calls are cheaper      Easy to use      others      No benefits
4. Usage of phones in rural areas  
Mobile                      Landline

| No. | Statement  | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
|-----|--|----------------|-------|---------|----------|-------------------|
| 5   | Decide to purchase on the bases of Advertisements                |                |       |         |          |                   |
| 6   | I do not respond to tele-callers                                 |                |       |         |          |                   |
| 7   | I always seek detailed information before purchasing any product |                |       |         |          |                   |
| 8   | I get angry if caller calls frequently                           |                |       |         |          |                   |
| 9   | Advertisement is the best source to purchase any product         |                |       |         |          |                   |
| 10  | Mobile is more than just a means of communication                |                |       |         |          |                   |
| 11  | I check full details before buying any new product               |                |       |         |          |                   |
| 12  | I always give response to SMS                                    |                |       |         |          |                   |

13. Do you have 3G enabled Mobile phone  
Yes                      No
14. How do you currently react on receiving Mobile advertisements through SMS  
Delete it with out even looking at content      Read but rarely click or buy any follow-ups      Read and follow most of the times
15. How do you Recall of the brand in case of getting SMS on Mobile  
Yes                      No                      Can't Say
16. In how much time you delete the SMS  
Immediately                      1day                      2days                      3days
17. How do you currently react to receive calls on Mobile for advertising?  
Ignore it immediately      Search for it      rarely search for it      respond immediately      Likely to respond

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**MUZAFFARPUR**

**ABSTRACT**

By lending of various loans to individuals, corporate, Small scale industries and etc. the financial institutions have credit risk associated with these product and services with the payment of interest and principal amount. These loans are asset for the banks, Non-payment of interest and principal are affecting adversely to the business activity of banks, and these negate the effectiveness of overall process of banks. Besides this these non-payment or non recovery of loans will reduce the amount of profit and it is also required to maintain fund by the way capital and creation of reserves and provisions. The Non-performing assets, also called non-performing loans, are loans, on which repayments or interest payments are not being made on time. In this paper an attempt is made to analyse trends of Non-Performing Asset in public sector bank in India from 1992-1993 to 2011-2012, and concluded that the banks should to careful to lending loans to customers.

**JEL CLASSIFICATION**

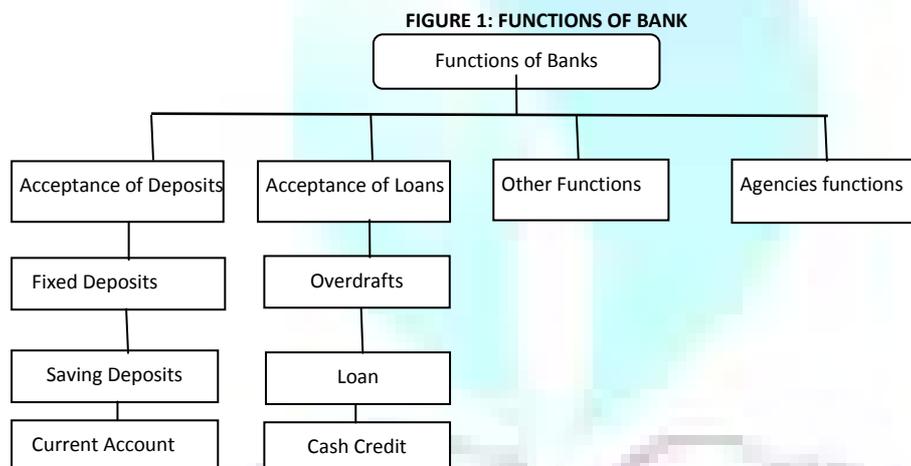
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**KEYWORDS**

Advances, Indian banks, Loans, NPA.

**INTRODUCTION**

The financial system plays a very crucial role in shaping of the economy and socio-economic development of a nation and the health of banking systems as one of the important determinants of these developments. Thus a healthy and well equipped banking with their product and services is necessary and an inherent part of the financial system which facilitates and ensures supply and demand of money for the demand and supply of goods and services in the economy. Within the broad canvas of the financial sector, a well functioning banking sector is regarded as the bedrock of a financial system.<sup>1</sup> The functions of bank are mainly comprises of taking depositing and lending of various funds. By bank we mean any institution hold the banking licenses, granted by banking supervisory authority or central banking system of any country to provide basic banking services, taking various deposits and facilitates loans. By lending of various loans to individuals, corporate, Small scale industries and etc. the financial institutions have credit risk associated with these product and services with the payment of interest and principal amount. These loans are asset for the banks as the banks have receivable with respect to payment of interest and principal amount depending upon the dates and schedules specified.



Non-payment of these interest and principal are affecting adversely to the business activity of banks, these negates the effectiveness of overall process of banks. Besides this these non-payment or non recovery of loans will reduce the amount of profit and it is also required to maintain fund by the way capital and creation reserves and provisions. The Non-performing assets, also called non-performing loans, are loans, on which repayments or interest payments are not being made on time.

**DEFINITION OF NON-PERFORMING ASSET<sup>2</sup>**

With a view to moving towards international best practices and to ensure greater transparency, it has been decided to adopt the '90 days' overdue norm for identification of NPAs, from the year ending March 31, 2004. Loan or Advance or Asset shall be non-performing where:

- Interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a term loan.
- The account remains 'out of order' for a period of more than 90 days, in respect of an overdraft/cash credit (OD/CC).
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
- Interest and/or installment of principal remains overdue for two harvest seasons but for a period not exceeding two half years in the case of an advance granted for agricultural purposes.
- Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

**Gross NPAs** are the sum total of all loan assets that are classified as NPAs as per RBI guidelines as on Balance Sheet date, these assets includes sub-standard, doubtful and loss assets. It reflects the quality of the advances made by banks.

**Net NPA** is type of NPA which is determined by deducting items such as provisions, interest due but not recovered, part payment received and other income kept in suspense account from Gross NPA

**Classification of Asset<sup>3</sup>**

**Standard asset** With effect from March 31, 2005, a substandard asset would be one, which has remained NPA for a period less than or equal to 12 months.

**Doubtful asset** With effect from March 31, 2005, an asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months.

**Loss asset** A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly.

**LITERATURE REVIEW**

Many studies have been conducted by researchers on NPAs in banking industry. The researcher has made attempts to present a brief review of the literature available, which are published in the form of research articles and technical papers published in the journals, magazines and websites in the related area. Kaveri (2001) studied the non-performing assets of various banks and suggested various strategies to reduce the extent of NPAs.<sup>4</sup> According to Muniappan (2002)<sup>5</sup>, there are many internal and external factors said to be causes of NPA, the internal factors includes diversion of funds for expansion, diversification, modernization, taking up new projects, helping/promoting associate concerns, time and cost overrun during the project implementation stage, business (product, marketing, etc.) failure, inefficient management, strained labour relations, inappropriate technology or technical problems, product obsolescence, etc. and the external factors are recession, non-payment in other countries, inputs and power, shortage, price escalation, accidents, and natural calamities, etc., changes in government policies in excise and import duties, pollution control orders, etc. Hosmani and Hudagi (2011)<sup>6</sup> in their study fund that; there is a slight improvement in the asset quality reflected by decline in the diverse NPA percentage. But even then the quantum of NPAs is alarming with public sector banks in India, since NPA being as an important parameter for assessing financial performance of banks the mounting volume of NPAs will deter the financial health in terms of profitability liquidity and economies of scale in operation.

**RESEARCH METHODOLOGY**

The study is descriptive in nature, the study focused on the evaluation of the NPAs in public sector banks after reform to 2011-2012 i.e for a period ranging from 1992-1993 to 2011-12. To analyse the trends and movement of NPAs with respect the public sector banks, the relevant secondary data has been collected through various published reports, research papers, Report on trend and progress of Banking in India various issues from 2000-2001 to 2011-2012, economic survey of India, published papers in various journal etc.

**NON-PERFORMING ASSET IN INDIA**

In India due to emphasis on motto of social banking, the problem of bad loans did not receive due priority from the policy makers initially. However, post the financial sector reforms and adoption international banking standards, the issue of NPAs received due focus. Thus, in India, the concept of NPA received recognition after financial reforms were introduced on the recommendations of the Report of Narsimham Committee in the year 1991 and an appropriate accounting system was put in place.<sup>7</sup>

Non Performing Asset means an asset or account of borrower, which has been classified by a bank or financial institution as sub-standard, doubtful or loss asset, in accordance with the directions or guidelines relating to asset classification issued by RBI. It is loan which does not generate income for the banks if the payment of interest and principal amount are not serviced for some time treated as Non Performing by the banks. If these payments are late for a short period of time termed as past due and if these payment are late usually for 90 days or more the loan are termed as Non Performing.

**LEVEL OF NPA IN INDIA IN PUBLIC SECTOR BANKS**

The Public Sector Banks which are the said to be a focal point of the Indian Banking system are in trouble with excessive governmental equity, excessive NPAs and excessive manpower.<sup>8</sup> Public Sector Banks figure prominently in the debate not only because they dominate the banking industry, but also since they have much larger NPAs compared with the private and foreign banks operating in our country.<sup>9</sup> After the second phase of financial sector reforms and liberalization of the sector in the early nineties, the Public Sector Banks (PSBs) found it extremely difficult to compete with the new private sector banks and the foreign banks.<sup>10</sup> The level NPAs in public sector has been compiled through various sources and it is represented here with the help of tables and chart the data has taken for the study after reform period till 2011-2012. The data has been represented in two table form 1992-1993 to 2011-2012 and four charts these table and charts are as follows.

**TABLE 1: LEVEL OF GROSS AND NET NPA FROM 1992-1993 TO 2000-2001 IN PUBLIC SECTOR BANKS**

| YEAR      | Gross NPA ( <i>Amount in Rs. Crore</i> ) | % of Gross NPA to Gross Advances | Net NPA ( <i>Amount in Rs. Crore</i> ) | % of Net NPA to Net Advances |
|-----------|--|----------------------------------|--|------------------------------|
| 1992-1993 | 39253.14                                 | 23.18                            | Not Compiled                           |                              |
| 1993-1994 | 41041.33                                 | 24.78                            | 19690.74                               | 14.46                        |
| 1994-1995 | 38385.18                                 | 19.45                            | 17566.64                               | 10.67                        |
| 1995-1996 | 41660.94                                 | 18.01                            | 18297.49                               | 8.9                          |
| 1996-1997 | 43577.09                                 | 17.84                            | 20284.73                               | 9.18                         |
| 1997-1998 | 45652.64                                 | 16.02                            | 21232.13                               | 8.15                         |
| 1998-1999 | 51710.5                                  | 15.89                            | 24211.49                               | 8.13                         |
| 1999-2000 | 53294.02                                 | 14.02                            | 26187.6                                | 7.42                         |
| 2000-2001 | 54773.16                                 | 12.4                             | 27968.11                               | 6.74                         |

Source G P Muniappn (2002)<sup>11</sup>

This table indicates that there is continuous decline in ratio of gross NPAs to gross advances ratios after 1993-1994 till 2000-2001 ratios in public sector banks in India. The gross NPAs ratio has declined to 12.4% as compared to 23.18% in 1992-1993 and as compare to 24.78% in 1993-1994. The ratio of net NPAs to net advances has also declined from 1993-1994 to 2000-2001 except there was some increase in 1996-1997, 9.18% as compared to 8.90% in 1995-1996.

**CHART 1: TRENDS AND MOVEMENTS OF GROSS NPAS TO GROSS ADVANCES RATIO (%) AND NET NPAS TO NET ADVANCES RATIO (%) IN PUBLIC SECTOR BANKS IN INDIA FROM 1992-1993 TO 2000-2001**

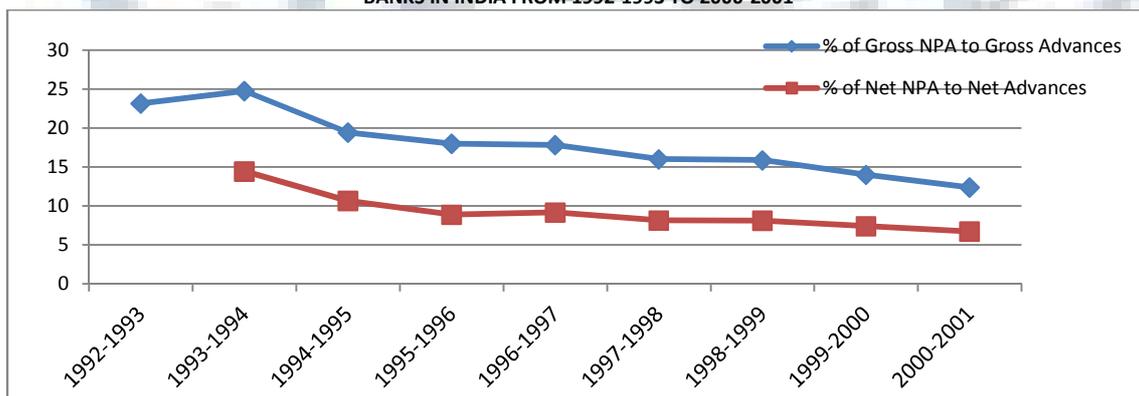
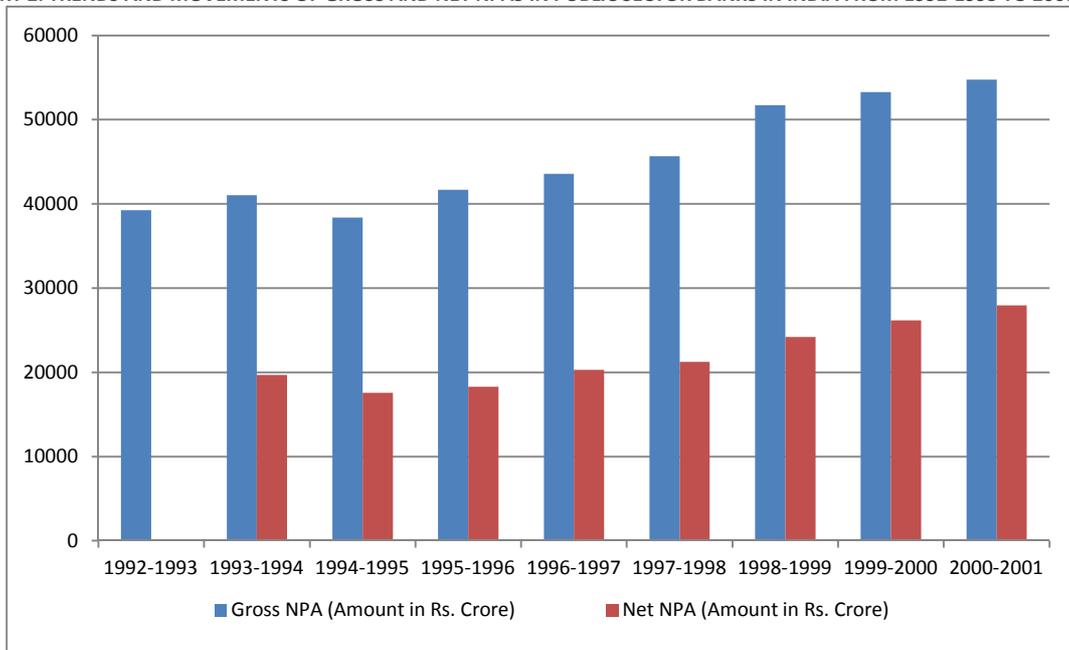


CHART 2: TRENDS AND MOVEMENTS OF GROSS AND NET NPAS IN PUBLIC SECTOR BANKS IN INDIA FROM 1992-1993 TO 2000-2001



The level of NPAs with respect to public sector bank in India after this period has been shown as follows.

TABLE 2: LEVEL GROSS AND NET NPAS FROM 2001-2002 TO 2011-2012 IN PUBLIC SECTOR BANKS IN INDIA

| YEAR      | GROSS NPA<br>(Amount in Rs. Crore) | % of Gross NPA to Gross Advances | NET NPA<br>(Amount in Rs. Crore) | % of Net NPA to Net Advances |
|-----------|------------------------------------|----------------------------------|----------------------------------|------------------------------|
| 2001-2002 | 56507                              | 11.09                            | 27958                            | 5.82                         |
| 2002-2003 | 54090                              | 9.4                              | 18860                            | 4.5                          |
| 2003-2004 | 51538                              | 7.8                              | 24887                            | 3                            |
| 2004-2005 | 47796                              | 5.5                              | 17490                            | 2.1                          |
| 2005-2006 | 42117                              | 3.71                             | 14560                            | 1.32                         |
| 2006-2007 | 38974                              | 2.7                              | 15144                            | 1.1                          |
| 2007-2008 | 40598                              | 2.2                              | 17836                            | 1                            |
| 2008-2009 | 44957                              | 1.97                             | 21155                            | 0.94                         |
| 2009-2010 | 59,926                             | 2.19                             | 29644                            | 1.1                          |
| 2010-2011 | 74614                              | 2.23                             | 36071                            | 1.09                         |
| 2011-2012 | 117200                             | 3.3                              | 59100                            | 1.7                          |

Source Report on trend and progress of Banking in India from 2000-2001 to 2011-2012

\*Gross NPA and Net NPA for the year 2011-2012 has suitably converted in crore, it has given in billions in Report on trend and progress of Banking in India for 2011-2012.

These data regarding NPAs indicates that the ratio of gross NPAs to gross advances has declined from 1993-1994 to 2008-2009 and then there are increase onwards from 2009-2010 to 2011-2012, with respect to public sector bank in India similarly the ratio of Net NPAs to net advances has also declined till 2008-2009 and then increased in 2009-2010 to 2011-2012 it was 0.94% at end of march 2009 and 1.7% at the end of March 2012.

CHART 3: TRENDS AND MOVEMENTS OF GROSS NPAS TO GROSS ADVANCES RATIO (%) AND NET NPAS TO NET ADVANCES RATIO (%) IN PUBLIC SECTOR BANKS IN INDIA FROM 2001-2002 TO 2011-2012

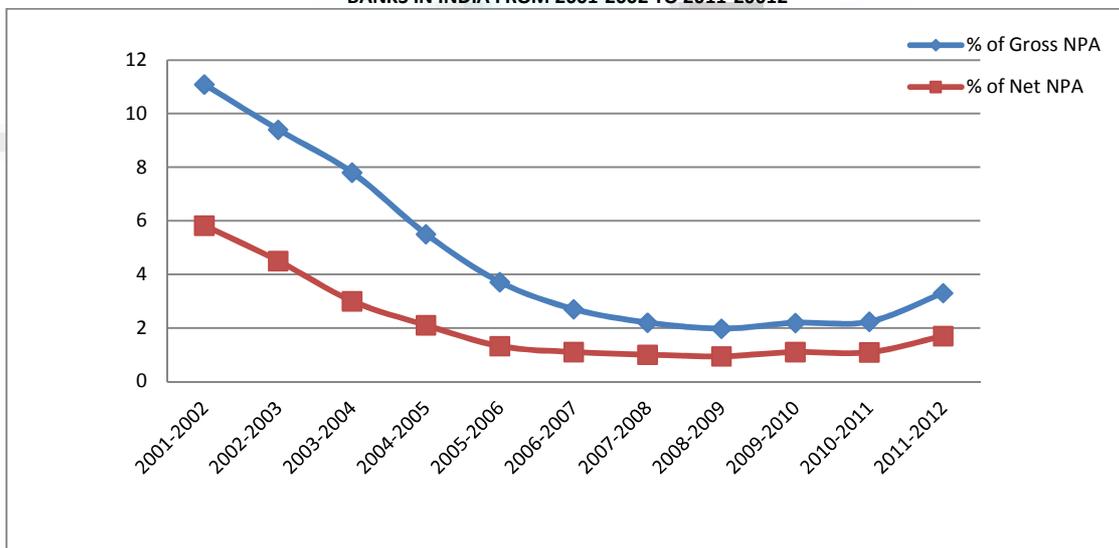
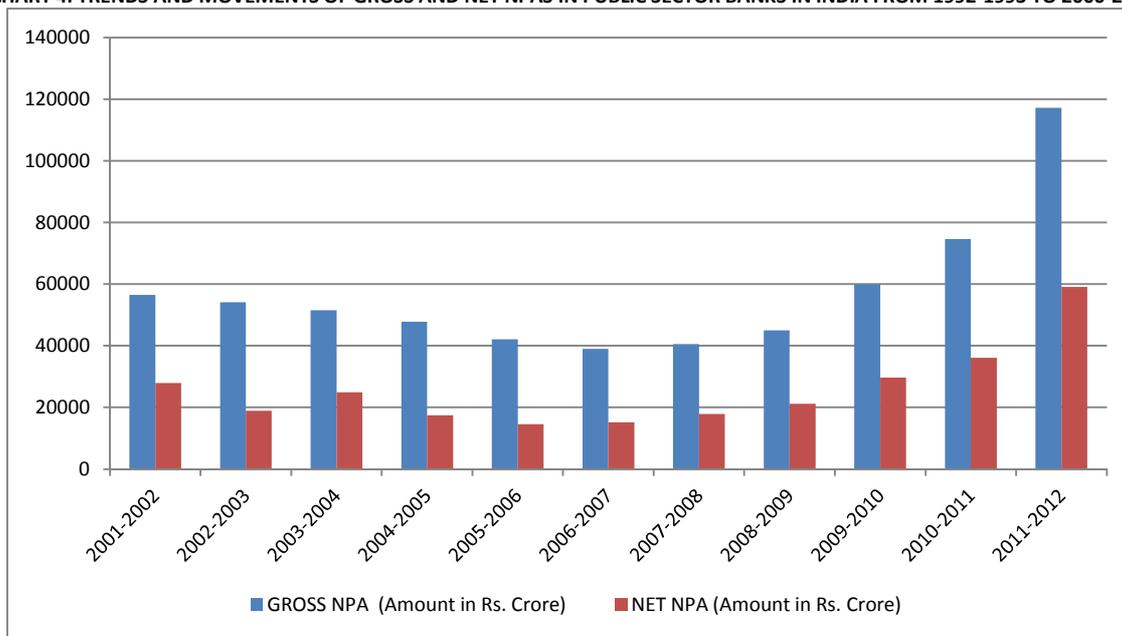


CHART 4: TRENDS AND MOVEMENTS OF GROSS AND NET NPAs IN PUBLIC SECTOR BANKS IN INDIA FROM 1992-1993 TO 2000-2001



### CONCLUSION

The analysis made on the basis of data available and shown in table and chart it can be said that the ratio of gross NPAs to gross advances in public sector banks has declined after reform period till 2008-2009 and then there are an increase has been seen from 2009-2010 to 2011-2012 and similarly the ratio of net NPA has also declined till the end of March 2009 except a few year, at the end of march 2010 and 2011 the ratio was almost same but it is increased as at the end of march 2012 it was 1.7% and it was about 1.1% in last year. Whereas in the case of scheduled commercial bank in India, the ratio of gross as well as net NPA was declined at the end of March 2011 as compared to previous year in. It was 2.39% (Gross NPA) and 1.11% (Net NPA) in 2009-2010 and 2.25% and 0.97% in 2010-2011 respectively<sup>12</sup>. Instead of these improvement indicated by ratio the level of NPAs both Gross as well as Net NPAs are alarming to the public sector bank in India. Thus the public sector banks need to manage it more carefully in terms of their banking operations, credit appraisal and lending process.

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## UNFASTENING THE VITALITY TO PROMOTE GREEN GROWTH: LESSONS FROM INNOVATIVE STRATEGY OF INDIA

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### ABSTRACT

While India has begun to be considered as one of the fastest-growing economies in the world in the post-reform era, broadening social inequality has complemented this. Consequently, attaining comprehensive inclusive growth is a vital political objective. Indian policy-makers have acknowledged that economic development and natural-resource management are symbiotic and that with economic growth, resource exhaustion will see an upsurge. India has some of the most delicate ecosystems in the world; they are tremendously susceptible to the sways of environmental deviations, including climate change. Growing environmental concerns and implementation of international best practices have steered a better-quality environmental governance machinery in the country. Against this backdrop, bringing India onto a sustainable and inclusive growth corridor is vital. Businesses like ITC, TATA and Mahindra are increasingly acknowledging the business case and are beginning to integrate sustainability into their business models and management practices. The Indian economy has been steered by five-year plans (FYP), which are developed, executed and monitored by the national Planning Commission, since 1951. While poverty reduction and growth have been on the agenda for a long time, environmental concerns and social inclusion featured as a priority only in the current plan. India's 12th Five-Year Plan, titled 'Faster, Sustainable and More Inclusive Growth', unambiguously underlines sustainable growth for the first time, mirroring a shift in the development primacies of the country. The research will particularly focus on indulging into the crossroads between government and business in terms of their corresponding influences to achieving sustainable and inclusive growth. The paper emphasizes that as India moves away from authority and control representations of economic management to more market-based methodologies which incentivise business activity rather than direct it, there will be much to gather from the success of the mechanisms that are put in place that complement the larger goals of sustainable and inclusive growth.

### KEYWORDS

green growth, economic growth.

### INTRODUCTION

Achieving sustainable and inclusive growth – or 'green growth' is an exigent task. The essence of new global imperative is creating new sources of income and employment that reduces poverty and is environmentally sustainable and to achieve this there is an immense need and want for guidance and realistic paradigm of successful policy interventions to help achieve this goal. If we see the current scenario there is not even a single economy which is successful in achieving the green growth but there are few prime examples of emerging economies like India, Brazil and china which are experimenting and implementing the innovative green strategies and are successful in many fronts like in stimulating investment and business. In an emerging country like China there are Public-Private partnership and international collaborations in designing knowledge programme which is playing a key role in research and policy engagement like GIZ (Gesellschaft für Internationale Zusammenarbeit) and IPRCC (International Poverty Reduction Center in China). These types of engagements can help china in particular and emerging economies in general to formulate relevant policies for inclusive growth.

It is very important to know what *Green Growth* means, "As mentioned by *OECD*, Green growth means promoting economic growth while reducing pollution and greenhouse gas emissions, minimizing waste and inefficient use of natural resources, and maintaining biodiversity". Green growth means improving health prospects for populations and strengthening energy security through less dependence on imported fossil fuels. It also means making investment in the environment a driver for economic growth. Green growth will require a shift in both public and private investments, with the limited public funds available carefully targeted and accompanied by the right policy frameworks to help leverage private financing. Green models which are selected for development, values the natural resources and puts green growth at heart in strategizing the development strategies to secure a sustainable future. There is environment catastrophe in the world and is a big threat to survival of the mankind. The temperature is rising increasingly, the world's average temperature rose 0.74OC for the last 10 decades; it is expected to rise up to 6.4OC at the end of this century. Economic growth and environmental conservation is simultaneously sought in the modern green era, which demands a paradigm shift and more environmental technologies to safeguard the competitive edge and create new markets. A shared nationwide vision is the need of today to counter the challenges coming from climate change and energy issues for achieving sustainable and greener tomorrow. A sustainable and green future is what we are striving for which can give a pleasant life and can preserve natural ecology and it needs an overall of existing paradigms in all areas of politics, economy and society in view of the government's administrative operation, companies' business management and the public's daily life.

The present paper is an attempt to understand the scoping concept of green growth in India, i.e. its evolution, challenges, and policy assessment and drivers. To achieve the objectives of the study the paper is divided into following sections Section 1 i.e. the present section gives about the insights of green growth and its importance in the present environmental crisis. Section 11 entails review of existing literature, Section 111 gives data and Methodological issues and Section IV gives analysis and interpretations, followed by a Section V of summary and conclusions. References form the part of last section.

### REVIEW OF LITERATURE

In an attempt to familiarize the reader with the findings, the working paper has been divided into sections that follow a structured path.

- The first section focuses on central beliefs of a green growth hypothesis.
- Section two focuses on findings from the Indian perspective beginning from the evolution and ideation stage till final analysis and impact assessment.

### DATA AND METHODOLOGY

India is in inception and scoping phase of green growth. To track the challenges, drivers, evolution the data is derived from important government and policy documents of India and is secondary in nature. India has emerged as one of the fastest-growing economies in the world in the post-reform era, This has been accompanied by widening social inequality. India's economic growth has been unevenly distributed socially and spatially, with almost 30% of its population living on less than US\$1.25 per day. A large share of the population still lacks basic access to affordable and quality services in health care, education, housing, energy, water and sanitation. Therefore, achieving more inclusive growth is an important political goal. To analyse these facts and critically examining the track of green growth path, documents and data which is used is as follows, UNCTAD, GOI, Five-Year Plan documents, UNE, Companies Bill, National Voluntary Guidelines on the Environmental, Social and Economic Responsibilities of Businesses, released by MCA in 2011, G-20 and the BRICS, United Nations Framework Convention on Climate Change (UNFCCC), Centre of Excellence for Sustainable Development of the Confederation of Indian Industry (CII-ITC-CESD), (FICCI, MSME, National Action Plan on Climate Change (NAPCC), National Environment Policy (NEP), 2006, National Manufacturing Policy (NMP), 2011. The methodology adopted in this paper is analytical in nature.

**ANALYSIS AND INTERPRETATIONS OF RESULTS**

This section contains all the vital parameters of green growth in India:

India's 12th Five-Year Plan drafts the country's national priorities of reaching towards 'Faster, Sustainable and More Inclusive Growth'. It is one of the biggest challenge almost all countries are facing and they are in the process of delineating a strategy of addressing some of the country's biggest challenges, like economic delay, social inequality and deficiency, as well as energy security and natural resource management (GOI, 2011a). India has not hitherto been successful in successfully decoupling its economic growth from resource use and emissions, to alleviate poverty and to achieve a spatially as well as socially impartial growth and development.

Current Indian population of 1.2 billion whose dependence on natural resources is highly imperative as it drives growth, welfare and social security. The change agents that lead the discussion for green growth initiatives in India are depicted as follows:

**1. Growth, poverty reduction and environmental protection in India**

The national policy itinerary aims at the intricacy of sustainable development that develops a link between social inclusion of economic and environmental protection in the contemporary world.

**A. ECONOMIC GROWTH**

2012 marks the beginning of economic depression after 8 long years. After the 2008 world economic crisis India recorded 9% GDP growth for at least two years but in recent weeks the rupee has tumbled, losing a sixth of its value against the dollar this month alone. Share prices have fallen, commodity prices are rising, investment is stalling, growth is slowing, and the government is staring at a huge balance of payments deficit. A sense of impending doom is building. Compounding the fears are signs that other emerging economies in Asia are also vulnerable, drawing inevitable questions as to whether this could turn into a repeat of the 1997 Asian financial crisis.

The major factor behind the economic slowdown is a poor performance of the manufacturing and agricultural sector, while currency depreciation is inflating the import bill. India's exports declined 4% in May 2012 from US\$26.79 billion to US\$25.68 billion year-on-year, reflecting a slowdown in production and manufacturing (Gupta and Jain, 2012). Nonetheless, India undertook a systemic shift to a more open, market-based economy, allotting a greater role to the private sector, redefining the role of the government, emphasising export orientation and foreign direct investment as major pillars of its growth model, and creating a more investment-friendly environment for businesses (Ahluwalia, 2002). Since then the Indian economy has witnessed a transformational change with the private sector assuming an important role in economic development, now contributing almost 75% of GDP (CRISIL, 2012). Over the years the trend in private-sector investment has rapidly evolved, moving from investments in transport, social services and the financial sector to manufacturing, infrastructure, agricultural products, and information technology and telecommunication (Assocham, 2012).

As per UNCTAD's World Investment Prospects Survey 2010-2012, India has become the second-most worthwhile terminus for FDI in the world and ranks sixth as an investor, carrying out large-scale investments in other countries (UNCTAD, 2010). But due to slump in the global economy and trade, tighter monetary policy, and higher nominal interest rates there is a recent economic deceleration and the following decrease in investor confidence have led to a 41% decline of FDI, from US\$3.12 billion in 2011 to US\$1.85 billion in 2012.

**B. SOCIAL INCLUSION**

It is a disturbing fact that the economic development in India has not been broadbased. There are regional disparities, viz. some regions are much more developed than others, which remain backward.

India's economic growth has been unevenly distributed socially and spatially, with almost 30% of its population living on less than US\$1.25 per day (WB, 2011). Due to a rural and urban divide in India, a large share of the population still lacks basic access to affordable and quality services in health care, education, housing, energy, water and sanitation. This underlines the rising importance of economic governance towards inclusive growth and a stronger role in rural areas for MSMEs, which employ an estimated 59.7 million persons in the country already.

Disparity in the distribution of income continues to be a big blow to the Indian economy. The rich are growing richer and the poor are growing poorer, thanks to the highly unequal distribution of income in the Indian economy. The uneven growth pattern that has led to a rapid rise in labor productivity rather than an expansion in employment (ILO, 2012).

**C. ENVIRONMENTAL PROTECTION**

There is a long history of study and debate about the interactions between population growth and the environment. Air pollution, poor management of waste, growing water scarcity, falling groundwater tables, water pollution, preservation and quality of forests, biodiversity loss, and land/soil degradation are some of the major environmental issues India faces today. The ecosystems most threatened with degradation are ecologically fragile areas. Indian policy-makers have recognized that economic development and natural-resource management are interdependent and that with economic growth, pressure on resource depletion will intensify (GOI, 2012). While all natural resources such as forests, soils, water and fisheries are increasingly put under stress, insufficient fresh water may become the most severe challenge over the next decade. The over-exploitation of ground water is already critical in Delhi, Punjab, Haryana and Rajasthan as we saw wide protests in the National Capital Region over acute water-supply shortages in the summer of 2012 (Kapoor, 2012) followed by protests against power cuts that continued despite a hike in electricity tariffs (India Today, 2012).

With hurried industrialization and subsidies on various non-renewable resources, the emission levels over the years have risen added with India's dependence on fossil fuels for energy generation which has contributed significantly to air pollution, with 65% of the country's total power generation coming from non-renewable sources (Kapoor, 2012b). In India, environment protection has been given constitutional status. The Directive Principles of State Policy state that are protecting and improving the environment is the duty of the State as well as citizens of the country. The Government of India has enacted various laws to protect the environment through the Environment (Protection) Act, 1986 as the umbrella legislation. These set standards for emissions and discharge; regulation of the location of industries; management of hazardous waste, and protection of public health and welfare. Efforts to contain environment degradation are rendered ineffective due to corruption.

In sum, India is facing a multitude of challenges at the same time: It needs to grow, to address unemployment and poverty, and to handle the current economic and fiscal crisis as well as its environmental challenges.

**WHAT DRIVES CHANGE IN INDIA? – AN ATTEMPT TO DERIVE ANSWERS**

As India accelerates with its rapid transformation, questions remain on how it can generate growth that is both complete and justifiable. To promote sustainable and inclusive growth, the intricacy of the Indian political system poses challenges. Politics in India follow the framework of a federal Westminster-style parliamentary democratic constitutional republic (Kothari, 2012). The government as well as the private sector realizes the importance of aligning economic, social and environmental objectives. Focus is towards identifying the facilitators towards change both at the domestic as well as the international front.

**GOVERNMENT POLICY INTERACTION****• DOMESTIC FRONT**

Considerable challenges that drive Indian players on the domestic front are especially in the area of energy security and social stability.

The energy policy of India is largely defined by the country's burgeoning energy deficit and increased focus on developing alternative sources of energy, particularly nuclear, solar and wind energy. In general, India's strategy is the encouragement of the development of renewable sources of energy by the use of incentives by the federal and state governments. As per (GOI, 2011), the 12<sup>th</sup> plan is targeting at 1,00,000 MW of new power capacity followed by 9% growth rate by increasing energy supplies from 6.5% to 7% every year. While, the government must own primary responsibility for social upliftment, the answer to India's woes probably lies in a public-private partnership towards addressing India's deprived poor.

**• INTERNATIONAL FRONT**

The big story of the last decade for India has been its arrival on the global scene. The Indian economy had broken free of the low-growth trap from the early 1980s. It means that the global economy can no longer be viewed from a spectator's standpoint. The debate on environmental protection within India shows

striking parallels to the larger debate between North and South. An ecologically based causal paradigm, stressing overpopulation and non-sustainable resource use, is in conflict with a moral paradigm that attributes environmental degradation to the consumption patterns of the rich. Adherents of both causal models agree that sustainable development is the answer to India's environmental problems, but they interpret the concept in different ways.

#### PRIVATE SECTOR INTERACTION

##### • DOMESTIC FRONT

The role of the private sector has risen substantially due to its growing share in the economy while stimulating the growth plan of the country by contributing in employment creation, economic growth and facilitating drivers for poverty reduction. While large corporations like ITC or TATA seem to be leading in this race, many MSMEs are also successfully developing solutions that address social or environmental challenges (GOI, 2011). Bodies like National Innovation Council (NInC), Centre of Excellence for Sustainable Development of the Confederation of Indian Industry (CII-ITC-CESD) have made efforts to promote innovative businesses with a sustainable outlook. Millennium Alliance by USAID and the Federation of Indian Chambers of Commerce and Industry (FICCI) have also undertaken few initiatives.

#### THE PRESENT-DAY STRATEGIC AND POLICY BACKGROUND

Indian economy is based on the notion of planning. This is carried through her five-year plans, industrialized, performed and supervised by the Planning Commission. Five-Year Plans (FYPs) are national and integrated economic programs. With the Prime Minister as the ex-officio Chairman, the commission has a nominated Deputy Chairman, who has rank of a Cabinet Minister. Montek Singh Ahluwalia is currently the Deputy Chairman of the Commission. The eleventh plan finished its term in March 2012 and the twelfth plan is currently ongoing. Before the fourth plan, the provision of state resources was based on schematic shapes rather than a clear and objective mechanism, which led to the implementation of the Gadgil formula in 1969. To regulate the allocation of central assistance for state plans various revised versions of the formula have been used.

India's 12th Five-Year Plan, titled 'Faster, Sustainable and More Inclusive Growth', explicitly emphasises sustainable growth for the first time, reflecting a shift in the development priorities of the country.

In addition the following table throws light on India's FYP's since their inception in 1951:

| Plan     | Timeline  | Key Feature  |
|----------|-----------|--|
| First    | 1951-56   | Agriculture Led  |
| Second   | 1956-61   | Socialistic Industrial Policy  |
| Third    | 1961-66   | Self reliance in agriculture and Industry (Plan affected by wars with China and Pakistan in 1962 1965 respectively). Price stabilization |
| Fourth   | 1969-74   | Society oriented (education, employment and family planning)   |
| Fifth    | 1974-79   | Non economic variables   |
| Sixth    | 1980-85   | Infrastructure 9 Six percent per annum growth achieved)  |
| Seventh  | 1985-89   | Welfare sector, programs such as Jawahar Rozgar Yojana   |
| Eighth   | 1992-97   | Dismantling license prerequisites and reducing trade barriers  |
| Ninth    | 1997-2002 | Agriculture and rural focus  |
| Tenth    | 2002-07   | Globally competitive growth  |
| Eleventh | 2007-12   | Employment and social indicators   |
| Twelfth  | 2012-2017 | Sustainable and inclusive growth   |

- India had three annual plans between 1966-69

Source: Dogra, 2011 as cited from Planning Commission

As a part of the recommendations provided to Planning Commission (GOI 2011),

an expert group on Low Carbon Strategies for Inclusive Growth has been set up in addition to an interim report which indicates success towards monitoring climate change can be achieved through efforts in the following areas:

- Research & Development
- Promoting the development of clean energy sources.
- Expanding and improving efficiency of public transport systems and promoting fuel efficiency in vehicles through regulatory and market-based approaches.
- Developing transparent financing and pro climatic mechanisms

For the first time, the 12th Five-Year Plan that runs from 2012 to 2017 uses scenarios to reflect the implications of different types of policy behaviour. As per NCAER economic modeling of emerging scenarios for India's twelfth five year plan, there is a need for strong and inclusive growth which can be achieved through pursuing vigorous reforms in governance and regulatory systems. Due to insufficient actions in the form of half hearted efforts and weak implementation the reforms are unable to deliver on the promises. A recent update of the macro-economic scenarios presented in the plan document by NCAER projects a less rosy picture. One of the problems with India's 5-year Plans, according to Prime Minister Manmohan Singh, is that they "focused on outlining an attractive future, with not enough focus on what is needed to achieve it and the consequences of failing."

#### VARIOUS SCHEMES AND INITIATIVES – THE WAY FORWARD

In order to maintain a high growth rate, Indian government aims to reduce the vulnerability of people towards climate change for which various schemes and initiatives have been requisitioned and in implementation stage. This paper is aimed at throwing light on such schemes.

##### 1. NATIONAL ACTION PLAN ON CLIMATE CHANGE, 2008 (NAPCC)

This plan creates the broader framework for sustainability oriented policy on climate change which identifies measures that promote our development objectives while also yielding co benefits for addressing climate change effectively. There are eight national missions that form the core of National action Plan. Which are:

- National Solar Mission;
- National Mission for Enhanced Energy Efficiency;
- National Mission for Sustainable Habitat;
- National Water Mission;
- National Mission for Sustainable Himalayan Ecosystem;
- National Green India Mission;
- National Mission for Sustainable Agriculture
- National Mission for Strategic Knowledge for Climate Change.

##### 2. INTEGRATED ENERGY POLICY (IEP), 2006

There was a need for India to meet her energy requirements in an efficient, cost effective way and be on a path of sustainable energy security. Thus the Integrated Energy Policy (IEP) was developed by the Planning Commission and adopted by the Indian government in 2006 (GOI 2006). The policy emphasizes on :

- Safe, clean and convenient forms of energy
- Energy diversification and efficiency
- Catalysing investment in energy diversification
- Energy by a combination of market competitiveness, regulatory intervention, energy pricing changes and effective subsidies, strengthening diplomacy

- Demanding accountability for environmental externalities.

3. **NATIONAL ENVIRONMENT POLICY (NEP), 2006**

The Policy evolved from the recognition that only such development is sustainable, which respects ecological constraints, and the imperatives of justice. The policy is commissioned at achieving inclusive growth by:

- Conservation of Critical Environmental Resources,
- Intra-generational Equity
- Livelihood Security for the Poor
- Inter-generational Equity
- Integration of Environmental Concerns in Economic and Social Development Efficiency in Environmental Resource Use
- Environmental Governance
- Enhancement of Resources for Environmental Conservation.

4. **NATIONAL MANUFACTURING POLICY (NMP), 2011**

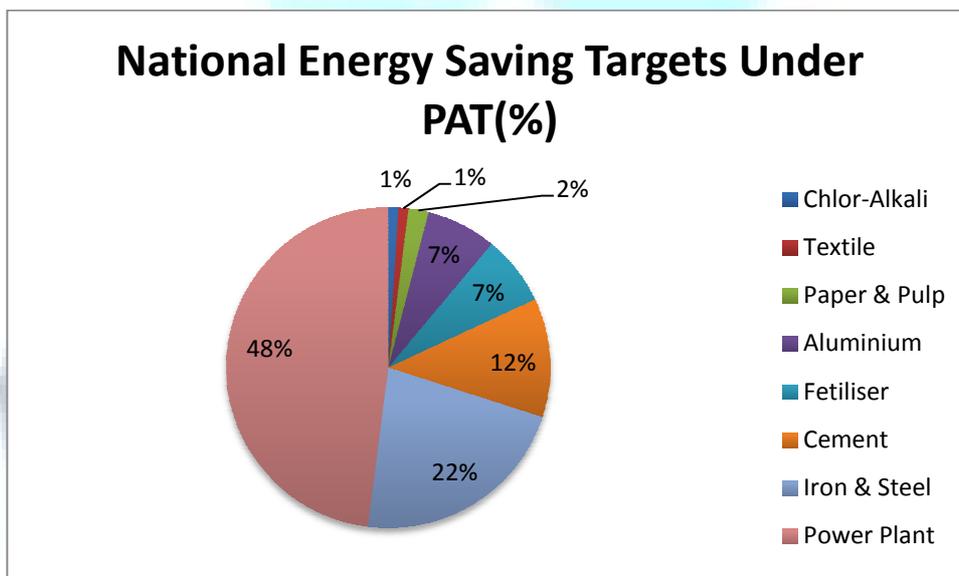
The first ever National Manufacturing Policy, aims at boosting the country’s share of industrial production, employment, development of world-class infrastructure and investments in India’s manufacturing space.

**SEVERAL REGULATORY & MARKET BASED APPROACHES HAVE ALSO BEEN INITIATED SUCH AS**

| REGULATORY APPROACHES   |  |   |
|-------------------------|--|---|
| 1                       | <b>ENVIRONMENTAL IMPACT ASSESSMENT (EIAs)</b>                  | This initiative aims to identify, examine, assess and evaluate the likely and probable impacts of proposed projects on the environment and, thereby, to work out action plans to minimize adverse impacts.  |
| 2                       | <b>STAR RATING &amp; LABELS</b>                                | This initiative taken by The Bureau of Energy Efficiency (BEE) established under the Energy Conservation Act, 2001 is focused at providing information on energy performance, enabling consumers to make informed decisions when purchasing appliances with a focus on simultaneously saving energy and costs.  |
| 3                       | <b>RULES GOVERNING SUSTAINABLE DEVELOPMENT FOR CPSES, 2012</b> | The Central Public Sector Enterprises (CPSEs) wish to contribute to sustainable development, which has been made possible through guidelines issued by the Ministry of Heavy Industries, and Public Enterprises .The list includes measures on emission reduction, low-carbon strategy development and implementation, greening the supply chain, and sustainable development training for employees (GOI, 2012). |
| 4                       | <b>E-WASTE (MANAGEMENT AND HANDLING) RULES</b>                 | The government aims to strengthen market development of green services through innovations, introducing better technology and developing environmentally sound processes.   |
| MARKET BASED APPROACHES |  |   |
| 1                       | <b>EFR- ENVIRONMENTAL FISCAL REFORM</b>                        | In order to create price signals for producer and consumer, the EFR promotes levying of environmental taxes, charges and fees for causing damage to the environment and at the same time incentivizing for environmentally friendly behavior.   |
| 2                       | <b>FOSSIL FUEL SUBSIDIES</b>                                   | The government of India recently made it public its intention to cut subsidy expenditure by bringing it down to 2% of GDP in 2012-13 from an earlier figure which in 2011-12 revealed an alarming 27% increase (IISD 2012). This cut intends to positively impact the environment help in bringing down the economic dependency on fossil fuels.  |

**TRADING SCHEMES**

1. **PAT- Perform, Achieve and Trade Scheme (2012)** - In 2012, the Bureau of Energy Efficiency (BEE) under the Ministry of Power has introduced a performance-related trading scheme-PAT with the objective of enhancing energy efficiency in energy-intensive large industries. BEE had identified nine sectors in 2007, which are the target segments and where efforts are required to save energy nationally. The figure below mentions the nine targets.



Source: PAT Scheme Manual, BEE, Ministry of Power

2. **REC-Renewable Energy Certificates, 2010** - To encourage renewable energy production and overcome environmental restrictions, the Central Electricity Regulatory Commission (CERC) introduced Renewable Energy Certificates (RECs) in 2010.
3. **COMPREHENSIVE FISCAL POLICIES** – The GOI wants to increase private sector participation for which it has devised an incentive structure that helps in facing the increasing demand for cleaner energy sources. In the same regard various initiatives have been taken such as *Generation Based Incentives (GBIs) & Indirect Tax Benefits*
4. **GREEN FINANCE** – Various instruments in the form of initiatives have facilitated sustainable and inclusive growth. The efforts in this direction can be categorized as follows:
5. Implementation of risk sharing mechanism

6. Financing schemes for nine areas have been designed by India's Renewable Energy Development Agency (IREDA)

## SUMMARY AND CONCLUSIONS

India is a composite, impressively diverse country complete with seeming inconsistencies. Governance is divided into—at least four different central departments responsible for

- a. Water-related issues:
- b. The ministries of water resources,
- c. Rural development and urban development
- d. Agriculture

The answer, according to many experts lies in improved environmental governance. India though has a resilient education code but is still challenged by grave poverty and illiteracy. With a smaller land area than China and a population over 1.1 billion—on the margin of fetching, or perhaps already, the world's most populous nation—India might be the critical test case of how many people one can enfold into a given area and still stipulate a civilized, modern life-style. TO MANAGE THIS, arrangement of active government policy TO PREVENT environmental destruction and empower its man force to fight the odds is imperative.

In a broader view, difficulties remain regarding the objectives of a 21st century economy. Conventional economics aims first at overall growth, yet sustainability believers' reason for a new standard based on quality of life instead of economic growth. Sustainability refers both to using better technology and practices and to altering our assumptions about the desirability of consumption, although the balance between the two is contested. India continues at a dangerously high rate of population growth: —Though it occupies only 2 per cent of the world's land area, it supports over 16 percent of the world's population, with some nine times the population density of the United States. Its relevance to sustainability is to be identified. Since population is one of the key driving issues in environmental degradation, as people consume more and more resources in the form of land occupancy, more waste disposal, etc.

Unfortunately in India, poor implementation of national policies, lack of local solutions and disintegrated education system are the key factors responsible for the crisis. Many economists argue that, —the failure of formal regulation to control disruption has highlighted the significance of informal regulation for achieving environmental goals.

It is concluded that to address the issue of environment (and many other things), all of the technology and knowhow in the world is useless without strong implementation of policies. In many ways, India should be focused at an effective environmental governance program.

According to the World Bank, —India has a resilient environment policy and legislative structure and ingrained establishments at the national and State level. Yet countless trials may bring countless opportunities; if India can accomplish the accurate blend to help itself, it may also act as a groundbreaker in a novel world facing extraordinary environmental threats. If India's developing economy still produces less pollution—and surely lesser global warming emissions—than either China or the United States, its swelling population makes it an object of special global concern.

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**GOVERNMENT POLICY AND SMALL SECTORS IN INDIA**

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**ABSTRACT**

*The small scale industry sector constitutes a vibrant and dynamic sector of the industrial economy of India. This sector has recorded consistently good growth in terms of production, creation of employment and phenomenal growth in exports over the years. The post liberalization era in the Indian economy has enhanced the opportunities and challenges for the SSI Sector. With their dynamism, flexibility and innovative drive they are increasingly focusing on improved production methods, penetrative marketing strategies and management capabilities to sustain and strengthen their operations. The government has taken keen interest in the development of the small sector in India by way of various measures and schemes. The affairs of small sector are looked after by Ministry of Micro, Small, and Medium Enterprises. Within the department of MSME, there is Micro Small Medium Organization under a development commissioner. MSMEEDO with its service institute and branch institutes play an active role in the development of small enterprises. This paper is an attempt to familiarize the evolution of the policy framework and support measures of the government over the years.*

**KEYWORDS**

Micro Small Medium Organization, policy framework and support measures.

**INTRODUCTION**

The small scale industry sector, as an important segment of the Indian economy, accounts for around 95 per cent of the industrial units, 40 per cent of the manufacturing sector output and 36 per cent of exports. It provides direct employment to 282.57 lakh persons in around 118.59 lakh registered SSI units in the country. The sector enjoys the pride of being second largest employer in the country and offers a wide spectrum of products for consumers and industry-users. The sector serves as a Greenfield for the nurturing of entrepreneurial talent enabling the small scale units to graduate into medium and large scale over a period of a time.

India's concern and support for small-scale enterprises has focused excessively on the small-scale industry. This can, perhaps, be traced back to Mahatma Gandhi's special concern for handicrafts and village-based industries. Various measures taken by the Central and State governments, for the development of the SSI have included product reservations, fiscal concessions, preferential allocation of credit and interest subsidy in a credit-rationing framework, extension of business and technical services, preference in government procurement, marketing assistance. It also includes export promotion by institutions such as National Small Industries Corporation, Small Industries Development Organization, Handicrafts and Handloom Promotion Corporation, and Khadi and Village Industries Commission, as also promotion of ancillarisation, and so on.

The government has recognized the importance of SME sector and has strongly come out with various policy measures from time to time. From the direct intervention and excessive protection methods, there has been a shift in the role of the government as that of a friend, facilitator and guide. All efforts are intended to enhance the competitiveness of India's small scale sector, enabling the enterprise to attain global standards.

**SCOPE OF THE STUDY**

The scope of the study has been limited to the evolution of policy framework and support measures of the government by classifying them into three periods; 1948-1991, 1991-1999 and 1999 onwards.

**OBJECTIVES OF THE STUDY**

- To familiarize the evolution of policy framework and support measures of the government.

**RESEARCH METHODOLOGY**

Exhaustive literature survey regarding the topic and related concepts has been done. Secondary data were collected from various sources including books, research papers, newspapers, magazines and websites.

**EVOLUTION OF POLICY FRAMEWORK AND SUPPORT MEASURES FOR SSI DEVELOPMENT**

The evolution of policy framework and support measures of the government can be broadly grouped into the following three periods:

**1948-1991**

In all the policy resolution from 1948-1991, recognition was given to the micro and small enterprises termed as an effective tool to expand employment opportunities, ensure equitable distribution of the national income and facilitate effective mobilization of private sector resources of capital and skills. The micro, small and medium enterprises development organization was set up in 1954 as an apex body for sustained and organized growth of micro, small and medium enterprises. Within next two years, the National Small Industries Corporation, the Khadi and Village Industries Commission and the Coir Board were also set up. The era provided the supportive measures that were required to nurture SSIs, in the form of reservation of items for their exclusive manufacture, access to bank credit on priority through priority sector lending programme of commercial banks, excise exemption, reservation under the government purchase programme and 15% price preference in purchases, infrastructure development and establishment of institutes for entrepreneurial and skill development.

MSME Development institute (earlier known as Small Industries Service Institute-SISI) were set up all over India to train youth in skills and entrepreneurship. Tools rooms were established with German and Danish Assistance for providing technical services essential to MSEs as also for skill-training. At the state level, District Industries Centers were set up all over the country.

**1991-1999**

The new policy for Small Tiny and Village Enterprises of August 1991 laid the framework for government support in the context of liberalization, which sought to replace protection with competitiveness to infuse more vitality and growth to MSEs in the face of foreign competition and open market. Supportive measures concentrated on improving infrastructure, technology and quality. Testing centers were set up for quality certification and new tool rooms as well as sub contracting exchanges were established. The Small Industries Development Bank of India (SIDBI) and a Technology Development and Modernization Fund were created to accelerate finance and technical services to the sector. A Delayed Payment Act was enacted to facilitate prompt payment of dues to MSEs and an Industrial Infrastructure Development (IID) scheme was launched to set up mini industrial estate for small industries.

**1999 ONWARDS**

The ministry of MSME (earlier known as Ministry of Small Scale Industries and Agro & Rural Industries -SSI&AR) came into being from 1999 to provide focused attention to the development and promotion of the sector. The new policy package announced in August 2000 sought to address the persisting problems relating to credit, infrastructure, marketing and technology more effectively. A credit linked capital subsidy scheme was launched to encourage technology upgradation in the MSE sector and a credit guarantee scheme was started to provide collateral-free loans to micro and small entrepreneurs, particularly the first generation entrepreneurs. The exemption limit for relief from payment of central excise duty was raised to Rs.1 crore and a Market Development Assistance

Scheme for MSEs were introduced. At the same time, consultation were held with stakeholders and the list of products reserved for production in MSE sector was gradually reduced each year. In 2006, the long-awaited enactment for this sector finally became a reality with the passage of the Micro, Small and Medium Enterprises Act. In March 2007, a third package for the promotion of micro and small enterprises was announced which comprises the proposals/schemes having direct impact on the promotion and development of the micro and small enterprises, particularly in view of the fast changing economic environment, wherein "to be competitive is the key of success".

▪ **MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006**

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first ever legal framework for recognition of the concept of 'enterprise' which comprises both manufacturing and service entities. It defines Medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely micro, small and medium. The act also provides for a consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises with a wide range of advisory functions.

▪ **FOREIGN DIRECT INVESTMENT POLICY**

With the promulgation of the MSMED Act, 2006 the restrictive 24 % ceiling prescribed for equity holding by industrial undertakings whether domestic or foreign in the MSEs has been done away with and MSEs are defined solely on the basis of investment in plant and machinery (manufacturing enterprises) and equipment (service enterprises). Thus the present policy on FDI in MSE permit FDI subject only to the sectoral equity caps, entry routes and relevant sectoral regulations.

▪ **LIMITED LIABILITY PARTNERSHIP ACT ,2008**

The LLP is viewed as an alternative corporate business vehicle that provides the benefits of limited liability but allows its members the flexibility of organizing their internal structure as a partnership based on a mutually arrived agreement. The LLP form would enable entrepreneurs, professionals and enterprises providing services of any kind or engaged in scientific and technical disciplines, to form commercially efficient vehicles suited to their requirements. Owing to flexibility in its structure and operation, the LLP would also be a suitable vehicle for small enterprises and for investment by venture capital. The LLP Act has provided a fillip to the small sectors as it combines the advantages of both partnership and companies.

▪ **DE-RESERVATION**

The issue of de-reservation has been a subject of animated debate within the government for many years. The approach to eleventh Five year plan noted the adverse implication of reservation of products for exclusive manufacture by MSEs and recommends the policy of progressive de-reservation. This helped the sector in enlarging the scale of operation and also paved the way for entry of large enterprises in the manufacture of reserved products in keeping with the global standards.

▪ **CREDIT/FINANCE**

Credit is one of the critical input for the promotion and development of the micro and small enterprises. Some of the features of existing credit policy for the MSEs are;

○ **PRIORITY SECTOR LENDING**

Credit to MSEs is part of the priority sector lending policy of the banks. For the public and private sector banks, 40% of the net bank credit (NBC) is earmarked for priority sector. For foreign banks however 32% of the NBC is earmarked for the priority sector of which 10% is earmarked for the MSE Sector.

○ **INSTITUTIONAL ARRANGEMENT**

SIDBI is the principal financial institution for promotion, financing and development of the MSE sector. Apart from extending financial assistance to the sector, it coordinates the functions of institutions engaged in similar activities. Commercial banks are important channels of credit dispensation to the sector and play a pivotal role in financing the working capital requirements. At the state level, State Financial Corporation and State Industrial Development corporation s are the main sources of long term finance for the SME sector.

▪ **MARKETING AND PROCUREMENT**

Under Government Store Purchase Programme, various facilities such as issue of tender sets free of cost, exemption from payment of earnest money deposits...etc are provided to enterprises in order to assist them for marketing their products in competitive environment. To assist the MSEs in marketing their products, section 12 of the new MSME Act has formulated a scheme of preferential procurement of goods produced by MSEs at the Central and State/UT level.

▪ **EXPORT PROMOTION**

Export promotion from the MSEs has been accorded a high priority. Products from MSE exporters are displayed in international exhibition and the expenditure incurred are reimbursed by the Government. Under the MSE Marketing Development Assistance is provided to individuals for participation in overseas fairs and also conducts training programme to get acquainted with latest packaging standard and techniques.

▪ **PROVISION TO CHECK DELAYED PAYMENT**

Provisions related to delayed payments to micro & small enterprises have been strengthened and period of payment to MSEs by the buyers reduced to 45 days. Rate of interest on outstanding amount is increased to three times of the prevailing bank rate of Reserve Bank of India compounded on monthly basis. Declaration of payment outstanding to MSE supplier has been made mandatory for buyers in their annual statement of accounts. Moreover, interest (paid or payable) to buyer is disallowed to suppliers for deduction for income tax purposes.

▪ **NATIONAL BOARD FOR MICRO, SMALL AND MEDIUM ENTERPRISES**

An apex consultative body with wider spread representation of stake holders has been established to examine the factors affecting the development and promotion of MSMEs and review the policies and programmes of the central government. An advisory committee has been established to advise the state government regarding various policies and also looks into cases referred by the National Board

## CONCLUSION

The emerging economic scenario in the changed liberalized, and competitive economic environment necessitated structural and fundamental changes in the policy framework, causing a shift in focus from protection to promotion. The government of India has been planning various schemes and policies to develop the favorable environment for the new entrepreneurs in India from time to time. The result of these economic policy interventions is very favorable. Major focus has been in the field of small and medium level industries where entrepreneurship is being mainly emphasized. World over, Micro and Small Enterprises (MSEs) are recognized as an important constituent of the national economies, contributing significantly to employment expansion and poverty alleviation. Recognizing the importance of micro and small enterprises, which is an important segment of Indian economy in terms of their contribution to country's industrial production, exports, employment and creation of entrepreneurial base. Development and promotion of MSEs are vital for economic development that is why the modern era describes the MSEs as "the most employment-intensive segment".

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## AN IMPACT OF WORK FAMILY CONFLICT ON ORGANIZATIONAL COMMITMENT: A STUDY OF STAFF MEMBERS AT PEOPLE'S BANK IN TRINCOMALEE DISTRICT

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### ABSTRACT

*As organizations attempt to help employees to manage the balance between work and family demands, there is a growing body of research on the topic of work-family conflict. The purpose of this research is to identify the relationship between work family conflict and organizational commitment among the banking staffs in Trincomalee district. In this research work family conflict variables such as work interferes family conflict and family interferes work conflict considered as independent variables and organizational commitment is considered as dependent variable. For the purpose of present study 56 sample responses were collected randomly from 114 members working in the managerial levels, management trainees and staff assistants positions at people's bank in Trincomalee District. Correlation analysis revealed that there is a significant negative correlation between WFC and organizational commitment. Regression analysis suggested that there is a significant negative effect of work-family conflict on organizational commitment as hypothesized. Findings further detected that WIF and FIW have negative significant effect on Affective Commitment, and also there is a significant negative relationship between FIW and Affective commitment. More indicates that WIF and FIW have negative significant effect on Continuance Commitment, and there is a significant negative relationship was observed among them. These results have implications for people's bank administration to design workloads that reduce WFC in employees and increase organizational commitment.*

### KEYWORDS

Work interferes family (WIF), Family interferes work (FIW), Work Family Conflict (WFC) Organizational Commitment.

### INTRODUCTION

**B**alancing the demands of work and the responsibilities of the family is a necessary concern for today's organization. Work-life balance is about creating and maintaining supportive and healthy work environments, which will enable employees to have balance between work and personal responsibilities and thus strengthen employee loyalty and productivity. As organizations attempt to help employees to manage the balance between work and family demands, there is a growing body of research on the topic of work-family conflict. As modern organizations become increasingly complex entities influenced by various societal factors such as family and community issues, research on how these interactive factors affect outcomes of organization is now necessary. Greenhaus & Beutell (1985) defined work family conflict as a form of inter role conflict in which the role pressures from the work and family domains are mutually incompatible in some respect. WFC can be addressed by two forms of sub variables as WIF and FIW. Most researchers make the distinction between what is termed WIF, and what is termed FIW. WIF is the discord that arises when the time devoted to or time spent fulfilling professional responsibilities interferes with or limits the amount of time available to perform family-related responsibilities. This type of conflict appears when the demands of one's professional life interfere with the demands of one's personal life. WIF occurs when experiences at work interfere with family life, like extensive, irregular, or inflexible work hours, work overload and other forms of job stress, interpersonal conflict at work, extensive travel, career transitions, unsupportive supervisor or organization.

Thus, FIW occurs when resources spent in a family role detract from resources available in the job role. FIW occurs when experiences in the family interfere with work life like presence of young children, primary responsibility for children, elder care responsibilities, interpersonal conflict within the family unit, unsupportive family members. Frone, Russel & Cooper (1992) found there are two types of conflicts, WIF and FIW. There are enough studies have been done on WFC. But few studies have been done to focus on the relative influence of WFC on organizational commitment. In Sri Lanka, there is a study focused the relationship between WFC and job performance in the banking staffs. Therefore Responding to this gap that exists in literature has necessitated this present study.

### REVIEW OF LITERATURE

Work-family role conflict has become an important issue in the determination of organizational commitment. According to Cole (2004) The conflict occurs when the employee extends their efforts to satisfy their work demands at the expense of their family demands or vice versa. Ajiboye (2008) Found a significant amount of researches have concluded that WIF and FIW are related but distinct constructs However, WIF occurs when the domain of work interferes with the family demands and vice versa. Various researchers had investigated the relationship between work-family role conflict and organizational efficiency and productivity. Allen & Meyer (2000) suggest that Organizational commitment has become one of the most popular work attitudes studied by practitioners and researchers. One of the main reasons for its popularity is that organizations have continued to find and sustain competitive advantage through teams of committed employees. Organizational commitment is defined as the degree to which the employee feels devoted to their organization. Porter, Steers, Mowday, & Boulian (1974) define organizational commitment is the strong belief in and acceptance of the organizational goals and values, willingness to exert considerable effort on behalf of the organization, and a definite desire to maintain organizational membership. Allen & Meyer (1990) spot Organizational commitment has three types including affective commitment, normative commitment, and Continuance commitment. Akintayo (2010) defines Affective commitment refers to the emotional bond and identification of the employees with the organization and Continuance commitment refers to the material benefits gained from being with the organization. Jaros, Jermier, Koehler, & Sincich, (1993) defines normative commitment reveals a feeling of compulsion to continue employment. Further research into this variable has concluded that commitment is a diverse construct. Akintayo (2006) posited that there is general acceptance that organizational commitment has three main facets: affective, continuance, and normative, each with its own underlying 'psychological states'. According to Meyer (2003) Affective commitment refers to the emotional bond and the identification the employee has with the organization. For the employees, the positives include enhanced feelings of devotion, belongingness, and stability. Continuance (economic/calculative) commitment refers to what the employee will have to give up if they have to leave the organization or in other terms, the material benefits to be gained from remaining. Employees whose primary link to the organization is based on continuance commitment remain with the organization because they feel they need to do so for material benefits.

According to Akinboye (2003) it was found that a significant relationship exists among work-family role conflict and managerial efficiency of the managers. Karatepe & Sokmen (2006) conducted a study in Ankara, Turkey on frontline hotel employees and found a significant negative relationship between both WIF and FIW with job performance. WIF has negative impact on performance of people was found by Lee & Hui (1999), when work affects the family the performance decreases but it is a good indicator of measuring dedication one has for his job. Arjee (1992) indicates that FWC is negatively related to job performance.

Meyer, Allen, Gellatly, Goffin & Jackson (2000) have found that committed employees are more likely to remain with the organization and strive towards the organization's mission, goals and objectives.

Meyer et al. (2000) have found that committed employees are more likely to remain with the organization and strive towards the organization's mission, goals and objectives. Popoola (2008) found that WFC has become a significant factor in predicting organizational commitment as one of the important factors that influence work attitudes, job involvement, and career. Akintayo (2010) found that Conflict causes an imbalance between work and family life, such that WIF and FIW affecting outcomes such as organizational commitment, job satisfaction, and turnover. Also he argues that WFC negatively correlates with affective and normative commitment. Nevertheless, the effect of WFC on continuance commitment still remains unaddressed. Lambert (2000) found that addresses whether the use of work family initiatives impacts work family conflict and work outcomes such as job satisfaction, absenteeism, organizational commitment, and organizational citizenship behaviors. George (2000); posit that family interference with work may have some negative consequences on the extent which employees will be satisfied with their works and committed to their career. Cannon (1998) found clear evidence that employees with higher work-family conflict report less organizational commitment. This reduced commitment is also seen by greenhaus, Collins, Singh & parasuraman (1997) in studies of turnover intentions in particular, where employees with higher work family conflict are more likely to report intentions to leave the organization.

Blackhurst, Brandt, & Kalinowski, (1998) have also found that organizational commitment is negatively associated with role ambiguity and role conflict. Allen & Meyer (1990) in their famous article of the measurement and antecedents of affective, continuance and normative commitment to the organization found that role ambiguity and role conflict were negatively correlated with organizational commitment. The same was confirmed by Jackson & Schuler (1985). Many researchers conducted in developed and developing countries have established a negative relationship of organizational commitment with work to family conflict. Work to life conflict has a negative bearing on the commitment of workers to their organization. Lee & Hui (1999) argue that WIF may be an indicator of how much devotion one has for work. The study found that WIF was positively related to continuance organizational commitment but unrelated to affective commitment, and FIW was not related to either form of organizational commitment. Casper, Martin, Buffardi & Erdwins (2002) According to Luo Lu, Shu-Fang Kao, Ting-Ting Chang, Hsin-Pei Wu, Cary, Cooper (2008) found that both WIF Conflict and FIW were negatively correlated with job satisfaction and organizational commitment. There is no any further studies found specifically the relationship between FIW and organizational commitment. George (2000) posit that FIW may have some negative consequences on the extent which employees will be satisfied with their works and committed to their career.

## STATEMENT OF THE PROBLEM

As having the above importance, the current study investigated the effect of WFC on organizational commitment. In a way, this study analyses the following problems.

- Does WFC have significant effect on organizational commitment in staff members at peoples' bank?
- Is there any significant relationship between WFC and Organizational commitment in staff members at peoples' bank?

## OBJECTIVE OF THE STUDY

The following are the objectives of the present study

- To measure the effect of WFC on organizational commitment of staff members in peoples' bank.
- To find the relationship between WFC and organizational commitment of staff members in peoples' bank.

## HYPOTHESES

Based on the empirical evidence the researcher formulates the following hypothesis.

### H<sub>1</sub>:- There is a significant effect of WFC on Organizational Commitment

- H<sub>1a</sub>:- There is a significant effect of WIF & FIW on Affective Commitment
- H<sub>1b</sub>:- There is a significant effect of WIF & FIW on Continuance Commitment
- H<sub>1c</sub>:- There is a significant effect of WIF & FIW on Normative Commitment

### H<sub>2</sub>:- There is a significant negative correlation between WFC and organizational commitment

- H<sub>2a</sub>:- There is a significant negative correlation between WIF and affective organizational commitment.
- H<sub>2b</sub>:- There is a significant negative correlation between WIF and Continuance organizational commitment.
- H<sub>2c</sub>:- There is a significant negative correlation between WIF and normative organizational commitment.
- H<sub>2d</sub>:- There is a significant negative correlation between FIW and affective organizational commitment.
- H<sub>2e</sub>:- There is a significant negative correlation between FIW and Continuance organizational commitment.
- H<sub>2f</sub>:- There is a significant negative correlation between FIW and normative organizational commitment.

## MATERIALS AND METHODS

In this study Primary data and secondary data source are used to measure the relationship between WFC and organizational commitment. Secondary data is collected from previous research studies. Primary data for the present study is collected through the questionnaire from staff members at People's bank in Trincomalee district. There are 114 staffs presently working at 6 branches and 8 service centers in Trincomalee district. Out of 114 staffs, 28 employees working as managerial level, 10 employees working as management trainees and 76 of them are working as staff assistants. Questionnaire issued randomly to 75 respondents. Only Fifty six (56) questionnaires were received from the sample.

SPSS 16 is used to find the Correlation and Linear Regression. Correlation is a fundamental concept used to find the relationship between two or more variables. Regression analysis is a statistical technique used to predict the value of one variable on the basis of other variables. For the purpose of present study we construct the following equations.

$$\text{Organizational Commitment} = B_0 + B_1 \text{FIW} + B_2 \text{WIF} \quad (1)$$

$$\text{Affective Commitment} = B_0 + B_1 \text{FIW} + B_2 \text{WIF} \quad (2)$$

$$\text{Continuance Commitment} = B_0 + B_1 \text{FIW} + B_2 \text{WIF} \quad (3)$$

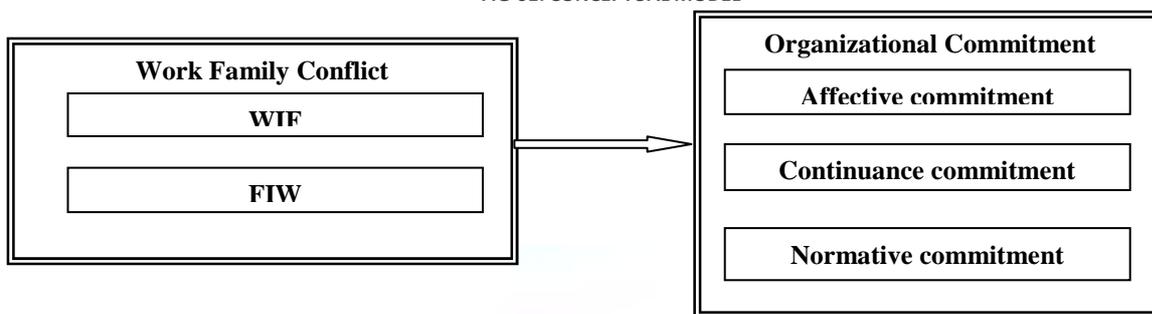
$$\text{Normative Commitment} = B_0 + B_1 \text{FIW} + B_2 \text{WIF} \quad (4)$$

The Questionnaire contents 5 questions for each WIF and FIW. This questionnaire was developed by Netemeyer, Boles, & McMurrian (1996) to measure the independent variables WIF and FIW. Six items likert scale questionnaire developed by Meyae, Allen, & Smith (1993) was used to measure the dependent variables affective commitment, Continuance commitment and normative commitment. The likert scale including 5=strongly agree, 4 =agree, 3= neutral, 2 disagree and 1= strongly disagree. The questionnaire already used for researches and tested the validity.

## CONCEPTUAL MODEL

For the purpose of this study the following conceptual model was developed by the researchers.

FIG-01: CONCEPTUAL MODEL



RESULTS AND DISCUSSIONS

CORRELATION ANALYSIS

TABLE 01: SUMMARY OF CORRELATION OF THE SAMPLE RESPONDANCE

| Independent variable | Dependent Variable        | R       | Significance | Hypothesis         |
|----------------------|---------------------------|---------|--------------|--------------------|
| WFC                  | organizational commitment | -.409** | .002         | Accepted           |
| WIF                  | Affective commitment      | -.202   | .135         | Partially Accepted |
| WIF                  | Continuance commitment.   | -.330   | .013         | Accepted           |
| WIF                  | normative commitment      | -.141   | .299         | Partially Accepted |
| FIW                  | Affective commitment      | -.290*  | .030         | Accepted           |
| FIW                  | Continuance commitment.   | -.323   | .015         | Accepted           |
| FIW                  | normative commitment      | -.220   | .103         | Partially Accepted |

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

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

Table 01 spot that the correlation between the WFC and Organizational Commitment is moderate negative correlation which point out that the WFC can negatively affected the Organizational Commitment. As per the 'Significant' test results, it is clear that the correlation is significant at the 0.01 level (2-tailed). Therefore, hypothesis is accepted. Hence, there is a significant negative correlation between WFC and organizational commitment.

Also it can be seen that the correlation coefficient equals -.202, indicating a weak negative relationship between WIF and Affective commitment. This point out that the WIF can negatively influenced on organizational commitment. As per the 'Significant' test results, the significant value is .135. This shows that the correlation is insignificant. Therefore, hypothesis is partially accepted. Hence, there is a negative correlation between WIF and affective commitment. - 0.330 Correlation between WIF and Continuance commitment explains moderate negative correlation between those variables. As per the 'Significant' test results, it is clear that the correlation is significant at the 0.05 level (2-tailed). Therefore, hypothesis is accepted. Hence, there is a significant negative correlation between WIF and Continuance organizational commitment. The correlation coefficient between WIF & Normative commitment is -.141 explains that weak negative relationship exist between these variables. As per the 'Significant' test results, the significant value is .299. This shows that the correlation is insignificant. Therefore, hypothesis is partially accepted. Hence, there is a negative correlation between WIF and normative commitment.

A correlation coefficient of -0.290 was noted between FIW and Affective commitment indicates that there is a weak negative relationship exist among those variables. As per the 'Significant' test results, it is clear that the correlation is significant at the 0.05 level (2-tailed). Therefore, hypothesis is accepted. Hence, there is a significant negative correlation between FIW and affective commitment.

A reported correlation between FIW & Continuance commitment is -0.323. It denotes moderate negative relationship between them. As per the 'Significant' test results, it is clear that the correlation is significant at the 0.05 level (2-tailed). Therefore, hypothesis is accepted. Hence, there is a significant negative correlation between FIW and Continuance commitment. The correlation coefficient between FIW & Normative commitment is -0.220 denotes the weak negative correlation exists between the variables. As per the 'Significant' test results, the significant value is .103. This shows that the correlation is insignificant. Therefore, hypothesis is partially accepted. Hence, there is a negative correlation between FIW and normative commitment.

REGRESSION ANALYSIS

The result of the regression analysis of the present study is reported in table 02.

TABLE 02: SUMMARY OF THE REGRESSION ANALYSIS OF SAMPLE RESPONDANCE

| Dependent Variable        | Independent Variable | R                 | R2   | Significance      | Hypothesis |
|---------------------------|----------------------|-------------------|------|-------------------|------------|
| Organizational commitment | WFC                  | .409 <sup>a</sup> | .168 | .008 <sup>a</sup> | Accepted   |
| Affective Commitment      | WFC                  | .339 <sup>a</sup> | .115 | .040 <sup>a</sup> | Accepted   |
| Continuance Commitment    | WFC                  | .441 <sup>a</sup> | .194 | .003 <sup>a</sup> | Accepted   |
| Normative Commitment      | WFC                  | .251 <sup>a</sup> | .063 | .179 <sup>a</sup> | Rejected   |

a. Predictors: (Constant), FIW, WIF

H<sub>1</sub>- There is a significant effect of WFC on Organizational Commitment

$$\text{Organizational Commitment} = 32.761 - .484 * \text{FIW} - .527 * \text{WIF} \tag{1}$$

The R<sup>2</sup> value organizational commitment is 0.168. This shows 16.8% of the organizational commitment can be explained by FIW and WIF. 83.2% of organizational commitment can be explained by other factors. Above table presents the regression analysis on the composite influence of WIF and FIW on Organizational Commitment. The significance value of p is 0.008, which is smaller than 0.01. Therefore the data provide strong evidence and the overall independent variables (WIF and FIW) appear to be statistically useful for predicting the dependent variable. This implies that WIF and FIW have statistically significant composite influence on Organizational Commitment. Therefore, hypothesis is accepted. Hence, there exists significant effect of WIF and FIW with Organizational Commitment.

H<sub>1a</sub>- There is a significant effect of WIF & FIW on Affective Commitment

$$\text{Affective Commitment} = 31.934 - .377 * \text{FIW} - .493 * \text{WIF} \tag{2}$$

The Coefficient of determination (R<sup>2</sup>) of affective commitment is 0.115. This shows 11.5% of the affective commitment is determined by FIW and WIF while 88.95% of affective commitment is determined by other factors. The ANOVA results of the effect of WFC on affective Commitment was found to be P=.040<0.05, indicating statistical significance. The results show that WFC has significant effect on affective commitment. Therefore, H<sub>2a</sub> is accepted. Hence, there exists significant effect between WIF and FIW with Affective Commitment.

H<sub>1b</sub>- There is a significant effect of WIF & FIW on Continuance Commitment

$$\text{Continuance Commitment} = 37.363 - .745 * \text{FIW} - 0.610 * \text{WIF} \tag{3}$$

The coefficient of determination (R<sup>2</sup>) between WIF and FIW with Continuance commitment is 0.194. This shows 19.4% variation in Continuance commitment is attributed by WIF and FIW while 80.6% of Continuance commitment is determined by other factors. The P-value is 0.003 which is smaller than 0.01. It shows Continuance commitment can be explain by the WIF and FIW and there is a significant effect on Continuance commitment. Therefore, hypothesis is accepted. Hence, there exists significant effect WIF and FIW on Continuance Commitment.

**H<sub>1c</sub>**:- There is a significant effect of WIF & FIW on Normative Commitment

**Normative Commitment = 28.986 -.330\*FIW – 0.477\*WIF**

(4)

The R<sup>2</sup> value of normative commitment is 0.063. This shows 6.3% of the normative commitment is determined by WFC while 93.7% of normative commitment is determined by other factors. The P-value is 0.179 which is greater than say 0.05. It shows normative commitment cannot be explained by the WIF and FIW and there is an insignificant effect on normative commitment. Therefore, hypothesis is rejected. Hence, there exists insignificant effect between WIF and FIW with Normative Commitment.

## CONCLUSION & RECOMMENDATIONS

The current study determines the effect of WFC on organizational commitment among employees of people's bank in Trincomalee district. The findings of the study revealed that WFC has a negative impact on organizational commitment of employees in their workplace which supports the research hypothesis. These findings support Akintayo's (2010) data that reported a negative impact of WFC on organizational commitment in industrial workers of Nigeria. Findings are also consistent with other studies indicating that there is a significant negative correlation between WFC and organizational commitment and our regression analysis indicated that WIF and FIW have negative significant effect on Organizational Commitment. This means WIF factors such as extensive, irregular, or inflexible work hours, work overload and other forms of job stress, interpersonal conflict at work, extensive travel, career transitions, unsupportive supervisor or organization has a reasonable influence on organizational commitment. The FIW factors such as presence of young children, primary responsibility for children, elder care responsibilities, interpersonal conflict within the family unit, unsupportive family members are moderately influenced on organizational commitment. In order to enhancing the organizational commitment while the WFC is exist, the organization can arranged programs like child care, summer camps, flexible timings, job sharing, special leaves, part time job facilities and entertainment programs. Findings further detected that WIF and FIW have negative significant effect on Affective Commitment, and also there is a significant negative relationship between FIW and Affective commitment. The analysis indicates that WIF and FIW have negative significant effect on Continuance Commitment, and there is a significant negative relationship was observed among them.

The current study only investigates WFC focusing on FIW and WIF domain so future studies can be conducted with similar patterns utilizing other dimensions of WFC. The research work can further be expanded with the inclusion of moderation effect of other variables like culture and ethnicity using larger samples. These results have implications for people's bank administration to design workloads that reduce WFC in employees and increase organizational commitment.

## LIMITATIONS

There are various limitations have been observed during this research. This study was primarily limited by its independent variable. Even though various factors affecting organizational commitment present study considered WFC only as independent variable. This study was secondly limited by its sample collection. The research only focuses on People's Bank staff, while other banks also plays good role in banking industry in Sri Lanka, has not been included in this research. Only Trincomalee district was covered in this research. The sample size and actual respondent numbers were limited in this research because of difficulties of surveying the whole population.

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## ROLE OF SMALL SCALE INDUSTRIES FOR ERADICATE UNEMPLOYMENT IN YOUTH: A CASE STUDY OF AJMER DISTRICT

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### ABSTRACT

India is a leading developing country in all possible areas of Economically, Politically and in military aspects. The major problems to achieve these goals are explosively increasing population, food scarcity and youth unemployment. Indian government officials were trying to overcome these problems through making strategies and policies. This is well known fact that if the power and energy of youth is not utilizes in constructive manner it become destructive and lethal to not only for society but also for the nation. So the major challenge in the front of policy makers is providing working opportunities in constructive or developing manner to the unemployed youth. In these concerns the Small and Micro level industries plays a key role to eradicate the unemployment by providing job opportunities among the youth in Indian scenario. The present study is based on secondary data is a case study of Ajmer district and role of Small Scale industries in providing employment opportunities to the youth.

### KEYWORDS

small scales industries, unemployment.

### INTRODUCTION

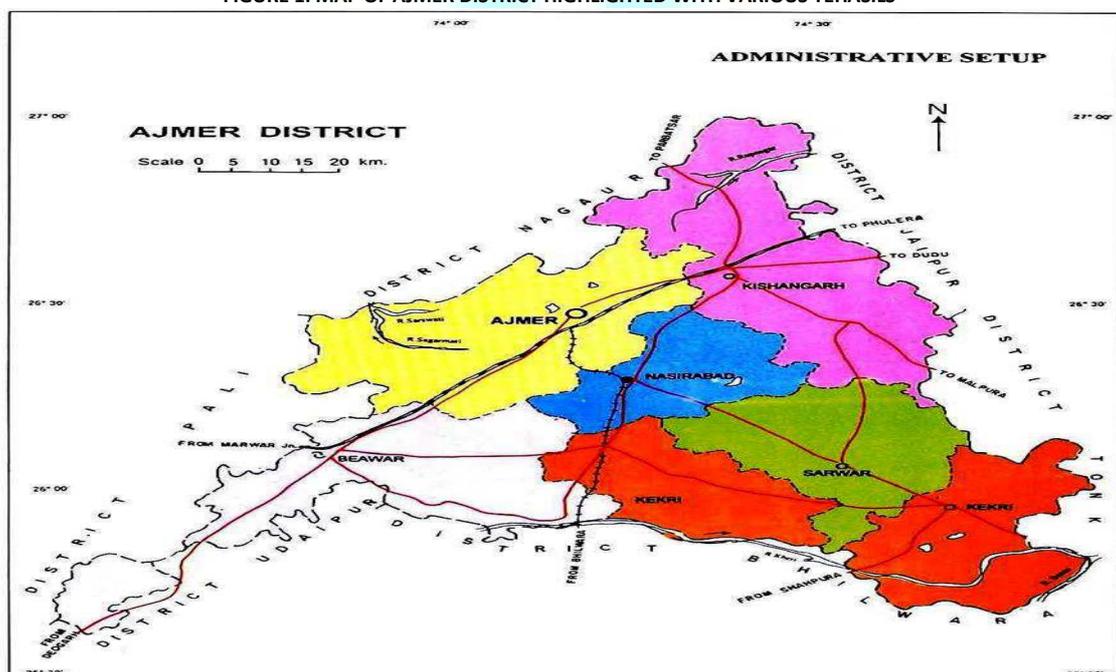
At many manufacturing environments, small flexible production units or small scale industries are currently more competitive than rigid, capital-intensive mass production installations or units. The main factor governing this is at the large scale industries or larger enterprises emphasis usually on the large batch orders at low unit price, so the profit share is become large. While, on the other side Small or Medium scale industries production is enough to maintain the quantity and quality, both the standards. In general larger enterprise are usually measured in terms of their throughput or market capitalization, Small and Medium enterprise are usually defined in term of their man power.

According to time economy is growing, albeit slowly and jerkly, the importance of Small and Medium enterprise tended to under-rated although their contributions to the GDP were by no means negligible. It also remains true that the level of activity in the Small and Medium scale enterprise sector is closely related to the economy as whole. There are several documentations, those shows that; there is inversely proportional relation between the recession and the number of Small and Medium scale enterprise (means during recession there is clear demarcation of Small and Medium scale enterprise number decline).

Small and Medium scale enterprise constitutes a significant part of the economy and make valuable contributions to its growth by introducing innovation and competition. They are major, indeed disproportionate, employers of labor, and increasingly of graduate and more higher educated labors. Small and Medium scale industries are having important role in economic development of India. In term of employment opportunities certain small scale industries provides a source of income to millions of people, at their own home place too.

### PROFILE OF STUDY AREA

FIGURE 1: MAP OF AJMER DISTRICT HIGHLIGHTED WITH VARIOUS TEHASILS



**ADMINISTRATIVE SET UP**

Ajmer is situated at the Longitudes 25° 38" and 26° 58" North and 73° 54" and 75° 22" East Latitudes with an average area 8482 sq. km occupied. Ajmer district is classified in six sub-divisions namely Ajmer, Beawar, Nasirabad, Masuda, Kekri and Kishangarh. These sub-divisions have further divided into 9 Tehasils namely Ajmer, Beawar, Nasirabad, Kekri, Kishangarh, Masuda, Bhinai, Pisangan and Sarwar and eight Panchayat Samities namely Shrinagar, Pisagan, Jawaja, Masuda, Bhinai, Kekri, Silora and Arain.

**METHODOLOGY**

Present Study is based on secondary data sources of information from various research publications, published newspapers, journals-online & printed, magazines, websites and books. The information is collected from libraries and websites. The literature is cross checked and validated to gives the latest information from the Annual Reports and Project reports of Ministry of Micro, Small and Medium Enterprises, Government of India. The data collected has been tabulated, classified and analyzed accordingly to retrieve the goals of present study. Graphical presentation of data also present for making the present study effective.

**OBSERVATION AND RESULTS**

Industries are having major role in development of the Country. Status of Industrialization of country indicates optimum utilization of available resources such as minerals, agriculture, live stock and other resources. Economic growth of country mainly depends on increasing industrial production, creating additional employment opportunities, eliminating regional imbalances, entrepreneurship and augmenting the financial resources. Ajmer district represents by 8 medium scale Industries and 17663 small scale and cottage Industries till 2011. The total investment involved was approximately Rs. 92797.54 lacs and giving employment opportunities to about 87420 persons. The main Industry sectors of the Ajmer district are based on textile, food products, leather and leather products, wood products, felspars and quartz grinding, marble, asbestos and cement.

In general a total of 19221 industrial units were available at Ajmer district out of these 17663 units were registered till 2011. Only eight industry units were classified in the Middle to Large Industry setups providing employment to approximately 3529 peoples with overall turnover of 231570 Lacs. Estimated average number of 87420 workers employed in Small Scale Industries at Ajmer District with overall turnover of 212450 Lacs.

**TABLE 1: YEAR WISE TREND OF SMALL AND MEDIUM SCALE UNITS REGISTERED AT AJMER DISTRICT**

| S. No. | Year    | Unit  | Employment | Investment |
|--------|---------|-------|------------|------------|
| 1      | 1988-89 | 7891  | 34913      | 3362.22    |
| 2      | 1989-90 | 8155  | 35754      | 3665.89    |
| 3      | 1990-91 | 8359  | 36633      | 4037.72    |
| 4      | 1991-92 | 8632  | 43831      | 4761.72    |
| 5      | 1992-93 | 8926  | 45655      | 5438.60    |
| 6      | 1993-94 | 9192  | 47011      | 6651.80    |
| 7      | 1994-95 | 9472  | 48769      | 8165.67    |
| 8      | 1995-96 | 9796  | 50540      | 11105.08   |
| 9      | 1996-97 | 10182 | 52483      | 13507.29   |
| 10     | 1997-98 | 10560 | 54203      | 17186.69   |
| 11     | 1998-99 | 10993 | 55643      | 19075.01   |
| 12     | 1999-00 | 11417 | 56906      | 20353.34   |
| 13     | 2000-01 | 11864 | 58260      | 21560.84   |
| 14     | 2001-02 | 12320 | 59874      | 22704.19   |
| 15     | 2002-03 | 12764 | 61471      | 23289.21   |
| 16     | 2003-04 | 13225 | 63529      | 26726.18   |
| 17     | 2004-05 | 13775 | 65614      | 31634.90   |
| 18     | 2005-06 | 14337 | 68070      | 35264.90   |
| 19     | 2006-07 | 15236 | 73311      | 47057.62   |
| 20     | 2007-08 | 15683 | 76441      | 55925.44   |
| 21     | 2008-09 | 16343 | 80142      | 68406.39   |
| 22     | 2009-10 | 17003 | 83815      | 81404.16   |
| 23     | 2010-11 | 17663 | 87420      | 92797.54   |

Source: DIC Ajmer and MSME Jaipur

**FIGURE 2: YEAR WISE TREND OF UNITS REGISTERED, PERSONS EMPLOYED AND INVESTMENTS IN LACS**

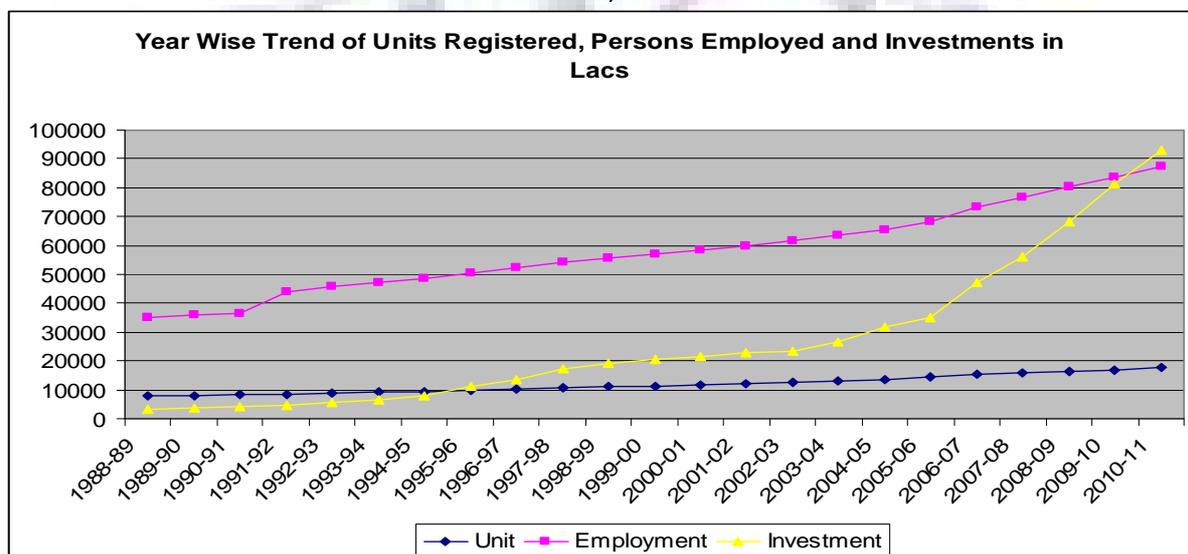


TABLE 2: DETAILS OF MICRO AND SMALL SCALE ENTERPRISES OF DISTRICT AJMER

| S. No. | Type of Industry  | No. of units | Fixed investment in Lacs of Rs. | Employment |
|--------|---|--------------|---------------------------------|------------|
| 1      | Food products   | 846          | 4387.99                         | 4082       |
| 2      | Beverages, Tobacco and Tobacco products                           | 78           | 23.01                           | 2601       |
| 3      | Cotton textiles   | 2648         | 9586.82                         | 17647      |
| 4      | Wool, Silk and Synthetic Fiber textile                            | 411          | 2152.58                         | 2320       |
| 5      | Jute, Hump and Masta textiles                                     | 117          | 8437                            | 377        |
| 6      | Textile product (Including wearing apparel other then footwear)   | 1002         | 494.40                          | 3806       |
| 7      | Wood and wood products furniture and fixture                      | 994          | 1172.43                         | 2960       |
| 8      | Paper and paper products and Printing                             | 521          | 1127.15                         | 3779       |
| 9      | Leather and fur. Products (except repair)                         | 2663         | 1029.99                         | 4718       |
| 10     | Rubber, Plastic, Petroleum and Coal products                      | 337          | 1467.80                         | 1615       |
| 11     | Chemical and Chemical products                                    | 336          | 1231.08                         | 1702       |
| 12     | Minerals base units   | 2743         | 55091.38                        | 18037      |
| 13     | Basic metal and Alloys industries                                 | 144          | 2252.47                         | 1762       |
| 14     | Metal products and Parts except Machinery and transport equipment | 814          | 1588.72                         | 3301       |
| 15     | Machinery, Machine tools and Part except elect. Machines          | 276          | 1660.94                         | 1790       |
| 16     | Electrical Machinery apparatus Appliances                         | 117          | 658.32                          | 858        |
| 17     | Transport equipment and parts                                     | 29           | 34.11                           | 374        |
| 18     | Other Mfg. industries   | 2472         | 6770.46                         | 12710      |
| 19     | Medical and Health services                                       | 8            | 11.24                           | 23         |
| 20     | Personnel services  | 300          | 710.30                          | 1020       |
| 21     | Repair and Service  | 807          | 1291.98                         | 1938       |
|        | Total   | 17663        | 92797.54                        | 87420      |

Source: DIC Ajmer and MSME Jaipur

FIGURE 3: VARIOUS TYPES OF INDUSTRIES NUMBER PRESENT AT AJMER DISTRICT

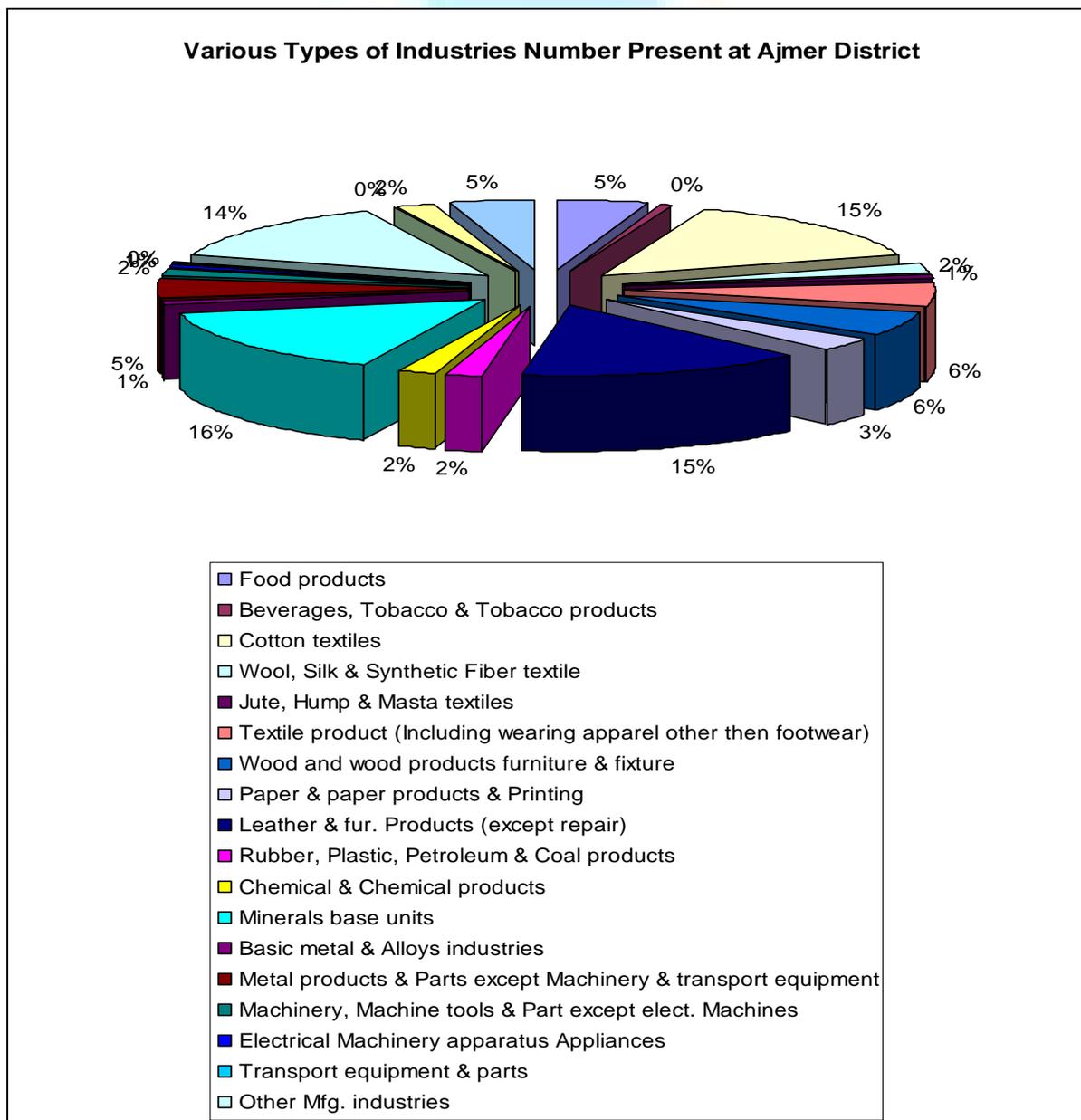
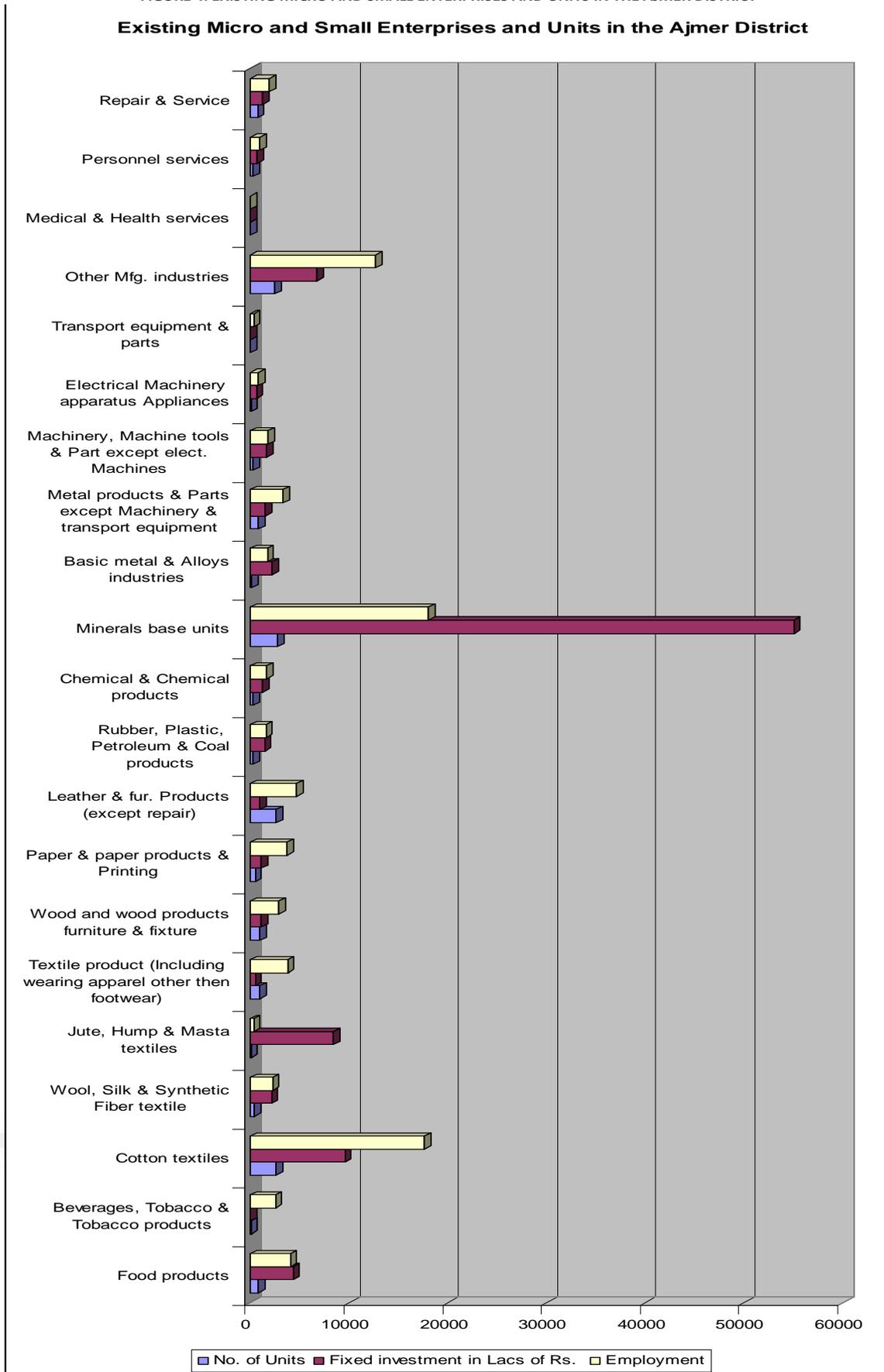


FIGURE 4: EXISTING MICRO AND SMALL ENTERPRISES AND UNITS IN THE AJMER DISTRICT



During the present study the year wise trend shows the tremendous growth in registered small scale industries and employed labor along with overall investment in the successive years of 1988 to 2011 (Table 1).

As the Ajmer district's geology is characterized by the Aravalli ranges which extends throughout the district. Ajmer is well known area of granite, felspathics chists, calgeneisses marble and quartzites. Among other minerals found in the district is mica, asbestos, vermiculite, soap stone, masonry stone and brick clay. Thus, the impacts of these mineral resources were clearly seen on the small and medium sized entrepreneurship of Ajmer district. Table 2 clearly indicates that maximum number of micro and small scale enterprises of Ajmer district is Mineral based units (2743 units) with total investment as 55091.38 lacs and 18037

workers employed by this type of industries. This is followed by the Cotton textile sector with (2648 units) micro and small scale enterprises and the total investment is 9586.82 lacs with the 17647 workers employed at these types of industries.

In the vice versa case Medical and Health services based micro and small scale enterprises were found in least number (only 8 units) with the 11.24 lacs fixed investments and 23 workers employed. This is may be due to the need of larger capital investments and need of higher level of trained workers. Thus, these types of industries were very less in numbers. Similarly the Transport equipment and parts based industries were also very few (29 units) with the overall 34.11 lacs of fixed investments and 374 workers employed.

Our results interpretations clearly demarking that if the investments in both the concerns as capital (money) and worker training level (manpower expertise) is higher, that sector or type of industries would not to be qualifies as popular micro and small scale enterprises.

On the other hand low capital investment and low level of expertise in manpower based industries were preferably attracts the larger amount of people for working. This could be also interpreted as the basic requirement of establishing a micro and small enterprises is low that attracts more people to establish those types of industries.

Finally, there is strong need to be construct the strategies for providing subsidy or other financial and technical support from the government so the large amount of unemployed youth may provoked to established small and micro scale enterprises that not only enhances the youth empowerment in concern of economic and social aspects but also plays a key role in economic growth of the nation.

Simultaneously the policy makers have to be specific for the strategies at the regional level because each regional, geographical and social area has specific local resources and social structures that could be more important for the inhabitants of that concerning area. Generalized strategies become failed in the present scenario due to these reasons.

## DISCUSSION AND CONCLUSION

During the present scenario in India the population pressure were increasing explosively and the available opportunities of job and work were restricted due to non availability of funds and level of expertise of manpower. In these condition the Micro and Small scale industries could be a better solutions for not only to eradicate the unemployment in youth but also provides better opportunities to get work at their home place and becoming self-employed. Small and Medium scale industries were play crucial role in industrial activity and employment generation of developing countries. These types of industries encourage self-sufficiency and co-ordination. Small and Medium Scale industries were also helpful to eradicate the poverty by providing beneficial re-allocation of available resources and their proper utilization. Medium and large scale industries also have substantial presence. Small and Medium scale enterprises based on wide range of products, ranging from gems & jewellery, handicrafts, synthetic and cotton textile yarn, wool, marble and granite slabs, edible oils, chemicals, rubber to plastic based items, fertilizers, electrical and electronic goods, ceramic and glass, etc. were identified as potential sectors for the employments of not only youth but also for the other levels of society at Ajmer district of Rajasthan. Information Technology (IT) and IT enabled Services (ITeS) and power generations are emerging sectors identified for the Small and Medium scale industries.

## SIGNIFICANCE OF SMALL SCALE INDUSTRIES TO ERADICATE UNEMPLOYMENT

Since independence, even more before small scale industries based of local resources make a valuable contribution for economic acceleration. The arranged reallocation of local resources and their proper utilization in small or medium entrepreneurs would be helpful to eradicate poverty and unemployment. These types of small and medium scale industries encourage the self-employment and co-ordination; enhance opportunities of employment; backward area development by industrial activities; utilizes the local resources (material and man power both); facilitates the development of economically weaker social areas.

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## CO-OPERATIVES FOR DEVELOPMENT: A KERALA EXPERIENCE

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**ABSTRACT**

*The analysis presented in this report deals with the cooperative system in Kerala, one of the South Indian state and its role in rural development. Starting from the various dimensions of cooperatives, it proceeds through the evolution of cooperatives in India. The paper makes a detailed analysis on the performance of various co-operative sector undertakings in Kerala including their achievements so far. Besides, it presents an idea about the functional differentiation and future roles of cooperatives in making the process of development a sustainable one. At last, it proposes some strategies to make it more meaningful and focused.*

**JEL CODE**

P13

**KEYWORDS**

Cooperatives, Cooperative marketing, Consumer cooperatives, Five year plans, Housing cooperatives, Kerala, Rural Development, Sustainable Development.

**INTRODUCTION**

Any initiatives aiming sustainable development must understand how the economic enterprises like agriculture and industry helps in meeting basic needs such as food, health, education, etc. and in promoting a quality of life while sustaining the ecological base. Many local groups have come together as collective initiatives and formed as institutions to devise and develop innovative ways to live sustainably. They range from institutions like *panchayati raj*, and land reforms to *Green Revolution* and the various *Community Development Programmes*. The cooperative movement is an institutional set up formed with the participation and involvement of people aiming a development initiative that meets the needs of the present without compromising the ability of future generations to meet their own demands.

If we consider cooperation as a collection of ideas, the realization of common goal is more important rather than individual interest. Since it aims at generating combined effort it can be viewed as a powerful tool for rural development. As a business enterprise they are instrumental in organizing production and distribution of goods. In another sense we can view it as a tool of economic policy, i.e. if cooperation is established with an objective of extending support to cottage industries, there requires credit assistance. Hence it should act as instruments for providing credit for those who engaged in such activities.

Now the cooperatives has grown in size and has diversified its areas of operation from agriculture to other sectors like milk production, processing and distribution, fertilizers, oil seed production, etc. other important sectors where cooperatives are found are credit, marketing, industries, storage, processing, farming, housing, transport irrigation, electricity supply, engineering, consumer, poultry, fishery, coir, silk, honey, handloom, taxi-auto and rickshaw drivers, washer man, barber and special cooperatives for hill and tribal areas. Some cooperatives have also adopted villages for implementing their programmes aiming the all round development of such villages.

The Indian cooperative sector completed 107 years of its existence in 2011. It was born during the later part of the colonial era' predominantly as a Government initiative to address the twin issues of farmers' indebtedness and poverty. This initiative was formalized in a legislation enacted in 1904 entitled the "Cooperative Credit Societies Act, 1904". During a century of its existence, this sector has built a network consisting of more than 5.45 lakh individual cooperative organizations and over 236 million members. It is numerically the largest movement of its kind in the world. With a working capital base of around Rs. 35, 00,000 millions, presence in practically all walks of rural life and a coverage spanning almost all villages of the country, the cooperatives have come to be recognized as one of the most important economic and social organizations in the nation's life. Cooperatives are meant to be enterprises of the citizens and it is envisaged that a vibrant and robust cooperative movement can significantly contribute in harnessing the positive potential of social capital for the greater good of society.

**PERFORMANCE OF CO-OPERATIVE INSTITUTIONS IN KERALA****RURAL CREDIT SYSTEM**

Kerala can claim to have an elaborate and efficient rural credit system administered through primary Cooperatives, Central Cooperative Banks and Apex Cooperative Banks. The cooperative credit structure in Kerala comprises of 2 parts viz. (i) short and medium term credit structure (ii) long term credit structure. The short and medium credit requirements are met by a three tier system consisting of State Cooperative Banks at middle level and 1628 Primary Agricultural Credit Societies at the base level. In addition to this 85 urban cooperative Banks and 1013 Employees credit Cooperatives are meeting the Non-Agricultural Credit requirements of their members. Position of PACS in Kerala is strong and their performance is remarkable as disclosed from the following table.

**TABLE-1: AN OVERVIEW OF PRIMARY AGRICULTURAL CREDIT SOCIETIES IN KERALA**

| Sl.No. | Particulars per Society | Unit     | All India Coverage | Kerala   |
|--------|-------------------------|----------|--------------------|----------|
| 1      | Membership              | Numbers  | 1390               | 6560     |
| 2      | Deposit                 | In Lakhs | Rs 4.11            | Rs 19.47 |
| 3      | Advance                 | In Lakhs | Rs 11.00           | Rs116.26 |
| 4      | Working Capital         | In Lakhs | Rs 23.31           | Rs205.00 |

(Source: Annual Report- Ministry of Agriculture 2010-11)

The Primary Agricultural Credit Societies in the state which were once upon a time mere Money Exchange Co-operative Societies in course of time transformed themselves into the present Agricultural Credit Societies which can cater all the credit needs of the rural mass and capable of doing all modern Banking Business. They spread their wings in all spheres of socioeconomic activities, got entrenched in diverse sectors of the economy and touched the lives of all sections of the people at large. Apart from credit activities, Self Help Group Scheme, Kissan (Farmer's) credit Card Scheme and Cooperative Neethi Medical Stores Scheme are implemented through Primary Agricultural Credit Societies. Further, a Tea Factory with a project cost of Rs.210.00 lakhs is run by the Malanad (Hill Area) Service Co-operative Bank with the assistance of ICDP Idukki District.

The credit gap which aroused during the period of emergency when stringent actions were taken against indigenous money lenders had been effectively tackled by the co-operatives in Kerala. All the credit societies joined together to tap the internal resources from the state itself by initiating a special Deposit Mobilization Campaign which commenced in the year 1976 as a novel idea to stabilize the Co-operative Sector. The entire mechanism supported the scheme and it was a grand success. Thereafter the Deposit Mobilization Campaign is organized every year with a view to increase resources position of Primary Agricultural Credit Societies. The performance of these societies was spectacular in as much of the programme having achieved 329% of the target fixed for the mobilization of deposits. An amount of Rs.7245.57 crores were collected during the period from 1976 to 2001 against the targeted amount of Rs.2201.25 crores. Long Term Credit structure consists of Primary Agricultural and Development Banks federated into an Apex Body viz. Kerala Co-operative Agricultural and Rural Development Bank. Various developmental purposes covered by the Bank's lending activity include minor Irrigation, farm mechanization, land development,

cultivation of plantation/horticultural crops and diversified activities like darning, fish culture, poultry farming biogas, goat rearing, sericulture etc. The Primary Agricultural Development Banks are having 8.24 lakhs members and share capital of Rs.75.40 crores. The working capital of the Banks is Rs.1004.62 crores. Loans advanced per year come to Rs.311.00 crores and percentage of overdue at member level is Rs.6 only.

**HOUSING CO-OPERATIVES**

In Co-operative Housing Sector, the Kerala State Co-operative Housing Federation is the State level Apex Institution and Primary Housing Co-operative Societies are the institutions at base level. The Federation provides loans to Primary Housing Co-operatives by availing loans from the National level financial institutions like Life Insurance Corporation of India, HUDCO, etc. The main function of Primary Housing Co-operatives is to issue loans to members for construction or purchase of residential Houses. Out of the 376 Primary Housing co-operatives, 128 societies are running in profit, 197 are running on loss and remaining 51 societies are functioning without loss or profit. The Housing Federation is able to affiliate only 207 Primary societies out of 376 because of its limitation to avail adequate finance from National level financial institutions. Average loan issue of the Federation per year comes to Rs.60.00 crores. State Government supports the Federation and Primaries by providing share capital contribution. An amount of Rs.8.65 crores have been provided to the Federation by Government so far and balance outstanding after refund is Rs.5.35crores.

**CO-OPERATIVE STORAGE PROGRAMME**

The Co-operative storage programme maintained its progress during 7<sup>th</sup> plan period. The role of the National Co-operative Development Corporation is significant in implementing storage programme in the State. State Government accorded sanction to implement the World Bank aided NCDC storage project to increase the capacity. The status of storage programme is shown below.

**TABLE-2: PRESENT STATUS OF COOPERATIVE STORAGE PROGRAM IN KERALA, INDIA (Capacity in Metric Tonnes)**

| No. | Scheme                   | Net programs sanctioned |          | Programs Implemented |          | Programs under implementation |          |
|-----|--------------------------|-------------------------|----------|----------------------|----------|-------------------------------|----------|
|     |                          | No.                     | Capacity | No.                  | Capacity | No.                           | Capacity |
| 1   | Normal Scheme            | 1840                    | 251105   | 1840                 | 251105   | -                             | -        |
| 2   | NCDC Storage Project III | 146                     | 29800    | 146                  | 29800    | -                             | -        |
| 3   | After project III period | 161                     | 31970    | 67                   | 16930    | 94                            | 15040    |
| 4   | Total                    | 2147                    | 312875   | 2053                 | 297835   | 94                            | 15040    |

(Source: Annual Report- Ministry of Agriculture 2010-11)

**CO-OPERATIVE MARKETING**

Co-operative Marketing structure in the State is a two tier system with the Marketing Federations at apex level and Primary Marketing Societies at base level. There are three State level Apex Federations viz; Kerala State C-operative Marketing Federation, Kerala Co-operative Rubber Marketing Federation and Kerala Kera Karshaka Sahakarana (Coconut farmers Co-operative) Federation. Two Multi State level Co-operatives are functioning in Karnataka State viz. Central Areca nut & Cocoa Marketing & Processing Co-operative Ltd (CAMPCO) AND Indian Coffee Co-operative Marketing Society Ltd (COMARK). While CAMPCO is jointly sponsored by Kerala and Karnataka Governments, the COMARK is organized covering the States of Kerala, Tamil Nadu and Karnataka. Apart from these Co-operatives, Kerala Rubber Co-operatives (RUBCO), Regional Agro Industrial Development Co-operative Society Ltd (RAIDCO) is functioning in the State at State level and Regional level respectively. The present status these societies in brief are shown here.

**TABLE-3: PRESENT STATUS OF VARIOUS COOPERATIVE SOCIETIES IN KERALA, INDIA (Rs.in lakhs)**

| Sl.No. | Particulars               | CAMPCO   | COMARK     | MARKET FED | KERA FED    | RAIDCO    | RUBCO     | RUBBER MARK |
|--------|---------------------------|----------|------------|------------|-------------|-----------|-----------|-------------|
| 1      | Membership                | 66965    | 5450       | 116        | 936         | 32157     | 91        | 39          |
| 2      | (a) Paid up Share Capital | 1081.57  | 177.96     | 232.17     | 2755.85     | 353.63    | 345.4     | 113.05      |
|        | (b) of which Govt.        | 563.07   | -          | 219.99     | 122.95      | 374.05    | 206       | 76.6        |
| 3      | Working Capital           | 5370.22  | 241.08     | 451.51     | 2920.1      | 508.69    | 379.97    | 902.04      |
| 4      | Profit(+)/ Loss(-)        | (+)12.50 | (-) 673.37 | (-) 2598.2 | (-) 1323.35 | (+) 63.98 | (+) 58.14 | (-) 2194.57 |
| 5      | Sales Turn over           | 33120.99 | 63.96      | 3453       | 2919.2      | 3662.75   | 37789.1   | 10351.44    |

(Source: Annual Report- Ministry of Agriculture 2010-11)

Unlike the Credit Sector, the performance of Co-operative Marketing structure is not encouraging. 487 Primary Marketing Co-operatives with a paid up share capital of Rs.1804.49 are functioning in the State. Total membership in these primary societies is 2.21 lakhs. Out of the 487 societies, 30 societies are running on profit and the remaining 457 co-operatives are running on loss. Besides Marketing Co-operatives, Primary Agricultural Credit Societies and SC/ST Co-operatives are also engaged in the marketing of agricultural produce. Value of agricultural produce marketed per year comes to Rs.375.00 crores. Main problems faced by the Marketing Societies for their poor performance are the absence of linkage with Apex organization, incapability of Federations to provide adequate support to primaries, inadequacy of working capital and poor management. Even so, the Marketing Co-operatives in the State have intervened at times of crisis to provide the farmers the much needed help viz.; at the time when they faced acute problems in Rubber, Coconut, Cashew and paddy on account of liberalization policies.

Co-operatives continue to be the major organized sector in the field of distribution of agricultural requisites including fertilizers which are made available from FACT, IFFCO and other leading manufacturing agencies. Value of agricultural requisites distributed by co-operatives comes to Rs.185.00 crores per year. Co-operative sector actively entered in processing area from 8<sup>th</sup> plan period with a view to increase production in the state and to provide employment opportunities (direct and indirect). Establishment of mineral water unit under RAIDCO, Automobile tyre manufacturing unit and casual sports shoe manufacturing unit under RUBCO are programmed during the 10<sup>th</sup> plan period.

**CONSUMER CO-OPERATIVES**

Consumer Co-operatives throughout the state have been functioning as a parallel machinery to augment and supplement the public distribution system. Ration shops, Departmental Stores, Sahakarana Maveli stores, Super Markets, Sahakarana Neethi Stores and Neethi Medical Stores are functioning under Co-operative sector. Huge amounts have been pumped by the Govt. of Kerala by way of subsidy, share capital and loan for implementing the above mentioned scheme.14 District Wholesale Stores and 4817 Primaries including School/College and University Central Stores are functioning in the State. Further, Primary Agricultural Credit Societies, SC/ST Co-operatives, Marketing Co-operatives and some Employees Co-operative are also distributing Consumer goods to the public. Sales turnover of Consumer articles will comes to Rs. 409.00 crores.

**SCHEDULED CASTE/TRIBE CO-OPERATIVES**

SC/ST co-operatives were organized in the State for the upliftment of the economic conditions of Scheduled Castes/Tribes. Assistance by way of subsidy, grant and share capital is provided to these societies under SCP and TSP, NCDC and Government of India also support these societies by providing loan, grant, and share capital contribution. The Kerala Co-operative SC/ST Federation was established as an Apex institution of SC/ST co-operatives. The Federation is having 566 members and paid up share capital worth Rs.300.95 lakhs. Minor Forest produce collection is the main activity undertaken by the Federation. A Soap nut (Cheevakai) processing unit, Honey processing unit, Ayurvedic Medicine Manufacturing unit and a Petrol/Diesel outlet are functioning under the Federation providing employment to the SC/ST community. In spite of these developments, the institution is running on loss of Rs.14.10 lakhs.

**MAJOR OBSTACLES AND CHALLENGES**

Most of the primary consumer stores except school/college stores are running on loss. The financial condition of District Wholesale Stores is also pathetic. Most of these stores are either defunct or dormant. Excess staff, misutilisation and mismanagement of funds and incapability to survive against the foul play of private Traders are the major reasons for the poor position of co-operative consumer sector in the state. Even the Kerala State Co-operative Consumer Federation could not survive unless adequate and active financial support was provided by State Government at frequent intervals. Proper and effective costing exercise and planning are therefore imperative for the healthy existence of co-operative consumer sector in Kerala. Lack of guidance; mismanagement and misutilization of funds are the main reasons for the failure of SC/ST co-operatives in the State. New suitable small and medium sized projects have to be identified and implemented for the uplift of the SC/ST community in the State. The reason for such weakness would be attributed to the large percentage of dormant membership, heavy dependence on Government assistance, poor deposit mobilization, lack of professional management, mounting overdue, etc. Concrete steps have now been initiated to revitalize the cooperatives to make them vibrant democratic organizations with economic viability and active participation of members. The steps taken for revitalization of cooperatives include enunciation of a National Policy on Cooperatives, revamping of cooperative credit structure and reforms in cooperative legislation for providing an appropriate legislative frame-work for sound and healthy growth of cooperatives.

**CONCLUSION**

Since the cooperatives are organizations that connect the people at the grass root level to the highest level of government, they have an extremely important role to play in the process of sustainable development. It could be creating awareness among the rural masses or informing them about the issues and problems they are encountering or motivating and encouraging them to start unified action to raise their issues, finding solutions, and there by establishing a sustainable environment. Though cooperatives were established to protect the common man from the intervention of state and market, still the state exerting its control the form of financial assistance granted to them. Instead of falling prey to such a control the cooperatives should stand on its own resources. It has been achieved through the idea of self help.

Bureaucratization and politicization seems to be two major vicious forces often act as the antichrist to the existence of cooperative sector in India. Through one side the omnipotence created by a complex hierarchy of bureaucratic centers and through the other a vicious circle of over ambitious politicians ruining the mortar that has been binding the bricks of cooperative achievements visualized over decades of silent efforts. With the advent of globalization and privatization, we have been witnessing the withdrawal of state from service based areas. The resulting vacuum can be filled through a sustained effort of cooperative initiatives. Nevertheless, the experiments undertook by some of them end up with unsuccessful stories due to the lack of clarity in vision and pragmatism.

In the rural settings these institutions have a major role in making the people aware about the consequences of indiscriminate uses of pesticides, chemical fertilizers, mining and digging up of soil/clay for brick kilns, unwise use of water, destruction of wet lands, aridification of paddy fields and the importance of conserving them. Significance of alternative sources of energy for cooking and lighting, installation of bio gas plants, conservation of rain water, use of organic manure, safe disposal of garbages, recycling of waste materials, etc. are also important in this regard. More over it can take up activities like the establishment of cooperative farming and wet land conservation programmes through coordinating the efforts of MNREGS. Besides encouraging the cooperatives to attach with research organizations so that it can make benefit by getting environment friendly, locally suitable and economically viable practices. More over, encourage them to go for innovation and product diversification to meet the challenges of market.

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## ROLE OF MICROFINANCE IN THE PROMOTION OF RURAL WOMEN ENTREPRENEURSHIP: A CASE STUDY OF SHIMOGA CITY

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### ABSTRACT

*The present paper provides a platform to understand the role of Microfinance in the promotion of Rural women entrepreneurship. The Microfinance play today a major role in poverty alleviation in rural India. A growing number of poor people ( mostly women) in various parts of India are member of SHG's and actively engage in savings and credit as well as in other Activities. It has been globally accepted that women empowerment resource in over economic and social development of the nation. Women constitute half the human resource potential available for economic activity. The importance of promoting women to engage in economic activities is being increasingly realized in all countries mainly Role of SHG's. To provide new employment opportunities may be self employment by entrepreneurship development. The analysis and interpretation will be made by using suitable statistical tools and techniques in order to arrive a authenticated information about the best SHG's practices in the present scenario. The movement for financial inclusion has been on of the real hopes for inclusive growth management of Microfinance and Microfinance programmes are currently being promoted In India over the years various poverty alleviation programmes have been initiated by government as well as voluntary organizations despite these efforts not much difference is seen in the magnitude of poverty Micro credit has now emerged as a financial strategy to reach the urban and rural poor and is emerging as a movement as the global level over the past two decades member in the SHGs their families below poverty line the land less and access to formal credit institutions the informal credit institutions include money lenders, landlords, traders and middlemen, the formal sector includes commercial banks, co-operative bank, co-operative thrift and credit societies poor household and especially women need to be brought in to the main stream of the credit system group members are poor most of them are illiterate and they don't know to how to manage finance Finally, it makes an attempt to offer suggestions to enhance the Rural women entrepreneurship.*

### KEYWORDS

Financial Inclusion, Microfinance, poverty alleviation, Rural women empowerment, Self help groups.

### INTRODUCTION

Working women contribute to national income of the country and maintained in sustainable livelihood of the families and communities throughout the world. As they face many socio-cultural attitude, legal barriers, lack of education and personal difficulties. Traditionally, women have been marginalized. They are rarely financially independent and often they are more vulnerable members of society. About 70% of world's poor are women yet they have no access to credit and other financial services. Therefore, Microfinance often target women. Microfinance is a critical tool to empower women from poor households. So, particular women can get benefit from Microfinance institutions as many Microfinance institutions target only women to empower them.

Women entrepreneurship development is an essential part of human resource development the development of women entrepreneurship is very low in India. Especially in the rural areas in advanced countries there is a phenomenon of increase in the number of self employed women after the second world war of self – employed women after the second world war of is very low in India. Especially in the rural areas in advanced countries there is a phenomenon of increase in the number of self employed women after the second world war of self – employed women after the second world war. The scheme of self help groups (SHG's) launched in 1982- 83 inaugurated an era of systematically organizing of self employment on a sustained basis in India.

Central and state governments have implemented a series of self employment and wage. Employment generation programmers in rural area for eradicating of poverty. But these programmes failed to solve the problem of rural poverty this requires the identification of effective anti – poverty programme in rural area.

India, the sub continent is indubitably a great country of miscellaneous cultures, traditions, religious castes and geographical characteristics. However, India is even known for its sobriquet male – chauvinistic nation it's Bharath Matha. Who is in turn a woman that serves as the mother of every India.

Women are no less than men in India any sector some decades ago women were have made Kitchen. Today India on women have made Their4 presence felt virtually in every field women entrepreneurship in economic development of any nation has been documented for its significant contribution. This means that the neglect of women in the development process constitutes a human waste. The increased role of women in economic development had spurred the government in developing policies on women development.

When a woman is empowered it does not mean that another individual becomes powerless or is having less power on the contrary. If a women is empowered her competencies towards decision mating will surely influence her family's / neighbour's behavior.

India is the fifth largest economy in the world (ranking above France, Italy, UK and Russia) and has the third largest GDP in the entire continent of Asia the liberalization of her economy in the 1990's has paved in the way for a huge number of people to become entrepreneur and the post liberalization and globalization era has brought with it a growing middle – class, roughly estimated to be 250 million.

### LITERATURE REVIEW

Shanmukha\_Rao\_padala ,(2007)<sup>1</sup>, In his paper "Entrepreneurship development among women" reviews in order to understand the rationale or the study it is necessary to look in to the past rural development strategies and how women fissured there in parents alleviation is the ultimate goal of any nation studies have shown that the delivery of microfinance to the poor is productive effective and less cost. As a supplementary source of family income the SHG's proved to be a boom to the rural woman folk not only in enhancing their financial status but also promoting entrepreneurship among them

Arjun Y Pangannavar,(2010),<sup>2</sup> in his paper women SHG programme and rural poverty Amicro study reviews incidence of poverty is efforts through rural development programme to overcome the problem of poverty incidence of poverty is more in rural India. Governments made their efforts. Through rural development programme to over come the problem of poverty.

B. Venkatappa and G. Sivaiah (2011)<sup>3</sup> In their paper "Self Help groups through DWCRA in Andhra Pradesh" review that rural development implies both the economic betterment of people a well as greater social transformation. In order to provide the rural people with better prospects for economic development.

Dr. M.Aruna and Ms. Rema Jyothirmayi , (May, 2011)<sup>4</sup>, made a study on "The Role of Microfinance in Women Empowerment: A Study on the SHG Bank Linkage Program in Hyderabad (Andhra Pradesh), in their article they found that Micro finance programs are treated as a key strategy in addressing development issues across nations since the last three decades. This study attempts to explore on the much debated question of the role of microfinance as a financial intermediary for enhancing women empowerment A primary survey has been carried out to capture the realistic experiences and observation from the beneficiaries of Micro sate branch of Hyderabad, a unique initiative of Indian Bank for microfinance operations intended to improve the status of women.

S. Sarumathi and Dr.K.Moha (Sep, 2011)<sup>5</sup> made a study on "Role of Micro finance in Women's Empowerment, an Empirical study in Pondicherry region rural SHGs". In their article they found that the Microfinance is a type of banking service that is provided to unemployed or low-income individualizer groups who would otherwise have no other means of gaining financial services. Microfinance through Self Help Group (SHG) has been recognized internationally as the modern tool to combat poverty and for rural development. Micro finance and SHGs are effective in reducing poverty, empowering women and creating awareness which finally results in sustainable development of the nation. The main aim of microfinance is to empower women.

### STATEMENT OF THE PROBLEM

In olden days women were restricted to take part in any social activities and not given roles in decision making in her family, the situation was even more acute in rural and remote areas now the situation has been changed she is given freedom to do what she wishes in today's scenario more women are engaged in income generating activities this is because of NGO and other financial institution came forward to provide Microfinance to poor women. They believe that a woman is the small credit risk and often benefits the whole family the main aim of Microfinance to empower women this induced the researcher focus more on the empowerment of rural women who participation in the Microfinance.

The movement for financial inclusion has been on of the real hopes for inclusive growth management of Microfinance and Microfinance programmes are currently being promoted as a

the on secretary general calls it a critical anti-poverty for the for the poorest especially women of late Micro programmes targeting women have become a major plan of poverty alleviation strategies during the last few decades. In India over the years various poverty alleviation programmes have been initiated by government as well as voluntary organizations despite these efforts not much difference is seen in the magnitude of poverty Micro credit has now emerged as a financial strategy to reach the urban and rural poor and is emerging as a movement as the global level over the past two decades member in the SHGs their families below poverty line the land less and access to formal credit institutions the informal credit institutions include money lenders, landlords, traders and middlemen, the formal sector includes commercial banks, co-operative bank, co-operative thrift and credit societies poor household and especially women need to be brought in to the main stream of the credit system group members are poor most of them are illiterate and they don't know to how to manage finance

### PROFILE OF THE SHIMOGA DISTRICT

Shimoga district has two administrative divisions, 07 Taluks viz., Bhadravathi, Hosanagara, Sagara, Shikaripura, Shimoga, Soraba and Thirthahalli. Number of panchayat Village are 260/1530

### CONCEPT OF MICROFINANCE

Microfinance refers to the entire range of financial and non financial services including skill up gradation and Entrepreneurship development rendered to rural poor for enabling them to overcome poverty. Finance is basic to any economic activity; the basic Philosophy of rural finance is the dispensation of loans at a concessional rate through administrative control targeting the rural people.

Microfinance, finances in small amount to poor especially women in rural areas and support them to start their own enterprise in their own villages the finance is provided with very reasonable rate of interest and flexible repayment facilities, the concept of Micro finance has become a major credit disbursement mechanism in many parts of the world. It now refers to loans savings, Insurance, transfer services and other financial products targeted low income clients it covers the following activities:

- Micro credit: it is a small amount of money lent to a client by a bank or other institutions.
- Micro savings: these are deposit services that allow one to save small amounts of money for future use.
- Micro Insurance: it is system by which business and other organizations make a payment to share risks.
- Remittances: these are transfers of funds from people in one place to people in another.

### EMPOWERMENT

Awareness, participation and mobility primarily constitute the information base and provide the necessary prerequisite for the process of empowerment to take place. While the three factors are interlinked it is generally assumed that awareness is inclusive of participation.

### EMERGENCE OF WOMEN ENTREPRENEUR

Women entrepreneurship development is an essential part of human resource development women entrepreneurs have started showing more interest because it provides them an opportunity to be one's own boss the challenges they want to face and the chance of making more money.

A women entrepreneur has a complete understanding of the basic principles governing the industry or trade activity to evaluate the available information and materials and a sense of social and economic responsibility. Courage to carry out plans continuing insistence on innovation and adaptability and ability to judge values comparison with persons time and energy women to procure the required qualifications and have been reported as being similar to men in leadership behaviors. Problem solving enactment and managerial capabilities.

### SELF HELP GROUPS

The SHG's on Association of people belonging to similar socio-economic characteristic and residing in same locality. The SHG's are voluntary associations of people formed to attain some common goals. These are the groups which have similar social identities heritage caste of traditional occupations and come together for a common cause and manage resources for the benefit of the group members and SHG is a group of rural poor who have volunteered to organize themselves into a group for eradication of poverty of the numbers they agree to use this common fund and such other funds that they may receive as a group through a common management

### OBJECTIVES OF THE STUDY

The specific objectives of the study are as per following:

1. To study the socioeconomic profile of the rural women entrepreneurs in Shimoga District
2. To evaluate the performance of business enterprises carried by rural women entrepreneurs
3. To evaluate the role of institution in problems SHG's
4. To analyze the relationship between Microfinance and Rural Women Empowerment.
5. To evaluate the role of government in upgrading SHG's
6. To examine the relationship between financial inclusion and rural development through Micro finance
7. To suggest a few suitable suggestions for the promotion of Rural women entrepreneurship

### RESEARCH METHODOLOGY

#### SCOPE OF THE STUDY

The study has been confined to the promotion of women entrepreneurship only to Shimoga District and cover the fine running of leading system and procedure under microfinance.

**HYPOTHESIS OF THE STUDY**

The following hypothesis is to be formulated for the purpose of presence study

H<sub>o1</sub> : There is no significant relation between the role of SHG's in the women entrepreneurship

H<sub>a1</sub>: There is significant relation between the role of SHG's in the women entrepreneurship

**SAMPLING DESIGN**

The target sample of the present study covers the selected womens in the Shimoga Districts.

**RESEARCH DESIGN**

The researchers have used descriptive research design which concerned with. Describing the characteristics of a particular individual or of a group of individuals in the bank.

**PERIOD OF THE STUDY**

The study was conducted during the month of February 2013 to April 2013

**DATA & SOURCES**

The data collected from the both the primary and secondary source are used for the present study.

Primary data the data have gathered through field investigation and by administering questionnaires to women entrepreneurs data regarding SHG's collected through direct interview with the members of the SHG's.

Secondary data are collected from published source like books. Journals, reports of the training institute etc relevant has also been collected from the difference website.

**STATISTICAL TOOLS AND TECHNIQUES**

In order to extract meaningful information from the data collected data analysis was carried out the collected data were edited. Coded and tabulated for the purpose or analyzing them are following statistical tools and test were used. Chi- square.

**ANALYSIS AND INTERPRETATION**

**TABLE – 1:1 SOCIO ECONOMIC PROFILE**

| Group                        | No. of Respondents | Percentage |
|------------------------------|--------------------|------------|
| Below 30                     | 18                 | 36         |
| 31-40                        | 20                 | 40         |
| 41-50                        | 6                  | 12         |
| Above 51                     | 6                  | 12         |
| Total                        | 50                 | 100        |
| <b>Marital Status</b>        |                    |            |
| Married                      | 38                 | 76         |
| Unmarried                    | 12                 | 24         |
| Total                        | 50                 | 100        |
| <b>Educational Level</b>     |                    |            |
| Up to SSLC                   | 30                 | 60         |
| PUC                          | 15                 | 30         |
| Graduation                   | 5                  | 10         |
| Total                        | 50                 | 100        |
| <b>Monthly Income Family</b> |                    |            |
| Below 5000                   | 40                 | 80         |
| Rs.5001 to 10,000            | 8                  | 16         |
| Rs.10,000 to 20,000          | 2                  | 4          |
| Total                        | 50                 | 100        |

Source : Survey Data : Shimoga District (April 2011)

**TESTING OF THE HYPOTHESIS**

**HYPOTHESIS TEST - 1**

H<sub>o1</sub> : There is no significant relationship between the role of Microfinance in the Women Entrepreneurship.

H<sub>a1</sub> : is no significant relation between the role of Microfinance in the women entrepreneurship

| Particulars                         | Beneficiaries | Non Beneficiaries | Total |
|-------------------------------------|---------------|-------------------|-------|
| Getting Microfinance assistance     | 30            | 10                | 40    |
| Not Getting Microfinance assistance | 4             | 6                 | 10    |
| Total                               | 34            | 16                | 50    |

Source : Survey Data (April 2011)

The table value X<sup>2</sup> for 1 degree of freedom at 5% level of significance is 3.841The calculated value of X<sup>2</sup> is 4.502. The calculated value of X<sup>2</sup> is much Higher than the table value and Hence we reject the new hypothesis and strongly agreed that there is a relationship between role of Microfinance in the women entrepreneurship basis of alternative Hypothesis.

**LIMITATIONS**

The present study has certain short comings which are enlisted as under

- Only selected SHG's in Shimoga District.
- The socio Economic profile of beneficiaries relates only to some SHG's
- Some information provided of the records by the officials of various institutes is assumed.

**MAJOR FINDINGS OF THE STUDY**

1. Majority of SHG's members(80%) were satisfied with their work SHG's and only (20%) of the members expressed dissatisfaction. The major reasons for their dissatisfaction include unfavorable returns from the activity they have undertaken.
2. More than (90%) of the respondents reported increased self confidence and social participation development of moral courage improvement in general knowledge and health consciousness
3. There was an improvement in the position of all find of assets with the member after becoming the member of SHG's
4. Proper utilization of savings. The women are saving the fund with the help of post office grameena bank and co- operative bank NGO s and private bank Majority of respondent is saves the post office.
5. The quantum of government subsidies to a SGG's act of 50 respondents only the 35 respondent are taken subsidies the amount of 5000

6. Majority of respondents based on monthly income is less than 5000 per month respondents are participates in SHG's groups.
7. The respondent were asked to list out the Major problems they have been t taking in currying their business.

### SUGGESTIONS

Some valuable suggestions and policy recommendations are made from the experience of the present study.

1. The interpretation of the data on the reasons for the members to join the SHG's revealed that the need for the economic support for their family self reliance improves economic states of the family and getting loans from the banks.
2. SHG's may be permitted to issue fixed deposits certificates. Cash certificates and other savings oriented instruments may be under the authorizing of the concerned lead bank in the respective district.
3. SHG's to become more meaningful and purposeful should be constantly guided by NGO s with regard to their activates especially the purposes for which the loan are sanctioned.
4. The bank in the rural area as may be asked to be liberal EO sitter with regard to amount of loan with lower interest that can be lent to SHG's.
5. SHG's are the best tools of women entrepreneurship development.
6. Proper utilizations savings
7. Role of government and other supporting agencies.
8. Utilizations of subsidies.

### CONCLUSION

The rural area Self Help Groups are performing well. The study concludes that microfinance brought psychological and social empowerment than economic empowerment. Impact of micro finance is appreciable In bringing confidence, courage, skill development and empowerment. The SHG members feel free to move with their groups and leaders. The self help group have been formulated to obtain mutual help and for promoting economic development in rural area. In general terms femaled micro enterprises tend to be associated with activities that provides part time employment.

SHG's concept and its implementation is a mechanism to empower who are mass in general women it is know a right time to think how to make the group sustainable with education training attitude awareness of all related matters of functioning and economically strong to reach higher level of development and alleviation of poverty of the SHG's function properly in future by strengthening rural women entrepreneurs network by improving socio economic condition of women and empowering women and building courage to take a step for contribution of our country. that the delivery of micro finance to the poor is productive effective and less costly if they are organized into SHG's.

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**REGULATORY CHANGES AND THEIR IMPACT ON LIFE INSURANCE BUSINESS: AN ANALYTICAL STUDY**

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**ABSTRACT**

India, post liberalization, has been developing the culture of investment in financial works; which has opened up tremendous opportunities for insurance firms. To grab these opportunities the insurance firms have come up with pre-designed marketing strategies, so that, it helps them to accomplish their objectives at one end and assist the Indian customer to travel from unknown to known product zone. To reduce the uncertain risk to continue with unit linked policies the insurers should continue the product awareness, promotion and preference advertisement apart from rigorous Innovation and follow the regulatory reforms as applied by IRDA. This paper attempts to find out the impact of reforms on insurance industry of India. The study finds out the impact of reforms vis-à-vis premium growth, regulation of insurance industry and entry of new companies in the industry. The study is based on secondary data collected mainly from the monthly business reports of the IRDA from 2009 through Jan 2012. The study made a comparative study of the performance of insurance industry in pre and post reforms era. Further it analyzes the impact of reforms on standardization of insurance industry through regulatory framework and participation of new companies from India and other foreign multinational companies in the industry. Since reform in September 2010 insurance companies are growing fast registering remarkably high growth rate in premium. Besides premium large numbers of indigenous companies have entered the insurance market. The government has established sound regulatory system (IRDA) to develop the insurance industry of India to international standard.

**KEYWORDS**

Insurance, Reform, Indian Insurance Market, IRDA.

**INTRODUCTION**

Insurance Regulatory Law is the body of statutory law, administrative regulations and jurisprudence that governs and regulates the insurance industry and those engaged in the business of insurance. Insurance is characterized as a business vested or affected with the public interest. Thus, the business of insurance is subject to governmental regulation to protect the public's interests.

Therefore, the fundamental purpose of insurance regulatory law is to protect the public as insurance consumers and policyholders, which involves:

- Licensing and regulating insurance companies;
- Monitoring and preserving the financial solvency of insurance companies;
- Regulating and standardizing insurance policies and products;
- Controlling market conduct and preventing unfair trade practices; and
- Regulating other aspects of the insurance industry

With expansion of the insurance sector and introduction of more innovative insurance products, in particular the Unit Linked Insurance Products coming into the life insurance market, IRDA has become sensitive to the changing scenario and the challenges that go with it. In particular, IRDA has been conscious of how these changes have been impacting the policyholder and has taken several steps to bring in changes in the regulatory framework to address various concerns of the policyholder.

In all kind of policies, IRDA had stipulated that insurers to provide the prospect/policyholder all relevant information regarding amounts deducted towards various charges for each policy year to enable the prospect to take an informed decision. Insurers were required to provide Benefit Illustrations giving two scenarios of interest rates, 6% and 10% respectively. The prospect was required to sign on the illustration while signing the proposal form. This was done to ensure transparency and proper disclosures by the insurers

IRDA has taken timely initiatives for protecting the interests of policyholders by bringing out Regulations, Guidelines, Circulars etc applicable to insurers and intermediaries covering the various stages in the lifecycle of an insurance product, commencing from solicitation, sale, policy servicing, to claims servicing and grievance redressal.

In a circular on the subject **Unit linked products - Cap on charges**, the IRDA had mandated a signed customer-centric benefit illustration to be included as part of the policy document. This was to ensure that the customers would have a clear understanding of the product before making an investment decision.

In **September 2010**, IRDA has come up with new regulation in the Unit linked insurance products as under:

- (1) Lock in period increased to five years.
- (2) All regular premium /limited premium ULIPs shall have uniform/level paying premiums. Any additional payments shall be treated as single premium for the purpose of insurance cover.
- (3) Charges on ULIPs are evenly distributed during the lock in period.
- (4) All limited premium unit linked insurance products, other than single premium products shall have premium paying term of at least five years.
- (5) All unit linked products, other than pension and annuity products, shall provide a mortality cover or a health cover thereby increasing the risk cover component in such products.

(a) The minimum mortality cover should be as follows:

| Minimum Sum assured for age at entry of below 45 years   | Minimum Sum assured for age at entry of 45 years and above   |
|--|--|
| Single Premium (SP) contracts: 125 percent of single premium.  | Single Premium (SP) contracts: 110 percent of single premium   |
| Regular Premium (RP) including limited premium paying (LPP) contracts: 10 times the annualized premiums or (0.5 X T X annualized premium) whichever is higher. At no time the death benefit shall be less than 105 percent of the total premiums (including top-ups) paid. | Regular Premium (RP) including limited premium paying (LPP) contracts: 7 times the annualized premiums or (0.25 X T X annualized premium) whichever is higher. At no time the death benefit shall be less than 105 percent of the total premiums (including top-ups) paid. |

(In case of whole life contracts, term (T) shall be taken as 70 minus age at entry)

(ii) The minimum health cover per annum should be as follows:

| Minimum annual health cover for age at entry of below 45 years  | Minimum annual health cover for age at entry of 45 years and above  |
|---|---|
| Regular Premium (RP) contracts: 5 times the annualized premiums or Rs. 100,000 per annum whichever is higher, At no time the annual health cover shall be less than 105 percent of the total premiums paid. | Regular Premium (RP) contracts: 5 times the annualized premiums or Rs. 75,000 per annum whichever is higher. At no time the annual health cover shall be less than 105 percent of the total premiums paid |

- (6) The pension products, all ULIP pension/annuity products shall offer a minimum guaranteed return of 4.5% per annum or as specified by IRDA from time to time. This will protect the life time savings for the pensioners, from any adverse fluctuations at the time of maturity.

(7) To smoothen the cap on charges, the capping been rationalized to ensure that the difference in yield is capped from the 5<sup>th</sup> year onwards. This will not only reduce the overall charges on these products, but also smoothen the charge structure for the policyholder.

(8) IRDA has also addressed the issue of discontinuance of charges for surrender of ULIPs..

These regulations are applicable to all new ULIP products approved by IRDA after these regulations are notified.

### OBJECTIVES OF THE STUDY

1. To compare the business of LIC with that of Private insurance companies. (taking average premium per policy) on the basis of Premium collected divided by number of policies per month.

2. To study the impact of regulation on LIC's total business

{Comparison of the business of the LIC (seventeen months before implementation of regulation of Sept 2010) with LIC (seventeen months after the implementation of regulation) taking Premium collected per policy as base}

3. To study the impact of regulation on all Private companies total business

### RESEARCH METHODOLOGY

**Research design:** Conclusive research design

**Secondary:** Data collected from the official website of IRDA.

**Research articles:** Articles from books, publications, magazines, journals and websites were referred.

**Sample:** premium collected in 34 months (LIC and other Private insurance companies)

**Test applied:** Mean, standard deviation, standard error and T test

### REVIEW OF LITERATURE

Mishra and Ghosh (2010) found that the performance evaluation of ULIPs in India better than that of market. Prasad, Babu, Chiranjeev and RAO (2009) found that inspite of various investment opportunities. ULIPs have gained more reputation among the investors.

Khurana 2009 made a comparative analysis of performance of ULIPs of private sector companies and found that there is no significant difference between performances of pension funds – growth of selected insurance companies.

Rao 2003 done the performance evaluation of mutual funds in a bear market and his results suggest that most of mutual funds have given excess returns over expected return.

Michael and Steve (Corporate Kinetics) By the time a company completes the development of a strategy and make investments to pursue the strategy, the opportunity often ceases to exist. It is therefore important that the new age insurance companies become kinetic enterprises which can take advantage of unpredictable customer demands and unexpected market events immediately.

**DATA ANALYSIS AND INTERPRETATION**

Case 1: As per the data available in the monthly journals of IRDA the premium collection figures for private and public insurance industry is given below:

| Month  | avg premium per policy (Govt) B | avg premium per policy (Pvt) C | B - C=D   | D-MEAN = X | X <sup>2</sup> |
|--------|---------------------------------|--------------------------------|-----------|------------|----------------|
| Jan-08 | 1178.10                         | 1285.08                        | 106.98    | -11853.02  | 140494083.1    |
| Feb-08 | 1187.93                         | 1513.94                        | 326.01    | -11633.99  | 135349723.3    |
| Mar-08 | 4826.51                         | 3490.54                        | -1335.97  | -13295.97  | 176782818.2    |
| Apr-08 | 1250.29                         | 85.34                          | -1164.95  | -13124.95  | 172264312.5    |
| May-08 | 1509.59                         | 1131.97                        | -377.62   | -12337.62  | 152216867.3    |
| Jun-08 | 1760.79                         | 1339.22                        | -421.57   | -12381.57  | 153303275.7    |
| Jul-08 | 2196.44                         | 1425.32                        | -771.12   | -12731.12  | 162081416.5    |
| Aug-08 | 3576.77                         | 1661.00                        | -1915.77  | -13875.77  | 192536993.1    |
| Sep-08 | 1029.34                         | 2241.82                        | 1212.48   | -10747.52  | 115509186.2    |
| Oct-08 | 941.89                          | 1778.51                        | 836.62    | -11123.38  | 123729582.6    |
| Nov-08 | 1411.19                         | 321.13                         | -1090.06  | -13050.06  | 170304066      |
| Dec-08 | 1759.45                         | 2979.91                        | 1220.46   | -10739.54  | 115337719.4    |
| Jan-09 | 2747.81                         | 2818.81                        | 71.00     | -11889.00  | 141348321      |
| Feb-09 | 1817.50                         | 3070.87                        | 1253.37   | -10706.63  | 114631926      |
| Mar-09 | 3689.98                         | 5020.43                        | 1330.45   | -10629.55  | 112987333.2    |
| Apr-09 | 5950.03                         | 14008.58                       | 8058.55   | -3901.45   | 15221312.75    |
| May-09 | 8030.03                         | 16342.99                       | 8312.96   | -3647.04   | 13300915.36    |
| Jun-09 | 5954.21                         | 17996.86                       | 12042.65  | 82.65      | 6830.770602    |
| Jul-09 | 6684.68                         | 16509.22                       | 9824.54   | -2135.46   | 4560169.673    |
| Aug-09 | 6382.34                         | 21531.37                       | 15149.03  | 3189.03    | 10169936.19    |
| Sep-09 | 6326.77                         | 20722.69                       | 14395.92  | 2435.92    | 5933724.778    |
| Oct-09 | 7617.36                         | 20104.70                       | 12487.34  | 527.34     | 278092.6304    |
| Nov-09 | 6973.44                         | 20220.20                       | 13246.77  | 1286.77    | 1655766.231    |
| Dec-09 | 7478.98                         | 21937.51                       | 14458.53  | 2498.53    | 6242671.602    |
| Jan-10 | 6969.58                         | 22022.69                       | 15053.11  | 3093.11    | 9567332.326    |
| Feb-10 | 7409.06                         | 22671.57                       | 15262.51  | 3302.51    | 10906556.24    |
| Mar-10 | 7986.44                         | 28342.01                       | 20355.58  | 8395.58    | 70485682.28    |
| Apr-10 | 9975.25                         | 17934.74                       | 7959.49   | -4000.51   | 16004105.53    |
| May-10 | 10044.69                        | 19018.53                       | 8973.84   | -2986.16   | 8917171.788    |
| Jun-10 | 8436.61                         | 22767.65                       | 14331.05  | 2371.05    | 5621868.259    |
| Jul-10 | 8295.91                         | 21629.68                       | 13333.76  | 1373.76    | 1887222.202    |
| Aug-10 | 8369.04                         | 25267.23                       | 16898.19  | 4938.19    | 24385691.24    |
| Sep-10 | 7214.37                         | 3791.71                        | -3422.66  | -15382.66  | 236626183.3    |
| Oct-10 | 7755.24                         | 21743.12                       | 13987.88  | 2027.88    | 4112293.482    |
| Nov-10 | 7755.24                         | 21743.10                       | 13987.86  | 2027.86    | 4112197.768    |
| Dec-10 | 7169.67                         | 22954.36                       | 15784.69  | 3824.69    | 14628232.09    |
| Jan-11 | 7053.69                         | 18438.39                       | 11384.70  | -575.30    | 330965.1254    |
| Feb-11 | 3891.59                         | 20343.13                       | 16451.54  | 4491.54    | 20173941.39    |
| Mar-11 | 7588.67                         | 23923.84                       | 16335.17  | 4375.17    | 19142101.66    |
| Apr-11 | 8997.84                         | 17902.72                       | 8904.88   | -3055.12   | 9333755.444    |
| May-11 | 8922.32                         | 17447.98                       | 8525.66   | -3434.34   | 11794685.44    |
| Jun-11 | 8167.09                         | 19253.30                       | 11086.22  | -873.78    | 763495.3256    |
| Jul-11 | 8216.59                         | 19136.20                       | 10919.60  | -1040.40   | 1082428.88     |
| Aug-11 | 7497.20                         | 20788.51                       | 13291.31  | 1331.31    | 1772393.568    |
| Sep-11 | 7050.71                         | 4460.07                        | -2590.64  | -14550.64  | 211721036.2    |
| Oct-11 | 9412.24                         | 20107.23                       | 10695.00  | -1265.00   | 1600236.242    |
| Nov-11 | 8247.16                         | 22427.67                       | 14180.51  | 2220.51    | 4930657.435    |
| Dec-11 | 9358.03                         | 23139.04                       | 13781.01  | 1821.01    | 3316093.756    |
| Jan-12 | 9333.13                         | 22525.79                       | 13192.66  | 1232.66    | 1519439.4      |
| Feb-12 | 9955.88                         | 24072.28                       | 14116.41  | 2156.41    | 4650094.977    |
| Apr-12 | 15584.40                        | 57117.28                       | 41532.88  | 29572.88   | 874555096.9    |
| May-12 | 12143.91                        | 20954.36                       | 8810.45   | -3149.55   | 9919666.886    |
| Jun-12 | 11520.12                        | 22103.65                       | 10583.52  | -1376.48   | 1894684.72     |
| Jul-12 | 10916.70                        | 22947.22                       | 12030.53  | 70.53      | 4974.185778    |
| Aug-12 | 9781.16                         | 24410.02                       | 14628.86  | 2668.86    | 7122834.966    |
| Sep-12 | 7728.10                         | 25800.86                       | 18072.76  | 6112.76    | 37365848.04    |
| Oct-12 | 7400.97                         | 26025.17                       | 18624.20  | 6664.20    | 44411615.73    |
| Nov-12 | 6508.36                         | 25070.38                       | 18562.01  | 6602.01    | 43586589.68    |
| Dec-12 | 53484.11                        | 159485.00                      | 106000.90 | 94040.90   | 8843690642     |
| Jan-13 | 6496.77                         | 25607.39                       | 19110.62  | 7150.62    | 51131310.42    |
| Feb-13 | 6704.22                         | 27816.40                       | 21112.17  | 9152.17    | 83762288.54    |
| Mar-13 | 5956.68                         | 28157.86                       | 22201.19  | 10241.19   | 104881939      |
| Apr-13 | 9434.34                         | 21612.33                       | 12177.99  | 217.99     | 47517.63582    |
| May-13 | 8693.33                         | 22730.36                       | 14037.02  | 2077.02    | 4314024.7      |
| Jun-13 | 7572.42                         | 24108.85                       | 16536.43  | 4576.43    | 20943728.26    |
| Total  | 483280.27                       | 1257337.73                     | 774057.46 | -3342.54   | 13063265667.23 |
|        | 7435.08                         | 19343.66                       | 11908.58  |            | 200973318      |

$s = \sqrt{200973318} = 14176.50584$

$SE = \sigma / \sqrt{n} = 1758.37914$

$= t_c = \text{mean} / SE = 6.772473628$

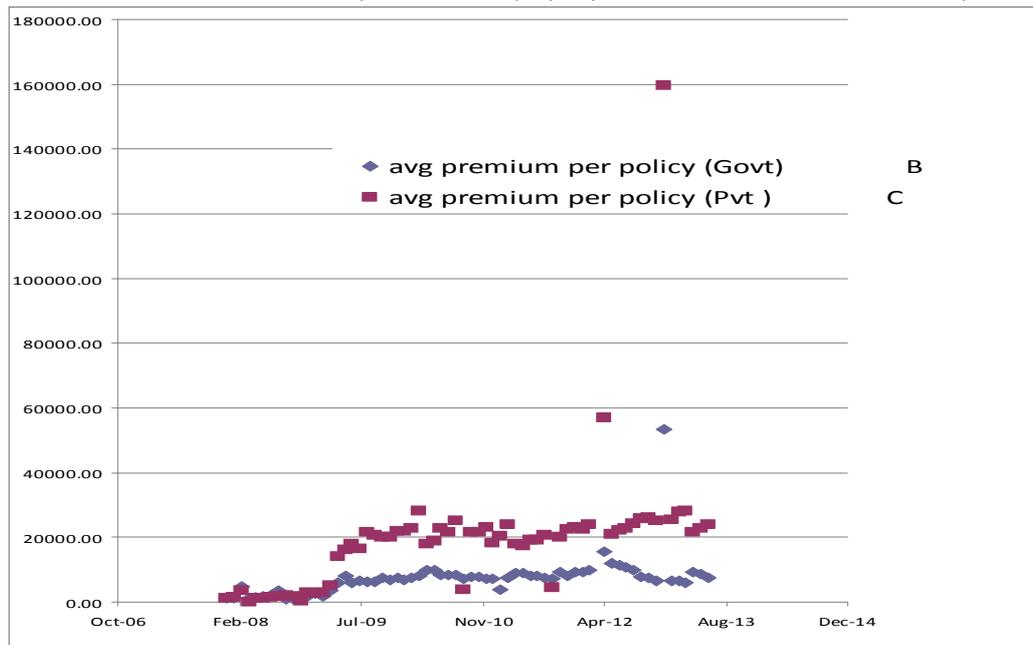
Inference drawn:

Ho : The average premium per policy is higher in LIC as compared to Private Life Insurance Co

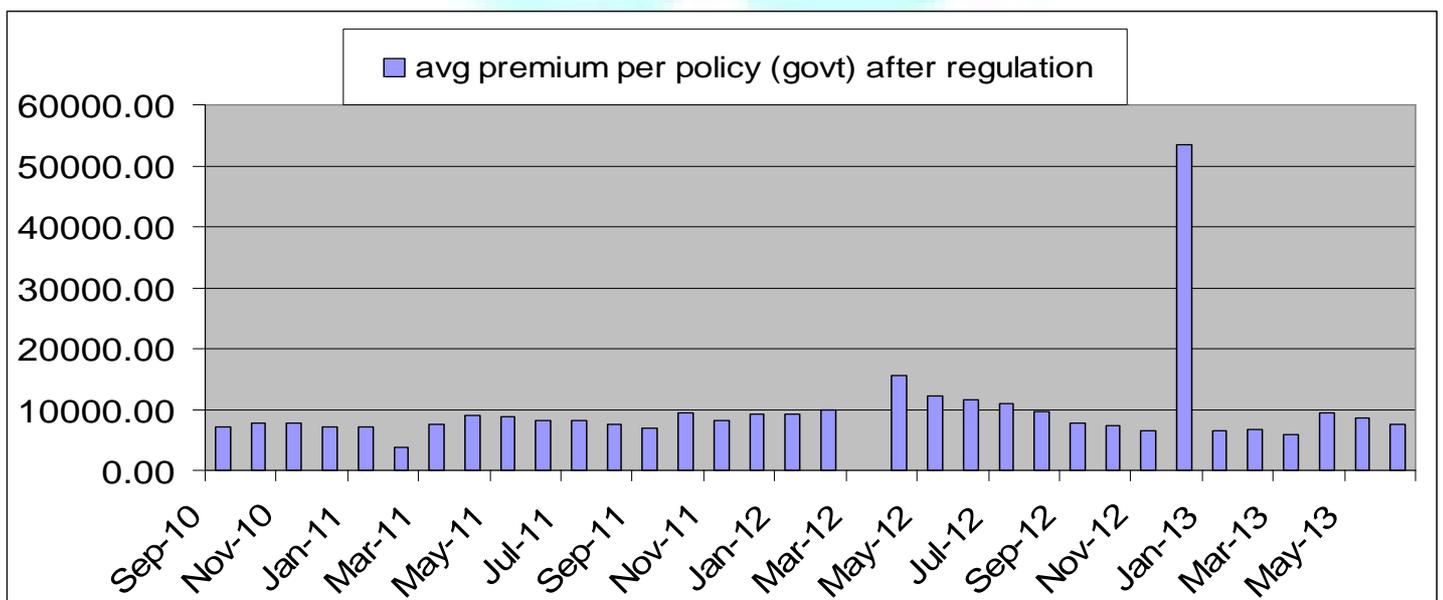
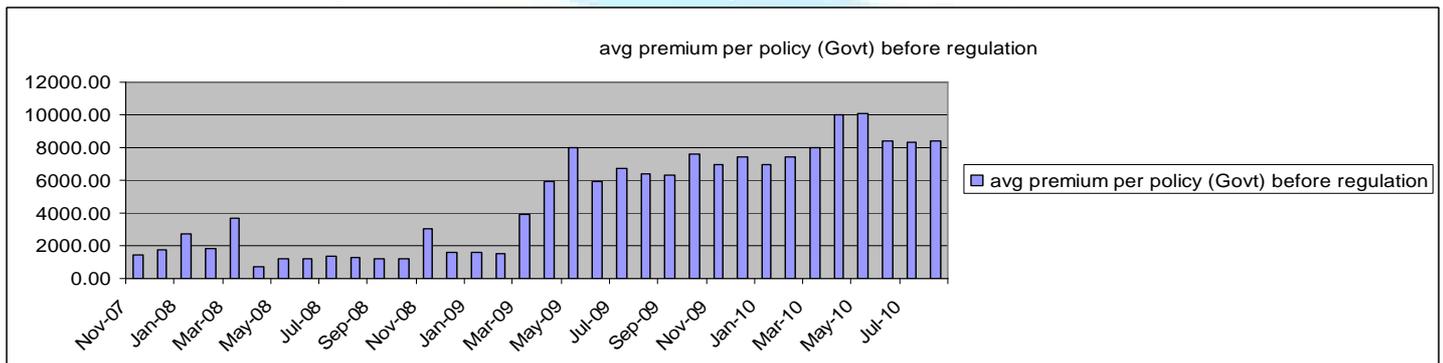
$H_a$  : The average premium per policy is lesser in LIC as compared to Private Life Insurance Co

$H_0$  is rejected and  $H_a$  is accepted

Hence, it is concluded that the Market share of LIC in case of premium volume per policy is less than that of Private insurance companies.



**Case 2:** In case, we compare the average premium collected before and after the regulation in the insurance industry (Govt sector)



$S = \sqrt{\frac{\sum x^2}{n-1}}$

$t_c = \text{mean}/SE = 0.472176149$

**Inference:**  $H_0 : t_c \leq t_t$

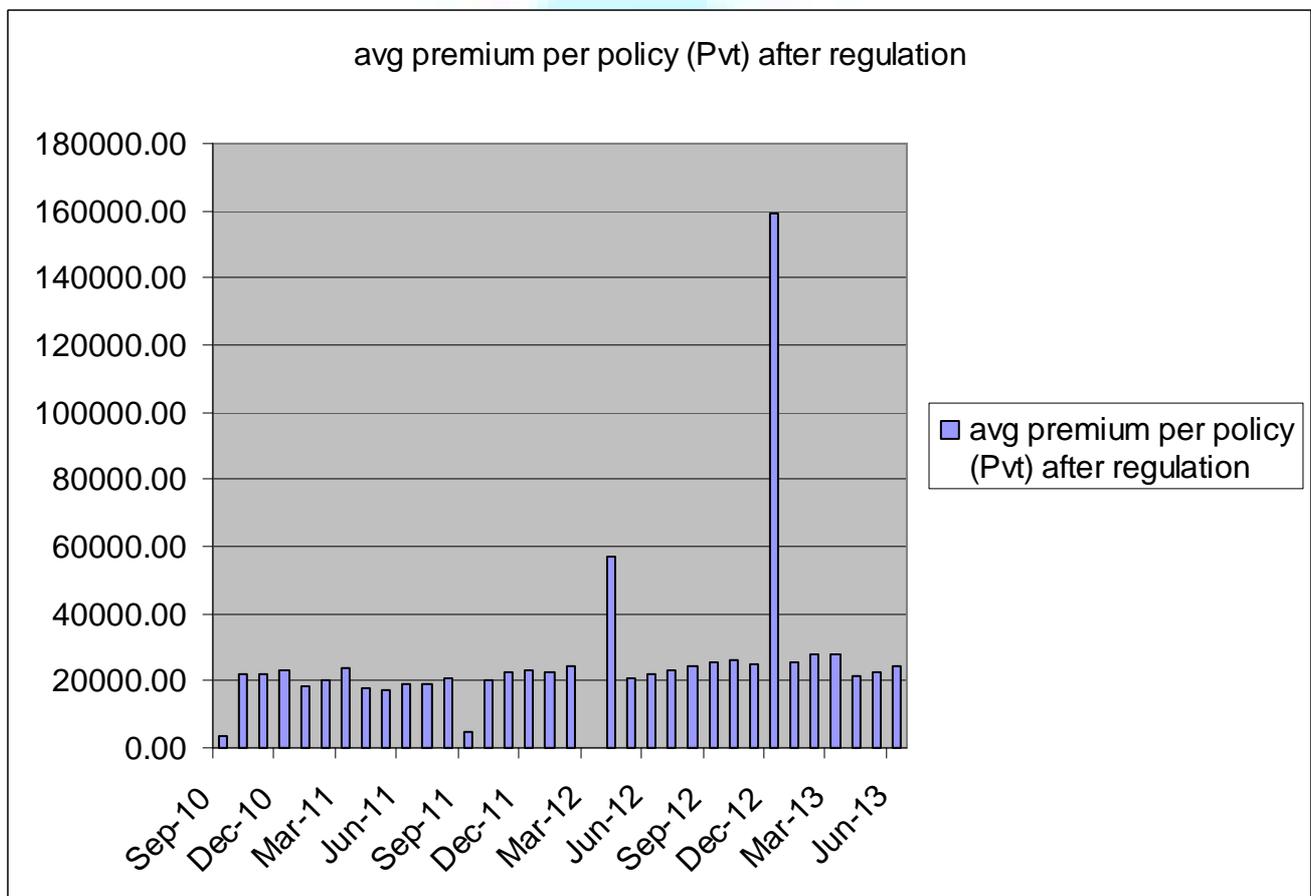
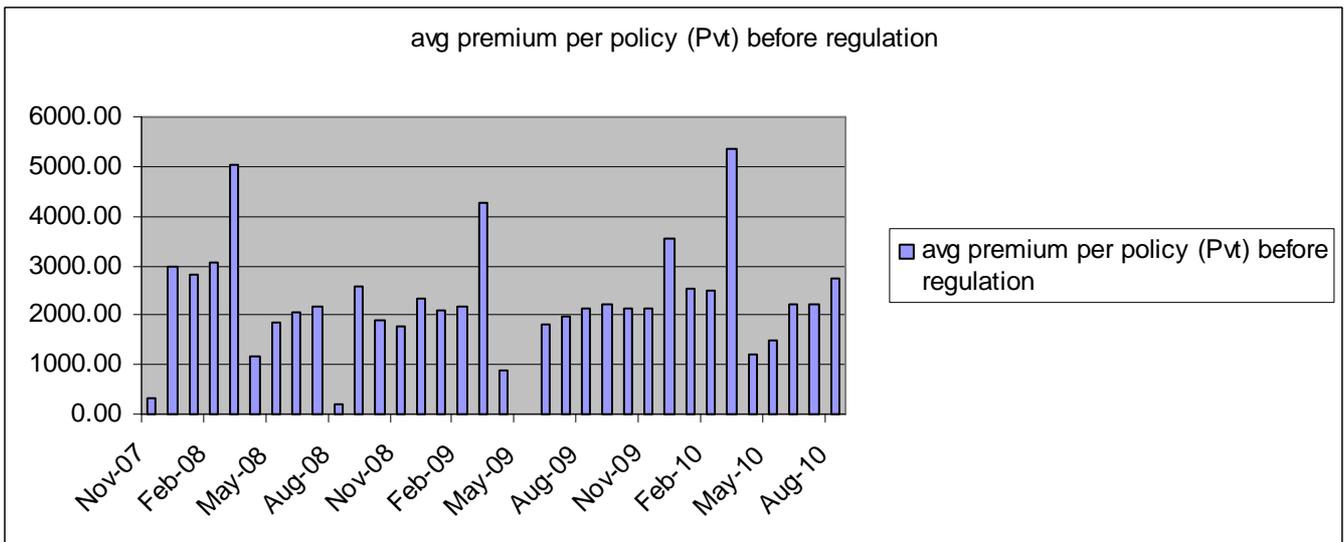
$H_a : t_c > t_t$

Hence,  $H_a$  is accepted and  $H_0$  is rejected

$H_0$  : The average premium volume in LIC before and policy is significantly different

$H_a$  : The average premium volume in LIC before and policy is insignificantly different

Case 3: In case, we compare the average premium collected before and after the regulation in the insurance industry (Pvt sector)



$S = \sqrt{\frac{\sum x^2}{n-1}}$

$t_c = \text{mean}/SE = 4.158898749$

Inference:  $H_0: t_c \leq t_c$

$H_a: t_c > t_c$

Hence,  $H_0$  is accepted and  $H_a$  is rejected

$H_0$  : The average premium volume in Private insurance companies before and policy is significantly different.

$H_a$  : The average premium volume in Private insurance companies before and policy is insignificantly different

**FINDINGS OF THE STUDY**

1. The increasing competition and introduction of new private insurance companies leads to the reduction in the market share of LIC.
2. LIC of India, being master in the traditional and other non market linked products, the regulations of IRDA or any other changes do not have any impact on its overall business.
3. No doubt, the regulations have made the customer much more aware about the insurance products.
4. Due to regulatory changes in ULIPs, now, the policy holders have to block their money for longer period (i.e. 5 years), which further leads to the reduction in business (irrespective of the fact the number of the companies have increased).
5. Increase in FDI limit by foreign investor has not motivated policy holders to in the private companies.
6. Risk cover is also reduced mandatory and no more optional for the ULIPs (which was flexible); is also one of the major concern for policy holders.
7. The policy holders have a more positive attitude towards LIC's policies as compared to private insurers due to the previous experience with the private companies, economic fluctuations in market and their impact on the ULIPs.

**CONCLUSION**

Life insurance is a way to meet the contingencies of physical and economical death of any individual. Currently the market is flooded with many private life insurance companies with a wide range of products because the awareness of respondents about life insurance has increased though not significantly.

**SCOPE FOR FURTHER RESEARCH**

The similar kind of research can be done on the General insurance sector, on business before and after the de-tariff on the premium as of now the insurers can give discounts to the insured depending upon claim experience or other add-ons.

**REFERENCE**

1. Website of IRDA, monthly reports



## EMPLOYEES PERCEPTION OF PERFORMANCE APPRAISAL SYSTEM: A STUDY ON HIGHER EDUCATION INSTITUTES IN JALANDHAR

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### ABSTRACT

*Performance appraisal is one of the important component of human resource management. It plays a very important role in the job satisfaction of employee in the organisation. This study is based on the Performance Appraisal System of different higher education institutes in Jalandhar. The Purpose of the study is to measure the satisfaction level of employees with their current Performance Appraisal System and to compare the satisfaction level of employees with respect to Performance Appraisal System of their institutes. This comparison is done on the basis of demographic variables (Gender, Marital Status, Age, Year of Service and Monthly Income). In this study employees are faculty members of higher education institutes in Jalandhar. Three variables are used to achieve the objectives of the study that variables are Fairness of the Performance Appraisal System, Incentives of Performance Appraisal System and Reduction of Rater Errors. A sample of 200 respondents from different higher education institutes are taken to conduct the study. The findings revealed that out of 200 respondents maximum no. of respondents are satisfied with their Performance appraisal system, some respondents are highly satisfied and few respondents are those who are dissatisfied with their appraisal system. The findings also revealed that there is no significance difference between the satisfaction level of faculty members with Performance Appraisal System according to demographic variables. Some suggestion has been made on the basis of findings of the study.*

### KEYWORDS

Performance Appraisal System, Higher Education Institutes, Fairness of the System, Incentives, Reduction of Rater Errors.

### INTRODUCTION

Performance Appraisal System is an important component of Human Resource Management. It is a system which is used to evaluate the performance of an employee in the organisation. The organisation may be a company, industry or any institute. There are many appraisal methods which are used to evaluate the performance of employees. It depends on the organisation which method they are using to evaluate their employees.

In higher education institutes performance assessment and appraisal are often for students. The performance of student is appraised by taking test, assignments, by observing students' behaviour, how well they perform academically, their participation in extracurricular activities, how well they are adapting to their social environment in higher education. Faculty are the most important part of every college and university. The faculty are hired to enable the institution to help accomplish the goals for which the institution has been established. So it is very important to know that how well the faculty members are performing their duties, responsibilities. Do colleges and universities know how well their faculty members are performing and is this being conveyed to the faculty members accurately and on timely basis? Are there well developed Performance appraisals that are used on consistent basis? To know the answers of these questions there should be proper Performance Appraisal System.

Employee wants fair dealing in Performance Appraisal System which is an important component of organisation's Human resource management. Understanding Fairness in performance appraisal practices is important for organisation because it completely link with employee's job satisfaction and organisational commitment.

According to Mondy and Noe (2003) Incentives can be divided into two broad categories that are financial Incentives and Non-Financial Incentives. Financial Incentives are in monetary form which deals with increase in the basic salary of the employee and non-financial Incentives are in non-monetary form like providing leave to the employee, promotion of the employee etc. Employee receives these Incentives when they perform well in the organisation and fulfil their responsibility and duties in a good manner. Any increase on the basic salary of employee's link with the financial Incentives.

Rater Error is defined as an inaccuracy that makes its way into an employee's appraisal that results from a bias, either conscious or unconscious, on the part of the rater. Rater Errors represent a significant concern for organizations as they try to equitably evaluate the performance of their employees. Since it is virtually impossible to eliminate rater errors from the performance appraisal process, it is important for organizations to take steps to minimize their impact in misjudging an employee's overall performance. Some of the common Rater Errors are: - Halo effect, Central tendency, Recent Behaviour (the pitchfork effect), Horn Effect, Problem of leniency or strictness, Similarity Error, Status effect, Spill over effect and Contrast effect.

### REVIEW OF LITERATURE

Fakhryan et al. (2012) find the relations between performance appraisal satisfaction and outputs of employees with due attention to the role of intrinsic variable. The result showed that there is a positive relationship between performance appraisal satisfaction and work performance and effective commitment of employees and also a converse relation with tendency to quit job position.

Ahmad et al. (2012) determined the relationship between some selected factors of rating dissatisfaction and employee satisfaction on the appraisal decision. Rater attitude, Rater Errors, halo effect, recency effect are some factors of rating dissatisfaction that examine in this study. The findings of this study show that Rater attitude, recency effect and deflation of marks are significantly related to dissatisfaction among employees in performance appraisal decision.

Miah et al. (2012) investigated the effect of employees perception of performance appraisal process on organisational commitment, job satisfaction and employee retention. He concludes that there is a significant relationship between employee retention and performance appraisal Process but organisational commitment indicates a negative but not significant relationship with performance appraisal process.

Shrivastava and purang (2011) studied the differences between public and private sector banks with respect to perception of Fairness of the Performance Appraisal System and performance appraisal satisfaction.. Results indicated that private sector bank employees perceive greater Fairness and satisfaction with their Performance Appraisal System as compared to public sector bank employees

Pathania et al. (2011) find out that Performance Appraisal System is the most important tool for an organization. Performance Appraisal System is important not only to ensure that an organization achieves its objectives, but also to make sure that the employees qualify the organizational requirements on regular basis. Every organization has its own performance appraisal methods which are designed to evaluate the performance of employees in an organization. It also identifies the training and developmental needs. It serve not only to determine how well an employee is does his or her job, but also to decide the ways to improve the performance.

Karimi et al. (2011) showed that there is a positive relationship between Performance Appraisal System and employee satisfaction where Performance Appraisal System is independent variable and employee satisfaction is dependent variable.

Anjum et al. (2011) in his study find different aspects of Performance Appraisal System and how this can play its role in improving the performance of teachers in higher education institutions of Pakistan and found that the appraisal system does not address the important purpose upon which it should. This is used only for promotion purpose and salary increase. The teachers are not allowed to participate in the planning process of the appraisal system. The teachers are in favour of the use of performance appraisal but they have strong desire of transparent and systematic performance appraisal.

Shadrack M. Kamencu (2011) investigated the effectiveness of Performance Appraisal Systems in Kenya Tea Development Agency. The research revealed that employee training, Performance based pay, Management by Objectives, Competence and Assessment and Development all these factors had an effect on employee performance in Kenya Tea development agency. But the factors which are having more influenced on employee performance are employee training, performance based pay, and management by objectives because these factors are rated to great extent by the employees and the other factors could not be ignored because these factors also rated to a moderate extent by the employees that are Competence, assessment and development.

Jack N. Kondrasuk (2011) finds that Performance Appraisal Systems are improved by rectifying common shortcomings eg. Reducing biases, training those involved using formats with research substantiation. The most important changes requires clarifying the goals of performance appraisal, focusing on both results and behaviour appraisals, adding an appraisal category better timing better involving constituencies.

Swiercz et al. (2010) in his study want to know that how employee perceptions of performance appraisal Fairness (procedural, distributive, and interactional) predicted employee reactions to the system including employee performance, organizational commitment, supervisory satisfaction, job satisfaction, and pay satisfaction. Findings show procedural Fairness is a significant predictor of each of the dependent variables, while distributive Fairness predicts performance and organizational commitment. Interactional Fairness predicts supervisory satisfaction and organizational commitment.

Monis (2010) studied and analysed the perception of employees with Performance Appraisal System and also analyse the satisfaction level of employees with Performance Appraisal System and finds that the BPO employees are not highly satisfied with the Performance Appraisal System being practiced by the BPO's Industry.

Zhang, Lovegrove (2009) find out that the employees' perception of justice has a positive relationship to their overall satisfaction with both the performance appraisal process and its outcomes. However, statistically significant differences were found in relation to whether employees had received training in performance appraisal or not.

Talukdar (2007) proposed an idea that organisation need to evaluate their employees in a timely manner to determine the lack of rightwardness in the employee's effort. By doing so an organisation can reward its employees by giving promotion and other benefits. This study tries to compare the Performance Appraisal System of local bank with multinational bank. Both banks are using quantitative and qualitative performance appraisal criteria. Judgemental approach is widely used by both banks in their performance evaluation system. Immediate boss plays a significant role in deciding the fate of the appraises. It has been seen that though there exist a good Performance Appraisal System in both cases, good amount of training and counselling is still necessary for both the appraiser and appraises.

Flaniken (2006) studied the satisfaction of performance appraisal process among staff members in American higher education but dissatisfaction was found with the appraisal process due to (a) lack of leadership support, (b) supervisors not being held accountable for the timely completion of appraisals, and (c) the lack of training provided supervisors for doing performance appraisals well.

Cochran (2006) expressed that the 360 degree feedback tool has many positive aspects and its use is becoming more widespread. The power of the 360 degree feedback tool is that it provides clear and important performance appraisal information from a variety of sources.

Veld Kamp et al. (2005) says that factors like 360 degree appraisal, procedural justice, goal setting and performance feedback scored relatively high for the effectiveness of Performance Appraisal System whereas performance based pay received the less score for the effectiveness of Performance Appraisal System.

Moulder (2001) states that performance appraisals are valued for defining expectations and measuring the extent to which expectations are met. He indicates that appraisals are useful in setting goals and in fostering improved communications among work groups and between employees and supervisor.

Janice S. Miller (2001) in his study assessed the self-monitoring characteristics and level of satisfaction with Performance Appraisal System of 12 project team members in five different organisation and conclude that self-monitoring level was negatively associated with appraisal satisfaction.

Cascio (1998) defines performance appraisal as a process to improve employees work performance by helping them realize and use their full potential in carrying out organisation's mission and to provide information to employees and managers for use in making work related decisions.

Maddux (1987) reports that performance appraisal provides a performance appraisal periodic opportunity for communication between the person who assigns the work and the person who performs it, to discuss what they expect from others and how well those expectations being met.

## NEED AND SCOPE OF THE STUDY

Performance appraisal system plays a very important role in the job satisfaction of employee. If employees are not satisfied with their appraisal system then this will lead to employee attrition. If the appraisal system of the organisation is not fair then this will lead to dissatisfaction of employee with the appraisal system which in future lead to their dissatisfaction with the job and employee will leave the organisation that is increase in employee attrition. Dissatisfaction with the appraisal system is the most important reason of increasing employee attrition day by day. Increase in Employee Attrition is the main reason of doing this study. This study will help in making those strategies which are helpful in reducing employee attrition.

## OBJECTIVES OF THE STUDY

- To measure the satisfaction level of faculty members with the current Performance Appraisal System of their institute.
- To compare the satisfaction level of faculty members with respect to Performance Appraisal System of their institutes.

## HYPOTHESES

H<sub>0</sub> - There is no significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Gender.

H<sub>1</sub> - There is a significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Gender.

H<sub>0</sub> - There is no significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Marital Status.

H<sub>2</sub> - There is a significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Marital Status.

H<sub>0</sub> - There is no significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Age.

H<sub>3</sub> - There is a significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Age.

H<sub>0</sub> - There is no significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Year of Service

H<sub>4</sub> - There is a significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Year of Service.

H<sub>0</sub> - There is no significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Monthly Income.

H<sub>5</sub> - There is a significance difference between the satisfaction levels of faculty members with Performance Appraisal System according to Monthly Income.

The hypotheses are made based on the second objective i.e. to compare the satisfaction level of faculty members with respect to Performance Appraisal System of their institutes. This comparison is done on the basis of demographic variables (Gender, Marital Status, Age, Year of Service and Monthly Income).

## RESEARCH METHODOLOGY

### SOURCES OF DATA

For this study both primary as well as secondary data was used. The primary data for the study has been collected with the help of faculty members by using well-structured questionnaire and secondary data was collected from books, journals and various websites. The questionnaire is divided into three parts. The first part deals with the Demographic Profile of the respondents, second part deals with some basic questions related to Performance Appraisal System and the third part deals with the statements related to the variables which are used in the study that variables are Fairness of the Performance Appraisal System, Incentives of the Performance Appraisal System and Reduction of Rater Errors. Third part of the questionnaire deals with statements based on likert scale where 1 means strongly disagree and 5 means strongly agree. The third variable i.e. Reduction of Rater Errors contain some negative statements if respondent view is strongly disagree about the statement that means they rate as no. 5 and if their response is strongly agree they rate as no. 1 here we reverse the score because lesser is the Rater Errors higher they are satisfied with their appraisal system

**RESEARCH DESIGN**

Descriptive Research Design has been used to achieve the objectives of the study.

**SAMPLING SIZE**

For this study, 200 employees have been taken as the sample. Here employees are the faculty members of the higher education institutes in Jalandhar. The sample has been collected from four higher education institutes i.e. CT Group of Institutions, Apeejay institute of Fine Arts, D.A.V Institute, Apeejay institute of Management.

**SAMPLING TECHNIQUE**

Convenience sampling technique has been used in this study. Selection of faculty members and institutes is done according to convenience sampling technique.

**RESULT AND DISCUSSION**

This section contains the analysis of data collected during the survey. Data is analysed by using MS-Excel and SPSS. Data so collected is being interpreted as per the objectives of the study.

The first objective is to measure the satisfaction level of faculty members with the current Performance appraisal system of their institutes. This objective is achieved with the help of three variables Fairness, Incentives and Reduction of Rater Errors. The average of the responses of respondent is taken according to these three variable (Fairness average, Incentives average and Reduction of Rater Errors average) after that weighted average of these three variables has been taken (Fairness average+ Incentives average+ Reduction of Rater Errors average/3). Now every respondent has a one value for the satisfaction of Performance Appraisal System according to these three variables.

Below is the example of responses of 5 respondents to show that how these calculations was done on excel sheet to know the satisfaction level of respondents.

| FAP Stands for Fairness of Performance Appraisal System |      |      |      |      |      |      |      |      |      |       |       |       |                  |
|---|------|------|------|------|------|------|------|------|------|-------|-------|-------|------------------|
| Respondent No.  | FAP1 | FAP2 | FAP3 | FAP4 | FAP5 | FAP6 | FAP7 | FAP8 | FAP9 | FAP10 | FAP11 | FAP12 | Fairness Average |
| 1   | 4    | 4    | 4    | 4    | 4    | 2    | 4    | 4    | 2    | 4     | 5     | 4     | 3.8              |
| 2   | 4    | 4    | 4    | 4    | 4    | 2    | 5    | 5    | 2    | 4     | 4     | 4     | 3.8              |
| 3   | 4    | 4    | 4    | 4    | 4    | 2    | 5    | 4    | 2    | 4     | 4     | 4     | 3.8              |
| 4   | 4    | 4    | 4    | 4    | 4    | 2    | 5    | 4    | 2    | 5     | 4     | 4     | 3.8              |
| 5   | 4    | 4    | 4    | 4    | 4    | 3    | 5    | 4    | 3    | 5     | 5     | 5     | 4.2              |

Here FAP1 to FAP12 represents the 12 statements which is related to fairness of Performance Appraisal System.

| IAP Stands for Incentives of Performance Appraisal System |      |      |      |      |      |      |      |      |                    |
|---|------|------|------|------|------|------|------|------|--------------------|
| Respondent No.  | IAP1 | IAP2 | IAP3 | IAP4 | IAP5 | IAP6 | IAP7 | IAP8 | Incentives Average |
| 1   | 4    | 4    | 4    | 3    | 4    | 4    | 4    | 4    | 3.9                |
| 2   | 4    | 4    | 4    | 3    | 3    | 4    | 4    | 4    | 3.8                |
| 3   | 4    | 4    | 4    | 3    | 4    | 4    | 5    | 5    | 4.1                |
| 4   | 4    | 4    | 4    | 3    | 4    | 4    | 5    | 5    | 4.1                |
| 5   | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5.0                |

Here IAP1 to IAP8 represents the 8 statements which is related to incentives of Performance Appraisal System

| RE Stands for Reduction of Rater's Error |     |     |     |     |     |     |     |     |     |      |                                    |
|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|------------------------------------|
| Respondent No.                           | RE1 | RE2 | RE3 | RE4 | RE5 | RE6 | RE7 | RE8 | RE9 | RE10 | Reduction of rater's error average |
| 1  | 2   | 2   | 2   | 2   | 1   | 1   | 1   | 2   | 2   | 2    | 2.0                                |
| 2  | 1   | 2   | 1   | 1   | 2   | 1   | 1   | 1   | 2   | 2    | 1.5                                |
| 3  | 1   | 2   | 1   | 1   | 1   | 1   | 1   | 1   | 1   | 1    | 1.2                                |
| 4  | 2   | 2   | 2   | 2   | 2   | 2   | 1   | 1   | 2   | 2    | 2.1                                |
| 5  | 2   | 2   | 2   | 2   | 2   | 2   | 2   | 2   | 2   | 2    | 2.2                                |

Here RE1 to RE10 represents the 10 statements which is related to Reduction of Rater Errors.

| Respondent No. | Fairness average | Incentives Average | Reduction of Rater Errors average | Fairness Average+Incentives Average+Reduction of rater errors Average/3 | value less than 2.5dissatisfied more than 3.5 highly Satisfied and the values in between 2.5-3.5 Satisfied | Highly Satisfied Respondent | Satisfied Respondent | Dissatisfied Respondent |
|----------------|------------------|--------------------|-----------------------------------|---|--|-----------------------------|----------------------|-------------------------|
| 1              | 3.8              | 3.9                | 2.0                               | 3.2   | Satisfied  |                             | Satisfied            |                         |
| 2              | 3.8              | 3.8                | 1.5                               | 3.0   | Satisfied  |                             | Satisfied            |                         |
| 3              | 3.8              | 4.1                | 1.2                               | 3.0   | Satisfied  |                             | Satisfied            |                         |
| 4              | 3.8              | 4.1                | 2.4                               | 3.5   | Highly Satisfied   | Highly Satisfied            |                      |                         |
| 5              | 4.2              | 5.0                | 2.3                               | 3.8   | Highly Satisfied   | Highly Satisfied            |                      |                         |

In this way satisfaction level of 200 respondents is measured. The respondent whose value is less than 2.5 are considered as dissatisfied with their Performance Appraisal System, the respondent whose value is more than 3.5 is highly satisfied with their Performance Appraisal System and the respondent whose value lies between 2.5-3.5 is satisfied with their appraisal system. The result indicate that out of 200 respondents 36 respondents are highly satisfied with their Performance Appraisal System, 161 respondents are those who are satisfied with their Performance Appraisal System and 3 respondents those who are completely dissatisfied with their Performance Appraisal System. The respondent who are highly satisfied with their appraisal system think that their system is fair and free from Rater Errors completely and they are getting proper incentives according to their performance. The respondent who are satisfied with their appraisal system think that their system is fair and free from Rater Errors but not up to the level which they want and they are getting incentives but not appropriate according to their performance they want some changes in the system to be highly satisfied with that and the respondents who are dissatisfied with their appraisal system think that their system is not fair, full of Rater Errors and they are not getting proper incentives according to their performance and if they are getting another opportunity they will leave the job in future.

The second objective of the study is to compare the satisfaction level of faculty members with respect to Performance Appraisal System of their institutes. In this objective comparison is done on the basis of demographic variables like Gender, Marital status, Age, Year of Service and Monthly Income. In order to compare the satisfaction level of respondents two statistical tools are used that are 2 independent sample test and k independent sample test. These are non-parametric test. The non-parametric test is used when the data is not normal. 2 independent sample test is used to compare satisfaction level according to Gender and

Marital status and k independent sample test is used when grouping variable has more than 2 values. So k independent sample test is used to compare satisfaction level according to Age, Year of Service and Monthly Income. The hypotheses based on this objective are as:-

H<sub>0</sub>- There is no significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Gender.

H<sub>1</sub>- There is a significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Gender.

**TABLE 1: SHOWS THE DIFFERENCE BETWEEN THE SATISFACTION LEVEL OF FACULTY MEMBERS WITH PERFORMANCE APPRAISAL SYSTEM ACCORDING TO GENDER**

| TEST STATISTICS              |  |
|------------------------------|--|
|                              | Fairness, Incentives and Reduction of Rater Errors average |
| Mann-Whitney U               | 4542.500   |
| Wilcoxon W                   | 10213.500  |
| Z                            | -1.087   |
| Asymp. Sig. (2-tailed)       | .277   |
| a. Grouping Variable: Gender |  |

Table 1 shows that the significance value is .277 which is more than the level of significance value that is .05 so the null hypothesis is accepted and alternative hypothesis is rejected that means there is no significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Gender. The previous study (Karimi, 2011) also supports the result that there is no significance difference between the satisfaction level of male and female respondents with Performance Appraisal System.

H<sub>0</sub>- There is no significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Marital status.

H<sub>2</sub>- There is a significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Marital status.

**TABLE 2: SHOWS THE DIFFERENCE BETWEEN SATISFACTION LEVEL OF FACULTY MEMBERS WITH PERFORMANCE APPRAISAL SYSTEM ACCORDING TO MARITAL STATUS**

| TEST STATISTICS                      |  |
|--------------------------------------|--|
|                                      | Fairness, Incentives and Reduction of rater Errors average |
| Mann-Whitney U                       | 3836.500   |
| Wilcoxon W                           | 14714.500  |
| Z                                    | -.165  |
| Asymp. Sig. (2-tailed)               | .869   |
| a. Grouping Variable: Martial Status |  |

Table 2 shows that the significance value is .869 which is more than the value of level of significance i.e. .05 so the null hypothesis is accepted and alternative hypothesis is rejected that indicates that there is no significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Marital Status. The previous study (Karimi, 2011) also supports the result that there is no significance difference between the satisfaction level of respondents with Performance Appraisal System according to Marital Status.

H<sub>0</sub>— There is no significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Age.

H<sub>3</sub>—There is a significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Age.

**TABLE 3: SHOWS THE DIFFERENCE BETWEEN THE SATISFACTION LEVEL OF FACULTY MEMBERS WITH PERFORMANCE APPRAISAL SYSTEM ACCORDING TO AGE**

| TEST STATISTICS           |  |
|---------------------------|--|
|                           | Fairness, Incentives and Reduction of rater Errors average |
| Chi-Square                | 3.302  |
| Df                        | 3  |
| Asymp. Sig.               | .347   |
| a. Kruskal Wallis Test    |  |
| b. Grouping Variable: Age |  |

Table 3 shows that the significance value is .347 which is more than level of significance i.e. .05 so the null hypothesis is accepted and alternative hypothesis is rejected that means there is no significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Age. The previous study (Karimi, 2011) also supports the result that there is no significance difference between the satisfaction level of respondents with Performance Appraisal System according to Age.

H<sub>0</sub>- There is no significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Year of Service

H<sub>4</sub>-There is a significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Year of Service.

**TABLE 4 SHOWS THE DIFFERENCE BETWEEN THE SATISFACTION LEVEL OF FACULTY MEMBERS WITH PERFORMANCE APPRAISAL SYSTEM ACCORDING TO YEAR OF SERVICE**

| TEST STATISTICS                       |  |
|---------------------------------------|--|
|                                       | Fairness, Incentives and Reduction of rater Errors average |
| Chi-Square                            | 3.533  |
| Df                                    | 3  |
| Asymp. Sig.                           | .317   |
| a. Kruskal Wallis Test                |  |
| b. Grouping Variable: Year of service |  |

Table 4 shows that the significance value is .317 which is more that the level of significance .05 so the null hypothesis is accepted and we reject the alternative hypothesis that means there is no significance difference between the satisfaction level of faculty members with Performance Appraisal System according to

Year of Service. The previous study (Karimi, 2011) also supports the result that there is no significance difference between the satisfaction level of respondents with Performance Appraisal System according to Year of Service.

H<sub>0</sub>- There is no significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Monthly Income.

H<sub>1</sub>- There is a significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Monthly Income.

**TABLE 5: SHOWS THE SIGNIFICANCE DIFFERENCE BETWEEN THE SATISFACTION LEVEL OF FACULTY MEMBERS WITH PERFORMANCE APPRAISAL SYSTEM ACCORDING TO MONTHLY INCOME**

| TEST STATISTICS                      |  |
|--------------------------------------|--|
|                                      | Fairness, Incentives and Reduction of rater Errors average |
| Chi-Square                           | 4.153  |
| Df                                   | 3  |
| Asymp. Sig.                          | .245   |
| a. Kruskal Wallis Test               |  |
| b. Grouping Variable: Monthly Income |  |

Table 5 shows that the significance value is .245 which is more than level of significance i.e. .05 so null hypothesis is accepted and alternative hypothesis is rejected that means there is no significance difference between the satisfaction level of faculty members with Performance Appraisal System according to Monthly Income. The previous study (Karimi, 2011) also supports the result that there is no significance difference between the satisfaction level of respondents with Performance Appraisal System according to Monthly Income.

## FINDINGS

- The findings of the study indicate that out of 200 respondents 36 respondents are highly satisfied with their Performance Appraisal System, 161 respondents are those who are satisfied with their Performance Appraisal System and 3 respondents are those who are completely dissatisfied with their Performance Appraisal System.
- The findings revealed that there is no significance difference between the satisfaction level of faculty members with Performance Appraisal System according to demographic variables (Gender, Marital status, age, year of service, monthly income).

## SUGGESTIONS

Based on the findings some suggestions has been made. The institute has to make some strategies so that faculty members are highly satisfied with their appraisal system. For the satisfaction of faculty members the institute has to make the Performance Appraisal System Fair and free from Rater Errors. For this there is no partial behaviour from the side of Rater. The system should free from Rater Errors all the employees are treated equally. Every employee should be rated on the basis of current performance no one should be rated on the basis of their previous performance. Every employee should get incentives according to their work done that means proper incentives should be given to the employee according to their performance. Proper feedback is provided to the employees after the rating of their performance that in which area they need improvement and in which area they are good. Proper training is provided to the employees for their improvement. Proper motivation is given to the employees to perform well in future. By using these strategies employee feel satisfied with their Performance Appraisal System and if employees feel satisfied with their Appraisal System that means they are also satisfied with their job. With the help of these strategies employee attrition may be reduced up to some extent.

## CONCLUSION

The study concludes that Performance appraisal system plays a very important role for the satisfaction of employee with the job. If employee is satisfied with their appraisal system then they are satisfied with their job so satisfaction of employee with Performance Appraisal System is very important. Now it is concluded that for the satisfaction with Performance Appraisal System the system should be Fair, free from Rater Errors and the employees are getting proper incentives according to their performance so that they are motivated to perform better in future.

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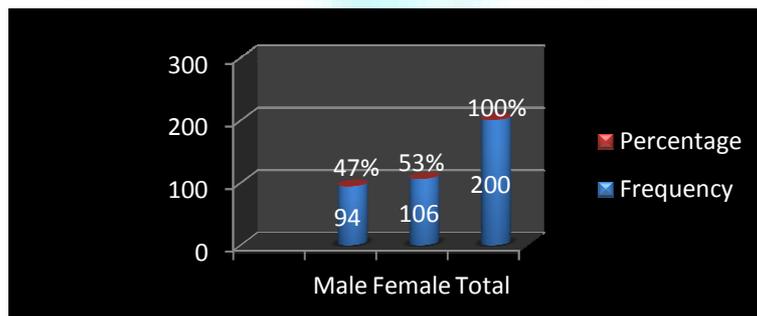
**ANNEXURE**

**DEMOGRAPHIC PROFILE OF RESPONDENTS**

**TABLE 6: SHOWS THE GENDER OF RESPONDENTS**

|        | Frequency | Percentage |
|--------|-----------|------------|
| Male   | 94        | 47%        |
| Female | 106       | 53%        |
| Total  | 200       | 100%       |

**FIGURE 1: GRAPHICAL REPRESENTATION OF GENDER OF RESPONDENTS**

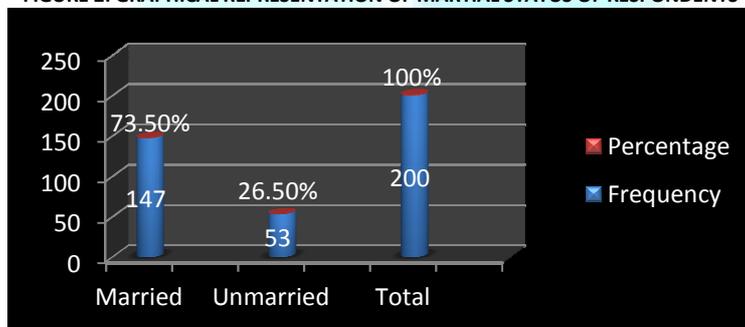


Above Table and Figure shows that in the study out of 200 respondents 47% respondents are male and 53% respondents are female

**TABLE 7: SHOWS THE MARITAL STATUS OF THE RESPONDENTS**

|           | Frequency | Percentage |
|-----------|-----------|------------|
| Married   | 147       | 73.5%      |
| Unmarried | 53        | 26.5%      |
| Total     | 200       | 100%       |

**FIGURE 2: GRAPHICAL REPRESENTATION OF MARTIAL STATUS OF RESPONDENTS**

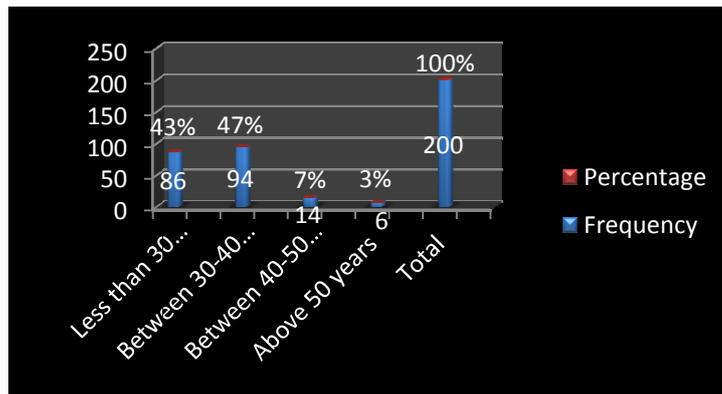


Above Table and Figure Shows that out of 200 respondents 73.5% respondents are married and 26.5% respondents are unmarried

**TABLE 8: SHOWS THE AGE OF RESPONDENTS**

|                     | Frequency | Percentage |
|---------------------|-----------|------------|
| Less than 30 years  | 86        | 43%        |
| Between 30-40 years | 94        | 47%        |
| Between 40-50 years | 14        | 7%         |
| Above 50 years      | 6         | 3%         |
| Total               | 200       | 100%       |

FIGURE 3: GRAPHICAL REPRESENTATION OF AGE OF RESPONDENTS

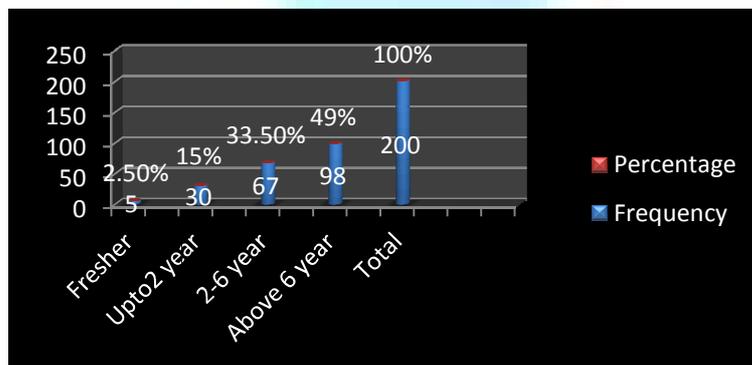


Above Table and graph shows that out of 200 respondents 43% respondents are those whose age is less than 30 year, 47% respondents are those whose age lie between 30-40 years , 7% respondents are those whose age lie between 40-50 years and 3% respondents are those whose age is above 50 year.

TABLE 9: SHOWS THE YEAR OF SERVICE OF RESPONDENTS

| Year of Service | Frequency | Percentage |
|-----------------|-----------|------------|
| Fresher         | 5         | 2.5%       |
| Upto 2 year     | 30        | 15%        |
| 2-6 year        | 67        | 33.5%      |
| Above 6 year    | 98        | 49%        |
| Total           | 200       | 100%       |

FIGURE 4: GRAPHICAL REPRESENTATION OF YEAR OF SERVICE OF RESPONDENTS

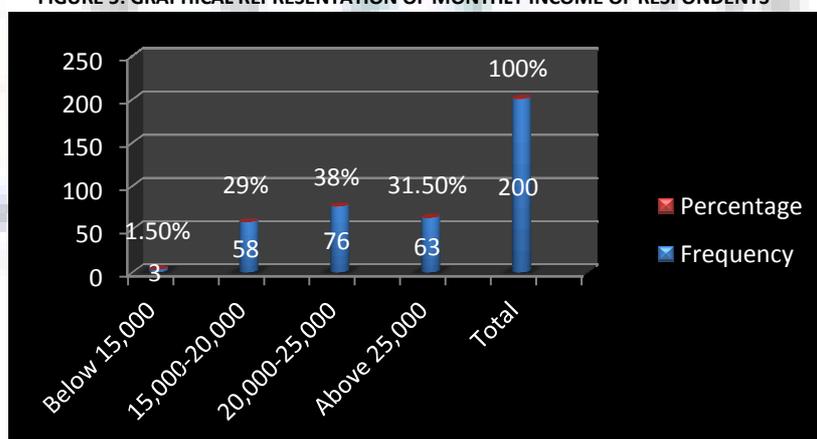


Above Table shows that out of 200 respondents 2.5% respondents are fresher, 15% respondents having an experience of 2 year, 33.5% respondents are those having an experience of 2-6 year, and 49% are those with experience more than 6 years.

TABLE 10: SHOWS THE MONTHLY INCOME OF THE RESPONDENTS

| Monthly Income | Frequency | Percentage |
|----------------|-----------|------------|
| Below 15,000   | 3         | 1.5%       |
| 15,000-20,000  | 58        | 29%        |
| 20,000-25,000  | 76        | 38%        |
| Above 25,000   | 63        | 31.5%      |
| Total          | 200       | 100%       |

FIGURE 5: GRAPHICAL REPRESENTATION OF MONTHLY INCOME OF RESPONDENTS



Above Table shows that out of 200 respondents 1.5% respondents having Monthly Income below 15,000, 29% respondents having Monthly Income lie between 15,000-20,000, 38% respondents having Monthly Income lie between 20,000-25,000 and the remaining 31.5% respondents having Monthly Income above 25,000.

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