

# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

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**REVIEW OF LITERATURE**

**NEED/IMPORTANCE OF THE STUDY**

**STATEMENT OF THE PROBLEM**

**OBJECTIVES**

**HYPOTHESES**

**RESEARCH METHODOLOGY**

**RESULTS & DISCUSSION**

**FINDINGS**

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# INDIVIDUAL FACTORS CONTRIBUTING TO PEOPLE STABILITY IN IT & ITES SECTOR IN POST GLOBALIZED ERA

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## ABSTRACT

The study was conducted to explore what the best of IT and ITES organizations in India were doing to ensure people stability in the IT and ITES sectors in India in the post globalized era. The study followed the grounded theory and the case study methodology wherein the raw qualitative data was chunked under the one critical antecedent dimension i.e the individual factors. The sampled organizations; Genpact, Infosys and Google were finalized through incidental sampling within theoretical sampling. The qualitative data was collected through 95 long interviews, participant observation and secondary data. The software, Atlas. ti was used to content analyze the data. The main findings of the qualitative study showed that creating people stable organizations was an interesting juxtaposition of individual factors and organizational people practices in the backdrop of overall organizational strategic factors. However in the present study only individual factors contributing to people stability have been explored and discussed in detail. These are 1) Initiator & Contributor 2) We person 3) Long Term Perspective 4) Innovative 5) Analytical & Technical Skills 6) Learning Orientation 7) Positive Demeanor. Thus it has been recommended that people stability can be ensured through enhancing employability and providing seamless growth opportunities, hiring people with Initiator Contributor and We persons profile, mentoring supervisors, preventing negativity, giving opportunities to solve real problems and last but not the least building a rigorous and vigorous HR department.

## JEL CODES

M51, M52, M53.

## KEYWORDS

people stability, individual factors, grounded theory methodology. Initiator & Contributor, We person, Long Term Perspective Innovative, Analytical & Technical Skills, Learning Orientation, Positive Demeanor.

## 1. INTRODUCTION



Globalization has changed us into a company that searches the world, not just to sell or to source, but to find intellectual capital - the world's best talents and greatest ideas."

**Jack Welch**

The Indian IT & ITES industry has been facing immense volatility since the last 8 to 10 years. The first phase was marked by massive growths and hence humongous need for talent; and the second phase showing a steep fall in the global demand leading to a lot of existing talent becoming redundant. In the first phase, the issues of 'People Stability' were emanating from a severe shortage of employable manpower and hence the high mobility of the talented people. In the second phase, the same organizations within India are scanning their flab under severe crunch. The current "Melt Down" is actually the epitome of volatility and would prove to be the acid test for the organizations' People Stability.

With the constantly changing mosaic of the Indian industry, particularly that of the IT & ITES Sector after liberalization and Globalization, there is substantial movement of the talent pool voluntary or involuntary. It is also important to understand the context of IT & ITES sectors as obvious to the business model all the production that happens in these companies happens due to the people only. The current research aims at finding out the individual factors that can contribute to stable organizations in today's post globalized Indian economy.

## 2. REVIEW OF LITERATURE

The literature has been reviewed for people stability and individual factors.

People Stability has been seen as different from **job satisfaction** defined by **Hoppock (1935)** as indicated by all the feelings of an employee; mental, emotional & physical, in response to a work situation. The concept of job satisfaction, however, has different shades of meaning & and focus. **Vroom (1964)** defined job satisfaction as a feeling of ease on a continuum in the context of role & responsibility. **Smith et al. (1969)**, described Job satisfaction as a worker's emotional response to various job related factors. **Porter & Lawler (1968)** added a dimension that satisfaction can be derived from the difference between the actual gain a worker gets at work & what he should gain from one's own point of view. **Lock (1969)** defined job satisfaction as "The pleasurable emotional state resulting from the appraisal of one's job as achieving or facilitating the achievement of one's job values." Walker et al. (1977) differentiated the intrinsic & extrinsic factors leading to job satisfaction.

People Stability is also different from employee **commitment**. Employee Commitment can then be referred to as a state or as a process of employee-organization attachment, the importance of organizational commitment is shown in terms of employees' willingness to remain with and promote and act in the interests of the organizations (**Meyer Allen, 1997; Postmes et al., 2001; Tourish and Hargie, 2004**). Employees emotional attachment to and identification with the organization and its values (referred to as affective commitment) or on their fear of the costs of leaving (referred to as continuance or calculative commitment) (**Depickere, 1999**); (**Postmes et al., 2001**) or indeed a combination of both (**Allen and Meyer, 1990**). Considering the above definitions it seems quite clear that **Job Satisfaction is a pre-requisite to organizational commitment**. According to **Fletcher and Williams, (1996); Yavas and Bidur, (1999)** job satisfaction has a positive correlation with organizational commitment. Employees who are satisfied with their jobs have greater organizational commitment than those who are not.

Finally people stability is also different from **engagement**. Engagement as envisaged by **Kahn (1990, 1992)** an employee is engaged when he is psychologically present when occupying and performing an organizational role. This psychological presence has been qualified by two critical components: attention & absorption, or energy, efficacy, vigor, dedication & absorption. (**Maschlah, 2001; Rothbard, 2001; Schaufeli et al., 2002**). Most of the definitions pertain to

emotional & intellectual commitment to the organization (Baumruk, 2004; Shaw, 2005; Richman, 2006) or they relate to some additional effort beyond call of duty exhibited by employees in their jobs. (Frank et al. 2004). Saks (2006) provides a very interesting view of where engagement falls in relationship to other similar constructs like satisfaction, commitment, OCB and intention to quit. According to Saks employee's engagement is a mediator and exhibits the earlier discussed constructs. However, in his research engagement only partially explains the consequences. Hence the researcher understood the construct as an independent one in the ladder of Stability and not as a mediator.

#### EXTANT LITERATURE FOR INDIVIDUAL FACTORS

Though most of the research available is on working conditions or job characteristics as a major cause for job satisfaction, some researchers propose the role of personality variables leading to job satisfaction or commitment. Some of the earlier studies on dispositional factors on satisfaction were conducted by Schneider and Dachler (1978) and Staw and Ross (1985) and concluded that much of the variance in job satisfaction was accounted for by dispositional factors or genetic factors, Arvey, Bouchard, Segal, and Abraham (1989).

Personality traits such as orientation toward work, degree of ascendancy, and degree and quality of interpersonal orientation (Day & Silverman, 1989); or agreeableness and conscientiousness (Organ, Lingl, 1995); or overall positive demeanor (Cote & Morgan, 2002; Diener, Nickerson, Lukas & Sandvik, 2002) have been studied as affecting satisfaction. The big five personality factors have also been studied by researchers and found to be influencing well being or satisfaction, commitment (Judge, Higgins, Thoresen & Barrick, 1999; Dijkstra, Dierendonck, Evers & De Dreu, 2005; Silva, 2006; Chang & Lee, 2006).

Some researchers have also found demographic characteristics like age, gender also to be influencing satisfaction & commitment. E.g. Okpara (2006) found that higher the age higher the level of satisfaction exhibited. Similarly, Labatmediene, Endrulaitiene & Gustainiene (2007) also found a significant relationship among organizational commitment, age, and the level of education.

Certain other personality factors which could be highly relevant or related to initiator & contributor profile like locus of control (Patten, 2005) have been studied and seen that though there is very little difference between the two groups of external & internal locus of control, if the context had high structure and external LOC person showed more dissatisfaction. This study brought forth the inter-dependence of individual factors & organizational practices and also correlated with unique organizational designs within different business organizations.

The above selected research studies show that the behavioral competency initiator contributor can be related to multiple psychological constructs like, psychological ownership, internal locus of control, pro active, conscientious etc. We person equates with constructs like agreeableness, cooperative. In addition, there were some other constructs in the literature like positive personality traits & cheerfulness both of which have also come out to be important in the current research.

The existing literature also shows that some of these individual factors significantly impact individual performance, satisfaction or commitment and even directly impact the intention to quit. Thus this clearly validates the need to study the critical individual factors as contributors to individual stability.

### 3. NEED & SIGNIFICANCE OF THE STUDY

The main reason for undertaking this research was that 'Organizational People Stability' is of utmost importance to all organizations, especially those in the knowledge domain. More importantly, Stability as a concept, akin to the term 'Culture' seemed to include anything and everything in an organization. Though it was a much talked about issue in the Indian business environment, the research in this area was limited to smaller parts like 'satisfaction, commitment, retention strategies etc. At this juncture it could not be said whether all of these joined up to enhance stability or there was more to it. Hence, after defining People Stability, such companies were systematically identified that indicated the same and using Case Study & Grounded Theory methodology, individual factors contributing to people stability were culled out.

The absence of any previous research on 'People Stability' and the individual factors responsible for stability as a comprehensive collection of antecedents makes this research all the more significant.

### 4. STATEMENT OF THE PROBLEM

The established fact is that there is volatility in the current phase in the Indian IT & ITES sectors. This volatility or turbulence emanates from the globalized Indian economy where the changes in the global economic environment directly impact the Indian businesses. While this impact is seen far and wide across industry segments, it is particularly visible in the IT & ITES, because of the sheer business model of more than 70% of revenue coming from exports. As the production in these segments is done solely and solely by people (and not machinery), the impact is experienced most by the people. The organizations have a choice of increasing and decreasing the human resource as per the business demand.

Hence, this research would find out the role of individual factors in creating stable organizations and ensure mutual trust between organizations & people.

### 5. OBJECTIVES OF THE STUDY

To find out the individual factors contributing to people stability and Creating a People Stable Organization in the Context of IT & ITES Sector in the post Globalized India.

### 6. RESEARCH DESIGN

The present research is basically exploratory in nature. The method of Grounded Theory & Case Study was chosen due to the nature of topic under study. **People Stability**, as a comprehensive construct had not been studied empirically in any existing literature. In this study of Grounded Theory Evolution, a broad framework was used with no hypothesis to facilitate chunking of raw qualitative data on Individual Factors. Besides the above, qualitative data was also collected in two more forms, 10 days of 'participant observation' and 'document analysis'.

#### POPULATION & SAMPLE

Theoretical sampling method was employed. The sample was selected at two levels:

- Organization Sample
- Employee Sample

The organizations had to be in IT and ITES sectors in India, the researcher chose the best known organizations operating in India. **Infosys Technologies, Google India and Genpact.**

To understand the individual factors leading to stability, interviews were conducted with an incidental sample of **vintage employees** within these organizations i.e. those who had spent more than four years in the same organization. To understand the HR policies & practices an incidental sample from the **HR team** was interviewed. Finally to understand the leadership perspective and role to create stability, an incidental sample of the **leadership team** were interviewed.

#### PROCEDURE ADOPTED FOR DATA COLLECTION

Participant observation notes and other documents handed over by the HR & Corporate communications department were collected. Individual one hour interviews were scheduled by HR with vintage employees across locations like Hyderabad, Chandigarh, Gurgaon, Bangalore and Jaipur. Data was collected in the form of digital audio files from interviews, and all the other data was collected again in digital word or PDF files.

#### TOOLS USED FOR DATA ANALYSIS

The qualitative data was analyzed by using 'content analysis software': **Atlas.ti**. This facilitated in analysis from the constant comparison of events.

Stage one was to use free codes, then these were clubbed together to form categories, and concepts. These concepts were then put together as construct families. Each construct was accompanied with a groundedness score and a density score. Only the highly grounded ones were included in the theoretical model.



## 7. RESULTS AND DISCUSSION

*"Organization doesn't really accomplish anything. Plans don't accomplish anything, either. Theories of management don't much matter. Endeavors succeed or fail because of the people involved. Only by attracting the best people will you accomplish great deeds."*

Colin Powell

During the interviews with employees, senior management and with HR, the one major critical dimension that evolved was that while organizational practices were imperative to people stability, it was also important to hire right.

The people who came on board had to have some inherent traits to add to stability of the organization. The evolution of individual factors emanated from concerns that some people are pre disposed to high mobility & less stability. These are the kind of people who would leave the organization any ways. As the research was to find out factors about people who stay and are stable, a lot of background data about the vintage employees (who have stayed with the company for more than 4 years) was collected. This background data included all the demographic details like age, sex, place of permanent residence, place of work, education etc. The idea was to map these demographic characteristics to stability. Additionally, the HR & senior management were also asked what they looked for in people before hiring, especially pertaining to stability. Also, as success during the job tenure came as important for stability, the researcher asked about critical individual factors that contributed to the employee's success.

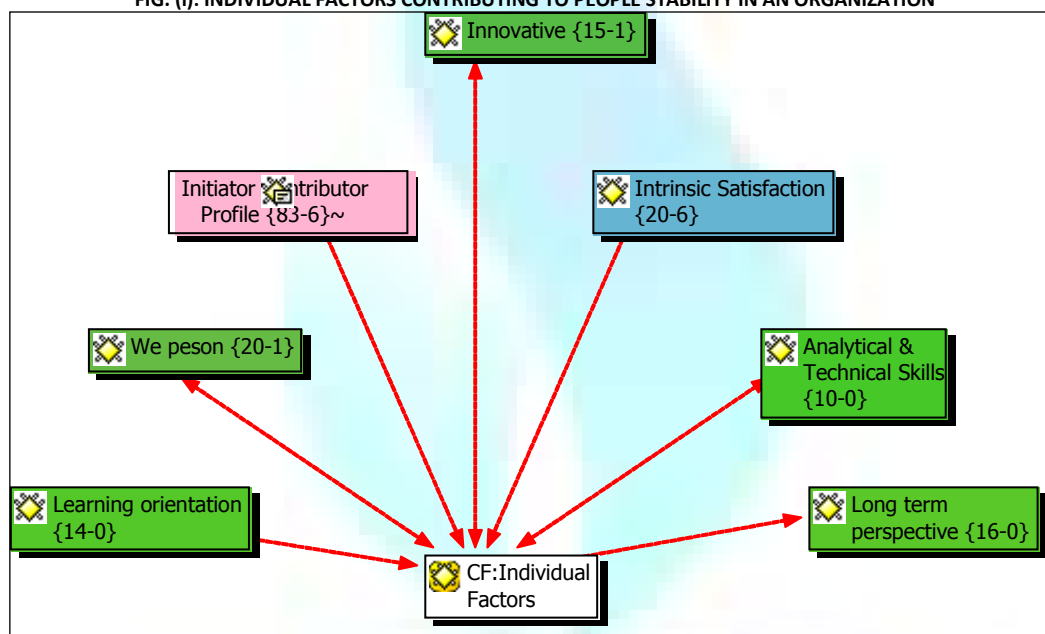
**Hence, Individual Factors emerged from three categories of quotations, i.e. the kind of people that the organizations under study hired; the kind of people who were successful within the organizations and the kind of people who were more stable within the organization.**

**Thus the Seven factors** describing individuals who contributed to organizational people stability by being stable themselves and creating an environment conducive to stability are the ones who exhibit the following characteristics;

- 1) Initiator & Contributor
- 2) We person
- 3) Having long Term Perspective
- 4) Innovative
- 5) Analytical & Technical Skills
- 6) Learning Orientation
- 7) Positive Demeanor.

The following fig. (i) illustrates all the sub constructs as derived from the software Atlas.ti.

FIG. (i): INDIVIDUAL FACTORS CONTRIBUTING TO PEOPLE STABILITY IN AN ORGANIZATION



Is a  
<> contradicts  
=> Is a cause of  
[] Is a part of  
== Is associated with Family  
{--, --} {Groundedness, Density}

Source: Network View of family Individual Factors, Atlas.ti

The above figure clearly depicts the groundedness & density of each of the evolved constructs and their relatedness in the family of construct Individual Factors. The highest groundedness and density is for initiator & contributor profile at 83 and 6.

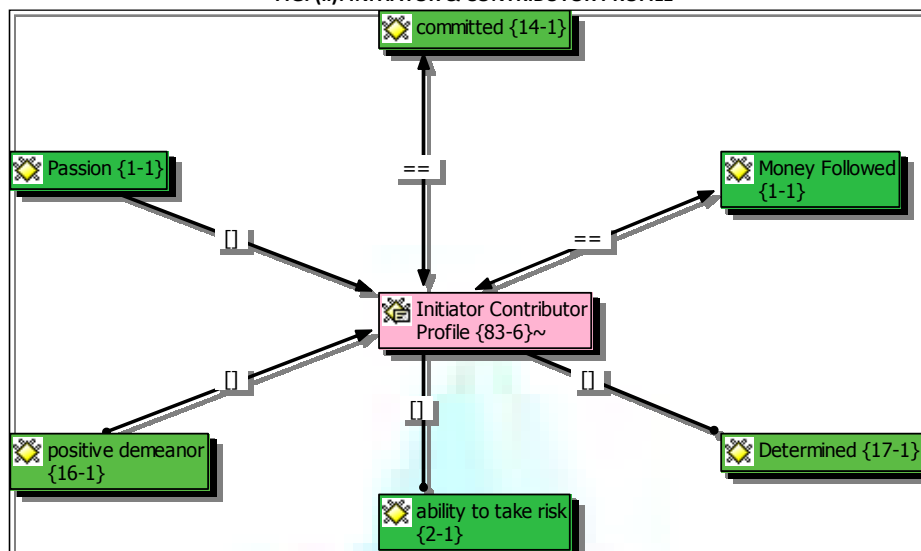
Each Individual factor leading to people stability within the organization has been detailed below.

### 7.1 THE INITIATOR & CONTRIBUTOR

Initiator & Contributor denotes a person **who does not wait for instruction to start or initiate an action he thinks would be good for the team or organization. For him getting other people's support also is not a pre condition for completing a task. The clear focus of an initiator & contributor is on what he does (task) and what is the result (impact).** Behavioral indicators of initiator contributor are Thinking of what is good for the team or organization's success or the society at large; initiating action, completing action.

This profile came out to be the single most important factor. Most of the descriptions of individuals who are more stable were bringing out the fact that they don't wait for instructions. Professionals at any hierarchical level who own the result in their orbit, be it individual, team or their department and who initiate action for improvements in process or delivery are clearly more engaged and in the right context (right organizational environment ) are more stable. Secondly, they mapped their success to actual contribution they have made or result they have achieved; higher designations, increments & perks were seen by them as side gains and not key motivators. The key codes that were associated with the construct Initiator & Contributor are depicted in the figure (ii) below:

FIG. (ii): INITIATOR &amp; CONTRIBUTOR PROFILE



Isa	Is a
<>	contradicts
=>	Is a cause of
[ ]	Is a part of
= =	Is associated with Family
{--, --}	{Groundedness, Density}

Source: Network View of Construct Initiator Contributor, Atlas.ti

The above figure (ii) on Initiator & Contributor Profile, depicts all the sub constructs that evolved from the interviews and were somehow or the other related to the main construct. The code |Determined| usually associated with behaviors like 'despite not clearing the entrance a couple of times, the person tried again and again to make it.' The code |Committed| was associated with a predisposition of wanting to give back to the organization which had contributed so much to the employee. The code |Positive Demeanor| was given to statements like, "I was clear on what I wanted, and to that end, sought feedback from others and developed myself." Likewise the other codes like ability to take risk, money not being the first motivator however it followed & passion all connected up with the entrepreneurial mind set. However, the construct was not named as entrepreneurial mind set as it was an already known construct with multiple dimensions and had the possibility of losing the exact meaning of the competency at hand 'Initiator & Contributor'.

## 7.2 WE PERSON

We Person is one who likes to generate energy & enthusiasm in others for his ideas; enjoys working in groups & like to share credit with others. Behavioral indicators of 'We -person' are consideration of others, reaching out to people, sharing own ideas & builds enthusiasm, working well in teams & sharing credit with others.

This construct got labeled as 'we person' as in the interviews the descriptions were pertaining to a thought process of a person; A person who prefers to think 'we' rather than 'I'. This construct is a higher degree than team player where the description is more transactional. A team player is one who cooperates, a 'we person' is one who naturally thinks of cooperation as inherent in the job; who extends himself; reaches out and shares knowledge and success. 'We person' pertains more to a mind set rather than behaviors. The construct we person is grounded to the level of 20 and dense at 1.

## 7.3 LEARNING ORIENTATION

This construct got linked through quotes in the interviews like, "I always knew what I wanted in the organization. And to reach where I wanted to, I had to learn new skills; I was actively sought feedback and worked on my skills." This kind of a quote got coded as |Learning Orientation| (ready to learn new skills); and was related to |Initiator & Contributor| (taking action on themselves). Even from the organization's point of view, the kind of people who were successful within the system & grew into a long term career within were those who were high on learnability, who could learn a skill or concept and apply its variations to different roles |Learning Orientation|. Learning orientation has a groundedness score of 14 and density of 0.

## 7.4 LONG TERM PERSPECTIVE

Quotations pertaining to long term perspective were: "I was not looking for fast promotions; I knew that each day I'm learning something new and am growing." Or "I saw my friend getting a promotion despite us being in the same batch, but I was not disheartened. I had the faith and was looking at a long term career within Genpact. I used to talk to her (friend) a lot and wanted to learn from her. She gave me a lot of fruitful advice and within six months, I got my promotion as well." Additionally, when the same employees wear a management cap they look at their team members as 'GenY wanting fast promotions, questioning the system etc' which leads to instability. Long term perspective is grounded to the level of 16.

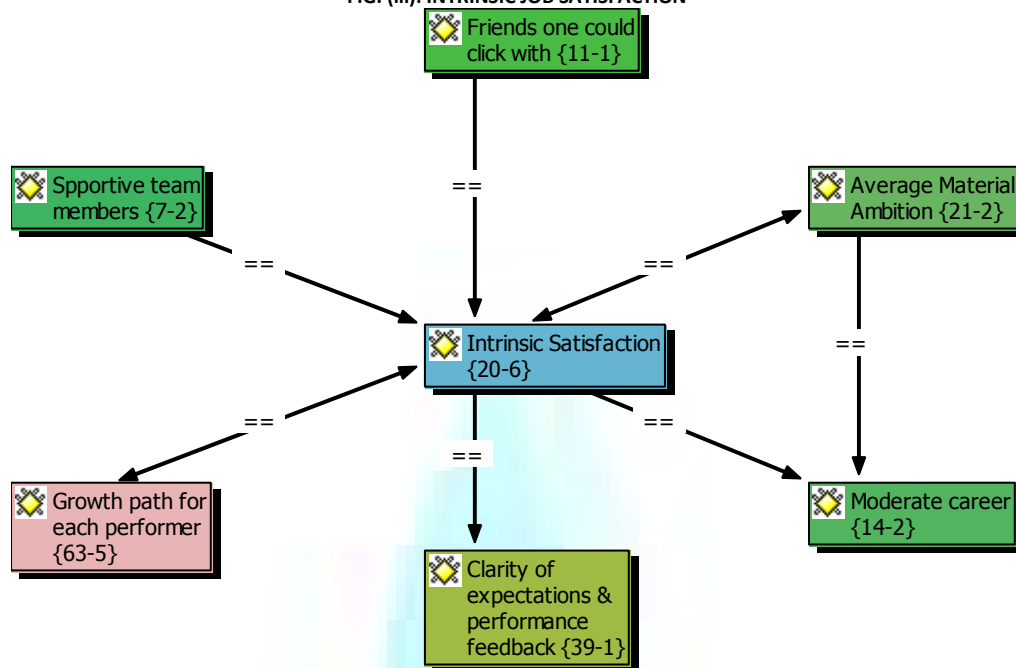
## 7.5 INNOVATIVE

The construct 'Innovative' was grounded to the level of 16, exclusively in Google. Innovativeness though found mention in the ITES sectors was not a critical factor for success of the job leading to stability in the organization. Quotations like, "You have to continuously find better & faster ways of doing the same things; we give actual time off to think up new ideas," threw light on innovation as a value for success of the organization. In one interview Mr. Rajeev Menon, Senior Manager in Google described the value that the organization put on Innovation. He said, "I have just come back from a session in Google U.S. where across the whole organization, people voluntarily participated in presenting their ideas backed with facts and a business plan. The top people reviewed the plans and huge sums of money was put behind (to finance) the best ideas. These ideas were chosen through voting!" The company swears by continuous innovation. The construct innovation is grounded to the level of 15 and dense at 1.

## 7.6 INTRINSIC SATISFACTION

In addition to the above clear constructs closer analysis of the data as a whole threw light of the fact that there is a large chunk of people within the organization who add to the people stability by their stable disposition. This disposition mostly got articulated as 'Satisfaction' or 'Comfort'. This has been displayed in the figure(iii) below.

FIG. (iii): INTRINSIC JOB SATISFACTION



Isa Is a  
 <> contradicts  
 => Is a cause of  
 [ ] Is a part of  
 == Is associated with  
 Family  
 {-, --} {Groundedness, Density}

Source: Network View of Construct Intrinsic Satisfaction, Atlas.ti

The evolved construct intrinsic satisfaction has been beautifully illustrated in the following quotation.

*"Success means doing the best we can with what we have. Success is in the doing, not the getting; in the trying, not the triumph. Success is a personal standard, reaching for the highest that is in us, becoming all that we can be."*

Zig Zagler

Out of the 95 executives interviewed, 20 were satisfied in the current state of decent growth and a fairly comfortable work & environment. In every organization contributing to the People Stability is this group of people who want to do a good job, who are happy being at work and have very few complaints. If the organization practices some bare minimum operative norms, this group of people would be stable. While overtly, they seem less ambitious, further probing revealed that they define their aspirations in the form of the kind of work they want to do rather than the kind of material gains they accumulate. They're committed to their work and they grow at an average pace within the organization. This construct has a groundedness score of 20 and a density of 6.

#### 7.7 ANALYTICAL & TECHNICAL SKILLS

Though initiator & contributor profile of individual is most grounded & dense, it only comes after the basic pre requisite of sound analytical & technical skills. Most people ignored talking about this factor as this was taken for granted as eligibility criteria for hiring. The people who came on board had to cross the functional competence interviews before reaching the issue of stability.

### 8. FINDINGS OF THE STUDY

The tremors emanating from volatility in the post globalized Indian economy posed a big challenge to find out the individual factors leading to people stable organization especially in the IT and ITES segment.

The current study was conceptualized to explore what the best of the IT and ITES organizations in India were doing to ensure people stability. The study followed the grounded theory and case study methodology.

The technical review of literature revealed the preconditions of people stability which are: satisfaction, commitment, engagement, and motivation and organization citizenship behavior.

The major findings of the qualitative study showed that creating a people stable organization was an intricate and fine juxtaposition of individual factors and organizational people practices in the backdrop of overall organizational strategic factors.

**The people stability definition that has evolved out of the study is "Organizational People Stability is a dynamic organizational state where both the organizational management and most people share a compelling mission, are bound by mutual trust & invest themselves completely to succeed together as one entity."**

**The Individual Factors contributing to people stability are: Technical and Analytical Skills, Initiator & Contributor, Positive Demeanor & Learning Orientation, We Person, Long term perspective, Innovativeness, and Intrinsic Satisfaction.**

### 9. RECOMMENDATIONS AND SUGGESTIONS

#### BUILDING BLOCKS OF A PEOPLE STABLE ORGANIZATION

Organizational People Stability is a **dynamic** organizational state where both the **organizational management and most people share a compelling mission**, are bound by mutual trust & **invest themselves completely to succeed together as one entity**.

...**People Stability: The evolved definition from the research**

#### 1. ENSURE AND IMPLEMENT FUTURISTIC & EMPLOYABILITY ENHANCING TRAINING & DEVELOPMENT INITIATIVES ON AN ONGOING BASIS

'**Opportunities for Learning & Development**' for each employee has come out the single most grounded practice in brand delivery. Organizations need to look beyond 'need based training', what has evolved is that **generalized training that enhances employability and future deployment is the core to the training function**. The training function needs to organize futuristic training that may or may not relate to the employees job today. This again portrays immense trust that the organization puts in that individual. Most organizations would refrain from imparting training for tomorrow due to the fear of losing him to other organizations. However, people stable organizations do not work from this defensive stand point, when the whole system is designed to ensure stability; when this person also knows that he would be able to utilize the new skill within the organization, there is lesser possibility of losing him.

**Learning & Development** as a practice in organizations needs to break the four walls of the training function, **significant learning happens while solving real problems & extending oneself to jobs outside of one's purview**. Every organization can develop forums for improvement projects that tap potential from across functions.

## 2. ENSURE SEAMLESS GROWTH OPPORTUNITIES FOR INDIVIDUALS INSTEAD OF FOLLOWING STRAIGHT JACKETED HIERARCHICAL GROWTH PATTERNES

This leads people to develop a long term view. If employees can see where their talent is, and also know that the organization is willing to hone the talent and put it to use, they do not feel the need to move to other organizations. Movement across functions, across processes, across project team should not only be encouraged, but also be implemented with smoothness. In many organizations internal job postings are declared on the intranet, however, in actual they+ experience phenomenal roadblocks in the process. Sometimes the immediate supervisor is not interested in relieving the employee from his current role; at other times, the competency expectations for the job are not given clearly, leading to misplaced judgment of self of the employee. Flawless implementation is the master key to this practice being effective.

## 3. HIRE PEOPLE WITH 'INITIATOR –CONTRIBUTOR' & 'WE PERSONS' PROFILES FOR ENSURING LONG TERM PEOPLE STABILITY

Successes are achieved by people, systems and processes are only enablers. Besides the fit to the unique business design, the critical factors that need to be screened at the time of hiring are **Initiator & Contributor profile & We Persons**. A balance of these two factors within one person or within a group ensures marked stability. However, the people who grow faster within the hierarchical system should be exhibiting both these competencies

**An Initiator & Contributor**, knows what is needed, initiates action, generates energy amongst others, completes initiatives irrespective of hurdles and is keen to evaluate the impact of the initiative.

**We Person**, thinks of the larger good, helps others and reaches out, enjoys working in groups, shares credit and develops others.

**Competency based interviewing** is highly recommended at the time of hiring and also during assessments for promotions. The recommended interview schedule is given below.

**People with high rate of intrinsic satisfaction** In all the organizations studied one critical individual factor of **intrinsic satisfaction** came to the fore front. This category of people define ambitions in terms of doing and not having, they have average ambition for material gains, and contribute to the best of their knowledge. Hiring a certain percentage of this profile depending on the business model would go a long way contributing to people stability.

## 4. BUILD A VIGOROUS & A RIGOROUS HR DEPARTMENT

Finally, at the core of all these practices is a vigorous HR & Corporate Communications department pulsating with energy. They not only meet people on a regular basis but also continuously collect data, mark trends and devise practices to prevent instability.

Every growing business has a department for business intelligence, extremely strong in analytics. Additionally, every growing business needs to have a **Department of HR Intelligence or HR Analytics**. The key deliverables for this group are research within the organization and to continuously feed the data back into the system. The suggested research for this department for internal publishing on an ongoing basis is:

- Efficiency of each hiring source in ensuring people stability
- Turnover in each department
- Demographic profile of people who quit early and those who stay long
- Reasons for exits department wise
- Competency pool amongst employees lying unutilized
- Red alerts for anticipated exits
- Performance trends predicting exits
- Performance trends predicting stability
- Life cycle maps of each employee to enable supervisors & department heads for planning

There could be multiple researches within the organization that would significantly help in policy decisions to create stability. To cater to this need, HR department needs to equip itself with competence on research and statistical tools.

In the end, it is recommended that all the above recommended practice models be implemented with a spirit of building an institution and not as strategies for retention. Right from the core of the organization i.e. a powerful mission to contribute, up to the last piece of the organization design, each should be in consonance and synergy in order to create a People Stable Organization.

## 10. CONCLUSION AND IMPLICATIONS OF THE STUDY

The kind of people, who come on board, has an extremely strong implication in IT & ITES both. Besides the unique needs of each segment, the common needs are to hire initiator & contributor profile & we persons.

The findings of this study have important implications on organizations wanting to design People Stable Organizations. The key constructs that evolved in the theory are directly & significantly contributing to people stability of the organizations. In the current context of global economic uncertainty, each IT & ITES organization needs to look into the Individual Factors in order to stay afloat and set a foundation for future successes.

One critical implication of the findings of this study is that an organization is like a ship in water where it has to continuously balance all critical elements, in order for all aboard to reach the destination safely. Right from hiring decisions & managing the life cycle of individuals all has to synchronize with the overall organizational goal of making a difference and contributing significantly.

## 11. LIMITATIONS OF THE STUDY

As essential for Grounded Theory & Case study methodology, the study is limited to one representative sample for each IT & ITES: Indian origin, MNC and Foreign origin MNC's operating in India only.

Out of the three critical constructs; organizational strategic factors, organizational practices and the individual factors contributing to people stability, only individual factors have been explored in detail in the present study due to the fear of spreading the scope too wide.

## 12. SCOPE FOR FUTURE RESEARCH

As this research opened the possibility of multiple studies leading to Organizational People Stability, each one is discussed below.

- Only two critical individual factors have been studied as contributing to individual stability, a fresh instrument measuring all the individual factors and their relation with individual stability could be studied in further research.
- Another new paradigm could be studied where in individual factors are hypothesized to be mediating factors between organizational practices & individual stability.

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## APPENDIX

### APPENDIX 1: COMPETENCY BASED INTERVIEW SCHEDULE FOR INITIATOR & CONTRIBUTOR PROFILE

Q1. Describe a situation when you were handling a project, what were the key objectives of the project? What were your objectives for your self and your team?

Probe: How did you seek clarity of goals and objectives? How did you ensure clarity of objectives for you're your team?

Probe: Who all were involved? What steps did you take? What was the result?

Q2. Describe of a situation when you felt a need for action/ intervention and took the initiative to execute the same?

Probe: Who all were involved? What steps did you take? What was the result?

Q3. Describe a situation when you faced roadblocks or resistance from within your team or outside? How did you manage the situation?

Probe: Who all were involved? What steps did you take? What was the result?

Q4. Describe a situation where you put in time, resources and effort towards meeting a clear objective? How did you evaluate the impact or the final contribution?

Probe: Would you call it a success?

Probe: What could you have done differently to enhance the final result?

### APPENDIX 2: COMPETENCY BASED INTERVIEW SCHEDULE FOR WE PERSON

Q1. Describe a situation when you went beyond your call of duty to do something for your team members, or anyone else?

Probe: Who all were involved, what was the result?

Q2. Describe a situation when you had to work in a group varied requirements and demands?

Probe: What was your role, what did you do, what was the result?

Q3. Describe a situation when you & your team achieved great success?

Probe: How did you celebrate success?

Probe: How did you recognize others who contributed in the success?

Q4. Describe a situation where you had a team member whose performance was not up to the mark and you had to work on developing his/ her skills?



**ALIGNMENT OF HRM AND IR TOWARDS MANAGEMENT OBJECTIVES: A GLOBAL PERSPECTIVE**

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**ABSTRACT**

*The objectives of managements, the ways in which enterprises are managed to achieve these objectives and the human resource management and industrial relations initiatives in this regard, are affected by pressures, many of which are exerted by globalization. Changes in IR practices have also had an impact on HRM policies and practices. The unitarist approach of HRM and the pluralist tradition of IR, though regarded by some as incompatible, are not regarded in the same light by others. The issue considered here is whether the apparent incompatibility between IR and HRM can be reconciled. If the apparent incompatibility between HRM and IR can be reconciled so that both could operate as parallel systems, it would require the satisfaction of several conditions. The two can co-exist if unions and managements are prepared and able to carve out a role for HRM, and they are able to agree on narrowing the gap between HRM and IR. If more management succeed in practicing effective HRM, on present trends it is not impossible that IR will come to be relegated to a secondary role. This possibility is enhanced by the fact that traditionally IR has never been a part of strategic planning, nor has it been seen as a means of achieving management objectives.*

**KEYWORDS**

Human Resource Management, Industrial Relations, Management Objectives, Globalization.

**1. INTRODUCTION**

Enterprises driven by market pressures need to include in their goals the improved quality and productivity, greater flexibility, continuous innovation and the ability to change to respond rapidly to market needs and demands. The objectives of managements, the ways in which enterprises are managed to achieve these objectives and the human resource management (hereinafter referred to as "HRM") and industrial relations (hereinafter referred to as "IR") initiatives in this regard, are affected by pressures, many of which are exerted by globalization. Changes in IR practices (rather than in institution and systems) such as increased collective bargaining at enterprise level, flexibility in relation of forms of employment as well as in relation to working time and job functions have occurred as a result of such factors as heightened competition, rapid changes in products and processes and the increasing importance of skills, quality and production of goods and the provision of services acceptable to the global market. As such, managing people in a way so as to motivate them to be productive is one important objective of HRM.

Effective HRM is vital for the attainment of these goals. Improved quality and productivity linked to motivation can be achieved through training, employee involvement and extrinsic and intrinsic rewards. The growing interest in pay systems geared to performance and skills reflects one aspect of the increasing significance of HRM in realizing management goals and a gradual shift from collectivism to the individualization of pay. In such pay system a critical attraction is the possibility of achieving these goals without increasing labour costs but at the same time increasing earnings. Realizing management goals and managing change need employee involvement, commitment and training, employee participation, cooperation and team-work- all important HRM initiatives and activities. The dominant position towards which HRM is moving points to a change in power relations and highlights the supremacy of management. The management prerogative is rediscovered but in place of command and control the emphasis is on commitment and control as quality, flexibility and competence replaces quantity, task and dumb obedience. To put it another way: the managerial agenda is increasingly focused on innovation, quality and cost reduction. Human resource management makes more demand on employees, work is intensified....there is less room for managerial slack and for indulgency patterns. From a purely HRM perspective, the traditional role personnel managers has failed to exploit the potential benefits of effective management of people; neither did personnel management form a central part of management activity. In some countries the decline of trade union influence has open the way for managements to focus on more individual issues rather than on collectivist ones. The emergence of better education workforces with higher individual expectations, changes in technology and the need for more flexible jobs have, in turn, created the need to incorporate HRM into central management policy.

**2. TRENDS IN HRM AND MANAGEMENT OBJECTIVES**

In the ultimate analysis, HRM and IR are about how people are treated and their relevance increases where an enterprise takes a long-term view, rather than a short-term one, of what it wants to achieve. As Thomas A Kochan and Lee Dyer point out, "even today we find that the human resource function within many American corporations remains weak and relatively low in influence relative to other managerial functions such as finance, marketing and manufacturing". The increasingly significant role of HRM in achieving management objectives is reflected in the transformation of the personnel management function. HRM seeks to eliminate the mediation role and adopts a generally unitarist perspective. It emphasis on strategy and planning rather than problem-solving and mediation. HRM earlier reacted piece-meal to problems as they arose. Effective HRM now increasingly seeks to link HRM issues to the overall strategy of the organization. Organizations with the most effective HRM policies and practices seek to integrate such policies in corporate strategies and to reinforce or change an organizations culture.

The attitude that people are a variable cost is, in effective HRM, replaced by the view that people are a resource and that as social capital can be developed and can contribute to competitive advantage. Thus the existence of policies and practices designed to realize the latent potential of the workforce at all levels becomes the litmus test of an organization's orientation. The view that the interests of employees and management or shareholders are divergent and conflictual – though substantially true in the past- is giving way to the view that this need not necessarily be so. HRM seeks to identify and promote as commonality of interests. Top-down communication coupled with controlled information flow to keep power within the control of management categories is gradually giving way to a sharing of information and knowledge. In enterprises which tend to have corporate philosophies or missions, and where there are underlying values which shape their corporate culture, HRM becomes a part of the strategy to achieve their objectives.

**3. THEORY OF THE CONFLICT - IR VS HRM**

IR is essentially pluralistic in outlook, in that it covers not only the relations between employer and employee (the individual relations) but also the relations between employers and unions and between them and the state (collective relations). IR theory, practice and institutions traditionally focus more on the collective aspect of relations. There is of course a certain measure of overlap. A discernible trend in management is a greater individualization of the employer-

employee relationship, implying less emphasis on collective, and more emphasis on individual relations. This is reflected, for instance, in monetary and non-monetary reward systems.

Some of the tensions between IR and HRM arise from the unitarist outlook of HRM (which sees a commonality of interests between managements and employees) and pluralist outlook of IR (which assumes the potential for conflict in the employment relationship flowing from different interests). The individualization of HRM, reflected in its techniques which focus on direct employer-employee links rather than with employee representatives, constitutes one important difference between IR and HRM. The principal challenge emanates from employee loyalty and commitment, which are central objectives of HRM. The issue here is whether dual allegiance is possible i.e. commitment to the goals and values of the organization, and to contribute to its success on the one hand, and commitment to the trade union on the other. It is at this point that IR becomes a critical factor. In principle there should be no antithesis, because trade unionism need not (and should not) be conflictual in approach and attitude. Much of the empirical evidence drawn from the USA indicates that in a work place with a cooperative IR system dual loyalty is possible, but that is not possible in one where a cooperative climate is absent or minimal. In some of the larger unionized corporations in Japan, this conflict of loyalty is less felt.

The unitarist approach of HRM and the pluralist tradition of IR, though regarded by some as incompatible, are not regarded in the same light by others. There are three issues involved here. The first is whether the pursuit of HRM policies such as employee involvement and commitment, two-way communication and small group activities, and the integration of HRM policies in corporate objectives and strategies pose a challenge to central IR institutions such as collective bargaining and to unionism. The second is whether such HRM policies are pursued consciously as a union avoidance strategy. The third is whether HRM and IR are necessarily incompatible or whether there is scope for their co-existence. David E. Guest points out that HRM, which is an American concept, "finds its fullest expression in a number of well known and successful American companies." He points out that research indicates that the established model of HRM is often found in a non-union company.

#### 4. RECONCILING THE CONFLICT BETWEEN HRM AND IR

The issue considered here is whether the apparent incompatibility between IR and HRM can be reconciled. There are several writers who have expressed strong criticisms of HRM as being exploitative. But a reconciliation can be explored only on the assumption that ultimately both HRM and IR have as one of their objectives fairness and equity, that both parties are prepared to recognize the need for enterprise and employee growth, that these are necessarily interlinked, and that though their interests are to some extent divergent, there are increasingly areas of common interest for mutual survival. Before exploring the possibility of reconciling the seeming conflict between HRM and IR, it is instructive to note some of the positions of trade unions. In his analysis of trade union views in the USA, Canada and Britain, P.B. Beaumont point out that unions have sometimes expressed views about particular elements of HRM such as quality circles, rather than of HRM as a whole. Further, the avowed policy positions of unions at national level do not necessarily reflect what actually happens at enterprise level.

In the USA union attitudes have been mixed and more flexible, and the difference between Canada and the USA in this respect has been explained on the basis of higher unionization rates in Canada. The British Trade Union Congress has shown conditional support for some components of HRM such as the generally contentious functional flexibility. It has supported ESOPs, but not linking a substantial part of income to organizational performance. If the apparent incompatibility between HRM and IR can be reconciled so that both could operate as parallel systems (as collective and individual focused systems), it would require the satisfaction of several conditions. The two can co-exist if unions and managements are prepared and able to carve out a role for HRM, and they are able to agree on narrowing the gap between HRM and IR. This requires changes in the thinking of unions and managements. Some of the attitudes of unions noted earlier which are opposed to HRM initiatives, as distinct from those which are prepared to treat particular components on their merits, could push employers further towards noninvolvement of unions in HRM initiatives.

Further, Japanese practices in their large enterprises have reflected a successful blend of collectivist IR and HRM, made possible to some extent by their enterprise union system which has facilitated union involvement in HRM initiatives through mechanisms such as their joint consultation system. As significant is the case of Britain, with its long tradition of IR and trade unionism. The evidence indicates that in some instances established IR and new HRM approaches have run parallel, indicates the practical feasibility of a dual arrangement. It tended to neglect union relation. The overall situation in Britain appears to be that unions and industrial relations have to be demonstrated as relatively secondary and incidental to meeting market priorities, and secondary also to the newly discovered alternative ways of managing the labour (human) resource.

Further, IR has often been seen (like personnel management) as a non-strategic operational function. The notion that it represents collective relations between an employee and employees and the union, conducted mainly through collective bargaining, reduces the collaborative processes of communication, discussion and participation, and emphasizes bargaining. The implication of IR is that it involves unions rather than employees. The signs are that – in industrialized countries at least – IR is assuming more strategic properties. This is reflected in trends such as the move towards increased enterprise and plant level bargaining. This is a strategic change which enables IR bargaining to focus more on workplace need and issues, and to also promote more direct participation of employees in bargaining. The trend towards flexibility in place of standardization is also a strategic move in the sense that it is designed to increase competitiveness and the ability to respond rapidly to change.

Specific conditions in countries outside the West could affect the possibility of reconciling IR and HRM in those countries. For instance, in countries with union multiplicity and rivalry employees would need to organize themselves in such a way as to reduce the number of competing unions in a workplace. The desire often expressed by employers in such countries for one union in one workplace is an outcome of the problems flowing from multiplicity, which include the difficulty of reaching durable and implementable agreements. In such situations employers are unlikely to consult or involve unions in HRM strategies. In many Asian countries unionization is so low that there is no pressure for union involvement in HRM. Especially in those Asian cultures which are conflict-avoidance oriented and where relationships are determined by authority and status, IR is likely to be seen as conflict generating, and HRM as more likely to achieve integration. In this connection foreign investors have also sought union-free environment. Which increasing foreign direct investment, it is not impossible that HRM, rather than IR, will sometimes be the preferred option of some managements.

#### 5. CONCLUSION

In the final analysis, it would be unrealistic for anyone to expect managements to abandon or reduce their resort to effective HRM when the latter is one means of achieving management objectives geared to better enterprise management. The pre-occupation with HRM on the part of employers is not confined to industrialized countries. The Asian emphasis is reflected in the fact that programmes on HRM are far more likely to attract management participation than IR, in the same way that IR programmes would attract trade unions. As noted earlier, effective HRM is not widespread. If more management succeed in practicing effective HRM, on present trends it is not impossible that IR will come to be relegated to a secondary role. This possibility is enhanced by the fact that traditionally IR has never been a part of strategic planning, nor has it been seen as a means of achieving management objectives. On the other hand, HRM is increasingly seen as having a strategic role and as a means of achieving management objectives. The convergence of other factors such as declining union rates (if this trend continues) could also combine to push IR to the fringes.

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**GREEN BANKING-GREEN MARKETING-GREEN ENVIRONMENT****KANAK TARA****RESEARCH SCHOLAR****DEPARTMENT OF MANAGEMENT STUDIES****INDIAN SCHOOL OF MINES****DHANBAD****SAUMYA SINGH****ASSOCIATE PROFESSOR****DEPARTMENT OF MANAGEMENT STUDIES****INDIAN SCHOOL OF MINES****DHANBAD****RITESH KUMAR****SCIENTIST****CSIR-CENTRAL INSTITUTE OF MINING & FUEL RESEARCH****DHANBAD****ABSTRACT**

*Though industrialization and developmental activities has provided all comfort and luxury to human beings it has done so at the cost of our environment. Indian industry today strongly faces the challenges of controlling environmental impact of their business i.e. reducing carbon footprint. The degrading environment has raised many questions before the learned group and has demanded for urgent action or else their own survival will be at stake. Businesses have grown exponentially ignoring the environment and the social part in the society the world over and India is no exception. Business are the prime area where green philosophy needs to be appreciated and implemented for providing stability to the society and the environment alike. In this respect banking sector can play a very crucial role in promoting environmentally sustainable and socially responsible investments. The responsibility of protecting the earth now lies in the hands of every individual and businesses. There exist a close relationship between green marketing and green banking and the ultimate objective of the two is to provide green environment to the society through its protection and judicious use. The present paper studies and shows how the green marketing concept can be used fruitfully in popularizing the green banking ideas and concepts before the masses and how such approach helps in the protection of the environment. The paper also shows how the trio i.e. green marketing, green banking and green environment are related to each other.*

**KEYWORDS**

Green banking, green environment, green marketing, sustainable development.

**INTRODUCTION**

 Green marketing refers to the marketing of the products that are presumed to be environmentally safe. Green marketing can act as an important tool for accelerating and providing solid foundation to the green banking concept seeing the important role that the bank play in the society. Green banking refers to an effort or initiatives taken by the banks to make the industries grow green and in the process restore the natural environment. Today we all are talking about sustainable development and green marketing and green banking both strive for the same. As per the Brundtland Commission Report (1987), Sustainable development is defined as "the development that meets the need of the present generation without compromising with the future generations to meet their own needs" (WCED, 1987). Green banking or sustainable banking talks on the finance related issues from a much broader perspectives. Sustainable banking simply means orienting of the banking activities in such a way so that the society moves towards the sustainable development path. So, the banks are now trying to implement appropriate strategies to ensure their business development progresses toward sustainable banking. Banks today realize their importance and role that they can play in the wider community where they actually exist by showing their concern for the natural environment. Their activities directly or indirectly impact environment and by behaving in an environmentally responsible manner can definitely minimize the impact. This straightway points to the fact that the banks now needs to fulfill besides profit related objectives, environmental objectives too. Everything in this universe is interrelated and so all the internal and external factors and possibilities must be thought of and considered before planning for any activities. Such thought and approach has led to the emerging of various concepts in the society like green marketing, green banking and green environment that are briefly discussed below. Further the idea of holistic approach to any activities or projects is supported by the Triple Bottom Line (TBL) that considers social, economic and environmental aspects in any business with an idea to achieve sustainable development (Elkington, 1994; Makara, 2001). Banks as a financial institution are supposed to work on three front viz. social, economy and environment considering their importance and impact that they have on the society on the broader sense.

**GREEN MARKETING**

Green marketing has been defined in many ways since the term first originated in 1970s and took its actual journey in the late 1980s. The first definition of green marketing was given by Henion (1976) which stated "the implementation of marketing programs directed at the environmentally interest of people towards the environment and green conscious market segment". American Marketing Association (AMA) through its definition has stressed on the marketing of products that are presumed to be environmentally safe; Polonsky (1994) has stressed on satisfying of human needs and wants but causing minimum harm to the national environment. Similarly, Peattie (1995, 1999) has defined in terms of customer satisfaction; Charter (1992) looks at the strategic dimension of the activities that will have long-term effects; Pride and Ferrel (1993) has stressed on the need for sustainable development; Welford (2000) talks about the management process that looks into the requirements of customers and society in a profitable and sustainable way. Thus, several definitions can be seen from in the literature the central meaning of all however, remains the same viz. protecting the environment.

Through several definitions the message is quite clear that green marketing is essentially a way to brand your marketing message in order to capture more of the market by appealing to people's desire to choose products and services that are better for the environment. In the modern business field green marketing has emerged as an important tool. It is expected that business will from now on be based on the concern for the environment and so green marketing will definitely have an important role to play.

Green marketing as an important tool is being considered as one of the major development and changes in the modern world of business (Kassaye 2001; Pujari and Wright 1996, Gurau and Ranchod 2005). Companies in the modern time have started taking seriously their responsibility towards society and as such their



marketing strategy involves social responsibility aspects as well considering the consumer awareness for the environment and sustainable development (Kurtz and Boone 2006; Samli 1992; Polonsky, et al., 1997). Some of the companies that have switched to green marketing and doing quite well include, Suzlon Energy, ITC Limited, Tata Metaliks Limited (TML), Tamil Nadu Newsprint and Papers Limited (TNPL), Wipro Technologies, HCL Technologies, Oil and Natural Gas Company (ONGC), Indusind Bank, IDEA Cellular, Hero Honda Motors, etc (Thambi, V).

Green marketing has now become global concept for safeguarding the earth from the damage it has been seeing for so long. Earth has limited resources and it is our duty to make judicious use of it. By implementing green marketing measures to save the earth's resources in production, packaging, and operations, businesses are showing consumers they too share the same concerns, boosting their credibility. Divergent aspects of green marketing include ecologically safer products, recyclable and biodegradable packaging, energy-efficient operations, and better pollution controls. Advances produced from green marketing include packaging made from recycled paper, phosphate-free detergents, refillable containers for cleaning products, and bottles using less plastic.

This is a very pertinent question that would come to any layman mind as to why this green marketing. The concept owes its origin after a section of people felt necessary to do something for protecting the environment. The idea first got its birth in 1980's and since then it had its journey from one country to another and to another and it is continuing. The question of why green marketing has increased in importance in quite simple and relies on the basic definition of Economics: "Economics is the study of how people use their limited resources to try to satisfy unlimited wants." The definition given by J. Polonsky, Pride & Ferrell, Ken Peatite, Charter, Mintu and Lozada, etc. clearly points out the message inherent in it. Each definition has same goal of achieving sustainable development. Of late we have done enough harm to the environment. It was our mere greed that has led to all this mess. Now, when our own existence at stake, we have started to think about the environment that has given us so much and that needs our care or else it will be too late to repair the loss. Mankind has limited resources on the earth, with which he/she must attempt to provide for the worlds' unlimited wants. In market societies where there is "freedom of choice", it has generally been accepted that the individuals and the organizations have the right to attempt to have their wants satisfied. As the firms face the limited natural resources, they must develop new or alternative ways of satisfying these unlimited wants. Ultimately, green marketing looks at how marketing activities utilize these limited resources, while satisfying consumers wants, both of individuals and industry, as well as selling the organization's objectives.

Green marketing has certain objectives to be fulfilled for its inclusion in the business arena to be meaningful. Green marketing is faced with several specific challenges depending on factors such as the variability of demand, unfavourable consumer perception and high costs. Though there are several challenges and of different nature in its effective implementation the world over, with proper planning and strategy one can definitely stand on the winning seat. All this can be understood from the success stories of many companies. In fact, it can be realized that this green marketing has come up as a saviour for the developing countries and it can be truly said that it provides an opportunity for them to prove themselves and carve a niche for themselves.

### GREEN BANKING

Green banking (environmental friendly banking, ethical banking or sustainable banking) is defined as promoting environmentally friendly practices that aid customers in reducing their carbon footprint through their banking operation activities. Green banking refers to the banking of the market situation and is considered as a part of corporate social responsibility. There are other definitions for this green banking concept but the central meaning is the same i.e. protecting the environment and resources for future generation by looking for sustainable development. Green banking includes several things like sustainable banking, ethical banking, green mortgage, green loans, green credit cards, green savings accounts, green checking accounts, green money markets accounts, mobile banking, online banking, etc.

Green banking is not a new thing in the market. The term has gained importance since the climate change and deteriorating environment issue has come to the forefront. In the present time every one of us now feels the need for protecting the environment. The best thing about the green banking is that under the umbrella of corporate social responsibility the bank through green banking initiatives has now started participating in the movement of protecting the environment. Green bank is just like a normal bank. The new thing that makes it more special is that it is also considering all the social and environmental/ecological factors while performing its regular duties with an aim to protect the environment and conserve natural resources. It is thereby also called as an ethical bank or a sustainable bank as it now strives for a sustainable future. Green bank operates with the same authorities but with an additional agenda toward taking care of the Earth's environment/habitats/resources.

Factors that are important and should be considered while going for green banking include:

1. Assessing market situation,
2. Environmental Risk Management,
3. Green Financing and
4. Green Messaging.

It should be noted at this stage that Environmental Risk Management (ERM) points towards preventive strategy where as green financing to offensive strategy for sustainable banking. In sustainable banking all the banking activities are directed towards being sustainable and banks interest rest completely on the highest sustainable rate of return and not on the highest financial rate of return as the banks are looking for the profit in the long run and having stable business. It should be realized by the banks that they are the backbone of the society and their activities will have impact on the future generation existence. The present day environmental degradation at a faster rate does have raised an alarm but the growing concern for it by one and all including the financial institutions i.e. banks is a good sign which promises of sustainable banking, sustainable development and for a better future for the generation to come.

Green banking is often confused with the online banking. Though it may be one of its many activities, it covers a broad spectrum of work in order to protect the environment. The bank can participate in the green movement in almost all the activities it undertake. Similarly, customers through their active participation can take the bank rolling on the right track. Green banking is all about where the bank puts its money. This is also supported by how the daily activities are managed and monitored by the banks. In fact, green banking functions under two broad points viz. green transformation of internal operations of banks (within the bank and its activities) and environmentally responsible financing (external activities of the bank). The bank as a financial institution has large responsibility to use their money resources in the right area. Bank is also such identity that is in close contact with almost maximum human faces. With this advantage that the bank possesses it can bring environmental revolution through green operation, green funding, green campaign, etc. Such efforts from the financial institutions can definitely create an environment conducive enough to drive every individual to start caring for the mother earth. Each individual can contribute in the success story of green banking and thus can make a difference.

### GREEN ENVIRONMENT

The mankind has seen huge economic progress so far and has made a long journey through time. However, in the search for development mankind has also given invitation to enormous side effects i.e. impacts of development such as, loss of biodiversity, climate change, environmental damage, etc. Bank has a major role to play in the country's economy and sustainable development. Bank indirectly contributes to the environmental degradation by directly financing those projects and the industries whose activities affect and pollute our environment. Thus, the bank by their active participation in the lending business in a judicious manner can contribute greatly in the society. Banks are now adopting strategies where the projects are scrutinized using a set of tools that take environment into considerations. Banks are also encouraging projects that show its concern for the environment in the form of sustainable development, use of renewable natural resources, waste minimization, pollution prevention, occupational health and safety, energy efficient, care of human health and many similar attributes that tries for the betterment of the society. Thus through active participation at all levels of the project bank can take environmental management action, can monitor the projects and thereby leave a positive impression on the society. Bank through green bank loans can encourage new environmental projects that will have ecological and social concerns incorporated in it.

The bank should also see that the customers comply with the environment action plan during the construction and operation of the project and provides regular reports, prepared by in house staff and third party experts. The government should see that there is legislation to force banks to adopt a formal environmental policy statement and should bring this in the notice of the customers. Besides this, the government can definitely play an important role by controlling the



impacts of big projects on the environment by designing proper legislation of environmental rules and seeing that these are also properly implemented. So, government should design proper legislation of environmental rules for banks and ensure enforcement. In India either we do not have proper legislation or when it is there the legislation and rules are not strictly enforced. It is therefore time to look into this matter seriously and work for the society.

### THE RELATION BETWEEN GREEN MARKETING, GREEN BANKING AND GREEN ENVIRONMENT

The green marketing as a concept has an essence of providing protection to the environment incorporating the marketing strategy in a more innovative manner. The marketing of the products and the services that the banks provide in the modern times with an aim of preserving the nature's assets for its longer and sustainable use is needed for its true reach before the masses. This can be achieved through various means available i.e. advertisement in the newspaper and media, through personal interaction with the customer, etc. and so on. After all we live in an environment that affects us directly or indirectly in whatever activities that we do. Figure 1 below shows the relation between the trio viz. green marketing, green banking and green environment that together fulfill the objectives of sustainable development. It would be more appropriate to cite the example of State Bank of India.

Under the umbrella of "Green Channel Counter", a green service initiatives, State Bank of India is providing many services like; paperless banking, no deposit slip, no withdrawal form, no checks, no money transactions form and all these transaction are done through SBI shopping & ATM cards. Such move by the SBI bank is to send green message to the customer and the general masses to become a part of such green movement initiated by the bank for the cause of better environment. Such move by the State bank of India has been greatly welcomed by the customer that can be judged by the growing number of energy efficient ATMs' in every corner of India. Project funding and strong project monitoring is also praiseworthy in the present time as a part of green initiative by the bank. Other banks like IndusInd, Axis Bank, etc. are similarly participating in green movement for the sake of the environment.

### CONCLUSION

Our environment is the real wealth that the human being possesses. More so, there is only one earth that needs our care and attention for it to provide services to the mankind forever. This requires an effort from every human being living on this beautiful planet to strive for a better and safer earth. The present days' movement in the name of green concept for preserving the earth and its resources is slowly catching the momentum all around. Several words like green marketing, green banking, green environment, etc. can be frequently heard to create awareness among the masses so that they too can contribute and support actively in this noble movement for protecting the earth. Effective green marketing can increase consumer awareness towards environment protection and effective green banking will definitely leave a positive impression of what a bank can do for the society with the support of its customers. Green marketing with the philosophy of "Reduce, Reuse and Recycle" and green banking by promoting investment in the environmentally friendly projects with sustainable development in mind is going to make things move in the right path.

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## FIGURES

FIGURE 1: THE BANK AND ITS ROLE IN SOCIETY

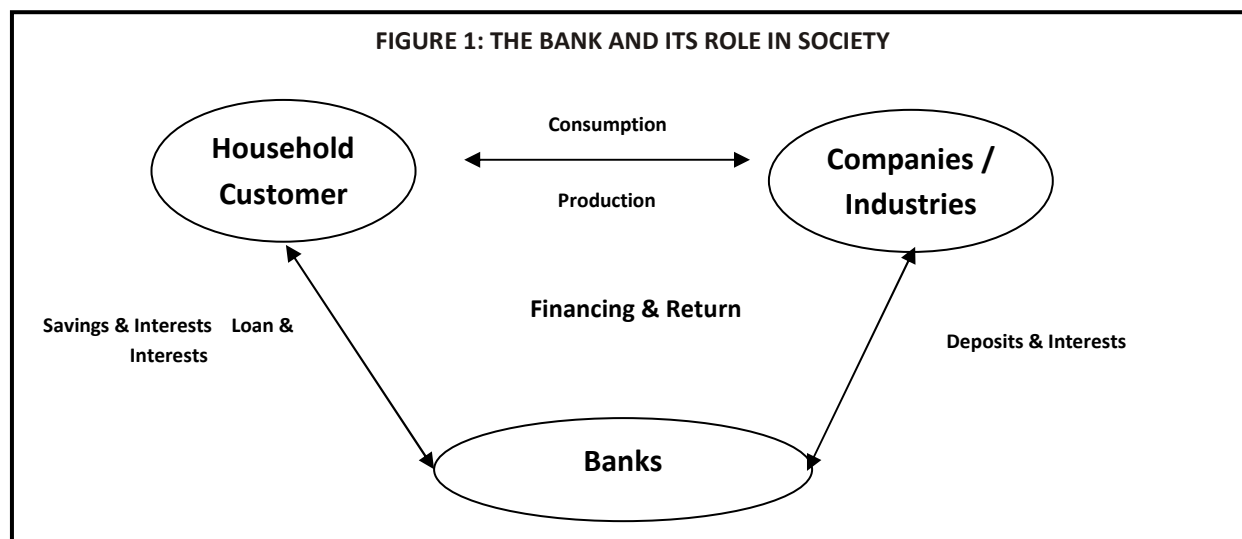
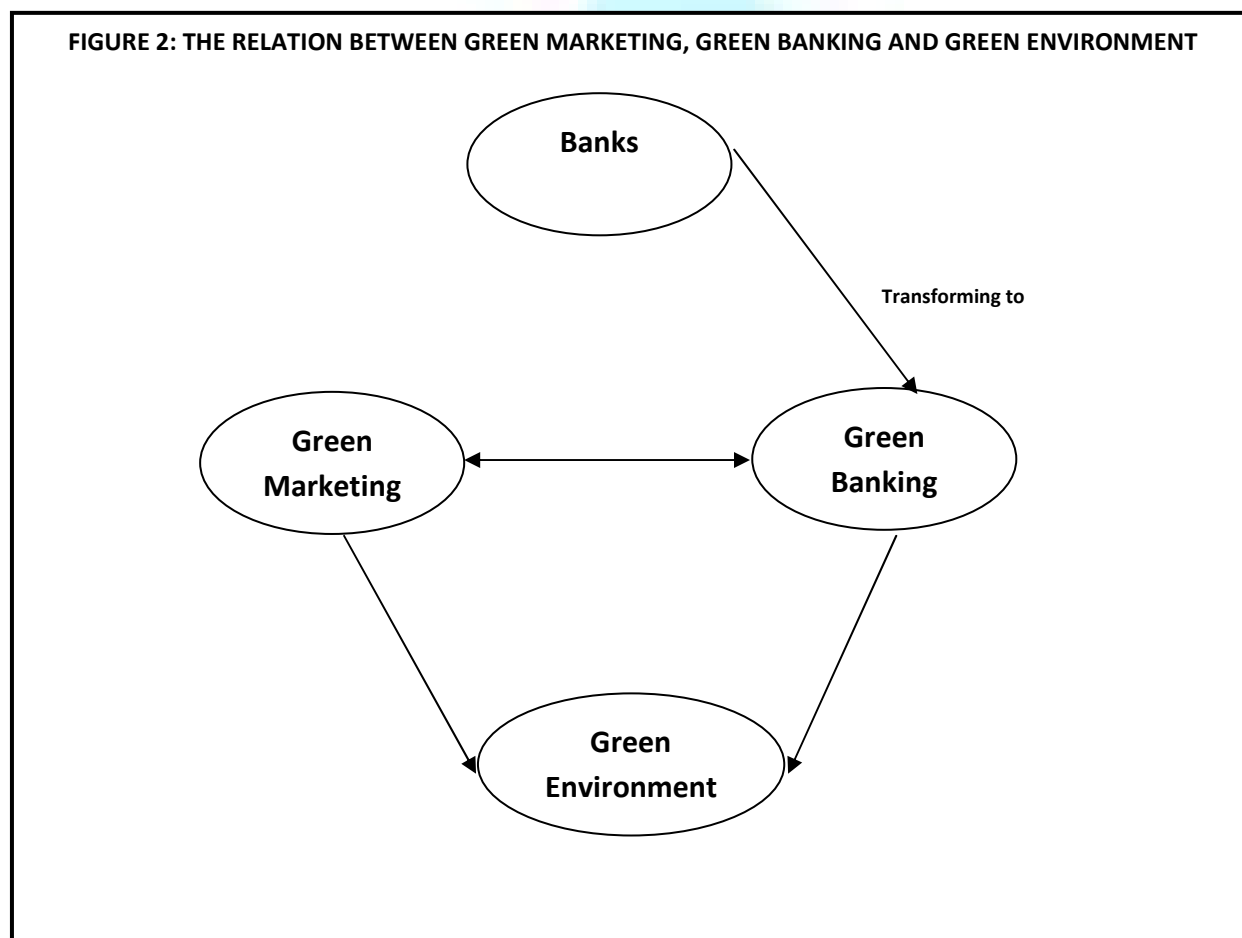


FIGURE 2: THE RELATION BETWEEN GREEN MARKETING, GREEN BANKING AND GREEN ENVIRONMENT



**ENTREPRENEURSHIP DEVELOPMENT: A STUDY OF MSMEs IN CHITTOOR DISTRICT**

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**ABSTRACT**

*Entrepreneurship is the engine of economic growth and development, particularly in India. Youth entrepreneurship has a greater potential to aid the achievement of Millennium Development Goal and aims at providing decent and productive work for youth. Provision of employment among the youth will save them from social exclusion. This study is specially aimed at identifying those factors influencing the development of entrepreneurship among the selected entrepreneurs of Micro, Small and Medium Enterprises (MSME) in Chittoor District and is sought to find out how to assess the socio-economic factors that affect the development of entrepreneurship. In this paper an aggressive attempt has been made to analyze the socio-economic factors those influence the entrepreneurship development in terms of filling the hearts of the youth with the abundant entrepreneurial spirit, motivating them to identify the entrepreneurial opportunities which are surrounding them to eradicate the devil of unemployment, economic development in terms of enhancing their living standards, etc., such as the social status of the entrepreneurs, age group of the entrepreneurs at the time of inception, their educational qualification, family occupation and family background.*

**KEYWORDS**

MSMEs, entrepreneurship development.

**INTRODUCTION**

Entrepreneurship is the engine of economic growth and development. Youth entrepreneurship has a greater potential to aid the achievement of Millennium Development Goal and aims at providing decent and productive work for youth. Provision of employment among the youth will save them from social exclusion. This study is specially aimed at identifying those factors influencing the development of entrepreneurship among the selected entrepreneurs of Micro, Small and Medium Enterprises (MSME) in Chittoor District. This study is sought to find out how to assess the socio-economic factors that affect the development of entrepreneurship.

In this paper an aggressive attempt has been made to analyze the socio-economic factors those influence the entrepreneurship development such as the social status of the entrepreneurs, age group of the entrepreneurs at the time of inception, their educational qualification, family occupation and family background.

**REVIEW OF LITERATURE**

Ram Jass Yadav (2012)<sup>1</sup>, opined that the Indian economy is dominated by vibrant set of enterprises which are prestigiously known as MSME for their scale of operations. Only 1.5 million MSME are in registered segment while the remaining 24.5 million that contribute 94% of the units are in unregistered segment. The role of MSME in economic and social development of country is widely acknowledged. They are nurseries for entrepreneurship, often driven by individual creativity and innovation and make significant contribution to country's GDP, manufacturing output, exports and employment generation.

Sree Ramulu (1994)<sup>2</sup> in his work entitled, "Innovation and Entrepreneurship in the manufacturing sector – A case study of Antanpur District" highlighted the innovation among the selected entrepreneurs, encouraging and discouraging factors to start an industry and problems encountered by the entrepreneurs in the district.

Srivani and Sathyanarayana (2011)<sup>3</sup> studied that in India women with varied social, economic, political, regional and linguistic backgrounds constitute half of the nation. The socio economic conditions of women are the key for overall growth and development of the country. Entrepreneurship is a concept assumed to be sex-neutral. Even then in India, women entrepreneurship is still in its infancy.

Nagaraju and Shivalingappa (2012)<sup>4</sup> stated that the MSME acquired a prominent place in the socio economic development of our country. They are small in term but play significant role in the Indian economy.

Jaya Krishna (2004)<sup>5</sup> in his study on "World Trade Organization and its Implications on Small Scale Industries in Karnataka", assessed the entrepreneurs' awareness of both qualitative and quantitative information, from 30 randomly selected entrepreneurs during May-June 2002 in and around the rural and urban area of Bengaluru. His conclusions are a) Perennial activity dominates over seasonal activity, b) Young generation entrepreneurs employ more managerial staff than the old generation entrepreneurs, c) Entrepreneurs are facing sanitary and phytosanitary problem d) Small Scale industries are facing competition from large and medium scale industries outside the State rather than within the State and e) Entrepreneurs are experiencing the impact of WTO and its agreements across the year of establishment and generations. However, their awareness of the WTO agreements and their implications is poor.

**OBJECTIVES**

1. To examine entrepreneurial factors influencing entrepreneurship development in Chittoor district,
2. To motivate the entrepreneurial instinct in Chittoor district,
3. To develop necessary knowledge and skills among the participants in Chittoor district and
4. To develop and strengthen entrepreneurial quality and motivation in Chittoor district.

**GENDER-WISE ENTREPRENEURS**

Table 1 reveals that out of 141 sample entrepreneurs, an overwhelming portion of 99 members were male and female entrepreneurs accounted for only 42 members. Among different categories of micro, small and medium enterprises, it can be seen from the table that the number of women entrepreneurs seem to be very high at 11 members in agro based industries, as against 17 male entrepreneurs. Next to this category, forest based industry consists of a considerable number of 4 male entrepreneurs and only one female entrepreneur, chemical based industry of 3 male entrepreneurs and only one female entrepreneurs, of animal husbandry's total 6 entrepreneurs, 4 entrepreneurs are male and only two are female entrepreneurs. There were 6 female entrepreneurs and 16 male entrepreneurs in engineering based industries while textile based industries consist of 8 entrepreneurs and mineral based industries, 4 entrepreneurs.

Among the three revenue divisions, the number of male entrepreneurs was the highest at 51 members against 23 female entrepreneurs in Chittoor Division, 29 male entrepreneurs against 10 female entrepreneurs in Tirupati division and 19 male entrepreneurs against 9 female entrepreneurs in Madanapalli division.

**TABLE 1: CATEGORY-WISE GENDER-WISE ENTREPRENEURS OF MSME CHITTOOR DISTRICT**

S. No	Industrial Category	Chittoor Division		Tirupati Division		Madanapalli Division		Male and Female		Total
		Male	Female	Male	Female	Male	Female	Male	Female	
1	Agro Based	8	5	7	3	2	3	17	11	28 (19.86)
2	Forest Based	2	1	1	0	1	0	4	1	5 (3.55)
3	Textile Based	3	1	1	1	1	1	5	3	8 (5.67)
4	Mineral Based	1	1	1	0	1	0	3	1	4 (2.84)
5	Engineering Based	9	2	5	2	2	2	16	6	22 (15.60)
6	Animal husbandry	2	1	1	0	1	1	4	2	6 (4.26)
7	Chemical Based	1	1	1	0	1	0	3	1	4 (2.84)
8	Others	25	11	12	4	10	2	47	17	64 (45.39)
<b>Total</b>		<b>51 (51.52)</b>	<b>23 (54.76)</b>	<b>29 (29.29)</b>	<b>10 (23.81)</b>	<b>19 (19.19)</b>	<b>9 (21.43)</b>	<b>99 (70.21)</b>	<b>42 (29.79)</b>	<b>141 (100.0)</b>

Note: Figures in parenthesis represent the percentages

Source: Field Survey

**SECTOR-WISE AGE GROUPS OF ENTREPRENEURS**

Out of the total 141 sample entrepreneurs, the micro, small and medium enterprises have shared 46.81 per cent, 39.00 per cent and 14.18 per cent respectively in each sector. The age groups of MSME entrepreneurs in Chittoor district are presented in table 2. There are 12 (38.71 per cent) entrepreneurs in micro sector, 18 (58.06 per cent) in small sector and one (3.23 per cent) in medium sector in between 30-35 years of age group. In between 36-40 years, the micro, small and medium entrepreneurs are 15 (44.12 per cent), 17 (50.00 per cent) and 2 (5.88 per cent) out of total 34. Out of 25 entrepreneurs in between 41-45 years, the micro and medium sectors have 17 (68.00 per cent) and 8 (32.00 per cent) entrepreneurs. The entrepreneurs of micro, small and medium enterprises have 22 (43.14 per cent), 20 (39.26 per cent) and 9 (17.65 per cent) in the age group of 46-50 years.

**TABLE 2: SECTOR-WISE AGE GROUP OF ENTREPRENEURS OF MSME IN CHITTOOR DISTRICT**

Age Groups	Sectors			Total
	Micro	Small	Medium	
30-35	12 (38.71)	18 (58.06)	1 (3.23)	31 (100.00)
36-40	15 (44.12)	17 (50.00)	2 (5.88)	34 (100.00)
41-45	17 (68.00)	-	8 (32.00)	25 (100.00)
46-50	22 (43.14)	20 (39.26)	9 (17.65)	51 (100.00)
Total	66 (46.81)	55 (39.00)	20 (14.18)	141 (100.00)

Note: Figures in parenthesis represent the percentages.

Source: Field Survey.

**SECTOR-WISE SOCIAL STATUS OF ENTREPRENEURS**

Table 3 depicts the sector-wise social status of entrepreneurs of the selected MSME in Chittoor district. Out of the total 141 entrepreneurs, 13 belong to Scheduled Caste (SC), 6 belong to Scheduled Tribes (ST), 54 belong to Backward Caste (BC), 7 belong to Muslim-Minority and remaining 61 to Other Castes. In micro sector, 9 (69.23 per cent) entrepreneurs belong to SC and 4 (30.77 per cent) from small sector. Scheduled Tribes entrepreneurs belong to 4 (66.67 per cent) from small and 2 (33.33 per cent) entrepreneurs from medium sector. Out of 54 BC entrepreneurs, 26 (48.15 per cent) are from micro, 21 (38.89 per cent) from small and 7 (12.96 per cent) from medium sectors. Muslim-minority belonged to micro are 3 (42.86 per cent) entrepreneurs and small are 4 (57.14 per cent) entrepreneurs. Under gigantic portion of OC category, micro are 28 (45.90 per cent), small are 22 (36.07 per cent) and 11 (18.03 per cent) are to medium enterprises.

**TABLE 3: SECTOR-WISE SOCIAL STATUS OF ENTREPRENEURS OF MSME IN CHITTOOR DISTRICT**

S. No	Social Status	Sectors			Total
		Micro	Small	Medium	
1	Scheduled Caste	9 (69.23)	4 (30.77)	-	13 (100.00)
2	Scheduled Tribes	-	4 (66.67)	2 (33.33)	6 (100.00)
3	Backward Caste	26 (48.15)	21 (38.89)	7 (12.96)	54 (100.00)
4	Muslim-Minority	3 (42.86)	4 (57.14)	-	7 (100.00)
5	Other Castes	28 (45.90)	22 (36.07)	11 (18.03)	61 (100.00)
<b>Total</b>		<b>66 (46.81)</b>	<b>55 (39.00)</b>	<b>20 (14.18)</b>	<b>141 (100.00)</b>

Note: Figures in parenthesis represent the percentages

Source: Field Survey

**SECTOR-WISE EDUCATIONAL LEVELS OF ENTREPRENEURS**

Table 4 shows the sector-wise educational levels of entrepreneurs of MSMEs in the district. Out of the total, 10<sup>th</sup> class qualified are 29.41 per cent in micro, 47.06 per cent in small and 23.53 per cent in medium sectors. Intermediate qualified entrepreneurs are 8 (32.00 per cent) from micro, 13 (52.00 per cent) and 4 (16 per cent) and medium enterprises out of total 25 entrepreneurs. Out of 38 entrepreneurs of technical background of entrepreneurs, micro, small and medium sectors are 26 (68.42 per cent), 10 (26.32 per cent) and 2 (5.26 per cent) respectively. The number of diploma qualified entrepreneurs from micro, small and medium sectors are 2 (16.67 per cent), 7 (58.33 per cent) and 3 (25.00 per cent) out of total 12 entrepreneurs. Graduated of 19 (44.18 per cent) entrepreneurs in micro, 17 (39.53 per cent) in small and 7 (16.28 per cent) in medium sectors respectively and the entire post-graduate qualified are only in micro sector.

TABLE 4: SECTOR-WISE EDUCATIONAL LEVELS OF ENTREPRENEURS OF MSME IN CHITTOOR DISTRICT

S. No	Education	Sectors			Total
		Micro	Small	Medium	
1	10th Class	5 (29.41)	8 (47.06)	4 (23.53)	17 (100.00)
2	Intermediate	8 (32.00)	13 (52.00)	4 (16.00)	25 (100.00)
3	Technical	26 (68.42)	10 (26.32)	2 (5.26)	38 (100.00)
4	Diploma	2 (16.67)	7 (58.33)	3 (25.00)	12 (100.00)
5	Graduate	19 (44.18)	17 (39.53)	7 (16.28)	43 (100.00)
6	Post-Graduate	6 (100.0)	-	-	6 (100.00)
Total		66 (46.81)	55 (39.00)	20 (14.18)	141 (100.00)

Note: Figures in parenthesis represent the percentages

Source: Field Survey

### SECTOR-WISE OCCUPATION OF THE FAMILY OF ENTREPRENEURS

Table 5 shows the sector wise occupation of the family members of MSME in the district. It could be seen from the table that the occupation of family members of majority entrepreneurs is business. Out of total 96 entrepreneurs of business, 44 (45.83 per cent) from micro, 40 (41.67 per cent) from small and a petite share of 12 (12.50 per cent) from medium sectors. From the total 29 professionals, 17 (58.62 per cent) are from micro, 7 (24.14 per cent) from small and 5 (17.24 per cent) from medium sectors. Similarly, if service sector is considered, 2 (20.00 per cent) from micro, 6 (60.00 per cent) from small and 2 (20.00 per cent) from medium sectors respectively and again the share has been seen from the farming sector also that 3 (50.00 per cent) from micro, 2 (33.33 per cent) from small and one from medium sectors.

TABLE 5: SECTOR-WISE OCCUPATION OF THE FAMILY OF ENTREPRENEURS OF MSME IN CHITTOOR DISTRICT

S. No	Occupation	Sectors			Total
		Micro	Small	Medium	
1	Professional	17 (58.62)	7 (24.14)	5 (17.24)	29 (100.00)
2	Business	44 (45.83)	40 (41.67)	12 (12.50)	96 (100.00)
3	Service	2 (20.00)	6 (60.00)	2 (20.00)	10 (100.00)
4	Farming	3 (50.00)	2 (33.33)	1 (16.67)	6 (100.00)
Total		66 (46.81)	55 (39.00)	20 (14.18)	141 (100.00)

Note: Figures in parenthesis represent the percentages

Source: Field Survey

### SECTOR-WISE REASONS FOR SELECTING THE LOCATION

Table 6 reveals the sector-wise reasons for selecting the MSME in the district. It could be seen from the table that the location near to the city has a gigantic portion of 55 (49.11 per cent) micro, 43 (38.39 per cent) small and 14 (11.70 per cent) medium enterprises are out of 112. Industrial area has gargantuan portion of micro are 48 (47.06 per cent), small are 40 (39.22 per cent) and the medium has 14 (13.73 per cent) of the enterprises. Availability of resources of micro with 47 (54.55 per cent), small with 33 (37.50 per cent) and the medium has 8 (9.09 per cent) of the total 88 enterprises. Land availability of micro with 43 (48.31 per cent), small with 33 (37.08 per cent) and the medium has 13 (14.61 per cent) of the 89 enterprises. Good infrastructure facilities of micro with 48 (51.06 per cent), small with 35 (37.23 per cent) and the medium has 11 (11.70 per cent) of the 94 enterprises and government policy of micro with 39 (48.75 per cent), small with 29 (36.25 per cent) and medium has 12 (15.00 per cent).

TABLE 6: SECTOR-WISE REASONS FOR SELECTING THE LOCATION OF MSME IN CHITTOOR DISTRICT

S. No	Reasons	Sectors			Total
		Micro	Small	Medium	
1	Native place	42 (48.28)	31 (35.63)	14 (16.09)	87 (100.00)
2	Government policy	39 (48.75)	29 (36.25)	12 (15.00)	80 (100.00)
3	Good infrastructure facilities	48 (51.06)	35 (37.23)	11 (11.70)	94 (100.00)
4	Near to the city	55 (49.11)	43 (38.39)	14 (12.50)	112 (100.00)
5	Availability of resources	47 (54.55)	33 (37.50)	8 (9.09)	88 (100.00)
6	Land availability	43 (48.31)	33 (37.08)	13 (14.61)	89 (100.00)
7	Well transportation	43 (46.74)	34 (36.96)	15 (16.30)	92 (100.00)
8	Industrial area	48 (47.06)	40 (39.22)	14 (13.73)	102 (72.34)
9	Availability of raw material	38 (52.05)	27 (36.99)	8 (10.99)	73 (51.77)
Total		66 (46.81)	55 (39.00)	20 (14.18)	141 (100.00)

Note: Figures in parenthesis represent the percentages

Source: Field Survey

### MOTIVATIONAL FACTORS FOR ENTERPRISING

The motivating factors which encouraged the entrepreneurs to set up the micro, small and medium enterprises are important and knowledge of these factors are very essential to understand the factors which have a bearing on the development of the micro, small and medium Industrial enterprises. Table 7 presents the factors which have motivated the entrepreneurs in setting up the enterprises.

From the below table, it can be observed from the study out of 28 enterprises agro based industries to the earning a maximum profit of 28.57 per cent, textile based industry 40.00 per cent, forest based industries of 37.50 per cent, mineral based industries of 50.00 per cent, engineering based industry 27.27 per cent. Animal husbandry 50.00 per cent, chemical based industries of 50.00 per cent, and other industries are earning profit of 20.31 per cent. Regarding self-employment it is highest in forest based industries of 62.50 per cent, followed by, mineral based industries 50.00 per cent, agro based industries of 35.75 per cent, engineering based industry of 36.36 per cent and other industries are earning profit of 25.00 per cent. Fulfilling ambitions of family is one of the motivations of the respondents. About 27.27 per cent have adopted engineering based industry, 28.57 per cent of agro based industries. Micro, Small and Medium Enterprises were also motivated for gaining social status agro based industries of 42.86 per cent have gained social status. Success stories of entrepreneurs have motivated micro, small and medium enterprises. About 20.00 per cent textile based industry were motivated by success stories and the other industries by success stories of 14.06 per cent. Knowledge about an industry in advance is pre-requisite to establish. The motivation of previous knowledge is observed highest at 50.00 per cent in mineral based industries, followed by engineering based industry 27.27 per cent, chemical based industry 25.00 per cent and agro based industry 32.14 per cent.

Financial institutes too encourage the entrepreneurs to establish enterprises. About 25.00 per cent entrepreneurs in forest based industry and 18.18 per cent in engineering based industry were motivated mostly by financial institutions. Others 13.48 per cent of the motivational factors include no opportunity for employment, availability of financial credit, incentives for government agencies and heavy demand of the product.



TABLE 7: MOTIVATIONAL FACTORS FOR ENTERPRISING OF SAMPLE MSME IN CHITTOOR DISTRICT

S. No	Industrial Category	To Earn Profit	Self-employment	To fill my family ambition	To gain social status	Success stories of entrepreneurs	Previous knowledge of the industry	DIC and Financial institutions	Others	Total
1	Agro Based	8 (28.57)	10 (35.71)	8 (28.57)	12 (42.86)	4 (14.29)	9 (32.14)	6 (21.43)	4 (14.29)	28 (19.86)
2	Forest Based	2 (40.00)	2 (40.00)	2 (40.00)	2 (40.00)	1 (20.00)	2 (40.00)	2 (40.00)	1 (20.00)	5 (3.55)
3	Textile Based	3 (37.50)	5 (62.50)	2 (25.00)	3 (37.50)	2 (25.00)	3 (37.50)	2 (25.00)	2 (25.00)	8 (5.67)
4	Mineral Based	2 (50.00)	2 (50.00)	2 (50.00)	3 (75.00)	1 (25.00)	2 (50.00)	1 (25.00)	1 (25.00)	4 (2.84)
5	Engineering Based	6 (27.27)	8 (36.36)	6 (27.27)	9 (40.91)	3 (13.64)	6 (27.27)	4 (18.18)	3 (13.64)	22 (15.60)
6	Animal husbandry	3 (50.00)	3 (50.00)	2 (33.33)	3 (50.00)	2 (33.33)	3 (50.00)	2 (33.33)	1 (16.67)	6 (4.26)
7	Chemical Based	2 (50.00)	2 (50.00)	2 (50.00)	2 (50.00)	1 (25.00)	1 (25.00)	2 (50.00)	1 (25.00)	4 (2.84)
8	Others	13 (20.31)	16 (25.00)	12 (18.75)	18 (28.13)	9 (14.06)	13 (20.31)	11 (17.19)	6 (9.38)	64 (45.39)
Total		39 (27.66)	48 (34.04)	36 (25.53)	52 (36.88)	23 (16.31)	39 (27.66)	30 (21.28)	19 (13.48)	141 (100)

Note: Figures in parenthesis represent the percentages

Source: Field Survey

Table 8 reveals that 52 (18.2 per cent of the total) entrepreneurs, being the gigantic number of respondents, took a plunge into industrial category to satisfy their strong desire to gain social status, self employment out of 48 (16.8 per cent of the total) entrepreneurs, 39 entrepreneurs refer to earn profit and previous knowledge of the industry with percentages of 13.6, DIC financial institutions with 30 (10.5 per cent) entrepreneurs, to fill the family ambition of 36 (12.6 per cent) entrepreneurs, success stories with entrepreneurs of 23 (8.00 per cent) and the others of only 6.6 per cent of the entrepreneurs.

TABLE 8: MOTIVATIONAL FACTORS FOR ENTERPRISING OF SAMPLE MSME IN CHITTOOR DISTRICT

S. No	Motivational Factors	Factors (Total enterprises)	% to total	1 <sup>st</sup> option factor	1 <sup>st</sup> option % to total factor
1	To Earn Profit	39	13.6	19	5.26
2	To get Self-employment	48	16.8	22	7.49
3	To fill my family ambition	36	12.6	18	4.60
4	To gain social status	52	18.2	26	9.59
5	Motivation of Success stories of entrepreneurs	23	8.0	13	2.12
6	Previous knowledge of the industry	39	13.6	19	5.26
7	Encouragement of DIC & Financial institutions	30	10.5	15	3.19
8	Others	19	6.6	9	1.21
Total		286	100.0	141	38.71

Source: Field survey

Table 9 shows that the main factors which have persuaded the small and new entrepreneurial class to undertake entrepreneurial activity may be identified somewhat in hierarchical order based on their business and industrial experience. On the basis of the following chart, different motivating factors are given ranks as follows. Fulfilling my family ambition, earning profit, getting self employment and previous knowledge of the industry are crowned 1<sup>st</sup> rank, entrepreneurs who want to be self employed, gaining social status, earning profit and previous knowledge of the industry have been awarded 2<sup>nd</sup> rank and 3<sup>rd</sup> rank is given to entrepreneurs who are willing to gain social status, getting self employment, previous knowledge of the industry and encouragement from DIC and Financial institutions.

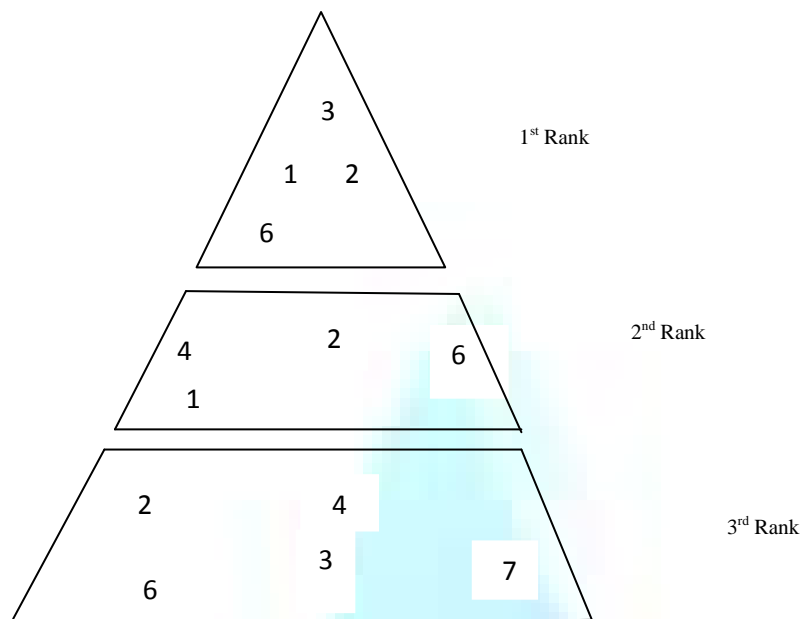
TABLE 9: RANKING OF FACTORS (MAJOR THREE) BY ENTREPRENEURS THAT MOTIVATED THEM FOR INDUSTRIAL ENTREPRENEURSHIP

Rank	Factors							
	1	2	3	4	5	6	7	8
I	15	15	16	11	6	12	9	6
II	14	18	11	15	10	14	8	8
III	10	15	9	26	7	13	13	5

Source: The data for ranking the factors extracted from table 7

By following the diagrammatic representation of the above data, it was evident that a vast majority of new entrepreneurial class was promoted to enter industry mainly because of three factors: (1) to get self employment, (2) they had strong desire to do something with previous knowledge of the industry, and (3) to earn profit. Factors such as gaining social status, encouragement from DIC and Financial Institutions and fulfilling their family ambitions played catalytic role in injecting entrepreneurial spirit to another class of people who had no inclination but came just because there was no other better opportunity for them.

FIG. 1: HIERARCHY OF MOTIVATIONAL FACTORS FOR ENTREPRENEURIAL ORIENTATIONS



**Order of factors influencing:** 1. To Earn Profit, 2. To get Self employment, 3. To fill my family ambition, 4. To gain social status, 6. Previous knowledge of the industry & 7. Encouragement from DIC and Financial institutions

### CONCLUSIONS

It is well known that the socio-economic factors like social status, age, marital status, education starting before the enterprise, occupation of the family members, initiatives to start the industry, future plan of the entrepreneurs, reason for selecting the location and the important aspect of motivational factors are influencing the entrepreneurs' development everywhere. The analysis of the impact of socio-economic factors on entrepreneurship development in the district reveals that the growth of entrepreneurship has more or less been influenced by the factors like previous experience, strong desire to do something, independent in life and motivation by the family members.

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## TOURISM DEVELOPMENT AND ECONOMIC SITUATIONS: ANALYSIS FROM LOCAL COMMUNITIES OF AKSUM

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### ABSTRACT

*Having an objective of analyzing the poverty, income inequality and contributions of tourism in Aksum, probability and non-probability sampling technique were used to gather data from 350 respondents; and Foster, Greer, and Thorbecke method, Gini and growth rate indices were employed for analysis. Poverty in Aksum is estimated at 30 percent and income inequality accounts 0.512. Incidence of poverty differs across sex, educational level and marital status. The smokeless industry has the power to improve the income alternative of households and the ability to affect the level of poverty and income inequality in Aksum Town. Despite the mean days (1.35) a tourist stayed is low, at an average growth rate of 10.12% per year; the number of visitors has shown continuous increase and reached 42,298 in 2011/2012. Up until 2008, the revenue generated from tourism was low but dramatic increments have been observed from 2008 onwards. Having an average income growth rate of 26.7% per year, in 2011/ 2012 more than 52 million birr was collected from the sectors, in which 60.14% of the revenue is collected by the hotel sector, followed by tour & travel operators (15.84%), souvenir shops (13.26%), the church of St. Mariam (4.62%), tour guides (4.4%) and culture and tourism, Aksum cluster (1.74%). Poor community involvement and awareness, lack of technical know-how and weak promotional activity, lack of tourism investment, lack of tourism related infrastructure and poor access for training and capacity building are among the factors affecting the tourism sector in Aksum.*

### KEYWORDS

Aksum, Income, Gini index, Poverty and Tourism.

### BACKGROUND AND JUSTIFICATION

Ethiopia is a land of wonder and enthrallment; a leading country on the continent of Africa for its richest histories and home to cultured, kind and much friendly people. It is the land of the enchanted Queen of Sheba, home of the Ark of the Covenant, the original place of coffee, 'Lucy' and 'Selam'. Ethiopia is a model of co-operation, respect and mutual trust that allows different religions to live together (CSA, 2007).

It offers visitors the chance to enjoy historic and religious routes, covering the ancient town of Aksum, castles and palaces of Gondar; remarkable rock hewn churches of Lalibela, Ger'alta and monasteries of the North; stunning parks endowed with endemic mammals and birds, Bahir Dar with its water values, the walled Muslim city of Harar and the Southern area with its natural and cultural attractions.

Tourism is possibly the world's largest and fastest growing industry, accounting for about five percent of the world's gross national product and six percent of the employment; for poor countries, regions, towns and cities (Glasson *et al*, 1995). The tourism industry in Ethiopia is constantly developing and has grown at an average annual rate of 13 percent over the last few years. Tourism in Ethiopia accounted for 5.5% of the country's gross domestic product (GDP) in 2006, having barely increased 2% over the previous year. The government is proving its commitment and willingness to develop tourism through a number of initiatives and is a featured component of Ethiopia's Poverty Reduction Strategy Paper (PRSP) that aims to combat poverty and encourage economic development. Various development related to tourism has occurred over the past decade: transport facilities; infrastructure development; an increasing amount of accommodation; an increase in the number of tour-operators and trade missions, and a significant improvement in the security around tourist destinations (MoTC, 2009).

### STATEMENT OF THE PROBLEM

Ethiopia is one of the developing countries that show continuous economic growth in the world and it was the fastest-growing non-oil-dependent African nation in 2007 and 2008. The macro economic performance of the nation, as measured by real GDP growth rate, has been increasing continuously for five years in double digits with an annual average real GDP growth rate of 11.8 % during the last four years ending 2006/07 and 10.2% in the budget years 2007/08 (MoFED, 2008). Although the growth of the agricultural sector is the dominant one, it has been complemented by strong performance in industry (12.3%) as well as service sector (42.3%) in 2008 (Bureau of African Affairs, 2009).

The level of poverty in Tigray slightly reduces from time to time, as measured by the Head Count Index, which was 0.464 in 1995, 0.428 in 2000 and 0.344 in 2005. Despite the reduction in the number of the poor in the region, the income inequalities, as measured by the Gini coefficient has increased and accounted 0.29, 0.35 and 0.49, respectively in the stated years (Tassew *et al*, 2008).

Tourism, as a source of income, has the power to reduce poverty and improve the distribution of income among citizens as it has the power to positively affect the poor. Studies carried out in Brazil show that tourism benefits the lowest income sections of the Brazilian population and has the potential to reduce income inequality and the same phenomena has been observed from studies carried out in India. However, such concerns have not been studied in Aksum.

Aksum enables to attracting investors and businessmen because of its tourism potential, the current economic situation of the town, the good governance in the area and its being a strategic center for neighboring rural weredas. Therefore, the regional government considered it to be one of the fast growing towns in the region and a center of tourism growth and development (BoFED, 2008). In Ethiopia, despite the current interest in the tourism industry, an insignificant amount of research has been carried out with respect to the socio-economic benefits of tourism development on tourist destination areas of the northern route, and Aksum in particular.

## OBJECTIVES OF THE STUDY

### MAJOR OBJECTIVE

The major objective of the study is to measure and analyze the economic situation and tourism development of Aksum.

### SPECIFIC OBJECTIVES

The study has the following specific objectives:

- ✓ To assess the trend of tourists' flow and the revenue collected from tourists in Aksum;
- ✓ To determine the basic factors affecting tourism in Aksum;
- ✓ To assess the incidence of poverty and income inequality in the town;
- ✓ To analyze the role and contribution of the local community on tourism development.

## METHODOLOGY OF DATA ANALYSIS

### DESCRIPTION OF THE STUDY AREA

Aksum is one of the zonal towns in Tigray located in the Central (Maekelay) zone at geographical coordinates of 14° 7' 47" North, 38° 42' 57" East and at an elevation of 2,130 meters above sea level. It is an ancient city of great historical and religious significance. It is one of the ten World Heritage sites in Ethiopia. Based on the 2007 census study of the CSA, the population of the town was projected to reach 51,742 in 2010, of which 53.5% were female (BoFED, 2008).

### SOURCE OF DATA AND THE INSTRUMENT OF COLLECTION

The study used both primary and secondary sources of information. The primary data was collected from 350 respondents using a questionnaire survey and secondary data from the Ministry of Culture and Tourism, Culture & Tourism Agency, Aksum Cluster, the Office of Trade and Industry were targets. In addition, physical observation and interviews with key stakeholders, officers and others were employed to strengthen the viability of the paper.

### POVERTY AND INCOME DISTRIBUTION ANALYSIS

#### POVERTY ANALYSIS

We analyzed the poverty situation of Aksum using the expenditure approach developed by Foster, Greer and Thorbecke (1984), known as FGT Index which is commonly applied for poverty analysis (Fredu, 2008 and Araya M. 2010).

Let  $Z$  is the poverty line,  $Y_i$  is the actual expenditure or income (adult equivalent) of individuals below the poverty line,  $n$  is number of people,  $q$  is the number of poor people, normally those below the poverty threshold,  $\alpha$  is poverty aversion parameter (Fredu, 2008, Tassew *et al*, 2008, Tesfaye (2006) and WBI, 2005).

Then, the FGT or  $P_\alpha$  is given by:

$$P_\alpha (Z, Y) = \frac{1}{n} \sum_{i=1}^q \left[ \frac{Z - Y_i}{Z} \right]^\alpha \dots\dots\dots (E 1)$$

Therefore, if the value of  $\alpha = 0$ , the FGT or the  $P_\alpha$  becomes the Head Count Index ( $P_0$ ) yet when  $\alpha$  has value 1,  $P_\alpha$  is the Poverty Gap Index ( $P_1$ ).

#### INCOME INEQUALITY

We analyzed the income inequality in Aksum using the popular measure of inequality, Gini coefficient (GC). Let  $X_i$  be a point on the cumulative percentage of population that lies on the horizontal or (X-axis) and  $Y_i$  is a point of cumulative percentage of expenditure plotted on the vertical or Y-axis, then the Gini coefficient (GC) is given by the formula WBI (2005), Tesfaye (2006) and Tassew *et al* (2008).

$$Gini (GC) = 1 - \sum_{i=1}^N (X_i - X_{i-1})(Y_i + Y_{i-1}) \dots\dots\dots (E 2)$$

Where  $N$  is sample size

#### TOURIST AND REVENUE FLOW ANALYSIS

Tourist flow forecasting will be considered as a base for the strategic development Ethiopian tourist destinations, Aksum in particular.

The tourist flow was computed using the formal growth rate measure for time series data. The initial trend is calculated as average annual change in the number of tourists within the analyzed period.

$$\text{Growth rate of tourist} = \left( \frac{\text{Number of tourists in Year} - \text{number of tourists in year} - 1}{\text{Number of tourists in year} - 1} \right) * 100 \dots\dots\dots (E3)$$

Growth rate of income or revenue from this sector was analyzed using this growth rate of revenue formula and the data used were 2005-2011:

$$\text{Growth rate of revenue} = \left( \frac{\text{Income from tourists in Year} - \text{Income from tourists in year} - 1}{\text{Income from tourists in year} - 1} \right) * 100 \dots\dots\dots (E4)$$

## REVIEW OF LITERATURE

Tourism in many developing and least developed countries is the most viable and sustainable economic development option, and in some countries, the main source of foreign exchange earnings. In 2007 tourists spent US\$295 billion in developing countries almost three times the level of official development assistance (Jonathan Mitchell and Caroline Ashley, 2010).

Studies carried out in Tanzania shows that tourism has a positive impact for poverty reduction through its contribution to national economy resulting from mainly income a, asset holding of the rural poor people and creates 95 percent of the employment in the hotels located in the tourist sites (Nathanael L., and Joseph S., 2003).

Another study carried out in Brazil on tourism show that tourism benefits the lowest income sections of Brazilian population and has the potential to reduce income inequality. The lowest income households are not, however, the main beneficiaries of tourism and also shown that alternative revenue distribution by the government could double the benefits for the poorest households and give them around one-third of all the benefits from tourism (Adam B., *et al*, 2007).

## DISCUSSION AND DATA ANALYSIS

### DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

The study comprised of two kinds of respondents: 300 households from the town; and 50 international tourists. The 300 respondents were from different social and economic strata, i.e., 72.5 percent of the respondents were from the community, 10.7 percent were guides, 8.0 percent were hotel owners, 7.3 percent were owners of souvenir and the remaining 1.3 percent were tour and travel operators.

73.3 percent of the respondents were male headed households and the remaining 26.7 percent share was covered by female headed households. Furthermore, the respondents fall into five marital status categories in which the 59 percent of the respondents were married, 18 percent unmarried, 11.7 percent widowed, 8.3 percent from divorced households and separated households comprised 3 percent of the share.

### INCIDENCE OF POVERTY AND INCOME INEQUALITY

#### INCIDENCE OF POVERTY

The incidence of poverty in Aksum was studied using the poverty line (Br 336 per adult equivalent) developed by Araya et al (2011). As indicated in table 1, the incidence of poverty in Aksum was 0.30 with an income short fall rate of 0.09 and poverty severity index of 0.04. It is important to say that poverty was highest (47%) in the community group and zero level of poverty was recorded in the tour and travel operators. In addition, 29 percent of the respondents who were participating in selling arts and traditional works were living in poverty with an income gap level of 0.07 and squared poverty gap level of 0.02. The level of poverty in the guides group was around 0.19 with a gap level of 0.01 and poverty severity index of 2 percent and 0.01 incidence of poverty with income short fall of 0.04 and severity index of 0.00 was observed in the hotel owner.

TABLE 1: INCIDENCE OF POVERTY IN AKSUM BY ECONOMIC AND SOCIAL CLASSIFICATION

Group	Po	P1	P2	Poverty line(Br.)
Community	0.47 (0.03)	0.15 (0.01)	0.07 (0.01)	336
Guides	0.19(0.07)	0.01( 0.00)	0.00( 0.00)	336
Hotel	0.01( 0.04)	0.01 (0.01)	0.00( 0.00)	336
Souvenir	0.29( 0.10)	0.07( 0.03)	0.02( 0.01)	336
Tour and travel	0.00 (0.00)	0.00( 0.00)	0.00(0.00)	336
Population	0.30(0.03)	0.09 (0.01)	0.04(0.01)	336

Values in brackets are standard errors

Source: Own survey and computation, 2012

### POVERTY AND HOUSEHOLD VARIABLES

#### MARITAL STATUS AND POVERTY

In poverty studies, marital status of the household head is an important constituent of the demographic variables. Despite the conflicting and opposite ideas having been raised by most scholars, there is a difference in the incidence, gap and severity of poverty. But, most scholars concluded that divorced and widowed household heads have the greater probability of falling to poverty (Metalign, 2005).

Poverty in Aksum, graph 1, was highest (70 percent) in the widowed households, followed by separated households (33 percent), married (30 percent), divorced (28 percent) and unmarried (17 percent).

GRAPH 1: POVERTY AND MARITAL STATUS



Source: Own survey and computation, 2012

The widowed household heads still have the highest income shortfall (26%) followed by separated (11%), married (9%), divorced (8%) and unmarried (3%). Moreover, poverty was severing in the widowed household heads with index of 12%, married and separated; both with a rate of 4%, divorced (3%) and unmarried households live with zero rate of severity index.

#### SEX OF HOUSEHOLD AND POVERTY

Two opposite conclusions were drawn with respect to the correlation between poverty and sex of the household head. Major studies conducted in Ethiopia, Kenya and Ghana by Fitsum T., 2002, Sackey, 2004 and Alemayoh G., et al., 2005, concluded that the sex of the household head significantly affects poverty and female headed households are much more vulnerable to poverty than their counter parts. On the contrary, a study made in Cameroon revealed that male headed households' have highest probability of falling into poverty (NIS, 2007).

In Aksum, there is statistically significant difference in the incidence of poverty in households led by female and male. As table 2 tries to indicate, 42 percent of female-headed households were living below the poverty line with an income shortfall of 14 percent and poverty severity index of 3 percent. 27 percent of their counterpart households were living below the required life sustenance calorie level and are 7 percent away from the poverty line with a severity rate of 3 percent. This is quite in line with most empirical findings and works.

TABLE 2: POVERTY AND SEX OF HOUSEHOLD HEADS

Sex	P0	P1	P2	PL
Male	0.27(0.03)	0.07(0.01)	0.03(0.01)	336
Female	0.42(0.06)	0.14(0.02)	0.06(0.01)	336
Population	0.30(0.03)	0.09(0.01)	0.04(0.01)	336

Source: Own survey and computation, 2012

### INCOME INEQUALITY

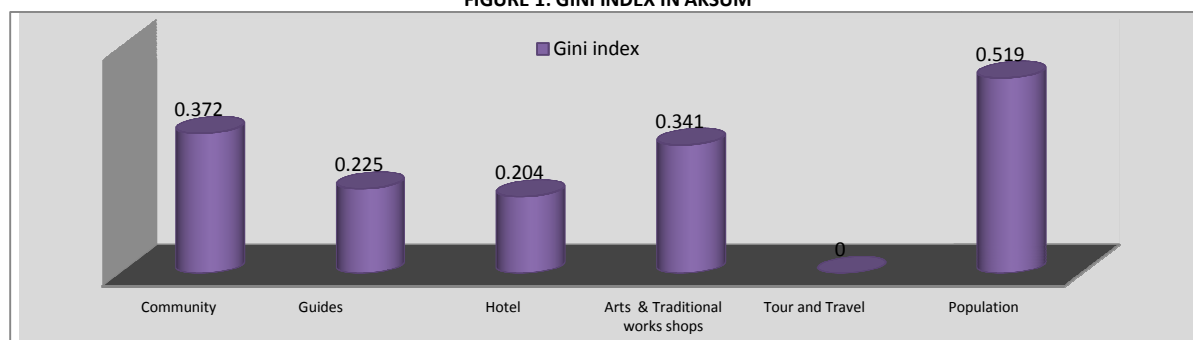
Fair distribution of income among the citizens is a good indication of healthy benefit sharing, improving a sense of nationality and integration.

In Tigray, despite the fact that poverty is being reduced from year to year, income inequality has dramatically been increasing with average Gini index change of 0.14 and reached 0.49 in 2004/5 (Tassewet al, 2008).



Households in Aksum depend on various means of generating income. Based upon the nature of the source of income, the source is divided into four classes. Accordingly, households' employments take the largest share (79.3 percent), followed by remittance (11.7 percent), rent of asset, particularly of a house, (5 percent) and others (aid, support and business profit) comprises 4 percent of the sources.

FIGURE 1: GINI INDEX IN AKSUM



Source: Own survey and computation, 2012

Computed result of income, Figure 1, shows that there is high income inequality (0.519) in Aksum, measured in gini coefficients. zero level of gini index is observed in households participating in tour and travel works followed by hotel operators (0.204), guides (0.225), souvenir shops 0.341) and community (0.372). From this we can infer that lowest income inequality is observed in respondents participating directly in the tourism service sector.

In spite of the statistically insignificant difference existed between gini indices of male and female-headed households, there is high income inequality (0.540) in female headed households and male headed households also suffering from 0.507 level of inequality.

#### TOURIST AND REVENUE FLOW IN AKSUM

##### TOURIST FLOW

Tourist flow has increased from time to time in the whole world and the same is true in Ethiopia. In 2005, 19,889 tourists were visiting the historical places of Aksum and its endowments and this number has increased at an average growth rate of 10.12% per annum and reached 42,298 in 2012. Moreover, on average, about 311,358.5 tourists were visiting Aksum in the last eight years.

As indicated in graph 3, since 2005, tourists flow boom in Aksum was observed in 2010 that showed a 25.98% increment rate followed by 15.37% growth rate in 2008. In spite of the fact that Aksum's excellent heritage collection and a great tourist destination area, there were ups and downs in the growth rate of tourists. In 2009 the highest growth rate of international tourist flow rate (20.46%) in Aksum was recorded. Despite this, in 2007 and 2012 the smallest rate of growth of 1.93% and 1.97%, respectively, was achieved. This might be due to the political instability occurring in the country following the election and the financial crisis occurring in the world, particularly in the dominant tourist-sending countries in Europe. Furthermore, the average growth rate of international tourists flow was 9.31%. Moreover, statistical abstracts show that international tourists coming from Europe took the lead followed by North America and Asia.

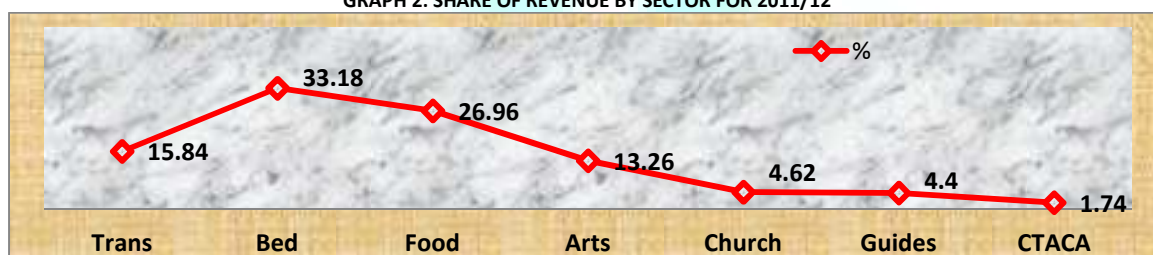
Findings on domestic tourists flow showed that 2010 was considered as a year of domestic tourist boom (30.2%) in Aksum followed by 19.38% rate of growth in 2008. Taking 2005 as a base year for this study, the smallest growth rate of domestic tourists (1.56%) was observed in 2012 and, on average, domestic visitors was growing at a rate of 10.96% which is equivalent to 17,632 tourists.

##### TOURISM AS A SOURCE OF INCOME

Many countries have made huge investments to increase the flow of tourists and therefore to generate more revenue. In Ethiopia, the same is true, yet the amount and intensity of investments varies with the level and nature of the regions' endowments, government priorities and investment policy and business profitability.

The contribution of tourism in Aksum, as a source of income, has a wide-spread effect and reaches the whole community via direct and indirect routes. Based up on the estimated spending of tourists for accommodation, food, transport, entrance tickets and other purchases, eight years income is computed. Regardless of the rate of increment in revenue being low until 2008, dramatic increments were observed later on. Moreover achieving an average annual growth rate of income of 26.7 percent in 2011/2012; and enjoying more than 23.4 million birr contribution from the local tourists, about 52.5 million birr was generated from the sector. With 1.375 mean days of stay, international and domestic tourists were stayed in Aksum for 1.5 and 1.25 days, respectively.

GRAPH 2: SHARE OF REVENUE BY SECTOR FOR 2011/12



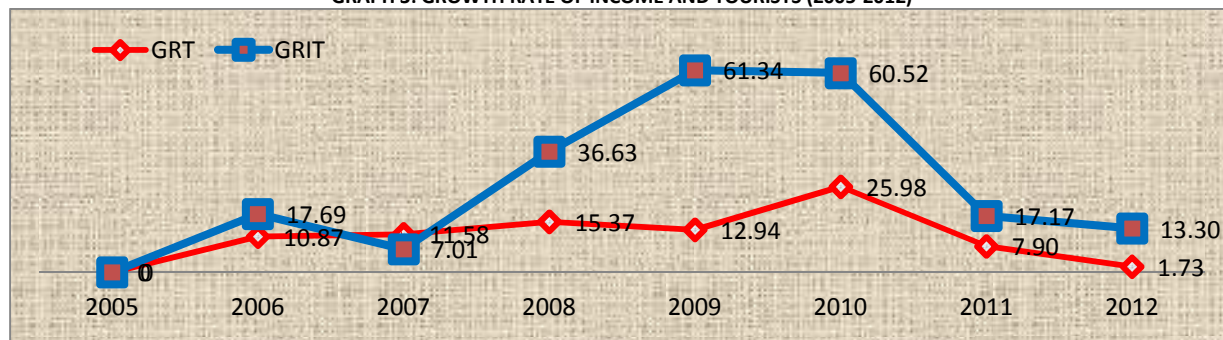
Source: Documents survey and computation (2012)

Revenue received by different service providers, depends on the nature of the service offered. As indicated in graph3, the major share of the revenue (60.14%) is collected by the hotel sector, followed by tour agents or transport service providers (15.84%). 13.26% is shared among the owners of shops selling handicrafts, arts and related objects and the St. Maryam church has the capacity to raise 4.62%. In addition, tour guides and Culture and Tourism Agency Cluster of Aksum obtained a revenue share of 4.4% and 1.74% respectively.

Graph 3 reveals that a cyclical movement in the growth rate of income has been observed in Aksum. The highest rate of growth (61.34%) was achieved in 2009 followed by 60.52% in 2010 and 36.63% in 2008. However, a low growth rate of revenue (7.01%) was registered in 2007 which was greatly influenced by the growth rate of revenue (-1.31%) from international visitors.

Therefore, the rate of growth of revenue stated above is the result of changes in the growth rate of tourists flow. Taking 2005 as a base year of study, highest growth of rate of tourist flow (25.98%) was observed in 2010, followed by 15.37 % and 12.94% in 2008 and 2009, respectively. In the study, graph 3, a low rate of tourist flow was recorded in 2007 and 2012 with a change of rate of 7.01% and 1.73%, respectively.

GRAPH 3: GROWTH RATE OF INCOME AND TOURISTS (2005-2012)



Source: Documents survey and computation (2012)

In addition, due to the Ethiopian Millennium celebration, income from international and local tourists had increased by about 50.6% and 154.91% in 2008 and 2009, respectively. Moreover, with an average growth rate in the flow of tourists (10.8%), Aksum is able to enhance its income at a rate of 26.7% that helped us to infer that the growth rate of income is positively correlated with the flow rate of tourists and the price of products and services in Aksum.

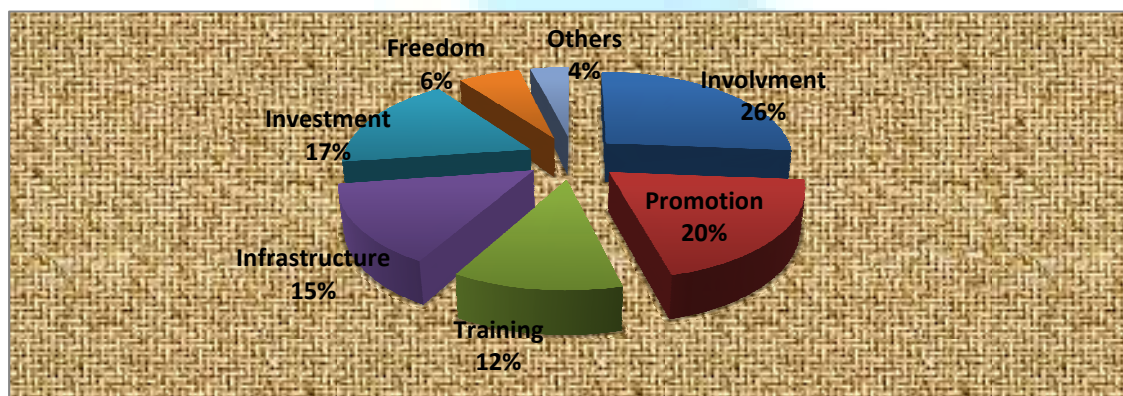
#### PARTICIPATION OF TOUR OPERATORS

Studies show that the contribution of tour operators in enhancing the flow of tourists and income is vital. Tourists come to Aksum in different forms, i.e. via tour operators, personal and public transport. To this end, when we look at 2011/2012, 166 tour operators were using Aksum as their destination. However, the number of repetitions was very limited and ranges from one to 60 repetitions. For the ten top-ranked tour operators, the average number of visits made was 31.6 times and the standard deviation of frequency of visit was 15.57. Thus we can infer that the frequency of visits made by the tour operators was very low and this in turn lowers the tourist flow and income from the sector.

#### FACTORS AFFECTING TOURISM IN AKSUM

Tourism is a sector which is influenced by a multitude of factors. The development and contribution of tourism in Aksum, like its development in the whole nation, does not reflect the availability of tourist attraction units. From the study made, the researchers have identified the following factors that hamper the development of the sector and contribute less to the town.

CHART 1: FACTORS INFLUENCING TOURISM IN AKSUM



Source: Own survey and computation (2012)

#### ✓ POOR KNOWLEDGE, AWARENESS AND INVOLVEMENT

There is a fundamental lack of basic cognizance of the economic contributions of tourism as an industry and its positive impact as a potential source of foreign exchange and employment.

Community participation in the sector and the sense of ownership of these tourist sites is very insignificant. Majority of the community considers tourism as a sector for specific service providers. Chart 1 portrays that poor knowledge, awareness on the role of the sector to the local economy and the observance role of the community (26%) was considered as the factor contributing to the poor performance of tourism in Aksum. Only 34.3 percent of the respondents have made a visit to all the tourist sites found in Aksum. 41 percent of the respondents have visited some of the sites which are easily accessible. Furthermore, 10.3 percent of them have visited very few tourist environs particularly the obelisks and the church of St. mariam.

Surprisingly, 14.3 percent of the respondents who have lived in Aksum for more than ten years have not visited the tourism hotspots in the town. This is because, 79.7 percent of the respondents had poor interest and carelessness, easy accessibility (15.7 %) and lack of information, religious attitudes and adaptability (4.6 %) were the reasons for not visiting the sites.

#### ✓ LACK OF TECHNICAL KNOW-HOW AND WEAK PROMOTIONAL ACTIVITY

In many cases there is a generally accepted lack of tourism knowledge and professionalism. In addition, there is poor public promotion and mass media exposure due to limited technology access, finance and other related factors. The technical capacity of the people who have to sell the endowments they own is quite poor. It is believed that the town is highly endowed with such tourist sites but sensible and constant promotional activities carried out to promote them to the world is inadequate. This factor is the second determinant (20%) for the poor role of the tourism sector to support the economy of the town.

#### ✓ LACK OF TOURISM INVESTMENT & TOURISM RELATED INFRASTRUCTURE

Investment in service-oriented projects and tourism is regarded as high risk; in Aksum majority of the investment are on hotels. Despite the fact that tourists' flow rate has increased, there is no lodges or other recreational areas that increases pleasure of tourists in an open air. Among the respondents, 17% agreed that weak tourism investment to improve the poor hotel standards of sanitation, food and drink, is an impediment to enhancing the income-generating capacity of the sector.

Tourist facilities, like accommodation, telephone, internet and others have been classified into five rates. 68.9 percent of the respondents rated the utilities as moderate and below. If we look at this variable only for the international tourists, the rate has increased to 84.7 percent. Majority of the respondents (38.9%) rated the facility as moderate but the majority of the international tourists (47%) rate it as very poor and 24 percent of them rate it as poor. Only 4.3 percent of all the respondents and 6 percent of the international tourists rated the facilities as very good. Moreover, infrastructural development (15%) as a key instrument for tourists' attraction and retention in Aksum does not work properly due to its fragile nature and being it is at its lowest level. Among others, poor road networks, transportation, electricity and communication are the leading. Tourists, as they are away from their permanent place of residence, their family and community, need fast and immediate communication for family and business purposes. Due to the poor communication system, poor internet service, fax, telephone and others, they need to leave Aksum after only a short period of time.

There are illegal guides (unlicensed) that lack the professional ethics of tour guiding, have poor knowledge on the historical explanation of the sites and participate in some banned acts. Information collected from such guides was confusing tourists and reduce the truth, worthiness and values of the tourist attraction sites. As indicated in chart 2, 12% of the respondents of the study confer that the poor access to training for hotel owners and workers, tour related participants and stakeholders, is a factor for the poor performance of the sector.

#### ✓ FREEDOM OF TOURISTS

Tourists, as they are new to the environment in which they visit, face difficulties of easy communication with the local community. This may be aggravated by the language barrier, lack of knowledge of the customs and traditions of the community, and the safety problems observed in the areas. Therefore, they need to be free, either to walk to sites, eat, to take rest or do shopping. However, their movement is partially hampered by beggars and children asking for money and hindering their movement while they are walking. 6 percent of the respondents feel that such activities may lower the feeling of respect that should be shown towards guests which definitely deteriorates the image of Aksum.

## CONCLUSION AND RECOMMENDATIONS

### CONCLUSION

Poverty in Aksum is more severe (47%) in the households that do not directly participate in the tourism sector. The highest incidence of poverty, measured in head count index, is also observed in female (0.42), illiterate (0.59) and widowed (0.7) heads of household. There is a high level of income inequality (0.519) in Aksum in which a low level of inequality is found in hotel operators (0.204) and a high level of inequality (0.372) is recorded in the community group.

Despite the average days that international and domestic tourists stay in Aksum, 1.5 and 1.25 days respectively, being very low, the number of tourists has increased overtime. It is increasing at an average growth rate of 10.8% per annum. Numerically, on average about 31,157 tourists visited Aksum during the last eight years and 2010 was a year of boom for the domestic tourist market in Aksum and about 30.2% growth rate was recorded followed by 19.38% growth rate in 2008.

The study revealed a cyclical movement in the growth rate of income from tourists. In Aksum, up until 2008 the revenue, or income, generated from tourism was low. Dramatic increments were observed since 2009 and in 2011/2012 about 23.4 and 29.1 million Birr were obtained from local and international tourists. A major share of the revenue obtained from tourism in the study area (60.14%) is collected by the hotel sector, followed by tour agents or transport service providers (15.84%). 13.26% is shared among the handicrafts, arts shops and related owners, and the church of St. mariam has the capacity to receive 4.62%. In addition, tour guides and Culture and Tourism Agency Cluster of Aksum got a revenue share of 4.4% and 1.74% respectively. The highest growth rate (61.34%) was achieved in 2009 followed by 60.52% in 2010 and 36.63% in 2008.

The participation of the community is very restricted and a significant number of people did not visit the historical sites and contributed nothing. People have different reasons for their poor participation in the sector, poor interest; accessibility and carelessness are taking the lead.

Lastly, poor community involvement, knowledge and awareness (26%), lack of technical know-how and promotional intensity (20%), lack of tourism related investments (17%), infrastructural development (15%), shortage of timely and continuous training for service providers (12%), obstacles on the free movement of tourists (6%) and others are affecting tourism sector in Aksum.

### RECOMMENDATIONS

Based upon the findings of the study, the following recommendations are here by suggested:

Poverty and income inequality in Aksum demands urgent intervention. To reduce the incidence of poverty and income inequality, diversifying the income sources through provision of short term trainings focusing on tourism related and other activities like the provision of traditional works and services, empowering women, facilitating credits, continuous trainings on the control of transmitted diseases and stress management and motivating people to join the labor market is crucial.

As the tourism service is a dynamic sector greatly influenced by the advancement of the world economy and technology, capacity building programs aiming at increasing the awareness of service providers, infrastructural development and introducing motivation schemes is imperative.

- Trainings focusing on customer handling, language proficiency, general history, psychology, ethics, data management, entrepreneurship, business management and food preparation are worthy enough to improve the quality of service provision. Hotel standardizing and grading can increase the competition among service providers and continuous capacity development programs and follow-ups are mandatory in the tourism sector
- An incentive package and 'recognition days for tour operators' have to be organized to motivate the influential tour and travel operators for their contribution of tourism facilities.
- It is good to advocate investment activities carried out in traditional houses (clubs) with traditional vocals and instruments; traditional hair, clothing events and culture sharing nights are important opportunities to exploit more from the sector. Furthermore, huge investments on lodges and recreational areas can bring a real change to increase the number of days that tourists can stay in Aksum.
- Step-ups in utilities, certainly, improve the welfare of tourists as it enables easy communication with their families and allows them to continue contact with their permanent jobs.

Participation of the community will be ensured if it has a key role as supplier, promoter, user or stakeholder of tourism wealth of the town. Community participation is enhanced through trainings focusing on the contribution of tourism to the local community, the role of the community and mechanisms of protection and conservation of historical sites, ways of marketing tourism sites and the likes are exceedingly critical. In addition, tourism committees from the Culture and Tourism Agency, Aksum Cluster, local community, service providers, Woreda administration, Aksum University and other partners should be established to put fast decisions for problems raised.

Further, organizing tourist guides in associations is crucial to control the illegal movement of guides and to endure the comfort and safety of tourists in the town.

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**IMPACT OF SALES PROMOTION SCHEMES ON CONSUMER'S PREFERENCE WITH REGARD TO BEVERAGES**

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**ABSTRACT**

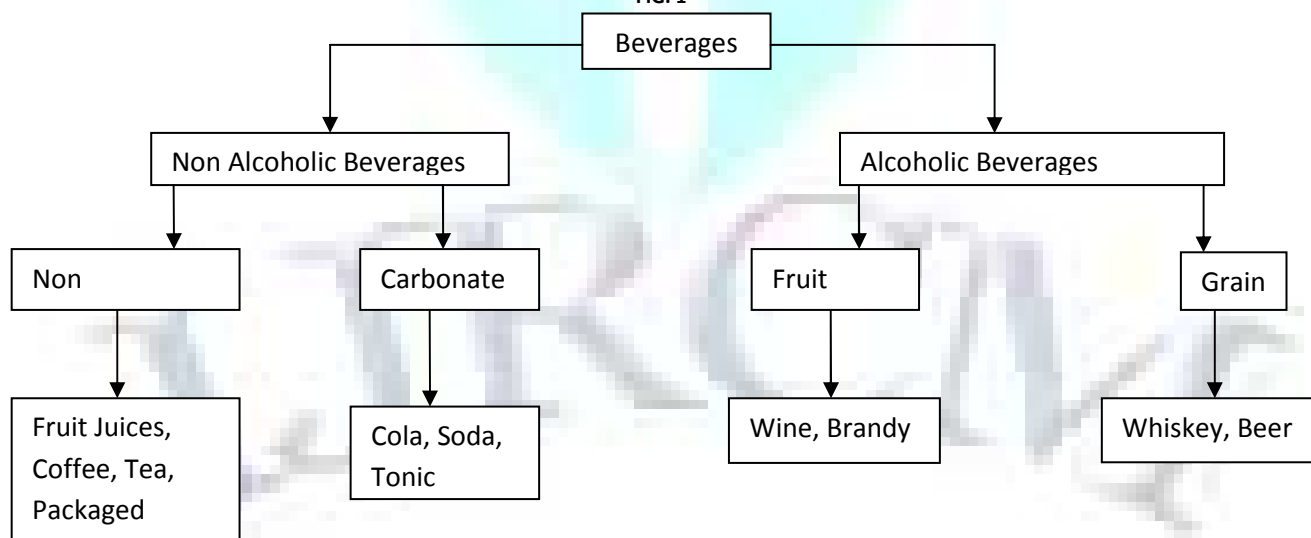
*This study examines the effects of sales promotion schemes on preferences of consumers of beverages in Rajasthan State. It focuses on what type of sales promotion schemes are preferred by the consumers. Sales promotion is an important component of any organization's overall marketing strategies alongside advertising, public relations, and personal selling. The study is significant because, it contributes to new knowledge by filling and reducing the gap that exist in the understanding of sales promotion in the Beverages Industry. It also serves as source of references to other researchers in this field. The sample size employed is 500 consumers of beverages in the Alwar District of Rajasthan State. Structured Questionnaire was administered to the sampled respondents to collect primary data used for this study. The study made use of convenient sampling technique in selecting the respondents. For creating the combination of various attributes of Sales Promotion Schemes Orthogonal design was created and Kruskal Wallis test was used to test the hypotheses. The result of the study indicated that there is a difference in the preferences of the sales promotion schemes according to the gender employment status and family size categories in beverages consumption and by the results of Conjoint Analysis it is interpreted the most important factor for the sales promotion schemes preference is Brand and after that what type of Incentives the marketers are giving to the customers followed by Schemes types.*

**KEYWORDS**

Beverages, Sales Promotion Schemes, Consumer Preferences.

**1. INTRODUCTION**

A beverage is a drink specifically prepared for human consumption. Beverages almost always largely consist of water. Drinks often consumed include: Water (both flat or carbonated), Juice based drinks, Soft drinks, Sports and Energy drinks, Alcoholic beverages like beer or spirits, Coffee, tea, Dairy products like milk. Commonly, drinks are filled into containers, like glass or plastic bottles, steel or aluminum cans as well as cardboard supported packages, like the "Tetra Pack" or others. Filling of beverages can be done cold, hot, ambient filling to mention the latest trend of beverage marketing and technology. The beverage is mainly categorized into two major categories based upon the alcoholic and nonalcoholic nature of the drink. Non-Alcoholic beverages are further of two types based upon carbon content. These beverages contain Fruit juices, Coffee, Tea, Soda, Colas. The Alcoholic beverages are based upon the fruit content and grain. It may be Wine, Brandy, Whisky or Beer.

**FIG. 1****1.1 INDIAN BEVERAGE INDUSTRY**

India has a population of more than 1.150 Billions which is just behind China. According to the estimates, by 2030 India population will be around 1.450 Billion and will surpass China to become the World largest in terms of population. Beverage Industry which is directly related to the population is expected to maintain a robust growth rate.

The Indian beverage market offers hot options. According to Dabur, the fruit beverages industry in India now stands at Rs 1100 crores (approx. Euro 180 million) and the market has grown at the rate of 30% where Dabur India, through the new launch Real Burrst, is looking at establishing a market share of 4-5% in next 2-3 years. Part of the industry of fast moving consumer goods is also the beverage industry. The total beverage industry in India has grown 17% in 2013, according to experts. Food and beverages segment has not suffered despite the slowdown in the economy. Beverage majors like Coca Cola India, for example, again

reported growing sales. Coca-Cola in India reported a solid first quarter 2009 results not only despite a challenging economic environment, but also with unit case volume increasing by 31%. And eight quarters out of the 11 quarters had a double-digit growth. To foreign observers of the market, these figures might sound unbelievable, as Western markets are saturated and have not seen such figures for long time. But in India, various positive factors drive the beverage markets. One is the rising number of people in the middle class with extra money to spend on new beverages like wine, new brands of imported whiskey, or the fancy energy drinks, some of which are Really good to enable people to work longer, to listen longer during conferences, and even to party longer and have fun. Leader in this segment is Red Bull, but some other good and very effective drinks – one even very healthy – are already or soon entering the market. Another factor is the sheer size of the number of people in India. Even the rural households, as long as the monsoon is good, get purchasing power and can participate in consumer markets. Where ever the purchasing power is still not big enough, companies offer smaller packs for Rs. 10 or Rs. 5, especially to be seen in the snack market. Hot summers in India also help a bit to sell beverages. Approximately 120 billion litres of beverages are consumed by Indians every year, but only 5% represent store-bought packaged beverages. The majority of Indian consumers (75%) still consume non-alcoholic store-bought beverages 'less than once a day', highlighting a large untapped market opportunity, particularly in the carbonated drinks and juice or juice-based categories (estimated to be worth \$1.5 Billion and \$.25 billion respectively).

## 2. SALES PROMOTION

Sales promotion is regarded as typical marketing technique that adds value to a product in order to achieve specific marketing goals. The primary purpose of sales promotion is to induce the consumers to make a quick buying-decision in order to increase sales. Typical example of sales promotion is to offer customers to take chance of winning a prize or offering some extra products with the same price.

Sales promotion and marketing are inter-related but not have the similar purpose. It is advertising which makes a platform for sales promotion where customers can see the direct added value of buying the product. On the other hand, advertising is an intangible promotion of the products to send the marketing message to the customer base.

### 2.1 OBJECTIVES OF SALES PROMOTION

Before designing a promotional campaign, one must identify the target groups. This is done by breaking up of product markets and identification of small groups of consumers whose wants and needs are not the same as the mass market as a whole this is one of the key to success in sales promotion. For finding the target group one need to take a qualitative research on the market to determine the groups of customers, if the target group exists then find out their needs & wants, and what drives them to buy the product. After learning about the target groups, one must set the objectives of sales promotion which is all about why one wants to achieve in sales promotion campaign and how the customers will be benefited. Other aspects of sales objectives are: budget of the promotion and duration of the promotional offer.

### 2.2 TYPES OF SALES PROMOTION

Basically there are three main categories of sales promotion targeted at different elements of markets such as consumers, traders, industries.

1. Consumer sales promotions
2. Trade sales promotion
3. B2B and industrial sales promotion

#### 1. CONSUMER SALES PROMOTION:

##### SAMPLING

If your objective is to trial the product then sampling is an effective sales promotion method. Usually sampling is involved with low value products and products having highly visible features of benefits. For delivery sample products marketers use either door-to-door or mailing approach

##### COUPONING

It is one of the oldest sales promotion strategies and sometimes couponing makes the product problematic by cheapening the brand name. Coupon is mainly used for attracting new customers as well as to increase instant sales with price reduction of a product.

##### CONTESTS AND SWEEPSTAKES

These are very popular low-cost methods of sales promotion used and viable in almost any demographic location on earth. These techniques help people to learn the product more and help them pay more attention to the product.

##### MONEY REFUNDS

Instant cash-back, refunds and rebates are very attractive ways to promote sales in cell phone service providers and web-hosting companies. For any product sales promotion, money back offers give a sense of security to all customers.

##### PREMIUMS AND BONUS PACKS

A premium offer means an extra item at a low price or totally. Premiums are one of the effective sales promotions in targeting the brand switching users and also to increase sales rate among the existing users.

##### LOYALTY SCHEMES

This is great way to hold the loyalty of customers. It is basically a point based system, where each customer gets some points on each purchase and later can use these points on buying the same products or other products at a reduced price. To many marketers, loyalty schemes are also known as-frequent purchasing scheme.

##### EXHIBITIONS

This is not like trade show. The purpose of an exhibition is to interact with the customers, answer their queries and not to merchandise any products. Generally exhibitions are held to develop consumer interests on products. It is a very powerful and efficient vehicle to reach the customers and to educate them about the products. Example of exhibition is -Motor Show.

##### PACKAGING

Many marketers do not pay much attention to the quality of packaging, because they simply do not understand the psychological and brand image aspects of packaging. An attractive and innovative packaging can work like a salient sales man-packaging does the hooking function to buyers. A well-packaged product carries not only the brand values but also create an emotional link to the prospects. Not that it is only important for packaging to be eye-catching, aesthetic, but it needs to protect the product inside with proper manner.

### 2. TRADE SALES PROMOTIONS

Improve the distribution line is the key purpose of trade sales, by organizing trade shows. Some effective techniques used in a trade promotion are: discounts, point-of sales materials, shelf facings, and displays.

#### INCENTIVES

This is a popular trade promotion idea with the manufacturers, retailers normally does not use this technique to boost their sales. Incentives are given as a form of cash bonus or prizes per sale.

#### BUYING ALLOWANCES

It's a kind of price reduction for the product for a specific period of time.

#### TRADE SHOWS

It is a way of getting to learn new customers, introduce those new products, getting customer reactions. But unlike exhibitions, trade show involves in selling products. A successful trade show can be measured by keeping records of the number of visitors, useful leads and identifying the products with most interests to customers.

**ADVERTISING ALLOWANCES PROMOTION**

This is very common practice among manufacturers where a certain amount of money is given to the retailers by the manufacturing company. The allowance is based on the number of products and orders retailers can bring to the manufacturers.

**FREE TRAINING**

It is a well-unformatted sales man work like an ambassador for your brand. Customers need proper information from a proper channeled none other than sales man does this job better. As a part of the promotional offer and relationship building, manufacturers offer training to the retail staff so as they become more effective and skilled while dealing with customers. This free training is a very important promotion factor if one markets any complicated and expensive products. Along with it each training manufacture needs to provide well-documented brochures and technical manuals to the retailers.

**2.3 SALES PROMOTIONS: B2B & INDUSTRIAL**

This is the last but not certainly the least important portion of the sales promotion plan. Industrial sales promotion is all about applying the trade & consumer promotional ideas into industrial marketing environment. Depending on the situation, one need to decide on which consumer and trade promotion ideas is best suited in B2B environment. For example, consumer promotional offer like —buy one get one free can be offer in B2B environment as —buy one and get one-year service free. Depending of the type of products you choose to promote decides which promotional ideas will bring the best ROI. While devising a promotional plan, keep in mind that sales promotion has disadvantages too. So, make sure sales promotion campaign does not harm the brand image at any cost. And finally, always try to avoid price competition wars as much as possible rather put all the attention in improving the quality of products by adding more values to it. Sales promotion consists of all promotional activities other than advertising, personal selling and publicity that help to increase sales through non repetitive and one time communication. In other words, it includes marketing activities other than personal selling, advertising, and publicity that stimulate consumer purchasing and dealer effectiveness, such as point of purchase displays, shows and exhibitions, demonstrations and various non-recurring selling efforts not in the ordinary routine.

**3. LITERATURE REVIEW**

Consumer promotions are now more pervasive than ever. So far, not much work has been done to identify the purchasing strategies that consumers adopt in response to particular promotions, or to study how pervasive these strategies are in a population of interest. Blattberg, Peacock and Sen (1976) define a purchase strategy as a general buying pattern which "incorporates several dimensions of buying behaviour such as brand loyalty, private brand proneness and deal proneness." A greater understanding of the different types of consumer responses to promotions can help managers to develop effective promotional programs as well as provide new insights for consumer behaviour theorists who seek to understand the influence of different types of environmental cues on consumer behaviour.

Blattberg, Eppen, and Lieberman (1981), Gupta (1988), Neslin, Henderson, and Quelch (1985), Shoemaker (1979), Ward and Davis (1978), and Wilson, Newman, and Hastak (1979) find evidence that promotions are associated with purchase acceleration in terms of an increase in quantity purchased and, to a lesser extent, decreased inter purchase timing. Researchers studying the brand choice decision—for example, Guadagni and Little (1983) and Gupta (1988)—have found promotions to be associated with brand switching. Montgomery (1971), Schneider and Currim (1990), and Webster (1965) found that promotion-prone households were associated with lower levels of brand loyalty. Blattberg, Peacock, and Sen (1976, 1978) describe 16 purchasing strategy segments based on three purchase dimensions: brand loyalty (single brand, single brand shifting, many brands), type of brand preferred (national, both national and private label), and price sensitivity (purchase at regular price, purchase at deal price). There are other variables that may be used to describe purchase strategies, examples are whether the household purchases a major or minor (share) national brand, store brand, or generic, or whether it is store-loyal or not. McAlister (1983) and Neslin and Shoemaker (1983) use certain segments derived from those of Blattberg, Peacock, and Sen but add a purchase acceleration variable to study the profitability of product promotions. Throughout the world, consumer sales promotions are an integral part of the marketing mix for many consumer products. Marketing managers use price-oriented promotions such as coupons, rebates, and price discounts to increase sales and market share, entice trial, and encourage brand switching. Non-price promotions such as sweepstakes, frequent user clubs, and premiums add excitement and value to brands and may encourage brand loyalty (e.g., Aaker 1991; Shea, 1996). In addition, consumers like promotions. They provide utilitarian benefits such as monetary savings, added value, increased quality, and convenience, as well as hedonic benefits such as entertainment, exploration, and self expression (Chandon, Laurent, and Wansink, 1997). A large body of literature has examined consumer response to sales promotions, most notably coupons (e.g., Sawyer and Dickson, 1984; Bawa and Shoemaker, 1987 and 1989; Gupta, 1988; Blattberg and Neslin, 1990; Kirshnan and Rao, 1995; Leone and Srinivasan, 1996). Despite this, important gaps remain to be studied. It is generally agreed that sales promotions are difficult to standardize because of legal, economic, and cultural differences (e.g., Foxman, Tansuhaj, and Wong, 1988; Kashani and Quelch, 1990; Huff and Alden, 1998). Multinational firms should therefore understand how consumer response to sales promotions differs between countries or states or province.

**4. RESEARCH METHODOLOGY****4.1 OBJECTIVES OF THE STUDY**

1. To study consumer preference of sales promotion schemes across demographic variables.
2. To study the sales promotion schemes preference according to various attributes.

**4.2 SAMPLING DESIGN AND DATA COLLECTION**

- The universe of the study consists of all consumers of beverages in the state of Rajasthan.
- Sample Size: 500
- Sampling Method: Convenient Sampling Method
- Data Type: Primary Data & Secondary Data
- Data Collection Tool: Structured Questionnaire
- Scope of Research : Rajasthan state
- Area of Research : Alwar District

**4.3 HYPOTHESIS**

H01: There is no significant difference between sales promotion schemes preference and demographic variables.

**SALES PROMOTION SCHEME PREFERENCES**

For running conjoint analysis to study the consumer preference of sales promotion schemes orthogonal study of selecting various sales promotion schemes has been done. Result of the same study is presented below. Consumer preference of sales promotion schemes is rated on the mentioned sales promotion schemes.

TABLE 1: SALES PROMOTION SCHEMES

Sales Promotion Scheme	Brand Type	Sales Promotion Schemes	Incentive Types
SPS 1	International	Price off	Immediate
SPS 2	International	Free Gift	Delayed
SPS 3	International	Price off	Delayed
SPS 4	Local	Price off	Delayed
SPS 5	National	Free Gift	Delayed
SPS 6	National	Price off	Immediate
SPS 7	International	Free Gift	Immediate
SPS 8	Local	Free Gift	Immediate
SPS 9	National	Price off	Delayed
SPS 10	National	Free Gift	Immediate
SPS 11	Local	Free Gift	Delayed
SPS 12	Local	Price off	Immediate

H<sub>011</sub>: There is no significant difference between sales promotion schemes preference and Gender.

TABLE 2: MEAN RANK FOR GENDER

Ranks			
	Gender	N	Mean Rank
SPS1	Male	279	225.03
	Female	181	238.94
	Total	460	
SPS2	Male	279	230.88
	Female	181	229.92
	Total	460	
SPS3	Male	279	223.72
	Female	181	240.95
	Total	460	
SPS4	Male	279	239.4
	Female	181	216.78
	Total	460	
SPS5	Male	279	232.18
	Female	181	227.9
	Total	460	
SPS6	Male	279	238.59
	Female	181	218.03
	Total	460	
SPS7	Male	279	231.71
	Female	181	228.64
	Total	460	
SPS8	Male	279	224.96
	Female	181	239.04
	Total	460	
SPS9	Male	279	230.59
	Female	181	230.36
	Total	460	
SPS10	Male	279	239.4
	Female	181	216.78
	Total	460	
SPS11	Male	279	224.04
	Female	181	240.46
	Total	460	
SPS12	Male	279	232.02
	Female	181	228.16
	Total	460	



TABLE 3: TEST STATISTICS FOR GENDER

Test Statistics <sup>a,b</sup>												
	SPS1	SPS2	SPS3	SPS4	SPS5	SPS6	SPS7	SPS8	SPS9	SPS10	SPS11	SPS12
Chi-Square	1.291	0.006	1.968	4.364	0.182	2.744	0.06	1.745	0	3.342	2.084	0.109
df	1	1	1	1	1	1	1	1	1	1	1	1
Asymp. Sig.	0.256	0.937	0.161	0.037	0.67	0.098	0.806	0.187	0.984	0.068	0.151	0.741

a. Kruskal Wallis Test

b. Grouping Variable: Gender

From the calculated Kruskal Wallis test statistics, it can be summarized that SPS4 preference differs according to gender ( $0.037 < 0.05$ ) respectively. Also, it is clear from mean rank data male prefers SPS4 over females.

H<sub>012</sub>: There is no significant difference between sales promotion schemes preference and Employment Status .

TABLE 4: MEAN RANKS FOR EMPLOYMENT STATUS

Ranks			
EmploymentStatus	N	Mean Rank	
SPS1	Self Employed	94	215.63
	Government	21	212.36
	Unemployed	299	231.09
	Others	46	265.36
	Total	460	
SPS2	Self Employed	94	249.8
	Government	21	213.64
	Unemployed	299	229.5
	Others	46	205.26
	Total	460	
SPS3	Self Employed	94	218.02
	Government	21	236.12
	Unemployed	299	234.36
	Others	46	228.36
	Total	460	
SPS4	Self Employed	94	237.51
	Government	21	195.33
	Unemployed	299	234.76
	Others	46	204.54
	Total	460	
SPS5	Self Employed	94	209.88
	Government	21	258.98
	Unemployed	299	238.44
	Others	46	208
	Total	460	
SPS6	Self Employed	94	224.91
	Government	21	251.17
	Unemployed	299	229.48
	Others	46	239.1
	Total	460	
SPS7	Self Employed	94	230.6
	Government	21	273.07
	Unemployed	299	227.57
	Others	46	229.91
	Total	460	
SPS8	Self Employed	94	247.07
	Government	21	226.83
	Unemployed	299	223.13
	Others	46	246.2
	Total	460	
SPS9	Self Employed	94	254.82
	Government	21	255.93
	Unemployed	299	221.23
	Others	46	229.42
	Total	460	
SPS10	Self Employed	94	254.93
	Government	21	215.71
	Unemployed	299	226.21
	Others	46	215.25
	Total	460	
SPS11	Self Employed	94	204.91
	Government	21	216.36
	Unemployed	299	237.36
	Others	46	244.62
	Total	460	
SPS12	Self Employed	94	224.79
	Government	21	237.79
	Unemployed	299	228.61
	Others	46	251.15
	Total	460	

TABLE 5: TEST STATISTICS FOR EMPLOYMENT STATUS

Test Statistics <sup>a,b</sup>												
	SPS1	SPS2	SPS3	SPS4	SPS5	SPS6	SPS7	SPS8	SPS9	SPS10	SPS11	SPS12
Chi-Square	5.086	4.328	1.207	5.206	8.957	0.924	2.368	4.307	6.574	4.573	6.201	1.67
df	3	3	3	3	3	3	3	3	3	3	3	3
Asymp. Sig.	0.166	0.228	0.751	0.157	0.03	0.82	0.5	0.23	0.087	0.206	0.102	0.644

a. Kruskal Wallis Test

b. Grouping Variable: EmploymentStatus

From the calculated Kruskal Wallis test statistics, it can be summarized that SPS5 preference differs according to Employment Status categories ( $0.03 < 0.05$ ) respectively. Also, it is clear from mean rank data that Government employed category prefers SPS5 over other employment status categories.

H<sub>013</sub>: There is no significant difference between sales promotion schemes preference and Educational Qualification.

TABLE 6: MEAN RANKS FOR EDUCATIONAL QUALIFICATION

Ranks		N	Mean
SPS1	Primary	12	231.92
	Secondary	25	257.8
	Higher Secondary	62	229.88
	Graduate	202	231.85
	Post Graduate	134	230.65
	Above Post Graduate	25	192.4
Total		460	
SPS2	Primary	12	210.92
	Secondary	25	224.1
	Higher Secondary	62	250.03
	Graduate	202	233.74
	Post Graduate	134	210.47
	Above Post Graduate	25	279.06
Total		460	
SPS3	Primary	12	207.04
	Secondary	25	270.64
	Higher Secondary	62	226.31
	Graduate	202	229.06
	Post Graduate	134	229.75
	Above Post Graduate	25	227.64
Total		460	
SPS4	Primary	12	207.63
	Secondary	25	226.4
	Higher Secondary	62	230.44
	Graduate	202	238.01
	Post Graduate	134	226.61
	Above Post Graduate	25	205.84
Total		460	
SPS5	Primary	12	283
	Secondary	25	221.38
	Higher Secondary	62	229.84
	Graduate	202	231.22
	Post Graduate	134	225.22
	Above Post Graduate	25	238.58
Total		460	
SPS6	Primary	12	218.71
	Secondary	25	210.42
	Higher Secondary	62	241.44
	Graduate	202	223.89
	Post Graduate	134	237.79
	Above Post Graduate	25	243.46
Total		460	
SPS7	Primary	12	233.71
	Secondary	25	230.64
	Higher Secondary	62	219.35
	Graduate	202	230.78
	Post Graduate	134	237.97
	Above Post Graduate	25	214.18
Total		460	
SPS8	Primary	12	228.08
	Secondary	25	239.22
	Higher Secondary	62	234.15
	Graduate	202	221.59
	Post Graduate	134	242.33
	Above Post Graduate	25	222.46
Total		460	
SPS9	Primary	12	199.75
	Secondary	25	235.46
	Higher Secondary	62	239.3
	Graduate	202	224.39
	Post Graduate	134	232.8
	Above Post Graduate	25	255.56
Total		460	
SPS10	Primary	12	285.79
	Secondary	25	197.8
	Higher Secondary	62	231.06
	Graduate	202	232.95
	Post Graduate	134	230.98
	Above Post Graduate	25	212.96
Total		460	
SPS11	Primary	12	261.42
	Secondary	25	243.44
	Higher Secondary	62	205.22
	Graduate	202	232.78
	Post Graduate	134	225.45
	Above Post Graduate	25	274.06
Total		460	
SPS12	Primary	12	214
	Secondary	25	235.74
	Higher Secondary	62	231.18
	Graduate	202	233.69
	Post Graduate	134	235.82
	Above Post Graduate	25	177.18
Total		460	

TABLE 7: TEST STATISTICS FOR EDUCATIONAL QUALIFICATION

Test Statistics<sup>a,b</sup>

	SPS1	SPS2	SPS3	SPS4	SPS5	SPS6	SPS7	SPS8	SPS9	SPS10	SPS11	SPS12
Chi-Square	3.362	8.837	2.941	2.746	3.674	2.327	1.28	3.144	2.82	4.304	7.469	5.433
df	5	5	5	5	5	5	5	5	5	5	5	5
Asymp. Sig.	0.644	0.116	0.709	0.739	0.597	0.802	0.937	0.678	0.728	0.506	0.188	0.365

a. Kruskal Wallis Test

b. Grouping Variable: Educationalqualification

From the calculated Kruskal Wallis test statistics, it can be summarized that there is no significant difference between sales promotion schemes preference and Educational Qualification.

H<sub>014</sub>: There is no significant difference between sales promotion schemes preference and Family Income.

TABLE 8: MEAN RANKS FOR FAMILY INCOME

Ranks		FamilyIncome		N		Mean Rank	
SPS1	Up to 1 Lakh			76		236.27	
	1.1 to 2 lakhs			142		239.58	
	2.1 to 3 lakhs			101		212.87	
	3.1 to 4 lakhs			62		199.87	
	4.1 to 5 lakhs			31		259.37	
	Above 5 Lakhs			48		252.52	
	Total			460			
SPS2	Up to 1 Lakh			76		217.75	
	1.1 to 2 lakhs			142		220.73	
	2.1 to 3 lakhs			101		233.07	
	3.1 to 4 lakhs			62		250.05	
	4.1 to 5 lakhs			31		237.76	
	Above 5 Lakhs			48		244.25	
	Total			460			
SPS3	Up to 1 Lakh			76		244.71	
	1.1 to 2 lakhs			142		237.98	
	2.1 to 3 lakhs			101		238.55	
	3.1 to 4 lakhs			62		199.56	
	4.1 to 5 lakhs			31		219.18	
	Above 5 Lakhs			48		216.22	
	Total			460			
SPS4	Up to 1 Lakh			76		233.31	
	1.1 to 2 lakhs			142		233.96	
	2.1 to 3 lakhs			101		232.3	
	3.1 to 4 lakhs			62		226.21	
	4.1 to 5 lakhs			31		207	
	Above 5 Lakhs			48		232.74	
	Total			460			
SPS5	Up to 1 Lakh			76		248.92	
	1.1 to 2 lakhs			142		212.25	
	2.1 to 3 lakhs			101		232.94	
	3.1 to 4 lakhs			62		233.31	
	4.1 to 5 lakhs			31		254.11	
	Above 5 Lakhs			48		231.33	
	Total			460			
SPS6	Up to 1 Lakh			76		236.21	
	1.1 to 2 lakhs			142		229.19	
	2.1 to 3 lakhs			101		231.32	
	3.1 to 4 lakhs			62		234.9	
	4.1 to 5 lakhs			31		195	
	Above 5 Lakhs			48		240.88	
	Total			460			
SPS7	Up to 1 Lakh			76		231.43	
	1.1 to 2 lakhs			142		228.32	
	2.1 to 3 lakhs			101		220.77	
	3.1 to 4 lakhs			62		247.88	
	4.1 to 5 lakhs			31		238.56	
	Above 5 Lakhs			48		228.29	
	Total			460			
SPS8	Up to 1 Lakh			76		217.8	
	1.1 to 2 lakhs			142		234.68	
	2.1 to 3 lakhs			101		229.42	
	3.1 to 4 lakhs			62		243.52	
	4.1 to 5 lakhs			31		220.63	
	Above 5 Lakhs			48		230.06	
	Total			460			
SPS9	Up to 1 Lakh			76		213.97	
	1.1 to 2 lakhs			142		232.45	
	2.1 to 3 lakhs			101		238.11	
	3.1 to 4 lakhs			62		241.93	
	4.1 to 5 lakhs			31		226.35	
	Above 5 Lakhs			48		222.79	
	Total			460			
SPS10	Up to 1 Lakh			76		211.09	
	1.1 to 2 lakhs			142		222.45	
	2.1 to 3 lakhs			101		249.81	
	3.1 to 4 lakhs			62		255.98	
	4.1 to 5 lakhs			31		231.42	
	Above 5 Lakhs			48		210.92	
	Total			460			
SPS11	Up to 1 Lakh			76		241.11	
	1.1 to 2 lakhs			142		227.19	
	2.1 to 3 lakhs			101		230.83	
	3.1 to 4 lakhs			62		216.73	
	4.1 to 5 lakhs			31		241.18	
	Above 5 Lakhs			48		233.71	
	Total			460			
SPS12	Up to 1 Lakh			76		217.66	
	1.1 to 2 lakhs			142		236.5	
	2.1 to 3 lakhs			101		231.19	
	3.1 to 4 lakhs			62		231.18	
	4.1 to 5 lakhs			31		240.15	
	Above 5 Lakhs			48		224.52	
	Total			460			

TABLE 9: TEST STATISTICS FOR FAMILY INCOME

Test Statistics<sup>a,b</sup>

	SPS1	SPS2	SPS3	SPS4	SPS5	SPS6	SPS7	SPS8	SPS9	SPS10	SPS11	SPS12
Chi-Square	9.29	3.74	6.221	1.642	8.268	2.853	1.822	2.278	2.676	7.981	1.804	1.499
df	5	5	5	5	5	5	5	5	5	5	5	5
Asymp. Sig.	0.098	0.587	0.285	0.896	0.142	0.723	0.873	0.809	0.75	0.157	0.875	0.913

a. Kruskal Wallis Test

b. Grouping Variable: FamilyIncome

From the calculated Kruskal Wallis test statistics, it can be summarized that there is no significant difference between sales promotion schemes preference and Family Income.

H<sub>015</sub>: There is no significant difference between sales promotion schemes preference and Family Size.

TABLE 10: MEAN RANKS FOR FAMILY SIZE

Ranks

FamilySize		N	Mean Rank
SPS1	1 to 5 members	323	236.3
	6 to 10 members	92	221.43
	11 to 15 members	45	207.44
	Total	460	
SPS2	1 to 5 members	323	226.26
	6 to 10 members	92	236.76
	11 to 15 members	45	248.12
	Total	460	
SPS3	1 to 5 members	323	231.07
	6 to 10 members	92	226.55
	11 to 15 members	45	234.47
	Total	460	
SPS4	1 to 5 members	323	231.55
	6 to 10 members	92	241.1
	11 to 15 members	45	201.28
	Total	460	
SPS5	1 to 5 members	323	230.23
	6 to 10 members	92	230.28
	11 to 15 members	45	232.86
	Total	460	
SPS6	1 to 5 members	323	223.17
	6 to 10 members	92	232.89
	11 to 15 members	45	278.24
	Total	460	
SPS7	1 to 5 members	323	233.45
	6 to 10 members	92	228.47
	11 to 15 members	45	213.49
	Total	460	
SPS8	1 to 5 members	323	227.45
	6 to 10 members	92	232.01
	11 to 15 members	45	249.3
	Total	460	
SPS9	1 to 5 members	323	230.8
	6 to 10 members	92	226.93
	11 to 15 members	45	235.61
	Total	460	
SPS10	1 to 5 members	323	228.85
	6 to 10 members	92	246.91
	11 to 15 members	45	208.79
	Total	460	
SPS11	1 to 5 members	323	236.06
	6 to 10 members	92	211.62
	11 to 15 members	45	229.18
	Total	460	
SPS12	1 to 5 members	323	222.61
	6 to 10 members	92	251.39
	11 to 15 members	45	244.46
	Total	460	



TABLE 11: TEST STATISTICS FOR FAMILY SIZE

Test Statistics<sup>a,b</sup>

	SPS1	SPS2	SPS3	SPS4	SPS5	SPS6	SPS7	SPS8	SPS9	SPS10	SPS11	SPS12
Chi-Square	2.573	1.434	0.136	3.816	0.025	7.127	0.944	1.534	0.164	2.787	2.987	4.637
df	2	2	2	2	2	2	2	2	2	2	2	2
Asymp. Sig.	0.276	0.488	0.934	0.148	0.988	0.028	0.624	0.464	0.921	0.248	0.225	0.098

a. Kruskal Wallis Test

b. Grouping Variable: FamilySize

From the calculated Kruskal Wallis test statistics, it can be summarized that SPS6 preference differs according to Family Size categories (0.028 < 0.05) respectively. Also, it is clear from mean rank data that Family Size of 11 to 15 members prefers SPS6 over other Family Size categories

H<sub>016</sub>: There is no significant difference between sales promotion schemes preference and Marital Status.

TABLE 12: MEAN RANKS FOR MARITAL STATUS CATEGORIES

## Ranks

	Marital Status	N	Mean Rank
SPS1	Married	233	226.7
	Unmarried	227	234.41
	Total	460	
SPS2	Married	233	231.24
	Unmarried	227	229.74
	Total	460	
SPS3	Married	233	227.7
	Unmarried	227	233.37
	Total	460	
SPS4	Married	233	230.97
	Unmarried	227	230.01
	Total	460	
SPS5	Married	233	228.52
	Unmarried	227	232.54
	Total	460	
SPS6	Married	233	238.58
	Unmarried	227	222.2
	Total	460	
SPS7	Married	233	229.54
	Unmarried	227	231.48
	Total	460	
SPS8	Married	233	224.9
	Unmarried	227	236.25
	Total	460	
SPS9	Married	233	234.45
	Unmarried	227	226.44
	Total	460	
SPS10	Married	233	231.21
	Unmarried	227	229.77
	Total	460	
SPS11	Married	233	239.42
	Unmarried	227	221.34
	Total	460	
SPS12	Married	233	223.43
	Unmarried	227	237.76
	Total	460	

TABLE 13: TEST STATISTICS FOR MARITAL STATUS CATEGORIES

Test Statistics<sup>a,b</sup>

	SPS1	SPS2	SPS3	SPS4	SPS5	SPS6	SPS7	SPS8	SPS9	SPS10	SPS11	SPS12
Chi-Square	0.415	0.016	0.223	0.008	0.168	1.825	0.025	1.189	0.511	0.014	2.621	1.584
df	1	1	1	1	1	1	1	1	1	1	1	1
Asymp. Sig.	0.519	0.9	0.636	0.928	0.682	0.177	0.874	0.276	0.475	0.905	0.105	0.208

a. Kruskal Wallis Test

b. Grouping Variable: MaritalStatus

From the calculated Kruskal Wallis test statistics, it can be summarized that there is no significant difference between sales promotion schemes preference and Marital Status.

H<sub>017</sub>: There is no significant difference between sales promotion schemes preference and Family Type.

TABLE 14: MEAN RANKS FOR FAMILY TYPE CATEGORIES

Ranks

	FamilyType	N	Mean Rank
SPS1	Jont Family	201	220.33
	Neuclear Family	259	238.39
	Total	460	
SPS2	Jont Family	201	233.29
	Neuclear Family	259	228.34
	Total	460	
SPS3	Jont Family	201	240.76
	Neuclear Family	259	222.54
	Total	460	
SPS4	Jont Family	201	233.31
	Neuclear Family	259	228.32
	Total	460	
SPS5	Jont Family	201	236.24
	Neuclear Family	259	226.04
	Total	460	
SPS6	Jont Family	201	239.5
	Neuclear Family	259	223.51
	Total	460	
SPS7	Jont Family	201	221.88
	Neuclear Family	259	237.19
	Total	460	
SPS8	Jont Family	201	227.95
	Neuclear Family	259	232.48
	Total	460	
SPS9	Jont Family	201	225.23
	Neuclear Family	259	234.59
	Total	460	
SPS10	Jont Family	201	233.56
	Neuclear Family	259	228.12
	Total	460	
SPS11	Jont Family	201	227.2
	Neuclear Family	259	233.06
	Total	460	
SPS12	Jont Family	201	242.38
	Neuclear Family	259	221.28
	Total	460	

TABLE 15 : TEST STATISTICS FOR FAMILY TYPE CATEGORIES

Test Statistics<sup>a,b</sup>

	SPS1	SPS2	SPS3	SPS4	SPS5	SPS6	SPS7	SPS8	SPS9	SPS10	SPS11	SPS12
Chi-Square	2.242	0.17	2.27	0.219	1.063	1.712	1.545	0.187	0.687	0.199	0.271	3.381
df	1	1	1	1	1	1	1	1	1	1	1	1
Asymp. Sig.	0.134	0.68	0.132	0.64	0.302	0.191	0.214	0.666	0.407	0.655	0.603	0.066

a. Kruskal Wallis Test

b. Grouping Variable: FamilyType

From the calculated Kruskal Wallis test statistics, it can be summarized that there is no significant difference between sales promotion schemes preference and Family Type.

TABLE 16: ORTHOGONAL DESIGN OF SALE PROMOTION SCHEMES

**Sales Promotion Schemes:**

	Card ID	Brand Type	Sales Promotion Schemes	Incentive Types
1	1	International	Price off	Immediate
2	2	International	Free Gift	Delayed
3	3	International	Price off	Delayed
4	4	Local	Price off	Delayed
5	5	National	Free Gift	Delayed
6	6	National	Price off	Immediate
7	7	International	Free Gift	Immediate
8	8	Local	Free Gift	Immediate
9 <sup>a</sup>	9	National	Price off	Delayed
10 <sup>a</sup>	10	National	Free Gift	Immediate
11 <sup>a</sup>	11	Local	Free Gift	Delayed
12 <sup>a</sup>	12	Local	Price off	Immediate

a. Holdout

**RUNNING CONJOINT ANALYSIS**

TABLE 17: MODEL DESCRIPTION

	N of Levels	Relation to Ranks or Scores
Brand Type	3	Discrete
Sales Promotion Schemes	2	Discrete
Incentive Types	2	Discrete

All factors are orthogonal.

TABLE 18: UTILITY SCORE

		Utility Estimate	Std. Error
Brand Type	International	1.805	.314
	National	.588	.368
	Local	-2.393	.368
Sales Promotion Schemes	Price off	.494	.235
	Free Gift	-.494	.235
Incentive Types	Immediate	.913	.235
	Delayed	-.913	.235
(Constant)		4.047	.248

Utility Score for International brand is 1.805 highest among the other brand types. It means Sales Promotion on international brand is preferred. Price off is preferred over free gift and immediate benefits has more utility score as compared to delayed benefits.

TABLE 19: IMPORTANCE VALUES

Brand Type	59.864
Sales Promotion Schemes	14.775
Incentive Types	25.361

Averaged Importance Score

TABLE 20: CORRELATIONS

	Value	Sig.
Pearson's R	.980	.000
Kendall's tau	.929	.001
Kendall's tau for Holdouts	1.000	.021

a. Correlations between observed and estimated preferences

From the above importance values table the most important factor for the sales promotion schemes preference is Brand and after that what type of Incentives the marketers are giving to the customers followed by Schemes types.

Overall, Sales Promotion Scheme on International brand, with price off as scheme and immediate benefits are preferred by the customers.

**5. CONCLUSION**

From the analysis by Kruskal Wallis Test of the data collected and interpretation of results, it is concluded that there has been a difference in the preference of Sales Promotion Schemes according to Gender, Employment Status and Family Size categories and for the rest of the categories (Educational Qualification, Family Income, Marital Status and Family Type) there is no effect on preferences of sales promotion schemes.

Furthermore after getting the results from conjoint analysis, it is interpreted that Sales Promotion Schemes on International Brand is preferred. Price Off is preferred over Free Gift, Immediate Benefits are more preferred over delayed benefits and the most important factor for the sales promotion schemes preference is Brand and after that what type of Incentives the marketers are giving to the customers followed by Schemes types.

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# THE RELIABILITY OF DIVIDEND DISCOUNT MODEL IN VALUATION OF BANK STOCKS AT THE BOMBAY STOCK EXCHANGE

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## ABSTRACT

Valuation of common stock is a very complex process. There are several factors that contribute to the variations of stock returns and it is one of the most researched areas by financial researchers. The study was conducted to establish the reliability of the dividend discount model which is based on the discounted cash flow techniques on the valuation of bank stocks at BSE. Hence, this study attempted to focus on the accuracy of Dividend discount valuation model which contains dividend as value relevant variable. The study has selected 14 banks' scrip which are included in BSE Bankex that are listed in Bombay Stock Exchange. Taking reliable data from the Prowess, a CMIE data base, It is found that dividends are not related to Bank stock prices. It is also found that the dividend discount model cannot be relied on by investors in the valuation of majority of the bank stocks at the BSE due to the higher prediction errors. The results are attributed to among other factors like inappropriate discounting factors, information differentials and measurement and evaluation problems.

## KEYWORDS

Dividends, Stock Returns, Bank Stocks, Bombay Stock Exchange.

## INTRODUCTION

### DIVIDEND DISCOUNT MODEL

The Dividend Discount Model (DDM) is the simplest tool for valuing equity. Whilst some analysts view the DDM as out-dated and inadequate there are still a lot of companies where the DDM still is viewed as a convenient instrument for estimating value (Damodaran, 2002). The dividend discount model estimates the equity value based on the idea that the value of the equity equals all future dividends discounted back to today, using an appropriate cost of capital as discount rate. The cost of capital used in each calculation is reflecting the integrated risk in that particular cash flow (Frykman & Tollerdy, 2003). Author Roberg G. Hagstrom describes, in his book "The Warren Buffett way" (2005), how one of the world's greatest investors believes that the dividend discount model (created over sixty years ago by John Burr Williams) is the best system for determining the intrinsic value of a company.

## IMPORTANCE OF DIVIDEND DISCOUNT MODEL FOR VALUING BANK STOCKS

### THE GENERAL MODEL

When an individual buys stock, there are two types of cash flows that he or she can expect to receive – namely the dividend that the stock will pay during the time it is owned and the expected price at which the stock can be sold. The general equation for stock value can be expressed as:

$$V = \text{Value of stock} = \text{DPS}(1) / K_e - g$$

In order to obtain the numerator, expected dividends per share, assumptions regarding future payout ratios and growth rates have to be made. The denominator, the cost of equity or required rate of return, is determined by its riskiness and is measured differently in different models (the market beta in capital asset pricing model (CAPM) and the factor betas in the arbitrage and multifactor models). Since the model just presented cannot be applied on "real" dividend projections, due to the assumption of an infinite timeline, numerous varieties of the dividend discount model have been established which are constructed around different assumptions about future growth. (Damodaran, 2002)

### GORDON GROWTH MODEL

The Gordon Growth Model is used mainly to value firms that are in stable growth with dividends growing at a rate that can be maintained for all eternity. Since the model assumes that the firm's growth rate in dividends is expected to last forever, the term stable growth is widely discussed and questioned. One of the aspects of the Gordon growth model and its "stable growth" is that other performance measures, such as earnings, also can be projected to have the same annual growth rate as dividends. Hence, if a company's earnings are growing faster than its dividend payout in the long run, the company's payout ratio will slowly approach zero, and that is not a feature of a company in a steady state of growth. Furthermore, a firm in a "steady state" cannot have a growth rate that exceeds the growth rate of the economy in which the firm operates. (Damodaran, 2002). It is clear that the growth rate plays a crucial role in the model, and if used wrong, the resulting value will be incorrect or misleading. Given the equation, one can see that if a firm's growth rate goes towards the cost of equity the value per share will approach infinity, and if the growth rate in fact surpasses the cost of equity the resulting value per share instantly turns negative.

### DIVIDEND DISCOUNT MODEL IN VALUATION OF BANK STOCK

The dividend discount model can be a worthwhile tool for equity valuation. Financial theory states that the value of a stock is the worth all of the future cash flows expected to be generated by the firm discounted by an appropriate risk-adjusted rate. We can use dividends as a measure of the cash flows returned to the shareholder. Gordon growth model is best suited for firms growing at a rate comparable to or lower than the nominal growth in the economy and which have well established dividend payout policies that they intend to continue into the future. The dividend payout of the firm has to be consistent with the assumption of stability, since stable firms generally pay substantial dividends<sup>1</sup>. In particular, this model will under estimate the value of the stock in firms that consistently pay out less than they can afford and accumulate cash in the process. In general, to value a stock using the dividend discount model, we need estimates of the cost of equity, the expected payout ratios and the expected growth rate in earnings per share over time based on the Dividend discount valuation Model.

**A. COST OF EQUITY**

Cost of equity for a financial service firm has to reflect the portion of the risk in the equity that cannot be diversified away by the marginal investor in the stock. This risk is estimated using a beta (in the capital asset pricing model) or betas (in a multi-factor or arbitrage pricing model).

**B. PAYOUT RATIOS**

The expected dividend per share in a future period can be written as the product of the expected earnings per share in that period and the expected payout ratio. There are two advantages of deriving dividends from expected earnings. The first is that it allows us to focus on expected growth in earnings, which is both more reasonable and more accessible than growth in dividends. The second is that the payout ratio can be changed over time, to reflect changes in growth and investment opportunities. The payout ratio for a bank, as it is for any other firm, is the dividend divided by the earnings. This said, financial service firms have conventionally paid out more in dividends than other firms in the market. The dividend payout ratios and dividend yields for banks, insurance companies, investment banks and investment firms are much higher than similar statistics for the rest of the market.

An obvious response would be that they operate in much more mature businesses than firms in sectors such as telecommunications and software, but this is only part of the story. Even if we control for differences in expected growth rates, financial service firms pay out far more in dividends than other firms for two reasons. One is that banks and insurance companies need to invest far less in capital expenditures, at least as defined by accountants, than other firms. This, in turn, means that far more of the net income of these firms can be paid out as dividends than for a manufacturing firm. A second factor is history. Banks and insurance companies have developed a reputation as reliable payers of high dividends. Over time, they have attracted investors who like dividends, making it difficult for them to change dividend policy.

**C. EXPECTED GROWTH**

If dividends are based upon earnings, the expected growth rate that will determine value is the expected growth rate in earnings. For financial service firms, as with other firms, earnings growth can be estimated in one of three ways: · Historical growth in earnings: Many banks and insurance companies have very long histories and estimating historical growth is usually feasible. Furthermore, the correlation between past earnings growth and expected future growth is much higher for financial service firms than it is for other firms. Analysts estimate expected growth rates in earnings for many publicly traded firms, though the extent of coverage varies widely. Many large banks and insurance companies are widely followed, allowing us to get these estimates of future growth. We suggested that the expected growth in earnings per share can be written as a function of the retention ratio and the return on equity:

Expected Growth in EPS = Retention ratio \* Return on equity

This equation allows us to estimate the expected growth rate for firms with stable returns on equity. If we consider stock buybacks in addition to dividends when looking at payout, the retention ratio should be defined consistently as well.

**REVIEW OF LITERATURE**

Valuation of common stock is very important yet a very complex process. **Tobias Olweny (2011)** conducted the study in Nairobi stock exchange to establish the reliability of the dividend discount model (which is based on the discounted cash flow techniques) on the valuation of common stocks. Study concluded that the dividend discount model was not reliable in the valuation of common stocks at the Nairobi Stock Exchange. **Imbarine Bujang (2007)** tests the Gordon's Model developed by Gordon (1956) and the Earnings Multiplier approach developed by Basu (1977) to appraise the stock value of selected components stocks of Bursa Malaysia. Both valuation models show practical usefulness depending upon economic conditions and concluded that both models are relevant in appraising stock value though Gordon's model. **Anne Vila Wetherill (2000)** examines the usefulness of summary statistics, such as the price-earnings ratio and the dividend yield, that are commonly used in valuing equity markets. But these measures are very sensitive to assumptions made about the (unobservable) equity risk premium. **Thomas H. Payne (1999)** paper demonstrates that the valuation measure derived from using the DDM is very sensitive to the relationship between the required return on investment (Ks) and the assumed growth rate (g) in earnings and dividends. **John D. Stowe, CFA(1997)** argued that incorporating repurchases into a discounted cash flow framework leads to higher equity valuations and expected return estimates and, further, that traditional dividend discount models (DDMs) may be obsolete. **Stephen R. Foerster** studied in his paper about "Dividends and Stock Valuation: A Study From the Nineteenth to the Twenty-First Century" investigate and provide a new perspective for how changing economic conditions have impacted the relationship between the actual and intrinsic values of firms in the S&P Composite Index. Based on the dividend discount model, we find that stocks were undervalued, on average, by approximately 26% over the entire sample. **Mohammad Ali Tareq** paper titled 'Is Residual Income Model (RIM) REALLY Superior to Dividend Discount Model (DDM)?' examine the applications of RIM and DDM Model and finds that RIM have triggered arguments on the superiority over DDM. In theory, both models give the same value estimates; empirically, these value estimates changes with the changes in the assumption sets. In this paper, we show that both models provide the same values estimates when the terminal value can be forecasted. **Gülnur Muradoglu**, Warwick Business school (1999) article continues our coverage of the building blocks of cost of capital, as part of our focus on shareholder value and company valuations. The dividend discount model is simple and intuitive, but the accuracy of results depends entirely on the accuracy of the forecasts about future dividends. **Larry Gorman** studied in "An Internally Consistent Approach To Common Stock Valuation" about the deeper fundamental understanding of how stock valuation relates to (i) operational efficiency, (ii) dividend policy, and (iii) the economic environment in which the firm competes. **Janette Rutterford(1997)** studied in his paper compares developments in the UK and the US, in particular the relative slowness of the UK market to adopt US-pioneered techniques such as the P/E ratio, the concept of value versus growth stocks, and using intrinsic value to determine whether shares are cheap or dear. The article concludes with a discussion of the relatively slow introduction of the dividend discount model and of discounted cash flow as equity valuation tools on both sides of the Atlantic. **David B. Moore (2009)** tells that the best approach to valuing bank stocks – or any other type of stock for that matter – is to employ multiple valuation techniques that encompass both sound financial theory as well as current market realities.

**OBJECTIVES OF THE STUDY**

Objectives of the study include the following:

1. To know the reliability of dividend discount model on the valuation of bank stocks at BSE.
2. To know the prediction accuracy of Dividend Discount Model for valuing bank stocks.

**RESEARCH METHODOLOGY****A. DATA**

The sample period for the study extends from March 2000-01- March 2010-11 for the 14 bank stocks included in BSE Bankex. Data required was collected in form of secondary data, and in particular the market prices of the stock, annual dividend per share and dividend yield. Annual dividends per share, market price of each bank stock and dividend yield on yearly basis were obtained from CMIE (PROWESS) Database.

Secondary data was used in the study. The following data were collected:

1. Market prices of the stock.
2. Annual dividend per share
3. Dividend yield.

**B. METHODOLOGY**

The results were summarized using descriptive statistics such as mean, standard deviation and MAPE. Each price obtained was compared to the actual price from 2000-01 to 2010-11. This was done by finding the difference between the actual and predicted prices then testing whether the difference between the two are significant. The following hypothesis was tested:

In order to examine the impact of dividend on selected bank stocks, Hypothesis developed is as follows:

Ho: There is no significant difference between the actual share prices and the predicted share prices using dividend discount model.

Ha: There is a significant difference between the actual and the predicted share price using dividend discount model. The t- test was used as the appropriate test statistic.

## EMPIRICAL ANALYSIS

### The historical relationship between the Dividend yield and stock return

Having set out the accounting framework for these equity valuation measures this section focuses on the historical relationship between equity valuation ratios and stock returns. As shown in the table 1.1, 1.2 ,1.3 valuation ratios have in the past tended to fluctuate within a fairly narrow and stable range. Whenever these valuation ratios have moved towards the bounds of this range, some form of adjustment has followed that restored the ratio towards its historical average. This adjustment process is referred to as mean reversion. In the case of the dividend yield it could in principle be brought about by either a change in stock returns or in dividends.

**TABLE 1.1: CORRELATION CO EFFICIENT BETWEEN DIVIDEND YIELD AND STOCK RETURN FOR BANKSTOCKS**

Year	HDFC		ICICI		SBI		AXIS BANK		KOTAK	
	Dividend yield	Stock Returns	Dividend yield	Stock Return	Dividend yield	Stock return	Dividend Yield	Stock return	Dividend Yield	Stock return
2001-02	1.08	.73	2.08	-8.95	2.77	12.88	3.65	50.86	30.43	111.85
2002-03	1.38	2.71	1.39	3.26	3.48	16.72	5.23	-8.16	2.49	17.60
2003-04	1.89	50.46	8.49	80.02	4.21	84.20	7.42	163.98	2.61	97.01
2004-05	1.26	33.77	3.45	30.02	2.40	13.22	1.92	51.74	0.35	7.52
2005-06	1.23	33.64	2.62	37.93	2.23	47.70	1.84	44.89	0.23	2.58
2006-07	0.97	31.03	1.98	38.05	1.46	10.23	1.37	38.94	0.29	57.66
2007-08	1.08	31.67	1.48	-1.03	2.04	52.87	1.38	65.63	0.34	34.29
2008-09	0.89	-30.99	1.45	-66.78	2.03	-28.01	1.53	-38.78	0.13	-56.18
2009-10	1.45	73.92	3.97	115.10	3.10	75.05	3.46	110.18	0.57	113.67
2010-11	0.99	19.64	1.75	12.98	1.46	28.43	1.60	16.69	0.08	-41.92
Coefficient of correlation	.5938		.6554		.5131		.5526		.4875	

**TABLE 1.2: CORRELATION CO EFFICIENT BETWEEN STOCK RETURNS AND DIVIDEND YIELD FOR BANKSTOCKS**

Year	BANK OF BARODA		PNB		INDUS IND BANK		YES BANK		CANARA BANK	
	Dividend Yield	Stock Returns	Dividend Yield	Stock Returns	Dividend Yield	Stock Return	Dividend Yield	Stock Return	Dividend Yield	Stock Return
2001-02	6.56	-9.77	*	*	3.29	23.08	*	*	*	*
2002-03	11.81	61.63	9.61	97.64	14.83	-30.63	*	*	*	*
2003-04	9.50	118.15	5.10	148.20	29.33	95.61	*	*	7.26	81.08
2004-05	2.11	-6.09	1.45	29.62	5.30	22.02	*	*	3.23	41.15
2005-06	2.57	7.13	1.63	19.25	0.71	-8.14	*	*	3.77	24.74
2006-07	2.96	-5.92	1.94	5.21	0.00	-10.69	0	26.89	2.87	-32.74
2007-08	4.50	39.34	4.23	12.81	1.68	77.72	0	25.00	4.63	15.22
2008-09	4.90	-8.16	4.51	-13.85	1.59	-72.18	0	-103.0	5.51	-28.93
2009-10	6.00	105.02	6.91	89.97	9.31	179.39	3.51	185.1	8.22	89.77
2010-11	3.54	38.07	2.85	17.88	1.79	43.87	1.14	22.75	3.52	39.44
Coefficient of Correlation	.6123		.6139		.3600		.8498		.6295	

**TABLE 1.3: CORRELATION CO EFFICIENT BETWEEN STOCK RETURNS AND DIVIDEND YIELD FOR BANKSTOCKS**

Year	FEDERAL BANK		BANK OF INDIA		UBOI		IDBI	
	Dividend Yield	Stock Returns	Dividend Yield	Stock Returns	Dividend Yield	Stock Return	Dividend Yield	Stock Return
2001-02	27.60	115.90	8.05	95.23	*	*	9.64	-45.17
2002-03	4.20	-26.87	13.45	30.13	*	*	34.22	-27.85
2003-04	6.19	168.99	8.93	53.21	12.14	88.60	32.18	157.36
2004-05	1.40	-65.95	3.86	64.99	6.43	101.72	3.62	60.72
2005-06	3.54	20.74	3.30	29.78	2.99	-2.55	1.71	-15.00
2006-07	2.15	3.22	2.53	28.63	3.69	-24.08	2.34	1.77
2007-08	1.37	14.48	2.79	53.19	6.40	36.58	2.62	28.40
2008-09	2.94	-34.47	3.70	-5.84	4.13	17.53	3.05	-59.77
2009-10	3.93	66.07	3.71	49.98	4.92	75.20	7.74	108.04
2010-11	2.76	47.24	2.39	47.21	2.12	16.81	3.52	21.75
Coefficient of Correlation	.5331		.1594		.6910		.3057	

From the above analysis we can see the moderate positive relation between dividend yield and stock returns for most of the bank Stocks included in BSE bankex. Most of the bank stocks returns were not highly influenced by dividends. But the above results also proved that there is a positive relationship between dividend yield and yearly stock returns from 2001-02 to 2010-11. Result also shows that high Dividend yield stocks like PNB, Federal bank provided fair returns when the dividend yield ratio kept at high level.

Co efficient of correlation between dividend yield and stock returns for most of the bank stocks kept at average level in the above stocks. Co efficient of correlation between stock returns and dividend yield for 3 banks PNB, Federal Bank, Canara are more than .50 This tells that returns from these stocks are increasing when the dividend yield is increasing. But for most of the other bank stocks, Dividends are not influenced in the returns for bank stocks.

### VALUATION ACCURACY OF DIVIDEND DISCOUNT MODE

In order to test the dividend discount model, we first estimated the required rate of return of each company as shown in table 2.0 using Capital asset pricing model. The rates of returns were then used to calculate their present values, for each bank. Table 3.0 shows the actual, predicted and difference for each of the eighteen companies. The results were tested for significance by hypothesis testing on the difference for each company. Table 4.0 shows the valuation errors for 14 bank stocks included in BSE Bankex. Table 5.0 shows a summary including mean, t-statistic and decision rule. All the fourteen companies had their shares

"predicted" but only four had positive results (about 28 percent), while the rest were negative (72 percent). We therefore reject our null hypothesis and conclude that dividend discount model is not a good predictor of share prices at the Bombay Stock Exchange for bank stocks. The model cannot be relied on by Banking companies listed in the Bombay Stock Exchange to predict their share prices: The results may be attributed to: i) Inefficient market (BSE). ii) Inappropriate discounting factors. iii) Information differentials. iv) Measurement and evaluation problems, among others. As suggested earlier in this report the BSE could be inefficient, but the model can be used where all securities in an equivalent class are priced to offer the same expected returns (where the market is efficient). Some managers believe that the market is highly inefficient and that any valuation method (including the dividend discount model) that is based on rationality of market participants will prove ineffective (Sharpe *et al* 1999). The study assumed that the Bombay Stock Exchange is an efficient market. Although there is active trading in the BSE, improved liquidity, and investor protection regulations; its state of efficiency is still inconclusive. Inappropriate discounting factors used may have contributed to the results above, since the discounting factors (rates of return) for each company was obtained through CAPM..

TABLE 2.0: COST OF EQUITY FOR BANK STOCKS

Name of Bank stocks	Average Cost of Equity (CAPM Rate)
1. HDFC Bank	15.46
2. ICICI Bank	20.11
3. State Bank Of India	19.40
4. Axis Bank	15.22
5. Kotak Mahindra Bank	16.04
6. Bank Of Baroda	21.60
7. Punjab National bank	22.67
8. Indus ind Bank	17.52
9. Yes Bank	13.65
10. Canara Bank	26.62
11. Federal Bank	18.10
12. Bank Of India	22.78
13. Union Bank Of India	29.29
14. IDBI	19.26

TABLE 3.0 PREDICTED BANK STOCK PRICES USING DIVIDEND DISCOUNT MODEL

Name of Bank		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
HDFC	Actual	230	235.15	233.75	378.35	544.25	773.5	949.4	1319.5	967.8	1932.5
	Predicted	-346.5	-455.8	-620.1	-666.5	-934.7	-1049	-1440	-1638	-1960	-2686
	Difference	576.5	690.95	853.85	1044.8	1478.9	1822.5	2389.4	2957.9	2927.8	4618.5
ICICI	Actual	165.4	124	133.9	295.9	393	589.2	853.1	770.1	332.6	952.7
	Predicted	31.8	15.9	105.8	94.2	95.09	107.69	117.01	103.3	122.0	154.1
	Difference	133.5	108.0	28.87	201.62	297.9	481.5	736.0	666.7	210.5	798.5
SBI	Actual	247.6	219.8	269.9	605.7	656.9	968.0	992.9	1598.8	1066.5	2079
	Predicted	49.4	145.2	219.4	280.6	282.2	272.7	390.6	824.3	837.9	770.6
	Difference	198.2	74.56	50.49	325.0	374.7	695.2	602.2	774.4	228.6	1308.3
AXIS	Actual	37	39.9	40.1	146.7	242.0	356.3	490.1	781.1	414.5	1169.1
	Predicted	-130.8	-202.2	-267	-305	-382	-459	-683	-1145	-1356	-1592
	Difference	167.8	242.1	307.1	451.7	624.0	815.3	1173.1	1926.1	1770.5	2761.1
KOTAK	Actual	8	142.6	157.9	404.1	340.5	278	479.6	628.5	282.9	749.0
	Predicted	36.6	53.4	62.2	21.1	11.94	12.04	24.31	12.39	24.46	8.83
	Difference	-28.68	89.19	95.75	382.95	328.56	265.96	455.34	616.16	258.49	740.22
BOB	Actual	69.6	47.9	85.9	242.7	218.0	230.3	215.4	283.9	234.5	639.2
	Predicted	40.7	50.4	72.7	45.7	49.9	60.8	86.4	123.9	129.1	202.7
	Difference	28.9	-2.53	13.16	196.95	168.13	169.46	128.98	159.93	105.41	436.46
PNB	Actual	*	37.4	101.8	333.9	393.3	471.2	471.6	508.1	410.9	1013.4
	Predicted	*	95.3	137.8	128.0	169.7	243.0	529.5	608.7	753.5	766.8
	Difference	*	-57.94	-35.99	205.86	223.59	228.17	-57.88	-100.5	-342.6	246.5
INDUSIND	Actual	20.1	16.7	15.6	40.3	50.0	46.8	41.9	78.7	32.3	170.6
	Predicted	7.3	27.5	51.0	23.7	3.9	*	7.83	13.8	33.7	33.8
	Difference	12.75	-10.82	-35.36	16.57	46.09	46.85	34.12	64.81	-1.41	136.7
YES	Actual	*	*	*	*	*	100.4	140.7	168.7	49.9	254.8
	Predicted	*	*	*	*	*	*	*	*	*	29.7
	Difference	*	*	*	*	*	*	*	*	*	225.07
CANARA	Actual	*	*	71.2	144.6	200.4	266.9	194.7	225.2	165.9	410.3
	Predicted	*	*	71.0	64.2	103.8	105.4	123.9	170.3	187.4	198.2
	Difference	*	*	.19	80.36	96.51	161.4	70.77	54.83	-21.51	212.06
FEDERAL	Actual	15.3	104.5	92.6	372.1	154.5	201.6	215.5	216.3	138.1	166.9
	Predicted	124.1	128.4	167.9	152.7	160.4	126.7	86.2	186.3	159.0	215.7
	Difference	-108.7	-23.94	-75.36	219.3	-5.87	74.87	129.31	29.91	-20.99	51.16
BOI	Actual	17.9	25.1	37.9	58.9	103.5	132	167.8	252.9	219.9	340.7
	Predicted	25.3	59.2	59.3	39.8	59.9	58.6	81.9	164.1	143.1	142.6
	Difference	-7.4	-34.13	-21.45	19.05	43.51	73.38	85.83	88.73	76.75	198.12
UBOI	Actual	*	*	25.15	52.7	113.0	121.8	103.9	141	142.7	292.9
	Predicted	*	*	25.32	28.12	28.08	37.3	55.1	48.3	58.3	51.5
	Difference	*	*	-.17	24.58	84.97	84.54	48.78	92.69	84.45	241.37
IDBI	Actual	30.7	16.3	16.5	58.1	91.1	78.3	77.5	89.0	45.4	115
	Predicted	25.06	47.39	45.1	17.8	13.1	15.5	17.1	23.0	29.7	34.2
	Difference	5.64	-31.04	-28.56	40.27	77.97	62.77	60.36	66.05	15.64	80.73



TABLE 4.0: VALUATION ERRORS FOR BANK STOCKS

Year	HDFC	ICICI	SBI	AXIS	KOTAK	BOB	PNB
	Prediction errors	Prediction errors	Prediction errors	Prediction errors	Prediction errors	Prediction errors	Prediction errors
2001-02	-166.38	416.94	401.25	-128.29	-78.19	70.92	*
2002-03	-151.59	676.94	51.34	-119.73	166.84	-5.01	-60.77
2003-04	-137.70	27.47	23.01	-115.04	153.94	18.09	-26.11
2004-05	-156.77	213.85	115.83	-148.11	1810.64	430.49	160.78
2005-06	-158.23	313.29	132.76	-163.36	2751.76	336.80	131.75
2006-07	-173.74	447.17	254.90	-177.64	2208.97	278.53	93.89
2007-08	-165.93	629.08	154.19	-171.76	1873.06	149.25	-10.93
2008-09	-180.58	645.43	93.95	-168.22	4973.04	129.01	-16.52
2009-10	-149.38	172.47	27.29	-130.57	1056.79	81.62	-45.47
2010-11	-171.95	517.87	169.76	-173.44	8383.01	215.23	32.16
MAPE	-161.22*	406.32	142.43	-149.62*	2329.98	170.49	28.75

TABLE 4.1: VALUATION ERRORS FOR BANK STOCKS

Year	INDUSIND	YES	CANARA	FEDERAL	BOI	UBOI	IDBI
	Prediction errors	Prediction errors	Prediction errors	Prediction errors	Prediction errors	Prediction errors	Prediction errors
2001-02	173.47	*	*	-87.63	-29.19	*	22.51
2002-03	-39.32	*	*	-18.64	-57.62	*	-65.50
2003-04	-69.32	*	.27	-44.87	-36.14	-0.67	-63.31
2004-05	69.83	*	125.09	143.63	47.80	87.41	225.86
2005-06	1163.89	*	92.90	-3.66	72.53	302.60	591.58
2006-07	0	0	153.20	59.06	125.18	226.59	404.19
2007-08	435.76	0	57.10	149.94	104.71	88.50	351.13
2008-09	466.59	0	32.18	16.05	54.05	191.87	287.17
2009-10	-4.18	0	-11.48	-13.19	53.62	144.85	52.55
2010-11	403.99	755.78	106.94	23.71	138.90	467.95	235.57
MAPE	260.07	755.78	69.53	22.44	47.38	188.64	204.17

TABLE 5.0: AN ANALYSIS OF THE DIFFERENCES BETWEEN ACTUAL AND PREDICTED PRICES BY THE DIVIDEND DISCOUNT MODEL

Name of Bank	Mean	SD	T Comp	Null Hypothesis
HDFC	1936.13	1291.63	4.740	Reject H <sub>0</sub>
ICICI	366.34	282.43	4.101	Reject H <sub>0</sub>
SBI	463.20	388.47	3.771	Reject H <sub>0</sub>
AXIS BANK	1023.9	869.23	3.724	Reject H <sub>0</sub>
KOTAK MAHINDRA BANK	320.39	240.02	4.221	Reject H <sub>0</sub>
BANK OF BARODA	140.48	126.16	3.521	Reject H <sub>0</sub>
PUNJAB NATIONAL BANK	34.35	203.13	.507	Accept H <sub>0</sub>
INDUS IND BANK	31.03	47.80	2.053	Accept H <sub>0</sub>
YES BANK	136.96	66.52	4.603	Reject H <sub>0</sub>
CANARA BANK	81.83	77.19	2.998	Reject H <sub>0</sub>
FEDERAL BANK	26.96	97.32	.8762	Accept H <sub>0</sub>
BANK OF INDIA	52.33	68.64	2.406	Accept H <sub>0</sub>
UNION BANK OF INDIA	82.65	72.39	3.229	Reject H <sub>0</sub>
IDBI	34.98	42.13	2.625	Reject H <sub>0</sub>

## SUMMARY AND CONCLUSION

The main objective of the study was to know the reliability of the dividend discount model on the valuation of bank stocks at the Bombay Stock Exchange. In order to achieve this, share prices were predicted using the dividend discount model and then compared with the actual prices. The differences between the two were obtained. T-tests were carried out on the differences to establish whether the two prices were significantly different from each other. Of the fourteen companies studied, only four companies showed that the differences were significant. We can therefore; conclude that the dividend discount model cannot be relied on by companies in the valuation of their bank stocks at the BSE. The results are attributed to among other factors, the inefficient market (NSE), inappropriate discounting factors, information differentials and measurement and evaluation problems.

Dividend discount model has the highest prediction errors across India for bank stocks. So We conclude that DDM performed well only for few bank stocks like PNB, Federal Bank, Bank of India with consistent Yield record. So the study proven that Dividend discount Model is not very informative for the estimations of equity market value for bank stocks.

This DDM method yields the following findings

1. There was moderate positive relation exists between dividend yield and returns for the selected bank stocks included in BSE bankex.
2. Dividend discount model works only for bank stocks like PNB, Federal Bank and Bank of India and Indusind Bank with consistent Dividend Yield record in the past.
3. On an overall basis, Dividend discount model does not hold good for bank stocks due to inappropriate discounting factors.

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**FINANCES OF PANCHAYAT RAJ INSTITUTIONS IN KARNATAKA STATE**

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**GOVERNMENT FIRST GRADE WOMEN COLLEGE**  
**SAGAR**

**ABSTRACT**

*Local Self-government is the people elected institution which is created for performing the basic functions of local area. Local self-government generally provides basic services like roads, sanitation, street light, education, health etc. therefore, a sound and systematic administrative structure has to be built up by the local self-governing institution. Decentralization has been a major feature of the development landscape since the mid 1980s. The local self-governments i.e., panchayats and municipalities in both rural and urban areas are the best instruments of democratic decentralization in India. After the 73<sup>rd</sup> amendment to the Indian Constitution. Panchayat Raj System has occupied a pivotal place in the Indian democratic system. In India rural development has been envisaged through democratic decentralization. For this purpose a three tier panchayati raj institutions (PRIs) has been set up. Different types of powers, functions and responsibilities have been assigned to the panchayati raj bodies. Karnataka was created on November 1, 1956, with the passing of the States Reorganisation Act. The important provisions of the 73<sup>rd</sup> Constitution Amendment Act brought out in the year 1992. Based on this Act, a three-tier panchayat raj system- Grama Panchayat (GP) at the village level, Taluk Panchayat (TP) at the taluk/middle level and Zilla Panchayat (ZP) at the district level, was established. The finance is fuel which is indispensable for working the engine in the form of panchayats raj institutions. The PRIs cannot become effective institutions of local self governance unless they have a strong financial base with clearly defined sources of revenues and the revenues are properly managed to optimize the resources. PRIs should have the power to levy tax, a share in State taxes and duties, and grant-in-aid from higher level governments to discharge their duties effectively. In the absence of this, the panchayats would face severe problems of fiscal gap, leading to deficiencies in the provisions of services to the people. This paper critically examines the financial resources of PRIs; identify the functions and financial resources of panchayats with special reference to the Panchayati Raj System in Karnataka.*

**KEYWORDS**

Panchayat finances, local finance.

**INTRODUCTION**

The initiative of Karnataka in 1987 was a first in decentralization reforms with a central theme being the creation of strong district level local governments. Karnataka transferred all the district sector plan schemes to these institutions which were being implemented by the respective line departments of state government. Government of Karnataka has devolved all the functions laid down in the Eleventh Schedule of the Constitution to the PRIs. The functions assigned to each tier of PRIs have been incorporated in Karnataka Panchayat Raj Act, 1993. These functions consist of many schemes and programmes related to social and economic sectors. The financial analyses of PRIs, there are three methods of inter-governmental transfers from the higher level government to the lower level government in the state of Karnataka. These are: 1. Assignments of taxes, fees and user charges to GPs. 2. Block Grants to GPs. 3. Specific purpose grants to ZPs, TPs and GPs.

**OBJECTIVES OF THE STUDY**

1. To describe the organization and functions of PRIs.
2. To examine the financial resources of PRIs.
3. To analyze deficiencies of the PRIs in Karnataka.

**METHODOLOGY**

The present study is conducted with the help the secondary data. The secondary data was collected from the annual reports, books, web site and other available literatures.

**GRAMA PANCHAYATS**

The GPs have to perform functions as envisaged in section 58 of Karnataka Panchayat Raj Act, 1993. There are 17 functions listed in this section- providing sanitary latrines to not less than ten percent of the households every year supply of drinking water, sanitation, road construction and maintenance and maintenance of records relating to census and persons below poverty line are some main functions included. There is provision to assign more functions to GPs vide section 59. Powers have been given to GPs to perform all these functions as per section 60. In Schedule I of the Act, preparation of annual plan, budget, maintenance of essential statistics, agriculture, horticulture and other functions are entrusted to GPs.

**RESOURCES OF GPs**

Income from collection of tax, cess, fees et cetra; Government grants and scheme bound funds are the resources of GPs.

**FUNCTIONS OF GPs**

Functions assigned to the GPs are given in Section 58 and Schedule I of Karnataka Panchayat Raj Act, 1993. The main functions are given below:

- Preparation of Budget and Annual Plan
- Supply of drinking water
- Sanitation
- Street lights
- Houses/House sites distribution
- Selection of beneficiaries under poverty alleviation programmes
- Construction and maintenance of roads and culverts
- Implementation of schemes like SJSY, NREGA, SGRY etc.

**TALUK PANCHAYAT**

The TPs have to perform functions as envisaged in section 145 of Karnataka Panchayat Raj Act, 1993. In addition to the functions assigned as per Schedule-II, the TPs are also given the responsibility related to drinking water supply, supervision over functioning of all the GPs in the taluk, providing adequate number of class rooms in primary schools, sanitation and acquiring land for locating manure pits away from the dwelling houses in the villages. Section 147 gives the

general powers to TPs to perform its functions. Schedule-II prescribes the functions of TPs; this includes agriculture, soil conservation, minor irrigation, animal husbandry, cottage industries, rural housing, drinking water, roads, education, markets, women and child development, public distribution system, libraries and others. Taluk Panchayats have no powers to impose taxes.

#### RESOURCES OF TPs

- Government grants
- State and Central Plan grants
- Share in stamp duty and others

#### MAIN FUNCTIONS OF TPs

- Preparation of Annual Plan
- Verification of Annual Plans of GPs and submission of consolidated Annual Plans to ZPs
- Preparation of annual budget and others

### ZILLA PANCHAYATS

ZPs have no taxing powers. The ZPs have to perform functions as envisaged in section 145 of Karnataka Panchayat Raj Act, 1993. Functions assigned to ZPs are listed in Schedule-III, this includes agriculture extension and horticulture, soil conservation, minor irrigation, animal husbandry, fisheries, village industries, minor forest produce, rural housing, drinking water, roads, education, markets, women and child development, public distribution system, co-operation, libraries and others. Some more functions may be entrusted as per the provision vide section 185 of Karnataka Panchayat Raj Act, 1993.

#### FINANCIAL RESOURCES OF PRIs

##### GRAM PANCHAYATS

Taxes, fees, rates, etcetera are the main sources of own revenue of GPs. Every GP has been given powers to levy tax upon buildings and lands which are not subjected to agricultural assessment. The user charges for public facilities and infrastructural facilities resources are water rate, lighting fee, street cleaning fee, conservancy fee, drainage fee, sanitary cess for public latrines, pilgrim fee, etc. user charges on hospitals, schools and fee for use of common resources and also non-tax revenues like royalty, rent auction income, sale of sites.

##### TALUK PANCHAYATS

The Taluk Panchayat do not have taxation powers. The government may levy some charge on duties imposed by the Karnataka Stamp Act, 1957 on instruments of sale, gift, mortgage, exchange and lease in perpetuity of immovable properties, situated within the area of Taluk Panchayats, at a rate not exceeding three percent of surcharge of stamp duty.

##### ZILLA PANCHAYATS

The Zilla Panchayats do not have taxation powers. They depend on the transfer of funds from the state government.

### SUPERVISION OF THE ACTIVITIES OF GPs

GPs are taking up works related to central and state governments and from their own resources. Proper implementation, adoption of transparency rules, quality verification and accounts maintenance are very important. Although, the Executive Officer of TP has powers to supervise the activities of all the GPs of taluk, in view of large number of activities and works it is difficult for him to exercise these powers. As a result, an instance of misutilisation is increasing in GPs. As the finances of GPs are maintained in a joint account by the Adhyaksha and Secretary of GP, misutilisations of funds are being recorded before it is brought to the notice of higher level officers.

#### SUPERVISION OF TALUK PANCHAYAT ACTIVITIES

TP activities mainly comprise of human resource development and maintenance aspects. Apart from release of funds for education, health, sanitation and other activities, proper utilization of funds and maintain the quality should be ensured. In addition, supervision of the activities of GPs and maintenance of accounts are the responsibilities of the EO of TP. TP also has the responsibility of supervision and providing guidance in agriculture, rural development, animal husbandry, minor irrigation and watershed area development sectors.

#### SUPERVISION OF ACTIVITIES OF ZILLA PANCHAYATS

Programme implementation by ZPs and its supervision is far from satisfactory. Presently, the Directors in the Rural Development and Panchayat Raj Department are directly monitoring the work of ZPs. Since they have to perform their regular secretariat functions, they are not in a position to review programme implementation and work of field level officers effectively. As such these directors are unable to provide proper guidance to subordinate officers.

### FINDINGS

1. GPs have powers to levy tax. But this is not being properly done due to lack of awareness.
2. GPs implement a few important schemes of state and central governments. National Rural Employment Guarantee Scheme, Ashraya Housing Scheme, Drinking Water Supply Scheme, Sanitation Scheme are some of the major programmes implemented by the GPs. While implementing these schemes wider coverage is not visible in most of the GPs.
3. It is noticed that a few schemes are implemented by the officers of ZP and TP without bringing the same to the notice of GPs. For example, it is informed that GPs are ignored in the implementation of suvarna grama yojana. It is also learnt that many schemes under State and District sectors are being implemented without informing the GPs.
4. In performing functions assigned to the TPs few difficulties have been noticed. As many functions have been assigned to the three tiers of PRIs, it is not clear as to which function has to be performed at what level.
5. It is being said that TPs do not have independent supervision over the departments which come under TPs. The Executive Officer of TP is finding it difficult to discharge duties as Assistant Executive Engineer and others of engineering division are not under his control.
6. ZPs have no powers to formulate and revise its plans as per its requirements. It is felt that state government is formulating plans and ZPs are asked to implement.
7. It is noticed that inspite of ZPs having adequate powers for supervision of activities of TPs and GPs, it is not being effectively utilised.

### SUGGESTIONS

1. It is necessary that schemes are formulated with a wider scope keeping in mind that public should get the benefits. Government should take note of this extend the project to all the PRIs which will result in proper utilization of funds.
2. It is necessary that implementation of any scheme of government should have the involvement of GPs and participation of people since ultimately benefits flow to the people of that area.
3. Suitable action should be taken for maintenance of accounts and computerization.
4. Technical staff should be made available for executing works and they should be held responsible for poor quality of work.
5. Secretary and Adhyaksha should be made responsible for delay in implementation of development works and poor collection of taxes.
6. Independent responsibility should be given to TPs to comprehensively manage the functions assigned constitutionally to them.
7. Transparency should be maintained in implementation of all programmes.
8. Required knowledge about Acts and Rules should be imparted to ZP members and awareness about their responsibility should be created and necessary training should be given to them.



**CONCLUSION**

The PRIs cannot become effective institutions of local self governance unless they have a strong financial base with clearly defined sources of revenues and the revenues are properly managed to optimize the resources. In view of the above, it is clear that the low revenue mobilization by rural local bodies is a serious issue to be seen in the light of the constitution which envisages panchayats as autonomous institutions. Simple reluctance to mobilize revenue, lack of role clarity between tiers, lack of staff support, unviable administration area, creation of parallel channels of flow of funds are some major factors for eroding the autonomy of the panchayats. It is clear from the above that the states have not built up fiscal autonomy and fiscal base of the PRIs.

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## QUALITY DIMENSIONS IN MARKETING OF SERVICES: A STUDY WITH SPECIAL REFERENCE TO TELECOMMUNICATION SERVICES

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### ABSTRACT

*Service quality is the order of the day. The present paper explores the importance of service quality in service industries with special reference to Airtel Cellular Services. The Mobile market in India is very robust and is the second largest mobile telecom market in the world, adding nearly 20million subscribers every month. This rapid growth in the mobile segment has been driven by an enabling policy framework and intense competition. With up to 12 competing operators in a circle, the tariffs in India are the lowest as compared to global benchmarks. In such a hyper-competitive scenario service providers make an all out effort to attract and retain customers. There is an ongoing effort from the service providers to improve the service and enhance customer delight. There are evidences that despite favorable mobile service quality, companies are losing important buyers of their products and services every day. This paper highlights the important aspects of mobile service quality and the association between mobile service quality and customer satisfaction.*

### KEYWORDS

Customer Satisfaction, Service Providers, Mobile Service Quality, Telecom Industry.

### INTRODUCTION

In the service literature service quality is interpreted as perceived quality which means a customer's judgment about a service. In the SERVQUAL model, service quality is defined as the gap between customer perceptions of what happened during the service transaction and his expectations of how the service transaction should have been performed. SERVQUAL refers to five dimensions of quality:

- Reliability (delivering the promised outputs at the stated level).
- Responsiveness (providing prompt service and help to customers; the reaction speed plays a vital role here).
- Assurance (ability of a service firm to inspire trust and confidence in the firm through knowledge, politeness and trustworthiness of the employees).
- Empathy (willingness and capability to give personalized attention to a customer).
- Tangibles (appearance of a service firm's facilities, employees, equipment and communication materials).

This paper explores the importance of service quality in service sector with special reference to Airtel cellular services. The service sector in India has become a dominant sector for the economic development of India since 1990's. Though there are number of service segments in the service sector, telecom services is contributing to the sectoral development to a greater extent. The telecommunications sector is playing vital role in the economic advancement of developed as well as developing countries.

The Indian telecommunications industry is one of the world's fastest growing industries, with 1200.93 million mobile phone subscribers as on April 2013. It is also the second largest telecommunication network in the world in terms of number of wireless connections after China. The Indian Mobile subscriber base has increased in size by a factor of more than one-hundred since 2001 when the number of subscribers in the country was only 5 million.

### STATEMENT OF THE PROBLEM

Mobile market in India is very robust and is the second largest mobile telecom market in the world, adding nearly 20million subscribers every month. This rapid growth in the mobile segment has been driven by an enabling policy framework and intense competition. With up to 12 competing operators in a circle, the tariffs in India are the lowest as compared to global benchmarks. And with Mobile Number Portability introduced in India, the competition will only increase further. In such a hyper-competitive scenario service providers make an all out effort to attract and retain customers. There is an ongoing effort from the service providers to improve the service and enhance customer delight. All service providers have made huge investments towards setting up sophisticated, state-of-the-art customer care centers, Interactive Voice Response (IVR) systems with consumer friendly, menu driven options that can easily cater to an entire gamut of services.

Researchers note that service dimensions vary across different industries, which emphasizes a need for developing multiple scale items that provide adequate measures of service quality in a particular context (Bolton and Drew 1994). Also, a model of service quality needs to be developed from the consumer's perspective-what consumers seek and evaluate in the market (Gronroos 1984).

Only a handful of academic researchers have looked at service quality in the mobile services context. For instance, Lee et al. (2001) studied service quality of mobile services as predictors of satisfaction and customer retention in France. Their study, however included a limited scope of service quality (i.e., network quality). Current consumer surveys reveal that consumer's complaints and dissatisfaction are determined by a broad range of service offerings, such as billing issues and rudeness of service representatives, as well as technical quality (Cap Gemini 2003; Consumer reports 2005; McKinsey Quarterly 2005). Hence, this study identifies a comprehensive set of relevant service quality items in the mobile services context.

Dimensions of mobile service quality incorporate both technical (e.g., pricing plans, network quality and various data services) and functional attributes (e.g., billing system and customer service quality) of mobile services. Such a collective measure of service quality is expected to provide a clear picture of consumer's evaluative criteria for mobile services.

FIGURE 1.1: IDENTIFICATION OF CONSUMER'S PERCEIVED QUALITY OF MOBILE SERVICES

Dimensions	Examples
<b>Technical Quality:</b>	
1. Pricing plans	<ul style="list-style-type: none"> <li>Offering the best plan that meets a customer's need.</li> <li>Ease of changing service plans</li> <li>Superiority of overall pricing options</li> <li>Delivery of information about products and services.</li> </ul>
2. Network Quality	<ul style="list-style-type: none"> <li>Frequency of Dropped calls.</li> <li>Voice quality</li> <li>Coverage</li> </ul>
3. Mobile Data Services:	
• Messaging Services	<ul style="list-style-type: none"> <li>Sending SMS</li> <li>Receiving SMS</li> </ul>
• Entertainment Services	<ul style="list-style-type: none"> <li>Receiving sports information</li> <li>Listening to music from the internet</li> <li>Playing online games</li> </ul>
• Locator services	<ul style="list-style-type: none"> <li>Providing location/map/direction services</li> <li>Receiving weather reports</li> <li>Receiving news</li> </ul>
<b>Functional quality:</b>	
1. Billing system	<ul style="list-style-type: none"> <li>Provision of accurate billing</li> <li>Ease of understanding and resolving billing issues.</li> </ul>
2. Customer service quality	<ul style="list-style-type: none"> <li>Resolving billing issues quickly</li> <li>Ability of fixing a problem</li> <li>Courtesy of customer service representative</li> <li>Provision of consistent advice/instructions from a call center</li> <li>Accurate representation of service and terms.</li> </ul>

## RESEARCH OBJECTIVES

- To find out the impact of service quality on customer satisfaction .
- To find out the satisfaction levels of Airtel customers.

## RESEARCH HYPOTHESIS

H<sub>1</sub>: There is no significant correlation between Mobile Service Quality and Customer Satisfaction.

## DATA SOURCES

The data sources required for the study include both primary and secondary. The primary data sources were the subscribers of Airtel cellular mobile telephone services in Chittoor district, Andhra Pradesh.

The secondary data sources were: relevant websites, national and international refereed journals, business magazines and news papers, working papers and monographs relevant to the area of research.

## SAMPLING METHODOLOGY

Sampling frame comprised of the subscribers of cellular mobile services of Airtel, in Chittoor district of Andhra Pradesh. Non-Probability Quota sampling technique was used.

The total number of Airtel customers in Chittoor District is 8, 68,823 as on August 2013. Since customers are spread geographically, may be because of their mobility, it is found to be very difficult to meet them for data collection if probability sampling technique is adopted.

A total of 500 customers were contacted over a 3 months period (Aug-Oct 2013) via a structured questionnaire.

## DATA ANALYSIS METHODS

The data collected from the field survey was analyzed using SPSS (Statistical package for social sciences) 11.5 software package. Statistical techniques included simple percentages, standard deviation, correlation and regression.

## DESCRIPTIVE STATISTICS FOR MOBILE SERVICE QUALITY

Table 1.1 presents the descriptive statistics for mobile service quality dimensions. The overall perception of respondent's on mobile service quality is above average (3.43 on a 5-point scale). The mean value for the wide coverage of Airtel network is 4.83. Airtel educates its customers about their products/services (4.40). Airtel provides high voice quality (4.64).

TABLE 1.1: MEAN, STD.DEV AND VARIANCE FOR THE DIMENSIONS OF MSQ (N = 500)

S.No	Items	Mean	Std.Dev	Variance
	<b>Overall</b>	<b>3.43</b>	<b>.155</b>	<b>.024</b>
1	Airtel offers the best possible plan that meets my need.	3.92	.747	.558
2	Airtel has innovativeness in terms of offers.	3.91	.643	.413
3	Airtel makes it easy to change service plans.	4.67	.643	.414
4	Airtel educates its customers about their products/services.	4.40	.747	.558
5	Overall, Airtel provides superior pricing options compared to other service providers.	3.36	.951	.905
6	Airtel provides accurate billing.	4.27	.663	.440
7	Airtel resolves billing issues quickly.	4.46	.773	.597
8	Airtel has wide coverage.	4.83	.474	.224
9	Airtel provides high voice quality.	4.64	.684	.467
10	Airtel has dropped calls frequently.	2.04	.830	.690
11	Airtel repeatedly fails to fix a problem.	2.30	.776	.602
12	Customer service representative at Airtel is rude	1.83	.651	.423
13	Call centre personnel at Airtel are not able to help me in many of my problems.	1.96	1.016	1.032
14	Airtel fails to provide accurate information about services	2.15	.681	.464
15	Different service agents give different responses at Airtel customer care on the same problem.	3.51	.848	.719

5 point scale: Strongly disagree (=1) to Strongly Agree (=5).

**DESCRIPTIVE STATISTICS FOR CONNECTIVITY**

Actually Connectivity is a part of mobile service quality. But due its importance in MSQ when compared to other dimensions, it has brought under a separate heading. The mean value of overall perceptions of the respondent's related to connectivity is good. How do you rate Airtel in terms of connectivity (4.71). What is the level of connectivity (4.81).

Do you face any problem in getting connected, while in roaming (4.38). Network becomes busy in peak hours (3.59). Network remains busy in offer periods (free/slashed rates) (3.72).

**TABLE 1.2: MEAN, STD.DEV AND VARIANCE FOR THE DIMENSIONS OF CONNECTIVITY (N = 500)**

S.No	Items	Mean	Std.Dev	Variance
	<b>Overall</b>	4.21	.42	.17
1	How do you rate Airtel in terms of connectivity?	4.71	.514	.26
2	What is the level of connectivity?	4.81	.42	.18
3	Do you face any problem in getting connected, while in roaming?	4.38	.88	.78
4	Network becomes busy in peak hours.	3.59	.66	.43
5	Network remains busy in offer periods (free/slashed rates).	3.72	.86	.75

5 point scale: Strongly disagree (=1) to Strongly Agree (=5).

**H<sub>1</sub>: There is no significant correlation between MSQ and Customer Satisfaction.**

This hypothesis has been tested by using correlation and regression (Table 1.3 and 1.4). It has been observed from the results of correlation coefficients matrix that there is significant positive correlation between Mobile Service Quality and Customer Satisfaction. The corresponding correlation coefficient is highly significant at 1% level. Hence we can conclude that there is strong association between MSQ and Customer Satisfaction. But R<sup>2</sup> value is less. It indicates that there are many other factors other than MSQ that influence Customer Satisfaction of the respondents. Only 5% of the variability in Customer Satisfaction can be predicted from MSQ. In other words, a large number of residual variability is presented in Customer Satisfaction.

**TABLE 1.3: CORRELATION MATRIX**

		<b>QMS</b>
BL	Pearson Correlation	.240**
	p-value	0.0000

**TABLE 1.4: REGRESSION ANALYSIS RESULTS**

(a)

Model	R	R Square	Adjusted R Square
1	.240	.058	.056
2	.259	.067	.064

(b)

ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1.704	1	1.704	30.524	.000 <sup>a</sup>
	Residual	27.805	498	.056	
	Total	29.509	499		
2 Regression	1.985	2	.993	17.923	.000 <sup>b</sup>
	Residual	27.524	497	.055	
	Total	29.509	499		

(c)

(c)

COEFFICIENTS						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error			
1	(Constant)	2.060	.235		8.776	.000
	Quality	.378	.068	.240	5.525	.000
2	(Constant)	2.295	.256		8.962	.000
	Quality	.378	.068	.240	5.550	.000
	Connectivity	-.056	.025	-.098	-2.252	.025

Dependent Variable: Customer Satisfaction.

In cellular mobile telecommunication services, currently there are twelve service providers in India in different circles, offering services to users with two different digital transmission systems GSM and CDMA. Among the 12 service providers, Bharti Airtel shares 28.31% of the market share, followed by Vodafone Essar (23.62%), Idea (15.89%) and BSNL (14.85%). Airtel is the Market leader in cellular services market. In 2010, its market share was 30%. But it came down to 28.31% in 2011. After mobile number portability being implemented in India, Airtel is also one of the biggest losers. So it becomes imperative for Airtel, to search for ways of improving its market share. One of the measures is improvement of customer satisfaction and customer loyalty. In view of this felt need, it is necessary to identify the key drivers of customer satisfaction and get to know the influence of them on customer loyalty.

**MAJOR FINDINGS**

- The repurchase intentions of customers are above average.
- Complaining behavior of customers is also on high side.
- Customers responded that they will switch to a competitor if they experience a problem with Airtel's Service.
- Customers are doubtful about their continuity with Airtel after the implementation of MNP (during the period of data collection, MNP was not implemented in AP).
- A slight dissatisfaction is observed on the complaint handling mechanism of Airtel Cellular Services.



- Customers responded that in terms of innovativeness in offers, Airtel is not on par with the competitors.
- Customers felt that pricing strategies of new players like Uninor, Tata Indicom are better when compared to Airtel.
- Customers opined that different employees in the customer care are giving different responses on the same problem.
- Customers are price sensitive. They want to shift to the competitors, if their services are available at cheaper prices.

The hypothesis of the model was tested and the findings corroborate with the view that mobile service quality, customer satisfaction and customer loyalty are related.

### RELATIONSHIP BETWEEN MOBILE SERVICE QUALITY AND CUSTOMER SATISFACTION IS SIGNIFICANT

The results of correlation and regression analysis of the study indicated that there is a significant relationship between perceived value of mobile services and customer satisfaction. This finding is similar to those of the previous research works of Parasuraman, Zeithaml and Berry (1996) and Zeithaml (2000). They proposed a positive relationship between perceived value of mobile services and customer satisfaction. This finding is further supported by the studies of Anderson and Sullivan (1993); Caruana and Pitt (1997); Johnson (1995); Mc Alexander *et al.*, (1994); Mittal *et al.*, (1998); Powpaka (1996); Taylor and Baker (1994); Taylor and Cronin (1994).

### RECOMMENDATIONS

Airtel has to take steps to improve their ratings on the following:

- **Develop Loyalty Programs** Loyalty programs play an important role in retaining the existing customers. We can develop loyalty programs, an offer where an operator gets free minutes, when their customers reach a certain level of usage.
- **Customer Support** Airtel must empower its customer service representatives to take care of the problem quickly and efficiently.
- **Value-added Services(VAS)** Selling more to the existing subscribers is relatively easier as compared to acquiring new customers.

### LIMITATIONS OF THE STUDY

**Drawing Sample from a Single company** Drawing sample from a single company limits the generalisability of the study.

**Sample size** : The 500 sample size may be reported as small for few researchers from their point of view and this can be concluded as further limiting factor for the generalization of findings.

### FUTURE RESEARCH DIRECTIONS

- What is the effect of psychological characteristics of customers on loyalty in cellular services? Whether these factors function as adjusting variables in the existing interaction?
- What is the impact of inertia and customer indifference on brand loyalty in telecommunication services?

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**ROLE OF INDUSTRY-ACADEMIA INTERFACE FOR FILLING THE SKILL GAP**

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**ABSTRACT**

*Industry needs academia and can benefit from its capabilities. Teaching research and extension are the trinity of higher education. A productive interface between industry and academia, in the current era of a knowledge driven economy, is critical. Industry Interface is an interactive and collaborative arrangement between academic institutions and business corporations for the achievement of certain mutually inclusive goals and objectives. Institute remain in continuous touch with industry for overall development of their students. Industry needs "ideas". It has funds, but lacks time. It has Yesterday in mind. Institute needs "funds". They have time, expertise and can provide ideas. They have Tomorrow mind. Bringing them together gets us Today. There is no Chase, there is NEED! The paper is an attempt to list down benefits from industry – academia interface and would also point out the ways to build the gap so as to develop the skill. This paper also states out the inhibiting factors both from industry and academia and measures to overcome it. Technical education forms the backbone of development of a nation. Industry is the major consumer of technical institution product. The real requirement of industry will be explored only through effective interaction with them. The paper is exploratory in nature and is an effort to create a base for further study.*

**KEYWORDS**

Industry Interface, Academia Interaction, Inhibiting Factors, Suggested Solutions.

**INTRODUCTION**

Universities and industry are rapidly inching closer to each other to create synergies like providing industry exposure, upgrade the skills of the students and guide them on governance which is benefit to Institution, Students and Industries as well as towards society.

The initiative is structured in such a manner that the students gain knowledge, functional understanding, and exposure to the industry environment. Industry institute interaction is done through various means like sending students for industrial training & visiting, inviting students for campus interviews & inviting experts from different industries for lectures. also they take different activities like summer training, experiential learning & industrial projects.

Universities are, or at least ought to be, prime repositories of up - to - date and advanced levels of knowledge in different fields in a society. Especially in a knowledge society, industry and business are the main users and beneficiaries of such knowledge. Therefore, it is almost inevitable for the universities and industries to come together in a close, constructive collaboration to use such knowledge for their mutual benefit and also for the benefit of society.

The skill gap refers to the expanding difference between the theory taught in academia and the actual practice in industry. It is therefore of utmost importance that an interface programme helps in the phase of building the path to encourage fill the gap.

**REASONS BEHIND THE GAP BETWEEN INDUSTRY AND ACADEMIA**

The Gap between the needs of the industry and aspirations of academic community is very large. Academicians always have a strong feeling that unless these initiatives find a place in industrial sector, this interaction will be confined to only developmental activities. There is a strong mismatch in perception of the two on the issues related to technology development. At present, the academic community is not geared to face this challenge of translating an evolving idea into technology development.

1. Academics and Industrialists have a different mindset, Therefore both are living in two different worlds.
2. Both Academics and Industrialists are pursuing different goals entirely. The Academics is striving for recognition from his or her peers. The Industrialist is striving to survive.
3. Industry thinks in terms of short range goals whereas Academic has a long range perspective.
4. Industry prefers proven solutions with a low risk, whereas Academia is interested in creating new solutions with a high innovation rate.
5. Industry seeks the minimum solution to minimize their risk, whereas Academia strives for a maximum solution to maximize their recognition.
6. Industry is mainly concerned with costs. Academia could care less about costs, it is mainly interested in the benefits (and prestige).

**PURPOSE TO BRIDGE THE GAP BETWEEN INDUSTRIES - ACADEMIA**

The reason that there are few jobs to be found in academe is not because there are too few colleges, universities, departments or programmes, rather there are too many. The problem is the Supply outnumbers the Demand. So it is important to consider all options.

Today, Businesses are looking for innovative solutions from the academia to help meet their business needs of higher productivity and lower costs, yet increase efficiencies. In area of talent, India has to strengthen its technical and management resources as these are crucial to knowledge - based industries. A market - driven approach to higher education has to be fostered in order to encourage manpower development from the grass root level itself. The idea is to involve the private sector in higher education.

In recent trends we have witnessed a lot of technological changes. These changes, however, have not been properly used by our graduates in order to compete in the present scenario. It is essential to have industry - academia interactions which will help to impart relevant knowledge and will be sustainable in the changing conditions. Another most important reason behind bridging the gap between industry and academia is to fulfill the expectations which are complimentary in nature.

Large industrial companies have the resources to invest in technology development initiatives. Academic participation is often needed in minor technological innovation. Small scale industries often depend on support in the areas of design, process improvement and machinery performance, etc. They also rely on processes to yield a product which already exists. In case, problem solving may simply amount to product testing and production enhancement in terms of quantity and quality. In such interactions, industry's expected time frames have been immediate and investment is directed towards efforts that promise result oriented solutions.

An Academician shows interest normally in problems that are intellectually challenging. His or her areas of interest lie in technology development initiatives and methods related to process and design improvement. Researcher has strong preference for working towards creation of knowledge in specialized areas. For industry related problems, a researcher has to explore a variety of options which is time consuming.

**BENEFITS IN BRIDGING THE SKILL GAP**

It is important that in coming decades, industry and academia must together along with government, non - government, financial companies, scientific societies, inter - governmental organizations, work to imagine and help to realize a more sustainable and equitable future.

In recent years lot of changes are taking place in developing countries with emerging demand for academic consultancy and collaboration. The expected scenario seems to be one of increasing awareness and willingness to make the necessary commitment on the part of industries, and increasing capacity and readiness on the academic side. From such a perspective one can hope to build sustainable advantages from such collaborations.

The benefits of interaction can simply be stated as follows: -

#### INDUSTRY

Using the academic knowledge base to improve industrial cost, quality and competitive dimensions, reducing dependence on foreign know - how and expenditure on internal R&D, updating and upgrading the knowledge base of the industry's professionals through management development programmes designed by the academia, the faculty's exposure to industry leading to improved curricular and widened and deepened teaching perspective resulting in professional graduates of a high caliber to man industry.

Academia - Industry Interaction should be considered as part of the education. Industry education can bring to the table real world experience and examples. Also, with the presence of industry education in campus, this should foster some sort of relationship. More importantly, this would allow for recruitment of outstanding candidates who lie in academia and are looking to break into industry. Graduates and post - graduates are no the best at networking, so this would also allow for some exposure outside of their mundane classroom environment. Even when Industries offer internship to student society their incentive is to hire the best and brightest to strengthen and grow your company.

#### ACADEMIA

The satisfaction of seeing its knowledge and expertise being used for socially useful and productive purposes, widening and deepening of the curricula and the perspective of teachers and researchers and thereby improving their morale as well as that of student, earn additional resources for a system already severely constrained in this regard, secure training and final placements more easily for their students based on the respect earned from, and the relationship established with, industry.

Since the benefits in academe can be light bearing and fruit bearing it can be characterized as proximate benefits and ultimate benefits. Proximate benefits include the interactive learning and mutual advancement. Whereas ultimate benefits consist of triggering the indigenous Research & Development, enhancing quality of Research, enhancing Industrial competitiveness, overall economic development, Income and Revenue Saving.

### FACTORS INHIBITING INDUSTRY - ACADEMIA INTERFACE AND RECIPROCATING THE BRIDGING OF SKILL GAP

The current of cooperation between Academia and Industry is such that Academicians are driven by their conferences and technical journals and their need to publish but seldom attend industrial conference as they intend that is not circled in their portfolio. Academicians are not aware of the actual problems and constraints faced by the industries; rather they look down to industrial newspaper and magazines which does not portray the exact picture of the companies.

Just as the benefits of interface was complimenting from both the sides. Similar are the inhibiting factors.

#### FROM INDUSTRY SIDE

1. Insensitivity to or lack of awareness of the resource potential of the academia
2. A blind, herd - like obsession with expensive and high profile consultants
3. Easy availability of foreign Know - How
4. Compulsion of existing technical collaboration agreements
5. Bad experience of interactions with the academia in the past
6. Anxiety to keep problems and breakthroughs confidential for fear of losing the competitive edge.

#### FROM ACADEMIA'S SIDE

1. Apathy towards applied research and extension and reluctance to leave the comfort zone of pure teaching,
2. Inadequate marketing of its strengths to industry
3. Lack of a critical mass of experts and specialized technical infrastructure
4. Overspecialized loyalties and reluctance to collaborate inter - disciplinary problem solving
5. Unhelpful, restrictive internal policies and procedures discouraging or frustrating academicians attempts to collaborate with industry
6. Unsettled conditions in the campus resulting in unproductive distraction of attention and energy.

### SUGGESTED MEASURES

As teaching is a major responsibility of universities, research and consultancy should not be at the expense of teaching but as additional, value - adding activities. All teachers, junior or senior, in universities should engage in both teaching and research / consultancy as synergizing modules. Existing rules, procedures and incentives should suitably redesigned to facilitate this. Certain high profile departments with unusual expertise or promise could, however, be given a reduced teaching and administrative load and enabled to concentrate on honing their expertise. In accreditation process the institute should only focus on highlighting the potential and capabilities of departments for training, problem - oriented research and consultancy. Every major academic institution should have a suitably structured academia - industry interaction council headed by the director/ principal of the institution which will take steps to promote and delete the bottlenecks in such interactions.

On the contrary Industry's planning committee used to farm out research projects on specialized sectoral studies to university departments. This practice deserves to be continued and expanded further. Apart from motivating the academics, this would enable industry to readily identify competent departments for giving assignments with confidence. Though the public sector is shrinking, major ones which would still survive should, as a matter of policy, utilize available expertise in the academia wherever feasible. At the annual conference of trade and industry association such as Ficci and CII, as well as academics should make presentations on academia's problem - solving, research and consultancy capabilities.

Since the industry does not generally have a high opinion of academia's capability, it is for the latter to take initiative to break the ice.

### SOME LISTED ICE - BREAKING TECHNIQUES

1. Including pro - active and positive - minded professionals from industry and business in syndicates and boards of study.
2. Using practicing professionals from industry as part - time guest faculty.
3. Securing training/ projects attachments for senior students and research scholars in industry.
4. Exploiting contacts with alumni who are successful in industry and business.
5. Offering management development courses for professionals in industry, as this is a safe, inexpensive trial interaction for the latter
6. Offering inexpensive, if necessary free, consultancy to small and medium industries which cannot afford expensive consultants

The recent successes of Indian entrepreneurs in IT and Outsourcing have generated a new self - confidence because of collaborations with universities. Indian companies have won prestigious awards such as the Deming Prize. Wipro and Infosys recently signed MoUs with some Universities. The atmosphere is therefore, is ripe for academia to exploit to its advantages this new ambience of confidence and self - reliance in industry.

There are of course few principles that can be followed by Industry as well as academia to strengthen the Skill and can be used as guidelines

- a) Open academic environment - It is the responsibility of the administration, the academic senate and departmental faculty to establish appropriate norms for existence of an open environment
- b) Freedom to publish - Freedom to publish is fundamental to the university and is a major criterion for the research project. Faculty should be encouraged to engage in outside projects. These at the same time, should not interfere with their performance of teaching and research duties.

### CONCLUSION

It is said Roam was not built in a day. There is surely a great need of industry and academia relationship to grow so that the deficit can be balanced in both ends. It is in evident that the effort to achieve this collaboration will definitely start at the micro level but will gradually grow and will be adopted by rest of the world. With the help of corporate sponsors such awareness and interaction can be fostered and promoted on campus and universities/ colleges nationwide. Such

involvement at the minimum would include seminar/ speakers from industry on campus. Many do not see the need or importance; however, someone has to make the first move. Until then, academia and industry will continue to not understand each other or see the need to have an intertwined and collaborative relationship especially for long-term.

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**A STUDY OF CONSUMER PERCEPTION TOWARDS COMBO OFFERS PROVIDED BY BANKS**

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**ABSTRACT**

Indian Banking sector has shown tremendous growth and competing with the global standards and norms. Reserve Bank of India, Regulator of Indian Banking sector has taken many responsible steps and adopted a conventional frame for insulating India from financial crisis. As on 31<sup>st</sup> May 2013, India has 87 scheduled commercial banks with deposit worth Rs.71.6 trillion (US\$ 1.21 trillion). To compete in such a stiff competition, banks incorporate combo offers in their marketing strategy. Combo offers or Product bundling is a marketing strategy that involves offering several products for sale as one combined product. The present study has made an attempt to see the consumer's perception towards the combo offers provided by banks and to find out the factors that influences customer's purchase decision. The study focuses on the identification of the critical factors that influence the consumer purchase decision. Data is collected through convenient sampling technique and proper mix of interval, nominal, ratio and five point Likert scale is used in questionnaire to collect the data. Sample consisting of 200 respondents has been taken from Jalandhar City. First of all, descriptive statistics was used so as to do the profiling of customers. A research framework was designed and exploratory factor analysis method of data reduction was employed. Four factors were derived from the analysis of the research data. The four factors are named as Value for money, Advertisement & Value Added Services, Sales Promotion Activities & Services

**KEYWORDS**

consumer perception, combo offers, banking.

**INTRODUCTION**

The Banking sector of India is flourishing and is well at par with the global banking industry. With the total worth of Rs 77 trillion (US\$ 1.30 trillion), Indian banking sector is competing with the global standards and norms. The regulator, Reserve Bank of India has been following prudent practices and adopted a conventional frame for insulating India from global financial crisis. As on 31<sup>st</sup> May 2013, India has 87 scheduled commercial banks with deposit worth Rs.71.6 trillion (US\$ 1.21 trillion) out of which 26 are public sector banks controlling over 70% of the banking sector, 20 are private banks and 41 are foreign banks. As per the recent statistics, 41 banks are listed with the total market capitalization of Rs.9.35trillion (US\$158.16 billion).

**INTRODUCTION TO COMBO OFFERS**

In marketing the combo offers are called as the product bundling. Product bundling is a marketing strategy that involves offering several products for sale as one combined product. This strategy is very common in the software business (for example: bundle a word processor, a spreadsheet, and a database into a single office suite), in the cable television industry (for example, basic cable in the United States generally offers many channels at one price), and in the fast food industry in which multiple items are combined into a complete meal. A bundle of products is sometimes referred to as a package deal or a compilation or an anthology. The banks which generally provide combo offers to the customers are UCO BANK, CORPORATION BANK, AXIS BANK, SBI, ICICI, UNION BANK, CENTRAL BANK OF INDIA.

**LITERATURE REVIEW**

Adams et al, (2012) concluded that capital product industries are adopting the strategy of product bundling to look out for integrated solutions consisting of services and products sold in a bundle. Shreshta, (2012) studied consumers' perceptions of products they purchased under sales promotion offers, and their effects on repurchase intentions of the same products after the end of the offers. Vaishnani, (2012) studied the sales promotion schemes for the special FMCG products and concluded that there is a significant relationship between Sales promotion scheme and Brand equity in case of employment category of the respondents. Matthews, (2011) conducted an exploratory research on product bundling and its impact on the consumers to assist the wine industry in formulating wine product bundles for the consumers. Rizvi et al, (2011) found the impact of sales promotion strategies on the profitability of firms along with the consumers' perception about sale promotion and its relationship with the brand loyalty of that particular brand or company in Pakistan. Priya et al, (2010) studied the implications of the fast-food marketing practice of bundling a soft drink and French fries with an entrée (i.e., "the combo meal") and then offering these three items at a discount. The author finds i) consumers view the bundle as having value beyond the notion of a discount or the perception of the items as complements, ii) this increased value to both the reduction in ordering costs and the promotional effects associated with purchasing the bundle and iii) consumers become more price sensitive to all goods offered when bundled goods are offered. Venkatesh et al, (2009) found the impact of high technology and e-commerce on the Bundling strategy. The seller typically has to decide which form of bundling to pursue and how to price the bundle and the individual products. Koderisch, et al, (2007) has opined that Bundling core banking products with additional services increases sales across product areas and aids customer lock-in and even allows banks to differentiate themselves in a generally homogenous sector. Dhang et al, (2005) concluded that among the various forms of consumer sales promotions, free gifts have more influence on the brand switching behavior of consumers followed by the sweepstake offer and extra product offer in context of the range of promotions launched in the Indian Market place from 1996 to 2003. Legarreta, (2004) proposed a new approach to bundling for both the marketing of services and relationship marketing. If the firm's primary goal is to attract maximum number of valuable of customers, then; collaborative relationship bundling can constitute the strategic core for a company. Chen, (1997) explained that bundling can emerge as an equilibrium strategy for the rival firms in a duopoly market for its role as product-differentiation device which results in higher profits for the firms but social welfare is reduced.

**OBJECTIVES**

1. To study the consumer's awareness towards the combo offers provided by banks.
2. To find out the factors that influences customer's purchase decision towards combo offers provided by banks.

## NEED OF THE STUDY

Customers always prefer the extra value which they get after spending their income on buying a product. Bundling can and usually is, designed to offer benefits for both the parties. The seller of the products /services gets to sell more of his products in a single transaction while the buyer gets a benefit of reduced price / additional benefits. Combo offers are generally related to food products or FMCG products but now are offered by other sectors as well to attract customers, one of which is banking. The research will help to make people aware of combo offers provided by banks and analyze the different schemes provided by different banks. The research will help to find out the perception of people towards the Combo offers provided by banks.

## SCOPE OF THE STUDY

The research focuses to know about the combo offers provided by the banks these days and we will take banks of the Jalandhar region for our research. The scope of the study was restricted to only **Jalandhar region**. This paper will serve as to know about the awareness level and perception of consumer towards the combo offers provided by the banks. The study was conducted on the convenient sampling and the inherent disadvantages were eliminated throw certain open-ended questions.

## RESEARCH DESIGN

**Type of Research:** For this study, descriptive research design has been adopted. This study identifies and evaluates the Combo offers offered by Banks in Jalandhar. Factors affecting consumers' purchase decisions towards the banking products and the combo offers, consumer perception towards the combo offers provided by banks have also been examined. Basically this research describes the population surveyed and its characteristic, so it is descriptive research.

### SAMPLING DESIGN

**Target population:** Customers of the UCO BANK, CORPORATION BANK, AXIS BANK, SBI, ICICI, UNION BANK and CENTRAL BANK OF INDIA.

**Sampling Technique:** This study is based on examining consumer perception about combo offers provided by banks. Researchers have used the 'convenience sampling technique, it is a type of non-probability sampling technique. Researchers have taken data from Jalandhar only as per convenience.

**Sample size and data collection tool:** A sample size of 200 respondents has been taken. Major data for proposed is collected by means of structured questionnaire and personal interview with respondents. To fulfil the objectives of proposed study a 'Liker Scale' of five points is used in survey instrument to record consumer attitude towards the combo offers. The secondary data has been collected from various magazines, newspapers, internet, journals etc.

**Time period of Data:** The data is collected in between the time frame of month August 2013 to October 2013 in Jalandhar city.

**Pilot testing:** A pilot testing was done by doing convenient sampling technique. The sample was of 30 in size. A questionnaire was instrumented for this purpose. Reliability testing for the pilot survey was found satisfactory. Some necessary changes were made in the questionnaire after conducting pilot testing.

**Data analysis:** First, analysis is done on the basis of demographic variables like Income, age, gender etc. Population is the one who is a customer of the bank. Exploratory Factor analysis has been used to simplify the interpretation of the variables and to identify the factors which affect customers buying behaviour towards combo offers provided by the banks especially during festive seasons.

### BRIEF SUMMARY OF TOOLS USED FOR ANALYSIS

1. Descriptive Statistics: - For profiling of customers.
2. Factor Analysis: - To identify important factors influencing customers' preference towards combo offers provided by banks.

### FREQUENCY DISTRIBUTION

The frequency distributions of various groups of respondents are displayed below. The frequency distributions are related to age group of people surveyed.

**TABLE 1: FREQUENCY DISTRIBUTION to CHECK THE AWARENESS OF SURVEYED PEOPLE FOR COMBO OFFERS**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Yes	144	72.0	72.7	72.7
No	54	27.0	27.3	100.0
Total	198	99.0	100.0	
Missing System	2	1.0		
Total	200	100.0		

Source: The researcher's survey

Above data depicts that 72.7% of the respondents are only aware about the combo offers provided by the banks and 27.3% of the respondents were unknown about these offers.

**TABLE 2: FREQUENCY DISTRIBUTION OF BANK ACCOUNTS OF SURVEYED PEOPLE**

	Frequency	Percent	Valid Percent	Cumulative present
Valid UCO BANK	26	13.0	13.1	13.1
COPPORATION BANK	14	7.0	7.1	20.2
SBI	57	28.5	28.8	49.0
ICICI	30	15.0	15.2	64.1
PNB	37	18.5	18.7	82.8
ANY OTHER	34	17.0	17.2	100.0
Total	198	99.0	100.0	
Missing System	2	1.0		
Total	200	100.0		

Source: The researcher's survey

Out of 200 respondents, 26 respondents have their bank accounts in UCO Bank, 14 respondents have their bank accounts in Corporation Bank, 57 respondents have their bank accounts in SBI while 30 respondents have their bank accounts in ICICI and 37 respondents have their bank accounts in PNB and rest 34 have their account in other banks.

### FACTOR ANALYSIS

Questionnaires were collected from a sample of 200 respondents. The data was entered into SPSS data sheet. Reliability test was performed and the data was subjected to further analysis by using Principal Components Analysis (PCA) method. Varimax rotation with Kaiser Normalization was chosen to get the % of variance for 9 statements in the questionnaire. Eigen value of greater than 1 was identified and the relevant factors have been obtained accordingly in line with the statements in the questionnaire. A Rotated Component Matrix Table is generated and three factors were derived. Factor loading above 0.50 are considered as per factor analysis format. The derived factors are arranged based on the statements that have gone into each factor. The list of factors along with the supporting statements is displayed in Table 4.

TABLE 3: KMO AND BARTLETT'S TEST

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.635
Bartlett's Test of Sphericity    Approx. Chi-Square	204.860
Df	36
Sig.	.000

Source: The SPSS output

We have applied Kaiser-Meyer-Olkin and Bartlett's Test to check the adequacy of data and we find the value is 0.635 which is more than ideal value 0.50, hence data is adequate.

TABLE 4: ROTATED COMPONENT MATRIX

	Components		
Statements	1	2	3
1.Need	<b>.767</b>	.119	
2.Extra .benefits	<b>.760</b>		.237
3.Quick Response		<b>.734</b>	
4. Quality of Service	.274	<b>.682</b>	-.125
5. Accessibility		<b>.656</b>	.178
6. Promotion	.445	<b>.526</b>	-.195
7.Easiness			<b>.795</b>
8.Discount	.180		<b>.718</b>
9. Convenience	.577		<b>.590</b>

Source: The SPSS output

TABLE 5: FACTORS LIST

Value Proposition	Advertisement & Value of Services	Sales Promotion Activities & Comfort
Factor 1	Factor 2	Factor 3
Need	Quick Response	Easiness
Extra Benefits	Quality of Service	Discount
	Accessibility	Convenience
	Promotion	

Source: The SPSS output

#### DESCRIPTION OF FACTORS

Factor 1, refers to 'Value Proposition' and contributes to 26.813 % variance. This factor is described in terms of need of the customers and extra benefits provided by the banks. Factor 2, describes the 'Advertisement & Value of Services and contributes to 18.338% variance. This factor refers to quick response, service quality, accessibility and promotion and lastly Factor 3, focuses on "Sales Promotion Activities & Comfort" and contributes to 12.717% variance. This factor includes statements on the easiness, discounts or offers provided by the banks and convenience.

#### SUMMARY OF RESEARCH FINDINGS

- 1) Descriptive Statistics reveals that the maximum numbers of respondents are having their bank accounts in the SBI followed PNB bank.
- 2) 73% of the respondents are aware of the combo offers provided by the banks.
- 3) Factor analysis of the surveyed respondents reveal that most pertinent factor while opting for combo offers is Value Proposition that reveals that a set of all benefits that together want to satiate those needs.
- 4) Factor analysis of surveyed respondents reveals that apart from Value Proposition factor, other important factors are Advertisement & Value of Services and Sales Promotion Activities & Comfort of Use.

#### CONCLUSION

After this study it can be concluded that all the people are not fully aware about of the combo offers provided by the banks. So, there is dearth of awareness regarding this. So, banks needed to spend money on the advertisements of combo offers. As stiff competition is going in banking industry, so banks need to be quite firm about the extra benefits they are providing to customers in addition to basic product because now these extra benefits would entice the customer more. Moreover, as banking industry being a part of service sector so banks need to focus on all the five dimensions of service quality: Reliability, Responsiveness, Assurance, Empathy and Tangibles so as retain the loyal pool of customers.

#### SCOPE OF FUTURE RESEARCH

The scope of this research study may be further enhanced by applying CFA on the factors extracted from this study. This research can also be extended further for different sectors like in FMCG, electronics where combo offers are quite ubiquitous and consumers are also very well versed about the availability of combo offers.

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# EFFECT OF LEADERSHIP PRACTICES OF HIGH SCHOOL PRINCIPALS ON EFFECTIVENESS OF TEACHERS: A CASE STUDY OF MASENO DIVISION, KENYA

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## ABSTRACT

*In the educational sector, principal-ship has been a reward for teachers who have served in the teaching profession for long. This reward has been based on the assumption that a teacher acquires leadership skills by virtue of the number of years he/she has been in the service. However, this assumption is not theoretically supported. This has made principals to adopt amateur practices in the management of schools. This study aimed at determining the effect of leadership practices of high school principals on effectiveness of teachers. A survey research design had leadership practices measured against effectiveness of teachers. Primary data was collected using questionnaires. Purposive and stratified random sampling was used to select ten teachers from each of the seven high schools. However the selected teacher was one that had worked under the principal for at least one year as it takes a year to have students promoted to the next level of learning. The data was analysed using Pearson's correlation coefficient. It was found that the scores of principals on sharing leadership were consistently low compared to other aspects of leadership for all the principals. It was concluded that setting direction had little effect on teachers' effectiveness while developing people influences negatively the ability of teachers to teach well but has little effect on the teachers' knowledge of the subject, effective classroom management, ability of the teachers to assess, record and use results of assessment besides the professional development of the teacher*

## JEL CODE

M12

## KEYWORDS

Effectiveness, Principals. Strategic Motivation Transformational Leadership.

## DEFINITION OF TERMS

### LEADERSHIP DENSITY

This is the total leadership potential and the actualizing of this potential by teachers, support staff, parents and other stake-holders on behalf of the school.

### ENTRY BEHAVIOUR

The initial intellectual and social disposition of the students when they get admitted to a school

### ARMATURE PRACTICE

This is a practice (of leadership) that reveals lack of skills or expertise in the action being executed.

### TRANSFORMATIONAL LEADERSHIP

This is leadership that enhances the motivation, morale and performance of followers (teachers) through a variety of mechanism e.g. connecting the follower's sense of identity and self to the mission and the collective identity of the school; being a role model for teachers that inspires them; challenging teachers to take greater ownership for their work and understanding the strengths and weaknesses of teachers.

### STRATEGIC PARTICIPATION

The involvement of the abilities and talents of the wider staff groupings in building and committing to the strategic direction of the school

### STRATEGIC CONVERSATION

These are discussions about whole school issues and trends which face the school over the next few years. They help teachers develop what school might become.

### STRATEGIC CAPABILITY

Set of capacities, resources, and skills that create a long-term competitive advantage for an organization.

## 1. INTRODUCTION

### 1.1 BACKGROUND OF THE STUDY

The work that school principals do is more of a calling than a job. It involves preparing young people for life. A principal is an educational leader who promotes success of all students through effective management of the school. Leadership is the process of being perceived by others as a leader i.e. context influences people's perception of a leader (Houston et al 2008).

Innovative principals identify their roles in-terms of educational leadership, of creating an environment for learning; good leadership with staff, the students and the community. (Stuart & Phillip, 2006).



This study was done within Mas

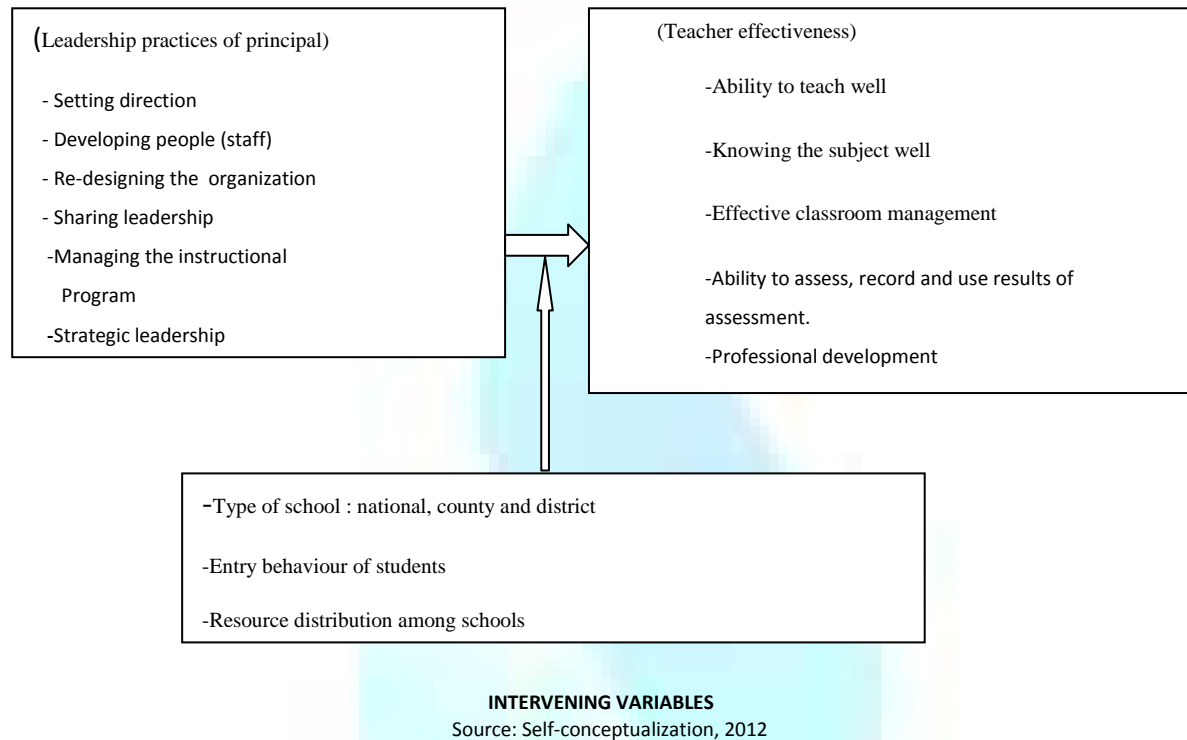
population of over 10. All the pri

The functional relationship of the varia

practices and teachers' effectiveness. However, teacher effectiveness may also be influenced [besides the principal's leadership practices] by: the type of school the teacher is working, entry behaviour of the students and resource distribution among the schools.

**FIGURE 1: RELATIONSHIP BETWEEN PRINCIPALS' LEADERSHIP PRACTICES AND TEACHER EFFECTIVENESS**

INDEPENDENT VARIABLES	DEPENDENT VARIABLES
1. Vision and Strategic Leadership	1. Teacher Effectiveness
2. Instructional Leadership	2. Student Achievement
3. Transformational Leadership	3. Teacher Satisfaction
4. Distributed Leadership	4. School Climate
5. Instructional Leadership	5. Teacher Efficacy
6. Instructional Leadership	6. Teacher Retention
7. Instructional Leadership	7. Teacher Professionalism
8. Instructional Leadership	8. Teacher Collaboration
9. Instructional Leadership	9. Teacher Leadership
10. Instructional Leadership	10. Teacher Innovation



For a successful school leadership

## 2.1 THEORETICAL REVIEW

### 2.1.1 SETTING DIRECTION

### 2.1.1 SETTING DIRECTION

This is an aspect of leader

sense of purpose or vision. Teachers are motivated by goals which they find personally compelling, challenging but achievable. This enables the teachers to find a sense of identity for themselves within their work context. Setting directions may involve activities such as: identifying and articulating a vision, fostering the acceptance of group goals, and creating high performance expectations. Heads of institutions should have appropriate academic and professional qualification, experience, ability, competence, integrity and initiative.

Setting direction alone is no

the knowledge and skills that the teachers need to accomplish the goals, but also the teachers' dispositions: commitment, capacity and resilience to persist in applying the knowledge and skills. To build these, a principal requires emotional intelligence to give the teachers individual attention and foster intellectual stimulation (Leithwood et al. 2006).

This may be achieved through influencing

teachers for successful achievement of the school objectives. Stimulation releases the maximum potential from the teachers when it is properly administered, for example by motivation, (Okumbe, 1999). The specific activities under redesigning the organization include: strengthening the school culture, creating collaborative processes to ensure broad participation in decision making and refinement of both routine and non-routine administrative practices, (Leithwood, 2006).

Principals are directly in-charge of checking the tea

records of work done in the students' books, (Eshiwani, 1993). the principal should also effectively manage the teaching and learning programs in the school i.e. he/she should keep a close pulse on the instructional environment.

Strategic leadership is a critical

action, align the people and the organization to the strategy. In building the strategy, the principal must envision a clear and understandable picture of what the new way of operating would look like.

A leader's effectiveness

practices, classroom instruction has the greatest impact on student achievement while leadership has the second greatest effect, (Sanzo et al. 2010). Principals who seek to improve the abilities of their teachers to teach well should build the commitment of the teachers by creating an environment which sets the stage

for motivation. This could be achieved by ensuring that teachers have expertise and tools they need, making teachers feel competent to do their job, seeking to understand the teachers' point of view and allowing them to make their own choices concerning how they want to meet the school targets, (Nyamai, 2008).

## 2.3 SUMMARY

It is worth noting that leadership scholars have underscored the fact that leadership is significant for any organization to succeed. In the school set up, scholars agree that leadership has the second greatest impact on student achievement, after classroom instruction. However, these scholars have not highlighted how effective classroom instruction (teacher effectiveness) is directly affected by leadership of the principal.

## 2.4 IMPORTANCE OF THE STUDY

Unlike the management of machines which require an adherence to the manufactures' manual, the management of people poses a great challenge because it is dictated by various circumstances. The people to be managed undergo rapid emotional, social, psychological and physical changes that would call for corresponding changes in the approach of leadership that is to be given to them. For example: a teacher may be enthusiastic about his/her job today but report to work, the following day, feeling very low, discouraged and withdrawn. A young, unmarried teacher may find time, round the clock, for teaching and consultations with students.

## 2.5 STATEMENT OF THE PROBLEM

Management of high schools has, for a long time, remained a reward strategy for teachers who have served in the teaching profession for long. The ministry of education and T.S.C assume that the mere fact of having a long teaching history automatically gives one managerial skills. Though this may be partly true because technical expertise may grow with a longer period of service, but the other aspects of leadership skills, such as human skills and conceptual skills seem to have been ignored. This has made principals, who are not trained in leadership, to adopt amateur practices in the management of schools. This study therefore sought to explore the effect of leadership practices of high school principals on effectiveness of teachers within Maseno division.

## 2.6 OBJECTIVES OF THE STUDY

### 2.6.1 OVERALL OBJECTIVE

The overall objective was to determine the effect of leadership practices of high school principals on effectiveness of teachers in Maseno division.

### 2.6.2 SPECIFIC OBJECTIVE

1. To establish leadership practices among high school principals in Maseno division
2. To establish effect of leadership practices of high school principals, in Maseno division, on their teachers' ability to teach well.
3. To establish effect of leadership practices of high school principals, in Maseno division, on teachers' knowledge of the subject
4. To establish the effect of leadership practices, of high school principals, on teachers' classroom management within Maseno division.
5. To establish the effect of leadership practices, of high school principals in Maseno division, on ability of teachers to assess, record and use results of assessment.
6. To establish effect of leadership practices of high school principals on teachers professional development within Maseno division.

### 2.6.3 RESEARCH QUESTIONS

1. What are the leadership practices among principals in Maseno division?
2. What is the effect of leadership practices of high school principals, in Maseno division, on teachers' ability to teach well?
3. What is the effect of leadership practices of high school principals on teachers' knowledge of the subject in Maseno division?
4. What is the effect of leadership practices of principals, in Maseno division, on teachers' classroom management?
5. What is the effect of leadership practices of high school principals in maseno division, on the abilities of the teachers to assess, record and use results of assessment?
6. What is the effect of leadership practices of high school principals on teachers' professional development in Maseno division?

## 3.0 RESEARCH METHODOLOGY

This chapter describes the research design, the population, sampling procedure and sample size, methods of data collection, validity of the instrument and data analysis and presentation.

### 3.1 RESEARCH DESIGN

The study was conducted through a survey research design and was concerned with collecting data on facts from teachers in order to understand the phenomenon as a whole.

### 3.2 STUDY AREA

The study was conducted among secondary schools that are within the Maseno division of Kisumu west district, Kenya. Maseno division is bordered by Kombewa division to the South West, Lwanda division to the North West, Vihiga division to the North, Ojolla division to the South East, and Nyahera division to the North East.

### 3.3 POPULATION OF THE STUDY

According to the records at the ministry of education office, Holo, there are seven secondary schools in Maseno division with a teacher population of over 10. The total number of teachers in the seven schools is 138 besides the 7 principals. The population is therefore 145. Table 3.1 summarizes the population of the study and the sample size.

TABLE 3.1: POPULATION AND SAMPLE OF THE PRINCIPALS AND TEACHERS IN MASENO DIVISION

	PRINCIPALS	TEACHERS	TOTAL
POPULATION	7	138	145
SAMPLE	7	70	77

### 3.4 SAMPLING PROCEDURE AND SAMPLE SIZE

All the principals of the 7 schools were interviewed for this study. However, ten teachers, who had worked under the principal for at least one year, were purposively sampled in every school. The total number of teachers sampled were therefore 70 besides the 7 principals. The sampled teacher must have worked under the principal for at least one year because it takes at least one year for students, learning under a given teacher, to be promoted to the next level of learning. One year was therefore the recommended time to measure the effectiveness of the sampled teacher based on the entry behaviour of his/her students.

### 3.5 METHODS OF DATA COLLECTION

Primary and secondary data was used in the study. Secondary data was obtained from the records at the district and divisional educational offices, while the primary data was obtained from the teachers and the principals, through a questionnaire.

### 3.6 VALIDITY OF THE INSTRUMENT

According to the results of the research, when principals practice effectively all the leadership practices, then the teachers' effectiveness is improved. This agrees with the theoretical concept discussed in chapter 2. The instrument used therefore has high construct validity.

### 3.7 DATA ANALYSIS AND PRESENTATION

The collected data was presented using frequencies, proportions and percentages. The data was analysed using Pearson's moment correlation coefficient. Correlational analysis was performed to reveal the nature and extent of relationship between the variables; leadership practices of the high school principals and teacher effectiveness.

## 4.0 RESULTS AND DISCUSSIONS

This chapter presents the results in reference to the study. The collected data was analysed and presented in accordance with the objectives.

## 4.1 PRESENTATION OF FINDINGS

TABLE 4.1: SCORES OF PRINCIPALS ON LEADERSHIP PRACTICES (in %age)

Principal	Y1 Setting direction	Y2 Developing people	Y3 Re-designing the organization	Y4 Sharing leadership	Y5 Managing the instructional program	Y6 Strategic leadership
M	98	28.6	72	70	90.7	66.7
K	88	78.6	96	95	84.6	92
C	86	78.6	88	87.5	72.3	82
H	82	28.6	98	84	96.9	92
S	82	74.3	72	82.5	93.8	98
O	82	65.7	80	80	89.2	88
G	70	47.1	84	87.5	72.3	86.6

The principals who scored below 50 are considered to be very weak in the practice measured and therefore not counted among those whose scores are stronger (over 70). Table 4.2 therefore shows the frequency of principals against the leadership practices.

TABLE 4.2: NUMBER OF PRINCIPALS WHO OBSERVE THE LEADERSHIP PRACTICES

Leadership practice	Number of Principals (frequency)
Setting direction	7
Developing people	4
Re-designing the organization	7
Sharing leadership	7
Managing the instructional program	7
Strategic leadership	6

Figures 4.1-4.6 present the proportion of leadership practices among the principals. On figure 4.1, principal M scores the highest on the aspect of setting direction while principal G has the least score of 70. The scores on setting direction are generally high hence all the principals are therefore said to offer direction to their teachers.

FIG. 4.1: PROPORTION OF SETTING DIRECTION AMONG PRINCIPALS

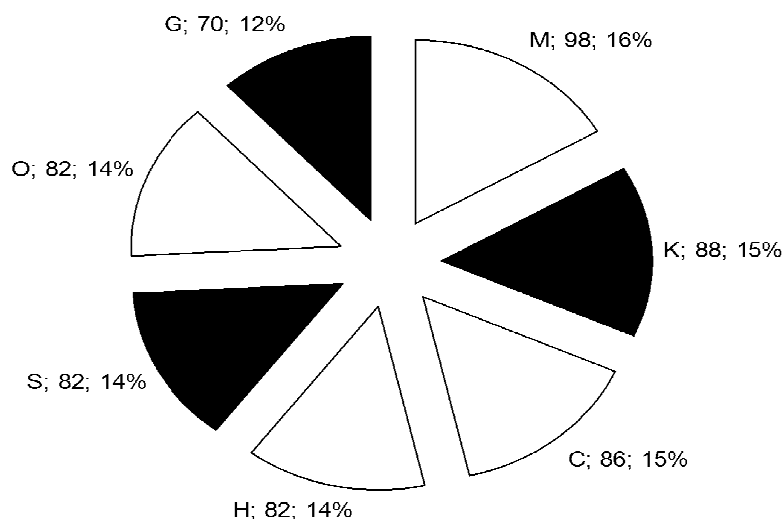
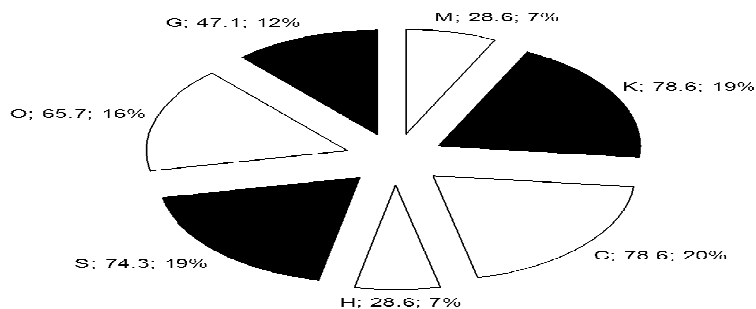


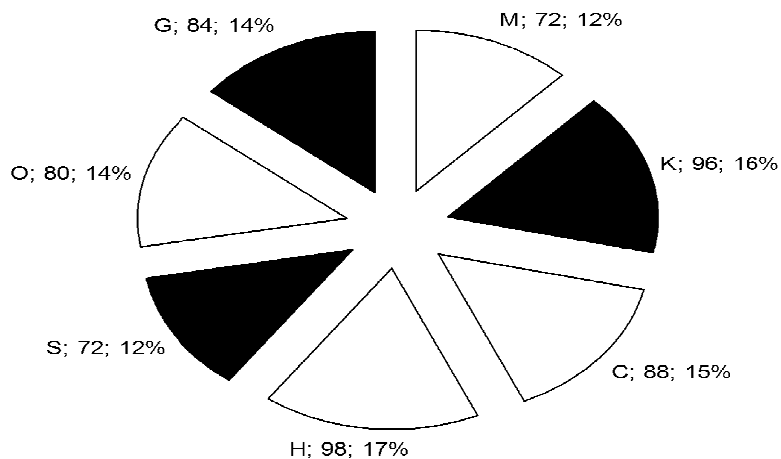
Figure 4.2 shows the proportion of developing people among the principals. Principals M, H and G scored below 50. This is very low compared to 78.6 of principal K. The three principals M, H and G constitute 42.9% of principals who are not keen on developing their staff. 57.1% of principals therefore develop their staff.

FIG. 4.2: PROPORTION OF DEVELOPING PEOPLE AMONG PRINCIPALS



According to figure 4.3, the scores of principals on redesigning the organization are all over 70. 100% of them can therefore be said to be practicing the act of redesigning their schools.

FIG. 4.3: PROPORTION OF RE-DESIGNING SCHOOLS AMONG PRINCIPALS



According to figure 4.4, 100% of the principals share their leadership. This is because all of them have scored high on the aspect of sharing leadership. Besides this, all the principals scored very well on the aspect of managing the instructional program, (figure 4.5). However, on the part of strategic leadership (figure 4.6), principal M's score was moderate.

FIG 4.4: PROPORTION OF SHARING LEADERSHIP AMONG PRINCIPALS

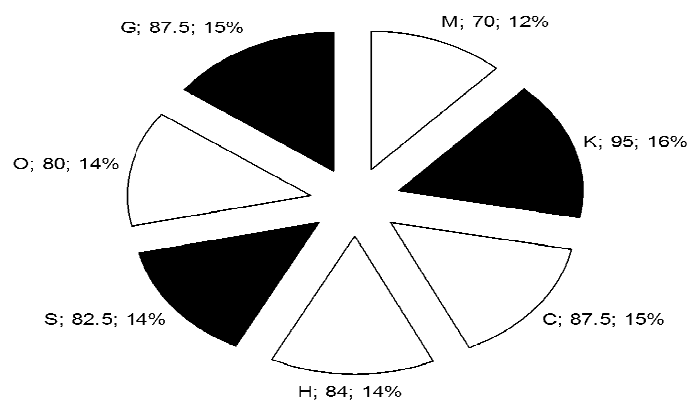


FIG 4.5: PROPORTION OF MANAGING INSTRUCTIONAL PROGRAM AMONG PRINCIPALS

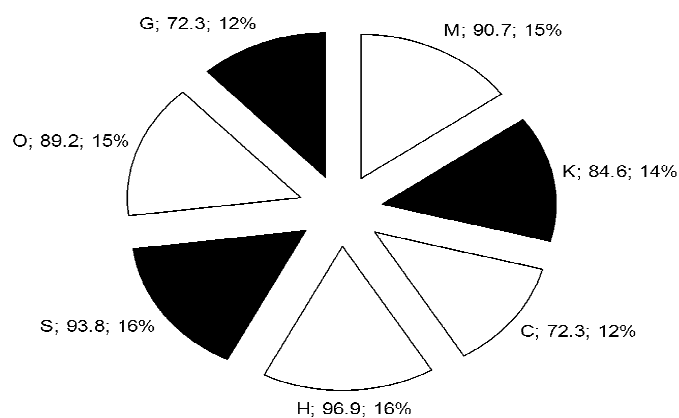
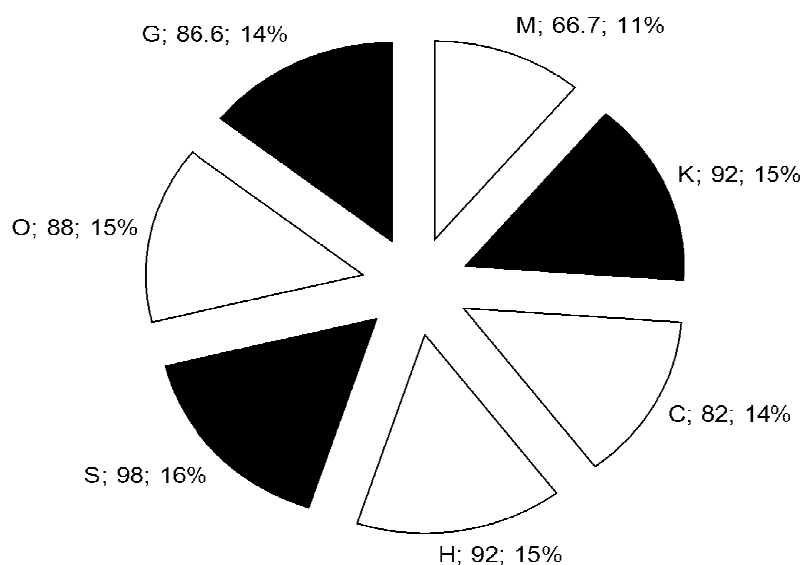
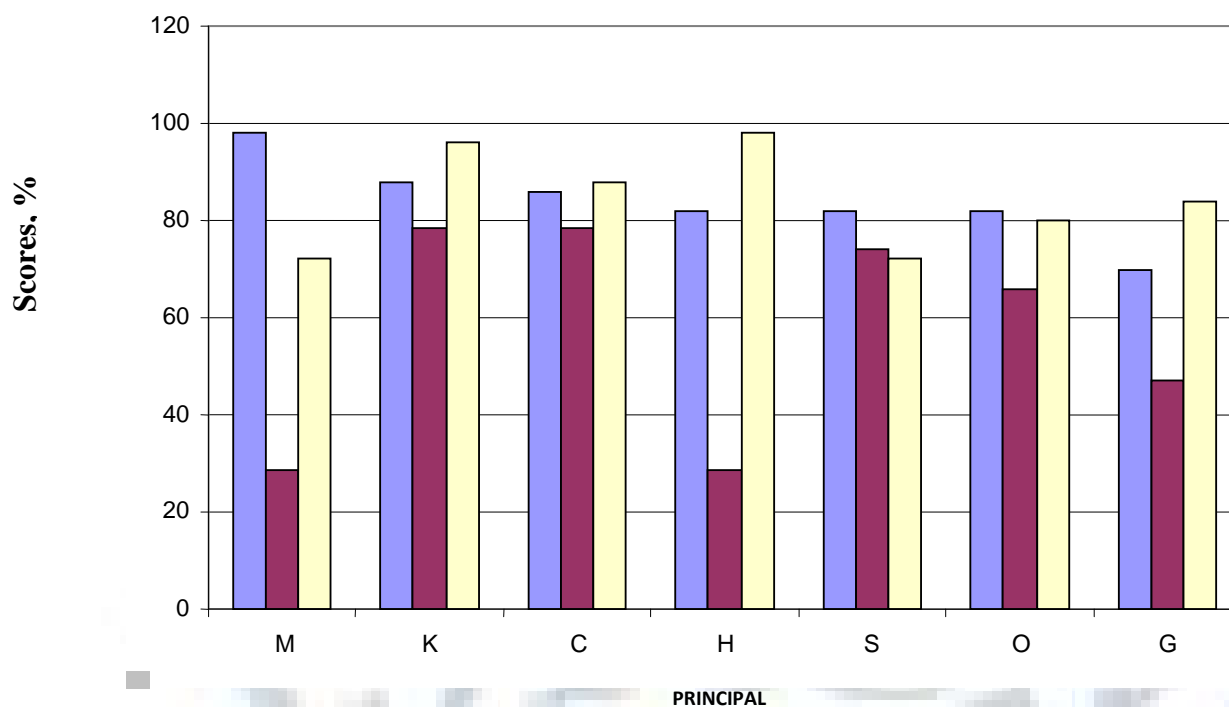


FIG 4.6: PROPORTION OF STRATEGIC LEADERSHIP AMONG PRINCIPALS



The bar graph below (figure 4.7.1 and figure 4.7.2) also summarises the scores of the principals on the various aspects of leadership practices. From the graphs (figure 4.7.1) it is evident that the scores on developing people for all the principals are the lowest (except principal, S) compared to the scores on other practices of leadership.

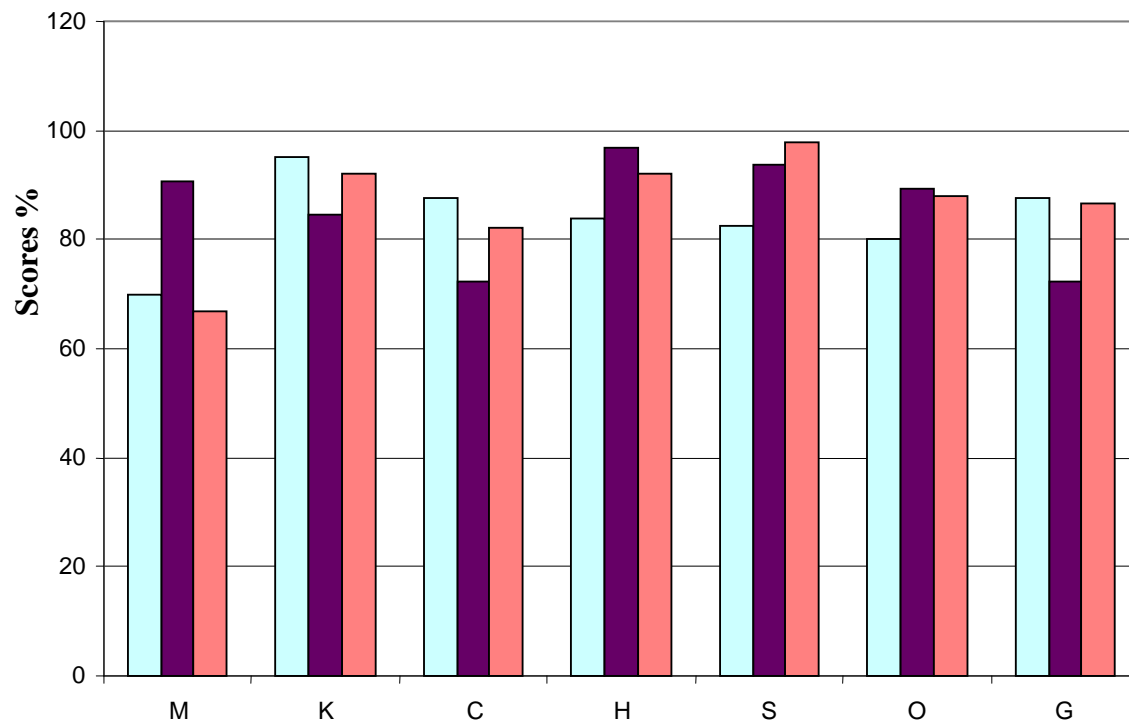
FIG 4.7.1: SUMMARY OF SCORES OF LEADERSHIP PRACTICES AMONG PRINCIPALS



KEY: (bars from left to right: Setting direction, developing people and Re-designing the organization)



FIG 4.7.2: SUMMARY OF SCORES OF LEADERSHIP PRACTICES AMONG PRINCIPALS



Key: (bars from left to right: Sharing leadership; managing instructional program and strategic leadership respectively for every principal.

Table 4.3 shows the scores on teachers' effectiveness of each principal. From the table, it is evident that teachers who work under principal O consistently scored low compared to teachers from other schools.

TABLE 4.3: SCORES OF THE EFFECTIVENESS OF TEACHERS (in %age)

principal	TEACHERS' EFFECTIVENESS				
	X1	X2	X3	X4	X5
M	78.3	87.5	75.5	85.5	65.6
K	80.5	91.6	85.5	87.6	74.8
C	77.3	81.8	75.5	88	47.2
H	81.3	88	79.8	86	63.2
S	75.3	97.8	76.3	88.3	67.2
O	71.6	76	66	71.3	60
G	80.4	87.2	81.6	87.1	71.2

Since the objective of the research was to determine the effect of leadership practices of principal on the effectiveness of teachers, the Pearson's correlation coefficient between the leadership practices and teachers' effectiveness were determined as shown in tables 4.4-4.9.

TABLE 4.4: CORRELATION COEFFICIENT (r) BETWEEN SETTING DIRECTION AND TEACHERS' EFFECTIVENESS

principal	Y1	TEACHERS' EFFECTIVENESS				
		X1	X2	X3	X4	X5
M	98	78.3	87.5	75.5	85.5	65.6
K	88	80.5	91.6	85.5	87.6	74.8
C	86	77.3	81.8	75.5	88	47.2
H	82	81.3	88	79.8	86	63.2
S	82	75.3	97.8	76.3	88.3	67.2
O	82	71.6	76	66	71.3	60
G	70	80.4	87.2	81.6	87.1	71.2
r		-0.05	0.030	-0.12	0.042	-0.15

According to the correlation coefficients on table 4.4, setting direction has little effect on teachers' effectiveness as attested by the Pearson's correlation coefficients which are all close to zero.

TABLE 4.5: CORRELATION COEFFICIENT (r) BETWEEN DEVELOPING PEOPLE AND TEACHERS' EFFECTIVENESS

principal	Y2	TEACHERS' EFFECTIVENESS				
		X1	X2	X3	X4	X5
M	28.6	78.3	87.5	75.5	85.5	65.6
K	78.6	80.5	91.6	85.5	87.6	74.8
C	78.6	77.3	81.8	75.5	88	47.2
H	28.6	81.3	88	79.8	86	63.2
S	74.3	75.3	97.8	76.3	88.3	67.2
O	65.7	71.6	76	66	71.3	60
G	47.1	80.4	87.2	81.6	87.1	71.2
r		-0.41	0.034	-0.05	-0.01	-0.17

On table 4.5, developing people influences negatively the ability of the teacher to teach well. The effect on the teachers' knowledge of the subject is slightly positive. Besides, its effect on ability of the teachers to effectively manage classrooms, assess, record and uses results of assessment and also its effect on the professional development of teachers is slightly negative as indicated by the correlation coefficients being very close to zero.

TABLE 4.6: CORRELATION COEFFICIENT (r) BETWEEN RE-DESIGNING THE ORGANIZATION AND TEACHERS' EFFECTIVENESS

principal	Y3	TEACHERS' EFFECTIVENESS				
		X1	X2	X3	X4	X5
M	72	78.3	87.5	75.5	85.5	65.6
K	96	80.5	91.6	85.5	87.6	74.8
C	88	77.3	81.8	75.5	88	47.2
H	98	81.3	88	79.8	86	63.2
S	72	75.3	97.8	76.3	88.3	67.2
O	80	71.6	76	66	71.3	60
G	84	80.4	87.2	81.6	87.1	71.2
r		0.59	-0.09	0.53	0.18	0.02

Table 4.6 shows that redesigning the organization positively influence ability of the teacher to teach well and slightly influence negatively teachers' knowledge of the subject. In addition, re-designing organization (school) positively influences the teacher to effectively manage classrooms, improves the teachers' ability to assess, record and use results of assessment, and also positively influence the professional development of the teachers. However, its effect on the teachers' knowledge of the subject, teachers' ability on effective assessment and teachers' professional development is slight according to the little correlation between them.

TABLE 4.7: CORRELATION COEFFICIENT (r) BETWEEN SHARING LEADERSHIP AND TEACHERS' EFFECTIVENESS

principal	Y4	TEACHERS' EFFECTIVENESS				
		X1	X2	X3	X4	X5
M	70	78.3	87.5	75.5	85.5	65.6
K	95	80.5	91.6	85.5	87.6	74.8
C	87.5	77.3	81.8	75.5	88	47.2
H	84	81.3	88	79.8	86	63.2
S	82.5	75.3	97.8	76.3	88.3	67.2
O	80	71.6	76	66	71.3	60
G	87.5	80.4	87.2	81.6	87.1	71.2
r		0.37	0.17	0.60	0.32	0.18

As shown by the correlation coefficients in table 4.7, when a principal shares leadership, he positively influences ability of the teacher to teach well, makes the teachers improve on their knowledge of the subject, makes the teachers improves their management of classrooms and ability to assess, record and use results of assessment besides improving the teachers' professional development. It's important to note that the moderate correlation coefficient between sharing leadership and teachers' ability to effectively manage classrooms. The two are therefore moderately associated.

TABLE 4.8: CORRELATION COEFFICIENT (r) BETWEEN MANAGING THE INSTRUCTIONAL PROGRAM AND TEACHERS' EFFECTIVENESS

principal	Y5	TEACHERS' EFFECTIVENESS				
		X1	X2	X3	X4	X5
M	90.7	78.3	87.5	75.5	85.5	65.6
K	84.6	80.5	91.6	85.5	87.6	74.8
C	72.3	77.3	81.8	75.5	88	47.2
H	96.9	81.3	88	79.8	86	63.2
S	93.8	75.3	97.8	76.3	88.3	67.2
O	89.2	71.6	76	66	71.3	60
G	72.3	80.4	87.2	81.6	87.1	71.2
r		-0.15	0.30	-0.19	-0.22	0.24

As shown by the correlation coefficients above, managing instructional program influences negatively teachers' ability to teach well but positively influences the teachers' knowledge of the subject. However, its effect on teachers' classroom management and teachers' ability to assess, record and use results of assessment is also negative while it leads to the professional development of teachers.

TABLE 4.9: CORRELATION COEFFICIENT (r) BETWEEN STRATEGIC LEADERSHIP AND TEACHERS' EFFECTIVENESS

principal	Y6	TEACHERS' EFFECTIVENESS				
		X1	X2	X3	X4	X5
M	66.7	78.3	87.5	75.5	85.5	65.6
K	92	80.5	91.6	85.5	87.6	74.8
C	82	77.3	81.8	75.5	88	47.2
H	92	81.3	88	79.8	86	63.2
S	98	75.3	97.8	76.3	88.3	67.2
O	88	71.6	76	66	71.3	60
G	86.6	80.4	87.2	81.6	87.1	71.2
r		-0.05	0.36	0.20	0.04	0.24

As shown in table 4.9 above, strategic leadership slightly influence negatively the ability of teachers' to teach well ( $r = -0.05$ ). However, it positively influences teachers' knowledge of the subject, improves the teachers' ability to effectively manage classrooms, improves the ability of the teachers to assess, record and use results of assessment besides boosting professional development of teachers.

#### 4.2 DISCUSSION OF FINDINGS

The strength of association between setting direction and the other aspects of teacher effectiveness is weak. Setting direction therefore has little effect on teachers' effectiveness as attested to by the Pearson's correlation coefficients which are all close to zero. Setting direction is concerned with how the school should look like in the future. It therefore requires that the principal develop a shared understanding about the school's activities and goals that underpins a sense of purpose or vision.

Developing people influences negatively the ability of the teachers to teach well. For the principal to develop his/her staffs he/she must often plan to improve the commitment of the teachers, sponsor the teachers for seminars, build the resilience of the teachers so that they persist in applying the knowledge and skills. These activities when overdone may deny teachers the chance to prepare for the actual teaching.

Redesigning the organization positively influence the ability of the teacher to teach well, make the teacher to effectively manage classroom, and also improves the teachers' ability to assess, record and use results of assessment. Since redesigning the organization could be achieved through stimulating the teachers by having an enabling environment in the school, this makes the teachers to prepare well before they go to teach the students.

Managing instructional program positively influences teachers' knowledge of the subject and their professional development according to the direction of association shown by the correlation coefficient. Activities that are geared towards managing the instructional program such as checking the lesson notes of teachers, checking the notes of students and asking/reminding the teachers about the syllabus coverage makes the teachers to be alert on the instructional aspect of teaching.

## 5.0 FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

### 5.1 SUMMARY OF FINDINGS

The scores of principals on 'developing people' are consistently low compared to scores on other aspects of leadership. However, all the principals set direction, redesign the organization, manage the instructional program and offer strategic leadership for their teachers. Only 57.1% of the principals develop their teachers. The scores of teachers on effectiveness are generally high in all the schools.

### 5.2 CONCLUSIONS

Setting direction has little effect on teachers' effectiveness. Developing people influences negatively the ability of the teachers to teach well and has little effect on the teachers' knowledge of the subject, effective classroom management, ability of the teachers to assess, record and use results of assessment besides the professional development of the teacher. Redesigning the organization positively influence the ability of the teachers to teach well, make the teacher to effectively manage classroom, and also improves the teachers' ability to assess, record and use results of assessment. Sharing leadership, positively influences ability of the teacher to teach well, makes the teachers improves their management of classrooms and ability to assess, record and use results of assessment. Managing instructional program positively influences teachers' knowledge of the subject and their professional development. Strategic leadership positively influences teachers' knowledge of the subject and their professional development.

### 5.3 RECOMMENDATIONS

Principals should set direction for their schools but should merge this with other aspects of leadership in order to produce the desired results for their schools. The researcher therefore recommends that setting direction should never be practiced in isolation but rather done alongside other leadership practices. It is further recommended that principals should develop their teachers but should not over do the duty of people development as it would create a negative impact on the teachers' ability to teach well. According to the results in chapter 4, schools should be redesigned as often as possible because it improves the ability of the teachers to teach well, make the teachers to effectively manage classrooms, and also improves the teachers' ability to assess, record and use results of assessment. Principals should also share their leadership roles with their teaching staff because it positively influences ability of the teachers to teach well, makes the teachers improve their management of classrooms and ability to assess, record and use results of assessment. They should also be very keen on managing the instructional program of their schools since it positively influences the teachers' knowledge of the subject and the professional development of teachers.

### 5.4 LIMITATIONS OF THE STUDY

Maseno division is large; it was therefore difficult to move from one school to the next. Some of the schools are also not accessible by road and walking to the schools to issue the principals and teachers with the questionnaire was therefore very hard.

### 5.5 SCOPE FOR FURTHER RESEARCH

Due to the inaccessibility of some schools, it would be very interesting to find out how this could affect the performance of teachers in such schools. The researcher therefore encourages other scholars to examine the effect of accessibility to a school on effectiveness of teachers.

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## IMPACT OF HUMAN RESOURCE DEVELOPMENT MECHANISMS ON BOSS- SUBORDINATE RELATIONSHIPS IN THE JAMMU AND KASHMIR BANK LIMITED

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### ABSTRACT

*This article explores the impact of HRD mechanisms on Boss- subordinate relationship in the Jammu & Kashmir Bank Ltd. The data were collected from 130 respondents out of which 80 were managers and 50 were clerks. The data were gathered by well-structured questionnaire based on 38 statements. The results suggest that positive relationship between boss and subordinate will definitely create healthy work environment. This study contributes to the better understanding of Boss-Subordinate relationship.*

### KEYWORDS

Boss- subordinate relationship, HRD, OCTAPACE climate, PAS and QWL.

### INTRODUCTION

In the world wide organizational context the existence of human resources and their development has become very critical for survival and growth of today's organization. The world around us is changing and changing very fast. The changes are visible in multiple forms and from multiple directions. The concern for quality, customer satisfaction, competitiveness of products, cost effectiveness, rising level of customer education and expectations have all created new challenges for Indian organization –including banking sector. To meet these challenges, every organization in general and banking sector in particular needs competent people and requires every employee to be technologically competent, reliable, fast efficient, customer oriented and above all, enterprising as adding value to the company. The only choice the organization is left with is to develop them if they cannot get them.

Researchers and HRD professionals have defined human resource development system in different aspects such as family, national contents, economic, political, social and cultural and organizational aspect. In the family context, Roa (1996) explains HRD essentially deals with how family as unit learns a variety of things, including their relationship. Parents are the first HRD agents, so as the boss in the company. Roa (1996), defined HRD in the organizational context, as HRD is the process by which the employees of an organization are helped in a continuous and planned way, to: (i) acquire and sharpen the capabilities required to perform various functions associated with their present or future roles (ii) develop their general capabilities as individuals and discover and exploit their own inner potential for their own and /or organizational development purposes and (iii) develop an organizational culture in which boss-subordinate relationships are strong and contribute to the professional well-being, motivation and pride of employees.

Boss-subordinate relationship defines the level of dependency and interaction between the boss and the subordinates. This relationship is important and can be a pointer to subordinates loyalty and commitment to the organization. Subordinates who have positive relationship with their boss are likely to be more committed to the organization than those who do not. Boss-subordinate relationship can range from high quality to low quality relationship. Factors that contribute to the type of relationship between boss and subordinates include mutual support, trust, liking, attention, performance, and loyalty. The relationship between boss and subordinates also depends on the culture of the society and the organization. Culture is defined as the shared values, beliefs, and behavioral norms of the society or organization which guide behavior and how things are done in the society or organization. The effect of culture on boss-subordinate relationship depends on four basic characteristics of the society; power distance, uncertainty avoidance, individualism/collectivism, and achievement orientation.

Keeping in view the paramount importance and use of HRD system practices in business organizations, including the service sector. The present study has been undertaken entitled "Impact of HRD mechanisms on boss-subordinate relationship in the Jammu and Kashmir bank".

### REVIEW OF LITERATURE

Development of human resources require a developmental climate which is characterized by the occurrence of openness, confrontation, trust, authenticity, pro-activity, autonomy, collaboration and experimentation. OCTAPACE culture is essential for facilitating HRD. Openness refers to the environment where employees feel free to discuss their ideas, activities and feelings with each other. Confrontation is striking at problems and issues in an open with the view of solving them rather than hiding them for fear of hurting or getting hurt. Trust is taking people at their face value and believing what they say. Autonomy is granting enough freedom to let people work independently with responsibility. Proactivity is encouraging employee to take initiative and face challenges. Authenticity is the tendency on the part of the people to do what they say, collaboration is to accept interdependencies to be helpful to each other, and work as a team and experimentation as a value that emphasizes the importance given to innovation and trying out new ways of dealing with problems in the organization. According to Roa (1991), Parthasarathy (1988), Chandrasekhar (1993), and Coelho (1993), a combination of various factors such as openness, team spirit, trust, autonomy, cooperation, integration, recognition, participation, fair compensation, counseling, problem solving, valuing assets and respect for the individual influences the HRD climate in general and boss-subordinate relationship in particular.

Boss subordinate relationships are unique interpersonal relationships with important with important implications for the individuals in those relationships and the organizations in which these relationships exist and develop. Various studies conducted in this field has indicated that boss subordinate relationships directly affect a workers ability to work and produce. As workers are spending on an average around 50 hours a week in an organization, these long hours are said to result in the formation of a workplace friendships. These relationships can have positive outcomes as regards the performances of the employees.

Few studies have examined the phenomenon of jealousy in the workplace, studies by Miner (1998, 1990) exploring the consequences of workplace jealousy supports the notion that supervisor's differential treatment of subordinates may affect the communication among those subordinates. Some theorists have suggested that the social context affects one's perceptions of fairness and equity in the organization (e.g., Ambrose, Harland, & Kulick, 1991; Ambrose & Kulick, 1988). Ambrose, Harland, & Kulick (1991) further argue that information regarding the outcomes of other individuals is an important attribute of the social context.

According to the Lee and Park (2006), friendships that develop between superior and subordinate in workplace are called blended friendships which can have positive impact on the employees performance & productivity. According to them workplace friendship can lead to:

- More cohesive work groups;
- More satisfied and committed employees;
- Greater productivity;
- Greater goal attainment;
- Increased positive feeling towards organization;
- Better performance;
- Prevention of employee's turnover and employees desire to leave the company.

According to Lao-Tzu:

The best leader is one whom, people honor & praise;

The next best is one whom, they fear;

And the next best is one, whom people hate. According to him, when the best leaders work is done people say: "we did it ourselves".

Research has proven that to improve boss-subordinate relationship in any organization is to enhance and implement various HRD mechanisms for both managers and workers. For managers the organization focus on

#### **PERFORMANCE APPRAISAL SYSTEM**

One of the widely debated HRD mechanism that goes a long way in systematically improving the performance level of an individual as well as organization is the performance appraisal system (PAS). Every executive is being continuously assessed for the value and contribution that he/she is adding to the organization by performing their assigned roles and responsibilities. Research findings indicate that PAS has a bearing on employees growth and productivity (Latham and Wexley, 1982, Mufeed 1998).

#### **JOB ENRICHMENT**

Hulin and Blood (1968) reviewed the job enrichment thesis as "one of the most pervasive and dominant themes which exists in the attempts of industrial psychologists to provide guidelines and framework for motivation of industrial workers".

#### **COMMUNICATION**

Communication is one of the basic and foremost important mechanisms of HRD mechanism. According to Anderson and Dale Level, the following were cited to be the benefits of effective downward communication;

- Better coordination
- Improved individual performance through the development of intelligent participation;
- Improved morale;
- Improved customer relations
- Improved industrial relations.

#### **CAREER PLANNING**

According to Michael (1993), career planning stands for the forward looking employment policies of an organization which takes into account the career of individual executive involved in various tasks, particularly critical ones. According to Strauss and sayles (1980). "The objective of managerial career planning program is to make each of the year count and to provide each manager with a rich learning experience, so that he/she has a productive and satisfying career". Following mechanisms have been tried by Indian organization for workers development with considerable success

#### **TRAINING**

Training is an important mechanism for the workers development. Philips (1997) has divided training results emanating from evaluation into two types of data- hard data which includes output, quality, time and cost and soft data which comprises work habits, work climate, attitude, new skills, development advancement, and initiatives.

#### **QUALITY OF WORK LIFE (QWL)**

It refers to the relationship between the workers and work environment and is an important mechanism of HRD practices for workers. Nadler and Lawler (1983) have described QWL as

- A concern about the impact of work on people as well as on organizations effectiveness.
- The idea of participation on organizational problems and decision making.

#### **COUNSELING**

Counseling is an important mechanism to provide timely guidance to workers and help them to learn from their own mistake. The basic objective of counseling is overall development of subordinate, counseling helps in establishing a harmonious relationship between boss and subordinate. Such a process to strengthen the bond of relationships with their superiors and the organization as a whole (Okum 1976).

#### **WORKERS PARTICIPATION**

Workers participation in management is a very potent mechanism for overall growth of workers and companies pitably. Michael and wood (1974) has shown that satisfaction was affected by participation. Satisfaction was greater where participation was complete than where it was partial. Holter (1965) found less tension between employees and management where joint management existed and more tension in the company in which it doesn't exist.

By considering above mentioned HRD mechanisms the companies especially service sectors like banks can avoid misunderstandings and have a positive influence on boss-subordinates relationships.

#### **NEED FOR PRESENT RESEARCH**

Research has proven that very little work has been done on impact of HRD mechanisms on Boss-subordinate relationships. Organizations especially banking sector are not realizing how important is to implement and execute HRD mechanisms for healthy workplace relationships. Keeping in view attempt has been made to understand the impact HRD mechanisms on boss- subordinate relationships in the Jammu and Kashmir Bank Ltd.

#### **PROBLEM STATEMENT**

To explore the impact of HRD mechanisms on boss- subordinate relationships the Jammu and Kashmir Bank Ltd .

#### **RESEARCH OBJECTIVES**

- To analyze the various Human resource development mechanism for managers.
- To analyze the various Human resource development mechanism for workers/clerks.
- To ascertain how these HRD mechanisms are related with boss-subordinate relationship.
- To study in detail various aspects of boss-subordinate relationship.
- Finally to find the impact of HRD mechanism on boss-subordinate relationship.

#### **HYPOTHESIS**

- Manager's shows positive approach towards the i the impact of HRD mechanism on boss-subordinate relationship.
- Clerk's shows positive approach towards the i the impact of HRD mechanism on boss-subordinate relationship.

#### **DEPENDENT VARIABLE**

As for the measures of dependent variable- boss-subordinate relationship as perceived by employees, were selected.

#### **INDEPENDENT VARIABLE**

The study looked at the following HRD parameters that contribute significantly to boss-subordinate relationships:

- Performance appraisal system
- Job enrichment



- Communication
- Career planning
- Training
- Quality of work life
- Counseling
- Workers participation

## METHODOLOGY

### DATA

The current study was conducted in a Jammu and Kashmir bank Ltd. Until the 1980s the banking industry was characterized by stability. Most recently banking industry deregulation has stimulated a highly competitive environment. During the 1980s& 1990s the industry has experienced the removal of interest rate ceilings, reduction in reserve requirements, expansion of banks powers and a relaxation of geographical relaxations. These regulatory changes coincided with technological advances as ATMs, telephone banking, PC –based banking and information system advances within the banks. For maintaining and for further development the sample study has to enhance boss- subordinate relationship. For this study, we collected data from 130 respondents out of which 80 were managers of scale I and scale II and 50 were clerks. The respondents were provided with the questionnaire and conducted interviews. The questionnaire had three sections, section (A) is about variables on HRD mechanism, section (B) about suggestions and section (c) about personal details. to collect data. The respondents were asked to respond to each variable as used in the questionnaire on the bases of 5- point likert scale viz, (a) Not at all true= 5, (b) Rarely true = 4, (c) Sometime true =3, (d) Mostly true=2 and (e) always true = 1.

## RESULTS AND DISCUSSION

The assessment of the response to managerial and clerical staff was compared regarding the boss- subordinate relationship of employees taking 9 statement/ items into account given in the table 1.1. The comparative study revealed fairly good climate among managers with the score of 72.4% (mean 3.62) as compared to clerks 64% (mean 3.2) against the statement 31 (delegation of authority to encourage juniors to develop handling higher responsibilities is quite common in this organization). The clerks show higher score of 71.2% (mean 3.56) as compared to managers score 68.6% (mean 3.43) against the statement 35 (career opportunities are pointed out to juniors by senior officers in our banks). As far as statement 32, 28, 29, 6, 3, 36, and 20 are concerned the managers shows better results than clerical staff by scoring 50% (mean 2.5), 57.4% (mean 2.87), 58.5% (mean 2.93), 66.4% (mean 3.32), 67% (mean 3.35), 67.4% (mean 3.37) and 70% (mean 3.50) against 44.8% (mean 2.24), 49.2% (mean 2.46), 53.2% (mean 2.66), 51.2% (mean 2.86), 51.2% (mean 2.56), 52% (mean 2.6) and 58.4% (mean 2.92) on the whole the table 1.1 identifies better superior that subordinate relationship among managers with score above 64.27% (mean 3.21) against the clerical score 55.4 % (mean 2.77). There is a possibility of further development of boss-subordinate relationship among employees of Jammu and Kashmir bank Ltd. The comparative relationship has been graphically exhibited in Fig 1.2.

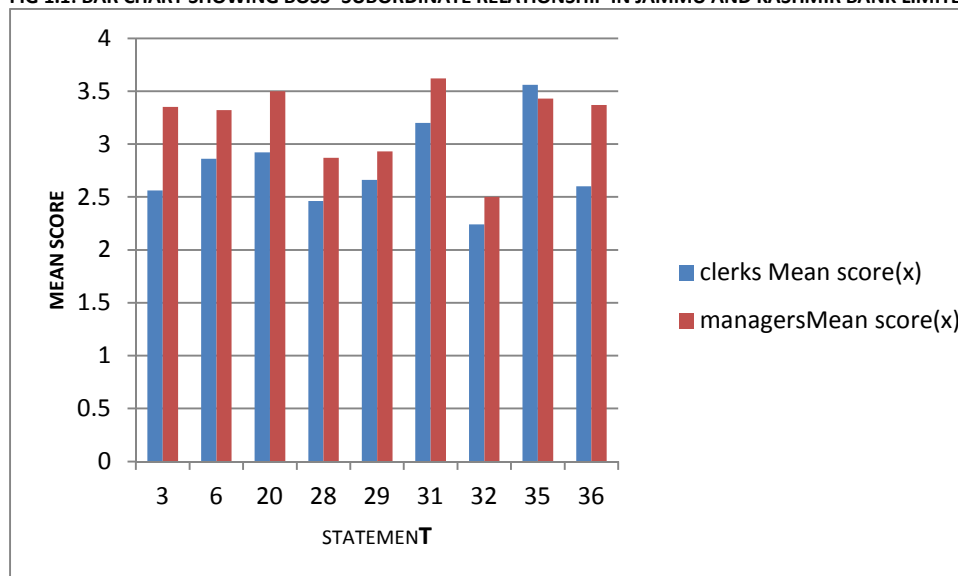
**TABLE 1.1: BOSS- SUBORDINATE RELATIONSHIP IN JAMMU AND KASHMIR BANK**

ITEMS	STATEMENTS	CLERKS			MANAGERS		
		Mean score(x) (N1=50)	Standard deviation(SD)	% to mean score	Mean score(x) (N1=50)	Standard deviation(SD)	% to mean score
3	Development of the subordinates is seen as an important part of their job by the managers/officers in our Bank	2.56	0.90	51.2	3.35	1.38	67
6	Senior officers/ executives in j& k bank take active interest in their juniors and help them to learn their jobs	2.86	1.10	57.2	3.32	1.30	66.4
20	When an employee makes a mistake, his supervisor treats him with understanding and help him to learn from such mistakes rather than punishing him or discouraging him.	2.92	1.20	58.4	3.50	1.35	70.0
28	Employees are not afraid to discuss or express their feelings with their superiors.	2.46	1.07	49.2	2.87	1.21	57.4
29	Employees are not afraid to discuss or express their feelings with their subordinates	2.66	1.07	53.2	2.93	1.22	58.6
31	Delegation of authority to encourage juniors to develop handling higher responsibilities is quite common in this organization	3.20	1.16	64.0	3.62	1.08	72.4
32	When seniors delegate authority to juniors, the juniors use it as an opportunity for development	2.24	0.79	44.8	2.50	1.16	50.00
35	career opportunities are pointed out to juniors by senior officers in our banks	3.56	1.19	71.2	3.43	1.22	68.6
36	The organizational future plans are made known to the managerial staff to help them develop their junior and prepare them for future.	2.60	1.16	52.0	3.37	1.29	67.4
	Total	2.77	0.22	55.4	3.21	0.09	64.27

### NOTES

1. Scoring scale: Not at all true= 5, Rarely true = 4, Sometime true =3, Mostly true=2 and always true = 1.
2. Higher mean scores indicates to more favorable perception towards overall HRD climate and lower mean value indicate vice versa.
3. N1= number of clerks and N2 =number of managers.

FIG 1.1: BAR CHART SHOWING BOSS- SUBORDINATE RELATIONSHIP IN JAMMU AND KASHMIR BANK LIMITED



### SUMMARY OF FINDINGS AND CONCLUSION

On the whole we found the existence of good HRD climate in the sample study organization i.e. Jammu and Kashmir Bank Limited. The managers in general showed a favorable attitude towards HRD mechanisms of an organization. They were satisfied with management as well as the subordinates while as clerical staff showed less favorable attitude towards HRD mechanisms of an organization. The satisfaction level among the clerical staff was less than managerial staff. The overall scene of HRD climate for boss- subordinate relationship has been recorded as 54.4% in clerks and 64.27 in managers.

### SUGGESTIONS AND POLICY IMPLICATIONS

Regarding HRD mechanism, such as training and development, PAS, potential appraisal, career development, QWL, and workers participation need a complete re-engineering process so that it would create the positive HRD climate in the organization which has a direct impact on boss- subordinate relationship.

### LIMITATIONS AND FUTURE RECOMMENDATIONS

The study is limited in several ways. First, the small number of participants restricts the generalizability of the findings. Second, further analysis is needed to compare with some other private sector or public sector organizations. As present research focused on few HRD mechanism further analyses can be done by focusing all HRD mechanisms to understand the impact of HRD mechanism on boss- subordinate relationships.

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**CUSTOMER PREFERENCE TOWARDS USE OF ATM SERVICES IN BHADRAVATHI****MANJUSHREE S****LECTURER****DEPARTMENT OF PG STUDIES & RESEARCH IN COMMERCE****KUVEMPU UNIVERSITY****JNANA SAHYADRI****SHANKARGHATTA****ABSTRACT**

Indian banks have leveraged technology and introduced innovative banking product and services to attract and retain customer. ATMs are self service vendor machine it permits customers to do anywhere, anytime banking both the bank and customers stand to gain in several ways, while ATMs bring down the cost per transaction, increase efficiency by reducing workload of staff, they help to increase accuracy, speed, save time, money and effort of customers. Thus ATM impacts the customer services and leads to better customer satisfaction. They enable the bank to transact more business by offering various services in cost effective way on one side and to get more customer satisfaction on the other. To analyze the relationship between demographic variable and preferences to use ATM, a structured questionnaire used to collect the data from a random sample of 50 customers from syndicate bank in Bhadravathi, Percentage analysis and chi square test are applied for data analysis and interpretation. Finally it attempts to offer suitable suggestions and conclusions to enhance the awareness of ATMs and other related modern services provided by the banks.

**KEYWORDS**

ATMs, Banking Premises, Customer Preferences, Information.

**INTRODUCTION**

Today Indian banks are as technology savvy, technology has greatly helped the banking sector to smoothen their interaction with the customer, Banks are using the electronic technology to meet the ever increasing competition in banking which has converted the traditional brick and mortars banking into Electronic Banking with rapid advancement in ICT, alternate channels are made available to customers. ATMs have replaced tellers. This has considerably reduced the transaction cost for the banks and their customer has the choice of withdrawing money anytime, anywhere, whereas previously he was restricted to the business hours of the bank. With advent of internet, online banking has further simplified transaction. Customer can easily make funds transfer funds from one account to another account and make online purchase. With advent of wireless mobile telephony, mobile banking as means of anytime anywhere banking has come to stay. Banks are also using mobile banking as marketing medium to promote their product and services. Bank provides various electronic technologies for transacting banking business. The use of technology which allows customers to perform banking transactions electronically without visiting a brick and mortar institution on-line means direct linking of an operation or equipment to a computer system, so that any stimulus provided by that operation or equipment is immediately accepted by the computer system. Electronic services allow a bank's customers and other stakeholders to interact and transact with the bank seamlessly through a variety of channels such as the Internet, Wireless devices, ATMs, On-line banking, Phone banking and Tele-banking. Other services offered under e-banking include electronic funds transfer, electronic clearing service and electronic payment media including the credit card, debit card and smart card. On-line banking helps consumers to overcome the limitations of place and time as they can bank anywhere, anytime as these services are available 24 hours, 365 days a year without any physical limitations of space like a specific bank branch, city or region. They also bypass the paper based aspect of traditional banking.

**OBJECTIVES OF THE STUDY**

- ✚ To study the awareness and preferences to use ATM services offered by bank.
- ✚ To examine the problems usually face by customer while using ATM services of a bank
- ✚ To know the reasons for not opting ATM services by bank account holder.
- ✚ To study the range of value added services offered by banks through ATMs.

**HYPOTHESIS**

Ho-There is no association between age and preferences to use ATM

Ha-There is association between age and preferences to use ATM

**LITERATURE REVIEW**

S. Banumathy (July, 2007), made a study on "ATM- A user friendly Mechanism or Not A survey". His study mainly focuses on the customer satisfaction by using the ATM. Today we are living in a dynamic world. In this world, each and every second is precious; customers do not like to waste their time in waiting. ATMs help customers to get cash without wasting time. P. Suguna Lakshmi (2010), made a study on "ATMs and its value added services in Indian Banking Sector". Her article mainly shows value added services offered by ATMs in the banking sector, its increased acceptance among the customers supported by statistical facts and the initiatives taken by the banks to overcome the major challenges faced by this technological device.

Gaurav Akrani (Nov, 2011), made a study on "Advantages of ATM". His study mainly focus on advantages of ATM. ATMs are electronic machines which operated by a customer himself to deposit or to withdraw cash from bank. It can provide 24 hours service to the customer, gives convenience to bank customer and reduces the workload of banks staff. B. Manoharam (2007), made a study on "Progress in ATM Technology". This article analyzes the role of information Technology and ATMs transforming the Indian Banking Industry. ATM is a device that allows customers who have an ATM card to perform routine banking transactions without interacting with a human teller.

**RESEARCH METHODOLOGY****SOURCES OF DATA**

The study is based on both primary data and secondary data. Primary data was collected from a well structured questionnaire and distributed to the customers of Syndicate bank in Bhadravathi at the ATM terminals to collect customer information. Secondary data was collected through books reference, journals, articles, RBI report etc.

**Sample size/sample design** - A well structured questionnaire was used to collect the data from the 50 respondents who were ATM cardholders by using random sampling technique.

**Tools and Technique** - The data collected was analyzed through percentage and Chi-square tests are used to test the hypothesis to draw the meaningful conclusions.

**SCOPE OF THE STUDY**

The study explores the customer preference towards usage of ATM, services in syndicate bank, Bhadravathi.

**CONCEPT AND OPERATION OF AUTOMATED TELLER MACHINE (ATM)**

The cash machine or Automated Teller Machine (ATM) as it is more formerly non is the most visible and perhaps most revolutionary element of virtual banking revolution. To avail the ATM services customers are provided with ATM card, which is a small plastic card with magnetic strip, containing information about the name of bank, name of the customer, card number, validity period, and signature panel. The magnetic strip contains information about the customer which enables the banks to verify the identity when the card is inserted at the slot provided in ATM.

For using an ATM, a customer requires an ATM card. Initially an ATM card worked on various principles including radiation and low-coercively magnetism that was wiped by the cards reader to make fraud more difficult. However, more modern ATM card is made up of plastic with a magnetic stripe or a plastic smart card with a chip. Customer has a special card number that is referred to as a PIN (Personal Identity Number) usually of four or more digits. The customer has to insert the card in the machine and quote his or her PIN number. Upon successful entry of the PIN, the customer may perform a transaction. After the completion of the transaction, a transaction record is printed. Usually stating the action taken, date and time, location, any applicable fees and available balance on completion of the transaction, the customers' card is elected. However, if the PIN number is entered incorrectly and that too several times, then usually after the third attempt most ATMs retain the card as a security precaution to prevent an unauthorized user from discovering the PIN by guesswork.

**TABLE 1: BANK WISE ATMs IN INDIA**

Name of Bank	On-site	Off-Site	Total	Name of Bank	On-site	Off-Site	Total
State Bank of India	17804	13945	31749	State Bank of Mysore	610	260	870
Axis Bank Ltd.	2396	9199	11595	United Bank of India	2769	2380	5149
HDFC Bank Ltd.	4577	6573	11150	Vijaya Bank	767	187	954
ICICI Bank Ltd.	3575	7483	11058	Indusind Bank Ltd	462	558	1020
PNB	3147	3387	6534	Citibank	56	558	614
Union Bank of India	433	533	966	South Indian Bank Ltd	638	219	857
Canara Bank	1981	1946	3927	Lakshmi Vilas Bank Ltd.	189	498	687
Bank of Baroda	2505	1202	3707	Dena Bank	621	121	742
Central Bank of India	1695	1351	3046	Jammu & Kashmir Bank	443	252	695
Bank of India	1357	1247	2604	City Union Bank Ltd	355	494	849
IDBI Ltd.	970	917	1887	Bank of Maharashtra	557	307	864
Indian Overseas Bank	1314	770	2084	ING Vysya Bank	261	317	578
State Bank of Hyderabad	1164	530	694	Dhanalaxmi Bank Ltd.	175	221	396
Oriental Bank of Commerce	1279	379	1658	Karnataka Bank Ltd.	310	242	552
Indian Bank	1170	398	1568	Development Credit Bank Ltd.	98	161	259
Corporation Bank	1024	366	1390	Tamilnadu Mercantile Bank Ltd.	241	289	530
Syndicate Bank	1155	205	1360	Allahabad Bank	391	300	691
Andhra Bank	709	610	1319	Standard Chartered Bank	102	176	278
State Bank of Bikaner & Jaipur	685	486	1171	Catholic Syrian Bank Ltd.	157	56	213
Federal Bank Limited	857	401	1258	RBS (ABN AMRO)	29	82	111
State Bank of Travancore	708	314	1022	HSBC	70	74	144
UCO Bank	1142	560	1702	Punjab and Sind Bank	278	64	342
Karur Vysya Bank Ltd	603	804	1407	Ratnakar Bank Ltd.	79	157	236
Kotak Mahindra Bank Ltd	375	599	974	Deutsche Bank	13	39	52
State Bank of Patiala	723	275	998	DBS Ltd.	6	30	36
Yes Bank Ltd.	355	738	1093	Barclays Bank	0	0	0

Source: Trends and progress of RBI 2013

**ANALYSIS AND INTERPRETATION****TABLE 2: SOCIO- ECONOMIC STATUS OF THE RESPONDENTS AND CUSTOMER PREFERENCE**

Sl. No.	Particulars	No. of Respondents	Percentage (%)
1.	<b>Gender of the Respondents</b>		
	Male	28	56
	Female	22	44
	<b>Total</b>	<b>50</b>	<b>100</b>
2.	<b>Age</b>		
	Below 30 years	15	30
	30-40 years	21	42
	40-50years	11	20
	Above 50 years	3	6
	<b>Total</b>	<b>50</b>	<b>100</b>
3.	<b>Education Level of the Respondents</b>		
	Below Graduate	9	18
	Graduate	18	36
	Post Graduate	22	44
	Any other	1	2
	<b>Total</b>	<b>50</b>	<b>100</b>
4.	<b>Occupation of the Respondents</b>		
	Business	4	8
	Profession	2	4
	Student	31	62
	Govt. Employee	8	16
	Others	5	10
	<b>Total</b>	<b>50</b>	<b>100</b>
5.	<b>Monthly Income of the Respondents</b>		
	Below 5000	10	20
	5001-10000	15	30
	10001-20000	12	24
	20001-30000	8	16
	Abive 30000	5	10
	<b>Total</b>	<b>50</b>	<b>100</b>
6.	<b>Account status of the respondents</b>		

	Yes	50	100
	No	0	0
<b>Total</b>		<b>50</b>	<b>100</b>
<b>7.</b>	<b>Type of Account maintained by the Respondents</b>		
	Savings A/C	47	94
	Current A/C	1	2
	Fixed Deposit	2	4
	Recurring Deposit	0	0
<b>Total</b>		<b>50</b>	<b>100</b>
<b>8.</b>	<b>Respondents having ATM card or Not</b>		
	Yes	50	100
	No	0	0
<b>Total</b>		<b>50</b>	<b>100</b>
<b>9.</b>	<b>Necessity of ATM to respondents</b>		
	Essential	28	56
	Not so essential	14	2
	Not required	8	16
<b>Total</b>		<b>50</b>	<b>100</b>
<b>10.</b>	<b>Reasons for prefer ATM facilities by the Respondents</b>		
	Withdrawal Money	26	52
	Easy to Carry	16	32
	Safety	8	16
	Shows Standard	0	0
<b>Total</b>		<b>50</b>	<b>100</b>
<b>11</b>	<b>Use of ATM services by respondents</b>		
	Cash withdrawal	23	46
	Cash deposit	3	6
	Balance enquiry	8	16
	Mini statement	5	10
	Cheque book request	2	4
	Utility payment	5	10
	Mobile recharge	2	4
	Others	2	4
<b>Total</b>		<b>50</b>	<b>100</b>
<b>12.</b>	<b>Usage of ATMs by the Respondents</b>		
	5-10 Times a month	28	56
	11-20 Times a month	7	14
	21-50 Times a month	2	4
	Occasionally	14	28
<b>Total</b>		<b>50</b>	<b>100</b>
<b>13.</b>	<b>Showing problem faced by respondents</b>		
	Non-operational ATM	17	34
	Receipt not issued	6	12
	Cash over	15	30
	Account debited not cash not dispensed	4	8
	Transaction takes too much time	3	6
	Less number of ATMs	5	2
<b>Total</b>		<b>50</b>	<b>100</b>
<b>14.</b>	<b>Respondents Satisfaction towards ATM Services</b>		
	Yes	41	82
	No	9	18
<b>Total</b>		<b>50</b>	<b>100</b>
<b>15</b>	<b>Respondents Preference for inclusion of Additional Facilities along with this ATM Services</b>		
	Thumb impression	25	50
	Voice recognition	1	2
	Photo scan	19	38
	Eye recognition	5	10
<b>Total</b>		<b>50</b>	<b>100</b>
<b>16</b>	<b>Respondents opinion towards comparison of ATM services with other Banks</b>		
	Excellent	7	14
	Better	13	26
	Same	30	60
	Worst	0	0
<b>Total</b>		<b>50</b>	<b>100</b>
<b>17</b>	<b>Respondents responses at the time of ATMs are lost</b>		
	Complaint the police station	8	16
	Inform to Bank	38	76
	Close the account	4	8
	Other	0	0
<b>Total</b>		<b>50</b>	<b>100</b>
<b>18</b>	<b>Preference of respondent based on ATM location</b>		
	Any time	26	52
	Off-site ATM	14	28
	On-site ATM	10	20
<b>Total</b>		<b>50</b>	<b>100</b>
<b>19</b>	<b>Reasons for opt ATM card from by syndicate bank</b>		
	Service	18	36
	Security	12	24
	Locality	8	16
	More withdrawal	10	20
<b>Total</b>		<b>50</b>	<b>100</b>

Sources: Field Survey



From the above table, it is clear that out of 50 respondents, 56% of the male respondents are more interested to use ATMs and most of the respondents are students belongs to the age group of 30-40 years having post graduation degree and maintained an saving account with the bank. 52% of the respondents give a reason to prefer to use ATM facilities for withdraw of money., 46% of respondents use money for cash withdrawal.. 56% of the respondents are use the card 5-10 times per month for the withdrawal purpose , 34% of respondents faced problem when the atm is not operational. 82% of the respondents satisfied towards ATM services. 50% of the respondents prefer thumb impression as an additional facility along with these services. 76% of the respondents are informing the bank at the time of lost the ATMs, 36% of the respondents opt ATM card from this bank is for service purpose

#### TESTING OF HYPOTHESIS

**Ho:** There is no association between age and preference to use ATM

**Ha:** There is association between age and preference to use ATM

TABLE 2: USER PREFERENCE FOR USING ATM

Age	Yes	No	Total
Below 30 years	13	2	15
30-40	18	3	21
40-50	6	5	11
Above 50 years	1	2	3
Total	38	12	50

TABLE 3: SHOWING THE  $\chi^2$  VALUE OF THE SYNDICATE BANK CUSTOMERS.

Of	Ef	(Of-Ef)	(Of-Ef) <sup>2</sup>	(Of-Ef) <sup>2</sup> /Ef
13	10	3	9	0.9
18	12	6	36	3
6	3	3	9	3
1	4	3	9	2.25
2	1	1	1	1
3	2	1	1	0.5
5	3	2	4	1.33
2	1	1	1	1
$\sum (Of-Ef)^2 / Ef$				10.98

$$\chi^2 = \sum (Of-Ef)^2 / Ef$$

Degree of freedom (df) = (n-1)

Where

- $\chi^2$  = chi-square test
- OF = Observed frequency
- EF = Expected frequency
- n = Number of items
- df = Degree of freedom

$$\chi^2 = 10.98, \text{ Degree of freedom} = (c-1)(r-1) = (2-1)(4-1) = 3$$

The table value of  $\chi^2$  for 3 degree of freedom at 0.05 percent level of significance is 7.185. comparing calculated and table value of  $\chi^2$  the calculated value is less than the table value confirming the association between the age and preference to use ATM services. Thus, null hypothesis is rejected and the alternate hypothesis is accepted.

#### SUGGESTIONS

On the basis of detailed study of customer preference towards use of ATM services towards services offered by syndicate bank. It is clear that ATM services plays vital role in the banking activities. The various suggestion for improving the effectiveness of the ATM services of the syndicate bank.

- Banks must make concentrated efforts to educate female customer to use ATM. For this purpose banks must hold training program for customers from time to time.
- Banks may also draw up special insensitive schemes to introduce customer to make maximum use of ATM.
- Cash refilling at proper intervals must be made to ensure that cash does not get over in the cash stacks. This care should be taken at holiday.
- The system of transacting through ATM must be speedy, accurate and reliable.
- Government or banker should give awareness programmers to the public for create their savings in bank deposits and also about the Technology in banking sector.
- Banker should establish more ATM centers as per customer accessibility.
- Banker must keep sufficient funds in ATMs.

#### CONCLUSIONS

Technology in banking transactions provides better services to the customers. All most all the nationalized and commercial banks are also having Electronic Banking transaction in their banking institutions such as, ATM facility, Mobile banking, Tele banking, EFT, RTGS, etc. These are all the services helps to the customer for making their banking transaction in anywhere and anytime without visiting brick or mortar institutions. While ATM has become popular among the customers for cash withdrawals, other ATM services like utility payment, etc are sub-optimally used. While more and more people are moving towards ATMs for their banking needs, it is still largely used as cash dispensers. Large number of customers still do not use other value added services on offer at ATM. Banks therefore have a task on hand to make ATM self serving model for customers.

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**ROLE OF XBRL IN CORPORATE REPORTING: AN INDIAN PERSPECTIVE**

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**ABSTRACT**

*Business decisions can be made rapidly in an error free environment with the application of information technology. The XML computer language has been extended further for its application programme in extensible business reporting language (XBRL). Extensible Business Reporting Language (XBRL) is a language for the electronic communication of business and financial data revolutionizing business reporting around the world. XBRL has become the standard way of recording, storing and transmitting business and financial information from the computer information providers to the information users. XBRL was developed by XBRL International in 1998, an international non-profit consortium of approximately 450 major companies, organisations and government agencies. XBRL India is known as the Indian Jurisdiction of XBRL International. Its main objective is to promote and encourage the adoption of XBRL in India as the standard for electronic business reporting. The business value possible from XBRL can be realized by the transparency, uniformity, accuracy, timely and reliability provided to its users. As it has been framed in accordance to the GAAP and IFRS standards, its adoptability is gaining momentum for all the countries that are looking forward towards a smooth functioning in the global scenario. In the light of this, the present paper provides a conceptual framework of XBRL as a business reporting language, along with its worldwide usage. The paper further discusses components and uses of XBRL in corporate reporting. It also focuses on the status of applicability of XBRL as a business reporting language for Indian business entities.*

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**KEYWORDS**

XBRL, corporate reporting, IFRS, XBRL India.

**INTRODUCTION**

Corporate reporting' referred as the presentation and disclosure aspects to show true financial position of company — as distinct from accounting measurements and practices — covers the following areas of reporting:

- ✓ Integrated reporting
- ✓ Financial reporting
- ✓ Corporate governance
- ✓ Executive remuneration
- ✓ Corporate responsibility
- ✓ Narrative reporting

Business decisions can be made rapidly in an error free environment with the application of information technology. It has become so after the emergence of information technology (IT) eliminating the physical distance, technological barriers and thus bringing the whole world at a point of congruence. Internet facility has helped in receiving quick information at a high speed which is reliable, uniform and can be used in making financial decisions. In the initial phase the web dealt primarily with plain text and images through the use of hyper text mark up language (HTML).<sup>1</sup> However, subsequently Document Type Definitions and schemes were developed through the use of XML (Extensible mark up language). The XML has been extended further for its application programme in extensible business reporting language (XBRL). It defines different components of a document.<sup>2</sup>

XBRL was developed by XBRL International, an international non-profit consortium of approximately 450 major companies, organisations and government agencies working together to build the XBRL language and promote and support to its adoption. This collaborative effort began in 1998 and has produced a variety of specifications and taxonomies to support the goal of providing a standard, XML-based language for digitizing business reports in accordance with the rules of accounting in each country or with other reporting regimes such as banking regulation or performance benchmarking.<sup>3</sup> With the seeds of Extensible Business Reporting Language (XBRL) starting to germinate in the late 1990s, the evolution of corporate financial reporting was about to get a boost from this new enabling technology that improved access to information, enhanced transparency and helped companies, analysts and investors better mitigate risks — on the financial side of the equation. XBRL served as a catalyst for securities regulators in the world's leading economies to require that external financial reports from listed companies embed the XBRL standard within them. Today, millions of organizations around the world produce some form of financial report, tax filing, or banking/insurance compliance report in XBRL format.<sup>4</sup>

Extensible business reporting language (XBRL) is an accounting and financial linkage for use in the internet. It is a structured but adaptable computer language developed to solve a problem. XBRL has become the standard way of recording, storing and transmitting business, financial information from the computer information providers to the information users. It is capable of use throughout the world wherever XBRL is available for a wide variety of business purposes. It acts as a cost saving device, enhances efficiency in information storing, processing and retrieving in business and government related organisations.<sup>5</sup> XBRL bridges the communication gap between the preparers and the users of financial statements on the internet. In fact XBRL is based on the extensible mark-up language (XML); by which both the contents and relationships can be easily established between the users and preparers of financial information.

**WORLDWIDE USAGE OF XBRL**

XBRL is quickly spreading across the world, by way of increasing participation from individual countries and international organizations. It is now preferred as a standard for business and financial reporting worldwide and has gained momentum globally being adopted by Regulatory authorities. Many countries are mandating XBRL, for example, China, India, Singapore, Germany, France, Belgium, Chile, Spain. As of today, more than 140 organizations are members of the XBRL International.<sup>6</sup> Notably, besides AICPA, several professional accountancy bodies from around the world such as Canadian Institute of Chartered Accountants (CICA), Council of Koninklijk Nederlands Instituut van Register accountants (NIVRA), Institute of Chartered Accountants in Australia, Institute of Chartered Accountants in England & Wales (ICAEW), Institute of Chartered Accountants in Ireland, Institute of Certified Public Accountants in Singapore, Institute of Chartered Accountants of New Zealand, Institute of Management Accountants (IMA), International Accounting Standards Board (IASB) (formerly International Accounting Standards Committee (IASC)), and International Federation of Accountants (IFAC) are members of the XBRL International. The corporate sector companies were Bank of America, Deutsche Bank, Dow Jones, Fujitsu, General Electric, Hitachi, IBM, Microsoft, Moody's, Oracle, and SAP. Companies and organisations from various countries, are adopting the standards of XBRL International, for retaining themselves in the global market.<sup>7</sup> Cross border money flows gives rise to new challenges, including the need for comparable financial reports for investors, analysts and regulators, so, International

Financial Reporting Standards (IFRS) from the International Accounting Standards Board (IASB) were developed to help meet this need, bringing further transparency and comparability to disclosures from listed companies around the world.

## USES AND APPLICATION

XBRL can be applied to a wide range of business and financial data. Applications and benefits provided by it are discussed below<sup>8</sup>:

- Company's internal and external financial reporting.
- Business reporting to all types of regulators, including tax and financial authorities, central banks and governments.
- Filing of loan reports and applications; credit risk assessments.
- Exchange of information between government departments or between other institutions, such as central banks.
- A wide range of other financial and statistical data which needs to be stored, exchanged and analysed.
- With the application of XBRL we can also reconstruct the profit & loss statement indicating the total operating expenses shown on the style sheet; the total operating income generated during the same financial year. The difference between the two would manifest the net income/net loss arising from the business.
- In the same way, we can also prepare the cash flow statement almost on a daily basis for the listed companies and for the banks.
- Similarly, we can also prepare a fund flow statement by formatting the definition of fund as a difference between current assets and current liabilities or the net current assets.
- Not only XBRL can be applied in respect of absolute figures for different kinds of financial statement but it can also be applied in relation to one item of the financial statement with another item called as ratio analysis.
- Further, when foreign companies come into Indian Territory with foreign investment in the shape of foreign direct investment (FDI) they shall have to comply with the information required to be furnished to the Indian regulatory authorities.
- Adoption of IFRS is important for all countries because of close interaction with global business entities.
- In the emerging business world US dollar, Euro and other Asian currencies are coming into close contact as well as conflict with each other on account of exchange rate variation, exchange rate translation, exchange rate transaction, exchange rate exposure. Once these items are formatted in XBRL, perhaps the management of foreign exchange and its control becomes an easy task for the central banking authorities as well as the corporate entities.
- When in the context of international business countries enter into several kinds of double taxation avoidance agreement (DTAA) and further exchange of information from banks involved in black marketing can be facilitated by XBRL.

## COMPONENTS

There are two major components of XBRL, discussed as below<sup>9</sup>:

- Schema - A system of representing a data model that defines the data's elements and attributes, and the relationship among elements.
- Taxonomy – Taxonomy refers to an XML schema that defines new elements such that each element corresponds to a concept that can be referenced in the XBRL documents. These are the reporting-area specific hierarchical dictionaries used by the XBRL community. In simple terms, taxonomy is a classification system for business and financial reporting data elements. XBRL taxonomies can be regarded as extensions of XML Schema.

## XBRL AND INDIA

Keeping pace with the trends worldwide, some steps have been taken in India in recent past that augur well for digitization of the financial accounting and business data. In the year 2007, ICAI had constituted a group for promotion and development of XBRL in India. The group comprised of regulators such as Reserve Bank of India (RBI), Insurance Regulatory and Development Authority (IRDA), Securities and Exchange Board of India (SEBI), Ministry of Corporate Affairs (MCA), stock exchanges like Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE), and some private sector companies like Infosys and others who were supporting ICAI and its XBRL endeavours.<sup>10</sup>

Later in 2008, the India XBRL Jurisdiction was constituted as a forum to encourage the adoption of XBRL as a standard for electronic business reporting, manage XBRL taxonomies and facilitate education and training of XBRL.<sup>11</sup> Its objectives are:

- To promote and encourage the adoption of XBRL in India as the standard for electronic business reporting in India
- To facilitate education and marketing of XBRL
- To develop and manage XBRL taxonomies
- To keep the developed XBRL taxonomies updated with regard to international developments
- To represent Indian interests within XBRL International
- To contribute to the international development of XBRL

There are two taxonomies developed under GAAP standard for developing accounting standards are: Commercial & Industrial Taxonomy and Banking Taxonomy.

### REGULATORS OF XBRL IN INDIA

All the three regulators have taken certain initiatives, to develop XBRL, discussed as below<sup>12</sup>:

#### RBI'S INITIATIVE

RBI embarked a plan to migrate the entire banking regulatory reporting into XBRL framework. The Reserve Bank of India has launched the Basel II reporting system using Extensible Business Reporting Language (XBRL) through the existing Online Returns Filing System. With a view to providing direction for implementation of XBRL, RBI had set up a high level Steering Committee to develop and test the XBRL based reporting format.

#### SEBI

Some of the significant developments which have since taken place in Indian securities market with the encouragement of SEBI include setting up of a XBRL enabled platform for corporate reporting ([www.corpfiling.co.in](http://www.corpfiling.co.in)) by BSE and NSE. Both these have migrated to XBRL from the paper based model and offer a unified electronic platform, popularly known as 'CorpFiling' system, which enables the companies listed in either or both of the exchanges to electronically file their disclosures.

#### MINISTRY OF CORPORATE AFFAIRS

The Ministry of Corporate Affairs (MCA) has used the C&I taxonomy, as the base taxonomy and modified the same to suit its regulatory requirements by adding a few elements which are specific to their reporting requirements viz. Auditors' Report, Directors Report, Company-specific details like CIN, subsidiary details etc. The MCA has mandated the reporting of financial statements for the following class of companies in its first phase of XBRL adoption:

1. All companies listed in India and their Indian Subsidiaries;
2. All companies having a paid up capital of Rs. 5 crores and above
3. All companies having a turnover of Rs. 100 crores and above.

It may be mentioned that the Commercial and Industrial Taxonomy is general purpose taxonomy designed for Commercial and Industrial entities (C&I). This taxonomy has been developed to enable companies prepare their financial statements, viz., Profit and Loss Account, Balance Sheet and Cash Flow Statement in XBRL format, based on the requirements of the Accounting Standards and Indian Company Law. This taxonomy has also been acknowledged by XBRL International.



**COMMITTEES OF XBRL IN INDIA**

Considering the need for having special purpose committees, the Board of Extensible Business Reporting Language (XBRL) India has constituted the following committees<sup>13</sup>:

## 1. Membership Development Committee

The Terms of Reference of the Committee is as follows:

- To finalise the Membership byelaws including the fees to be charged from.
- To prepare the Form for Membership Application.
- To consider and preliminary screen the applications so reviewed.
- To give its comments on the applications so received and place it before the Board for approval.

## 2. Taxonomy Development and Review Committee

- To analyse the International scenario and the requirements of the Indian Industries for developing Industry specific Taxonomies.
- To review the existing taxonomies in case of change in the laws of the Land or requirement of International standards.

## 3. Audit Committee

As a good governance practice, the Board constituted an Audit Committee as defined under section 292A of the Companies Act, 1956.

The journey of XBRL development has been represented in through the figure below:



Source: Training material on XBRL

**CONCLUSION**

From the above discussion it can be concluded that XBRL has been catapulted to the centre-stage of accountancy profession. It has exhibited capabilities to produce the digitized version of the quantitative and descriptive data displayed through the financial statements, thereby unifying the accounting system and reporting standards same throughout the world. This uniqueness however, helps India to comply with international accounting standards without any extra effort. It is going to benefit India from all perspectives of being accurate, reliable, efficient, economical, and store tank for financial data of business. It is an important vehicle as stakeholders in the global economy which move towards convergence of financial reporting standards, with the goal of building efficiencies in the global capital markets, and moving toward greater corporate and government transparency. Therefore, it can be inferred that applicability of XBRL in financing and corporate reporting of India, is going to benefit India in the future.

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