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   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

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CHALLENGES OF MANAGING DEVOLVED FUNDS IN THE DELIVERY OF SERVICES: A CASE STUDY OF MOMBASA COUNTY

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ABSTRACT

The study sought to investigate the challenges of managing devolved funds in the delivery of services. To identify measures and practices that can be employed in effective devolved fund management to harness development at the grassroots level. The constitution of Kenya stipulates the devolution agenda, explicitly giving road maps and time frames on how devolution should be conducted. The methodology involved a descriptive research study and interviewing was conducted in four constituencies that isLikoni, Kisauni, Changamwe and Mvita. This comprised of four (4) officers from each of the four (4) devolved fundsi.e. ConstituencyDevelopment Fund (CDF), Poverty Eradication Loan Fund (PELF), Community Development Trust Fund (CDTF), and Local AuthorityTransfer Fund (LATF). The views from the respondents were linked with published and unpublished documentation available in the secondary data. Independent views were sought from public oversight bodies; Muslim For Human Rights (MUHURI) and Kenya Community Support Centre (KECOSCE). Adequate information required was shared.The findings show that there is need for both the county and national governments to enact strict policies that will deal with transparency, corruption and the distribution of funds. This will go a long way in ensuring sound fund management practices are put into place and hence better and quality services deployed to the citizens at the grassroots level.The study thus discloses that there is a lot to be done in termsof fund management for efficient service delivery to the common man.

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KEYWORDS
Devolution,grassroots,political goodwill, transparency.

1.0 INTRODUCTION

Devolution has long been regarded as the best way of integrating local people into the web of development.Devolution is the statutory granting of powers from the central governmentof a sovereign state to government at a sub national level, such as a regional or local level. It is a form of decentralization whereby devolved territories have the power to make legislation relevant to that particular area they govern. The challenges facing devolution especially in the management of devolved funds have been an issue of concern to the national governments of many countries in Africa. The objective has been to enhance service delivery at the grassroots level through devolution.

2.0 LITERATURE REVIEW

2.1 MOMBASA COUNTY

Mombasa County, is the smallest county in the coast province of Kenya, covering an area of 229.7 Km^2 excluding 65 Km^2 of water mass. Administratively, the county is segregated into seven divisions, eighteen locations and thirty sub-location and hosts six constituencies namely Mvita, Changamwe, JomvuKuu, Likoni, Kisauni and Nyali.Population distribution and settlement patterns in the county are influenced by proximity to roads, water and electricity facilities. The population is also concentrated in areas where there is availability and accessibility to employment opportunities, affordable housing, and security. The key sectors in Mombasa County include port, fishing, tourism and manufacturing.

The major development challenges include among others; poor road networks, rapid urbanization and housing problems, inadequate education facilities, inadequate health care delivery points, high unemployment among the youthful, insecurity, weak land ownership regime, perennial water shortages and growth of unplanned and informal settlements. The devolved funds in the county addressing development agenda include;*ConstituencyDevelopment Fund (CDF),Poverty Eradication Loan Fund (PELF)*, *Community Development Trust Fund (CDTF)*, *Local Authority Transfer Fund (LATF)*.

2.2 CHALLENGES OF MANAGING DEVOLVED FUNDS

Devolved system of governance is one of the key tenets of the 2010 Kenyan constitution, with counties envisioned as the primary units. The constitution also decrees that county governments shall have reliable sources of revenue to enable them govern and deliver services effectively. The funds, provides by the national government, are used to pursue development goals that are relevant to communities within those counties.

The management of devolved funds is faced by many challenges. Lack of political goodwill to support devolution is a key challenge in the management of devolved funds. The study reveals that the executive arm of the national government is reluctant in devolving some funds meant for county development programs. For instance the county revenue allocation from the national government required by law is yet to be fulfilled as this is being done in piecemeal and there are no proper explanations to this. This has jeopardized the sustenance of devolved services like the payment of salaries to health workers which has led to resignation from service in the public hospitals.

Corruption is affecting the management of devolved funds as the study reveals that most of the devolved funds are used for satisfying individual goals rather than the goals of the majority citizens. The officers appointed to manage the funds are involved in corrupt practices thus the monies are not utilized for the development agenda that were meant for.

There is lack of transparency in the hiring of fund managers and committee members. They are not appointed on merit and competency but on political, tribal and ethnic affiliations. The distribution of the development funds is also done on these affiliations. This greatly affects the development agenda and service delivery to the common citizens.

2.3 QUOTED COMMENTS DURING CONSTITUTION IMPLEMENTATION AND GOVERNANCE SEMINARS

"..... The on-going fiscal decentralization provides an opportunity to improve accountability and the quality of service delivery, but will need to be well-managed to guard against the risk of excessive spending because of overlapping functions...." Mrs Antoinette Sayeh IMF, during a Conference, 18th September 2013

"...........A key task for public finances is to raise the efficiency and quality of public spending. This will create fiscal space, which is obviously important for infrastructure, where large gaps remain, but also for social spending, where it is particularly important to ensure that scarce public resources are used well............" Mrs Antoinette Sayeh IMF, during a Conference, 18th September 2013

".....Where any person has obtained an order not to comply with such summons (by Senators), that order must be respected and should not be the basis of animus and antagonism....," Mr Charles Nyachae, chairman of the Commission for the Implementation of the Constitution during a seminar on governance, 11th March 2014

3. IMPORTANCE OF STUDY

The study will help in establishing the challenges in managing devolved funds in the counties and hence provide recommendations on how to improve efficiency in the management of these funds.

4. STATEMENT OF THE PROBLEM

Devolution in Kenya faces many challenges key among them, management of devolved funds. These challenges have resulted to inefficiencies in the delivery of services both at the county and national government levels.

5. OBJECTIVES

The objectives of the study are to investigate the challenges affecting effective devolved fund management in the effective delivery of services. To identify measures, mechanisms and recommendations on effective devolved fund management.

6. HYPOTHESES

One of the critical factors affecting devolution in Kenya is the management of devolved funds. This has subsequently led to inefficient delivery of services to the citizenry. This study looks at political interference, supremacy battles among the devolved functions of government, corruption and lack of transparency in the management of devolved funds as key challenges affecting management of devolved funds. The study went to details to find out whether these factors contribute to efficient management of devolved funds in Mombasa County.

7. RESEARCH METHODOLOGY

The research methodology applied was interview with a predetermined questionnaire, the response was as follows:

7.1 CONSTITUENCY FUND OFFICERS IN MOMBASA COUNTY

NO.	TITLE	Constituency	REMARKS
1.	Fund Chairman	Likoni	Positive feedback
2.	Fund Director	Kisauni	Positive feedback
3.	Finance Manager	Mvita	Positive feedback
4.	Fund Auditor	Changamwe	Positive feedback

Other methods applied from publishers and non-published quotes from workshops and seminars by different stakeholders on subjects relating to devolution in Kenya.

8. RESULTS AND DISCUSSION

8.1 POLITICAL GOODWILL

The lack of understanding of key issues around devolution is generating a great deal of mistrust between stakeholders with some, especially the minority coalition in both houses of parliament, believing that the national government is seeking to frustrate devolution.Some counties, contest the piecemeal transfer of functions that has taken place so far, arguing that all powers provided in Schedule Four of the Constitution be transferred at once. The respondents revealed that both the county and national governments do not fully have the will to implement devolution as stipulated in the new constitution promulgated in the year 2010. The national and county governments seem to be pulling in different directions.

8.2 DUPLICATION OF IMPLEMENTAION JURISDICTION

The aspect of devolved funds being used across boundaries of constituencies thus overlapping and serving similar purpose was analyzed. However, the response showed that this was not an issue as devolved funds from the national government were channeled to specific counties and this did not pose a challenge.

8.3 TRANSPARENCY

Transparency and accountability is a cornerstone for effective fund management and subsequently proper service delivery. The committee members vested with the mandate to manage the devolved funds must act prudently. However the respondents revealed that there is lack of transparency in the hiring of fund managers, there are a lot of vested interests in the distribution of funds. This was done on tribal, ethnic and political affiliations. Corruption and corrupt practices are rife in the management of devolved funds as the funds either end up in individual's pockets or are embezzled to satisfy individual interests.

8.4 SUPREMACY BATTLES

The supremacy battles among the devolved functions of government are an impeding factor affecting devolution. The supremacy battles between the parliament-comprising the national assembly and senate, the judiciary and executive are greatly affecting devolution. Most of the time is spent on bickering and the expression of divergent views especially in pursuit to seek which function is superior and has more power than the other. The study reveals that these supremacy wars are affecting the proper functioning of devolved governments and hence service delivery.

8.5 CRITICAL FACTORS FOR SUCCESS

It is critical that the devolved functions of government both in the national and county governments work in tandem in realizing the devolution agenda as stipulated in the constitution.

The management of devolved funds in Kenya is crucial to the success of the grassroots development agenda. However, the devolved fund management is marred by challenges of corruption, supremacy wars, and lack of transparency in the hiring of fund managers and vested interests and favoritism in the distribution of devolved funds.

Proper fund management policies are important for prudent fund management and to realize the development at the constituency level.

9. ANALYSIS AND FINDINGS

9.1 CONSTITUENCY DEVELOPMENT FUND PROJECTS

A health centre constructed in Kisauni constituency using the constituency development fund initiative. This is a project that is serving the highly populated area. However many more such facilities are required in the area as this facility is overstretched.

PICTURE 1

9.2 ROAD REHABILITATION

Some road maintenance works at the old Malindi road being done with the use of devolved funds.

PICTURE 2

9.3 POOR GABBAGE COLLECTION

This is a dumpsite along the road in Mombasa County showing poor garbage collection by county government affecting the citizens of the constituencies.

PICTURE 3

9.4 KEY EMERGING ISSUES

Since independence in 1963, the Kenyan government has formulated an array of decentralization programs, among them the District Development Grant Program (1966), the Special Rural Development Program (1969/1970), District Development Planning (1971), the District Focus for Rural Development (1983 -84) and the Rural Trade and Production Center (198-89). Though ingenious, these programs suffered the same fate – a lack of funding and excessive bureaucratic capture by the central government. It is against this background that there has been an effort to achieve decentralization of resources in Kenya, as several devolved funds have been operationalized. The funds include; Roads Maintenance Levy Fund (RMLF) and the District Bursary Fund started in 1993, Local Authority Transfer Fund (LATF) launched in 1999, Constituency HIV/AIDS Transfer Fund, Constituency Development Fund (CDF), Secondary Education Bursary Fund (SEBF) and Free Primary Education Fund (FPEF) established in 2003 and the Rural Electrification Levy Fund (RELF) that was operationalized in 2007 (CCG, 2007). All these funds form an important avenue for the transfer of resources from the central government to the communities.

The driving factors of devolution include; promoting democratic and accountable exercise of power, fostering national unity amid diversity, enabling self-governance of the people towards their interrogation of the state, recognizing the right of communities to self-management and development, protecting and promoting the rights and interests of minorities and marginalized groups, promoting socio-economic development, ensuring equitable sharing of national and local resources, rationalizing further decentralization of state organs and enhancing checks and balances

10. RECOMMENDATIONS

The ongoing standoff between the Members of County Assemblies (MCAs) and the Salaries and Remuneration Commission has brought business to a standstill in the counties. Bills, such as the County Finance Bill, which gives the counties the mandate to collect revenue, have consequently not been enacted. There is no harmony of interest between the executive and legislative arms of the counties. There is a lot of suspicion and poor working relationships due to mistrust occasioned by the purported pay disparities between the two sides. Most county governors are know-it-alls. They start projects will little or no consultation with the MCAs. Members of most county assemblies belong to one party. Consequently, majority of the assemblies are run by a party that has the majority of members from one political party. These are 'Yes assemblies' everything that comes from the executive is passed. Most governors and MCAs didn't have a manifesto or a blueprint of their aspirations; their aim was first to get power then other things would follow.

Therefore, to deal with these issues and harness development at the counties, the study recommends that executive arm of the Kenyan government should deal decisively on matters devolution and more specifically in the management of devolved funds. Partisan politics whether at the national or county level should be removed in the management of devolved funds. Transparency in the management and usage of devolved funds must be strictly adhered to. The fund managers should strictly be appointed on merit. This will eventually ensure that the objects of devolution guarantee a more inclusive form of governance, closer to the people, that would lead to fair and equitable development for all.

11. CONCLUSIONS

The problems faced by the citizens at the grassroots level were partly because of the centralized structure of governance in Kenya. The devolution of funds was thought to be a solution to this problem as service delivery was to be enhanced.

12. LIMITATIONS

Non-disclosure of information due to the sensitivity of the information require for fear that the information will be shared with other government agencies such as the Ethics and Anti-Corruption Commission.

13. SCOPE FOR FURTHER RESEARCH

Further research can be done on devolved fund management to include other countries in the East African Region. This will provide a comprehensive comparative analysis of challenges affecting the management of devolved funds.

14. ACKNOWLEDGEMENT

First, I thank the almighty God for the strength and good health He has provide me without which I cannot do anything. Second, I thank my husband Daudi and our children for their understanding, love and support. The list would be incomplete without thanking my lecturers at Jomo Kenyatta University of Agriculture and Technology and specifically my research supervisor for his constant and positive criticism which shaped my research skills.

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CUSTOMER RELATIONSHIP MANAGEMENT STRATEGIES FOR RETAIL BANKING IN INDIA

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ABSTRACT

The ability to maximize customer loyalty through close and durable relationships is critical to retail banks' ability to grow their businesses. As banks strive to create and manage customer relationships, several emerging trends affect the approach and tools banks employ to achieve sustainable growth. CRM is highly exercised in the industry like hospitality, services industry etc. but it is having equal importance in the retail industry also. The results of this research paper shows that the customers don't take a single second when it comes to change the preference and break the loyalty for an organization, in such a situation it the CRM of the organization which will compel the customers to visit the retail outlet again and again.

KEYWORDS

Customer Loyalty, Customer Relationship Management, Retail banking.

INTRODUCTION

The customer relationship management (CRM), essential and vital function of customer oriented marketing is to gather and accumulate related information about customers in order to provide effective services. CRM involves attainment analysis and use of customer's knowledge in order to sell goods and services. Reasons for CRM coming into existence are the changes and developments in marketing environment and web technology. Relationship with customers is a newly distinguished as a key point to set competitive power of an organization. Companies gather data related to their customers, in order to perform customer relationship management more effectively. Web has disclosed a new medium for business and marketing scope to enhance data analysis of customers' behaviours, and environments for one to one marketing have been enhanced. CRM lies at the heart of every business transaction.

CRM is about attracting, developing, maintaining and retaining profitable customers over a period of time. In this increased heightened global competition arena, the new ways of working are firmly shifting into the hands of paying customers and organizations adapting to e-CRM to CRM, With all of these changes, businesses have rediscovered that, in the face of increasing competition and customer's demands, treating existing customers well is better and cheaper than trying to find new ones. That means that a company needs to target and serve its customers on an individual basis by building long-term relationships with them. The relationship is, of course, made up of a continuing series of collaborative interactions. So instead of trying to find more customers for its products, a company should try to find more products and services for its customers.

Today lots of people are saying that they understand what building one to-one customer relationships is about, but then they speak about database marketing, call centres, Web sites or e-commerce. The fact is a one-to-one customer relationship program might include some, all, or none of those features.

Today, more than ever before, fundamental change in the way banks interacts with the customers they have - and those they want to acquire. How can a retail bank drive growth? Traditionally, banks have grown through an aggressive strategy of acquiring direct competitors and taking over their branch networks. Today, that strategy is no longer sufficient, since it doesn't create organic growth for the financial institution. To build stronger customer loyalty, banks need improved customer knowledge to develop products and deliver services targeted at specific market segments resulting in more directed marketing, sales and service tactics continue to be an effective way to expand product offerings and service capabilities. However, retail banks will focus on acquiring businesses that have essential products or capabilities to complete the bank's portfolio of offerings.

REVIEW OF LITERATURE

Chantal rootman (2011)[18] in their article they concluded that the body of knowledge concerning marketing, specifically services marketing, by investigating the influence of identified variables on the relationship marketing and customer retention of retail banks. The relatively large sample size of banking clients in the empirical investigation (n=637), the use of an advanced statistical technique, namely SEM, and the scope of the empirical investigation (as it was conducted in three countries) also add to the value of this study. This study made the identification and development of a conceptual model that outlines the most important factors that influence banks‟ degrees of relationship marketing and levels of customer retention possible. Therefore, it can be noted that this study contributes to the understanding of the factors that influence the success of banks‟ marketing efforts, including their relationship marketing focus and their customer retention levels. The study is also unique as it incorporates the viewpoints of both banking clients and bank managers. This was important to compare clients‟ viewpoints with those of bank managers.

CURRENT TRENDS AND DYNAMICS

One of the ways banks can achieve improved growth is by focusing on new markets, emerging demographic segments represent untapped revenue streams that can fuel a bank's growth, as this demographic group continues to pass through different stages of cultural assimilation into the United States market, financial services companies need to address how to maximize their share of this emerging market segment. While it would be ideal to have a 12-month timeframe and $50 million to establish Spanish-speaking capabilities like call centres or financial product lines, these are luxuries virtually no bank can afford in today's market. The need every bank has is how to respond quickly and at low cost. And this need is increasing all the time.

CREATING DEEP BUSINESS INSIGHT INTO CUSTOMER PREFERENCES
Customer loyalty that drives growth can only through a consistent customer experience. This means understanding each individual customer's needs and preferences. One of the largest challenges banks face is how to better understand their customers and provide personalized customer service. A "one-size-fits-all" customer strategy no longer works. Banks need to serve the rapidly diverging needs of all markets: aging baby-boomers, time-stressed mid-lifers and younger technophiles. Banks must move out of their "comfort zone" and develop services and products that address the specific needs of different market segments.

It is clear that financial service providers can no longer sustain growth and profitability targets through mass direct mail campaigns that deliver less than 1 percent response rates. Those that do will lose out to competitors implementing personalized communications that target the right customer, at the right time, with the right product or service. To optimize customer relationships and loyalty, banks need to integrate processes and technologies that enable them to build - and then act upon - a detailed view of what each customer wants. This will require highly skilled customer service professionals, with the right combination of linguistic, culturally aligned and financial services skills, as well as the ability to deploy customer service strategies quickly, efficiently and cost-effectively.

IMPROVING DISTRIBUTION AND CHANNEL MANAGEMENT
How are retail banks responding to intensified market competition? To take themselves to the next level of improved sales and service, banks are focusing on developing, implementing and integrating their channels more rapidly and efficiently. Their goal is to meet three objectives:

a. Improved and more consistent service based on a full customer view

b. Increased revenue through adoption of new products

c. Improved profitability through lower product development and service costs

Forward-looking banks will simultaneously improve customer service quality and profitability by deploying an integrated CRM strategy. Deepening relationships with their customers means that banks must offer their products and services through appropriate delivery channels that appeal to their customers.

Deploying multiple channels and integrating them at the enterprise level give banks a consistent and full view of the customer. To be successful, this must include all service channels - both physical and virtual - including, call canters, Web, branch, kiosk, ATM, phone and mobile devices.

SAFEGUARDING CUSTOMER INFORMATION
Adding to this complexity, customer privacy and information security are under attack as never before. The threats come from many quarters - including increasingly sophisticated identity thieves, constant phishing expeditions by criminals seeking to trap unwary customers, and even "inside jobs" where staff sells customer data to criminals. Expanding legislative and industry requirements for customer security are also increasing costs for financial services companies. Compliance with customer information regulations is becoming
increasingly complex as regulations are growing at all operating levels:

At the global level – The Payment Card Industry (PCI) Act requires a single set of information security standards and requirements for all payment organizations.

At the national level –The Act not only requires that financial institutions ensure the security and confidentiality of customer records and information but also requires companies to protect against anticipated threats and unauthorized access, which could result in substantial harm or inconvenience to a customer.

At the state level – The California Information Practice Act requires businesses in California to disclose any security breach that occurs to any California resident whose unencrypted personal information was, or is reasonably believed to have been, acquired by an unauthorized person. Against this ever-expanding background, it is vital that banks ensure their customer

REAPING THE BENEFITS OF A CRM SOLUTION
Faced with these numerous and varied trends, retail banks are reshaping the way they must interact with their customers. A fully integrated, enterprise wide CRM platform ensures banks have the core capabilities to take full advantage of their customer relationships and capitalize on these market dynamics, rather than losing out because of them. Based on decades of experience in developing CRM solutions for our clients, this has developed best practice business requirements for CRM systems. These best practices reflect business results a financial services company must obtain by implementing its CRM solution.

GAINING SALES MOMENTUM
In today's increasingly competitive environment, where maximizing organic growth is a bank's priority, sales momentum is essential to build this momentum, banks need to focus simultaneously on:

Increasing acquisition rates of new and emerging customer segments, improving retention of existing customers and saving "at risk" customers Increasing profitability of customer relationships, either at the top-line through increased sales, or at the bottom-line through more cost-effective service Improving integrated channel distribution strategies to get the right product, to the right client, at the moment the customer has the need Maximizing the value and return from CRM investments that have already been made.

INCREASING ACQUISITION OF NEW CUSTOMERS
A CRM solution should help a bank target customers based on the "value" they bring to the bank, now and throughout the life of the customer (and beyond through "next generation" marketing). Banks need to ensure that their value propositions have traction with the right market segments. This will enable the bank to identify, target and capture new customers. Clearly, customer insight and strategy are the core differentiators for the bank. CRM solutions (people, applications, systems and processes must support these strategies to get the right products and services to the right customers.

IMPROVING RETENTION OF EXISTING CUSTOMERS
Customer retention can be achieved by enhancing customer satisfaction and loyalty, improving problem resolution, and creating the ability to identify and save "at-risk" customers. In fact, an "at-risk" customer actually represents a major opportunity for additional revenue – if handled correctly. However, the greatest danger for banks is either not identifying "at risk" customers or not having the capabilities to do anything to recover them.

For example, a customer makes a large withdrawal from his or her account. This may signal that the customer is switching funds to another bank. Or the customer may be buying a house, a boat, or paying college tuition, in which case there are clear opportunities to sell additional products or investments. The identification and treatment of this customer should reflect his or her lifetime value. CRM-driven techniques will help retain customers and can migrate mere "account holders" into loyal, long-term, profitable customers.

INCREASING THE PROFITABILITY OF CUSTOMER RELATIONSHIPS
Boosting revenues requires improving the product pipeline and close rates, while reducing sales and service costs. On the revenue side, the bank's CRM solution should use customer intelligence to target specific offers and manage marketing campaigns for a high likelihood of acceptance. Customer treatment strategies should be fully integrated with a CRM platform and the processes to support them. On the cost side, better channel management, CRM automation and integration will help increase the efficiency and effectiveness of sales and service.

IMPROVING DISTRIBUTION AND CHANNEL MANAGEMENT

To win profitable customers and build long term relationships with them, banks need To have the right insight, products and services for the right customer at the lowest possible cost. From call centres to Web sites, every one of a bank's multiple channels must be scalable, flexible, low-cost and fully integrated with all the other channels. This is the only way to consolidate customer information and provide consistent treatment across the enterprise. Each of the bank's channels must also be able to accommodate change and adapt to future trends in the marketplace.

MAXIMIZING THE VALUE OF PAST CRM INVESTMENTS

As new technologies and channels emerge, the need to control costs and maximize the ROI from existing CRM investments raises many questions: How can a bank lower its operational cost structure while leveraging the newest technologies - such as interactive voice recognition-based routing - to improve service quality and customer experience? How can it manage its customer service/ call centre workforce more efficiently and effectively - in an era when a major call centre has to handle tens of millions of calls a year from a vastly diverse spectrum of customers? How can the bank's investment in customer care be refocused to create a permanently lower and more flexible cost base - perhaps through use of a common platform, technologies and processes? With intensifying competition putting pressure on increasing required customer service levels and improving top-line revenues, investment in new capabilities to make the customer relationship stronger and more profitable is critical for future growth. However, it is important for banks to maintain a tight rein on their costs while deploying these solutions.

CONCLUSION

Retail banks are facing increasing pressure to increase their growth rate, this is how we may be able to help your institution optimize the value and loyalty of your customer relationships, increase top-line growth and ur customer knowledge into competitive advantage, while dramatically reducing operating costs. With intensifying competition threatening banks' revenues and putting downward pressure on operating margins and profits.

How can banks leverage their most important asset – their customers – to accelerate organic growth? Banks has learned how and why customers interact with their bank and what they are looking for when they do. We have to apply this deep practical knowledge to develop a CRM solution specifically for the retail banking industry.

Banks can achieve real business results, including the following: Delivering more consistent service based on a full view of the customer increasing the adoption rate of new products Lowering product development and service costs Deploying customer channels more rapidly and efficiently

Our deep knowledge in implementing CRM solutions for global financial services clients has positioned us as a recognized leader in optimizing the customer experience. We help companies around the world transform their businesses and embrace new opportunities.

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STRATEGIC IMPLICATIONS OF CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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ABSTRACT

In this article we try to analyze the strategic implications of Corporate Social Responsibility (CSR) initiatives on the two sample selected banks in India. We try to empirically investigate this by means of a sample of 205 executives. The estimation results show that for these two, sample selected banks, CSR is a strategic tool to achieve competitive advantage.

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KEYWORDS
Banks, Corporate social responsibility, Competitive advantage, Stakeholders, Strategy.

INTRODUCTION

Companies are under rising pressure from various stakeholders to be socially and environmentally responsible. Companies are embracing CSR programs (Bhattacharya & Sen, 2004; Brown, 1998; Drumwright & Murphy, 2001; Joyner & Payne, 2002; Murray & Vogal, 1997), because they consider CSR to be a critical strategy issue (McWilliams, Siegel, & Wright, 2006; Siegel & Vitaliano, 2007; Orlitzky, Siegel, & Waldman, 2011). The question of whether social or environmental responsibility enhances profitability yields inconsistent results. Some research reports a strong correlation between sustainability ratings and financial returns (Godfrey, 2005; Orlitzky, 2005) and others find a general consumer unwillingness to forego better-quality products or lower prices in order to support a cause (Barone, Miyazaki, & Taylor, 2000; Brown & Dacin, 1997; Sen & Bhattacharya, 2001).Aguinis (2011) concisely captured several key elements of CSR when he defined it as ''context-specific organizational actions and policies that take into account stakeholders' expectations and the triple bottom line of economic, social, and environmental performance''.Proponents of a more expansive view on CSR, in contrast, contend that businesses ought to use their power and resources for ''broad social ends and not simply for the narrowly circumscribed interests of private persons and firms'' (Frederick, 1960;Davis, 1960; McGuire, 1963).Socially responsible firms should first achieve their economic goals and fulfill their legal obligations. However, they also should adhere to ethical standards not mandated by law and engage in some philanthropic or other discretionary activities that help address the needs of society (Carroll, 1979; Wartick & Cochran, 1985; Wood, 1991). Therefore, some conclude that businesses must consider the needs and desires of society at large and do more than simply maximise profit. The amount of resources companies put toward CSR has increased over the past several decades. Most of the large companies established programs for philanthropy and developed explicit codes of ethics by the end of the 1980s (Business Roundtable, 1988). As of 2004, over 80% of Fortune 500 companies explicitly touted multiple aspects of CSR on their websites (Bhattacharya & Sen, 2004). In other words, CSR has become a mainstream concern, and many companies now question how rather than whether they should address it (Smith, 2003). Efforts to document and understand the antecedents and consequences of CSR for firms have been a major focus of research in recent years (Aguinis & Glavas, 2012; Margolis & Walsh, 2001; Peloza & Shang, 2011). The body of empirical evidence indicates that CSR is positively associated with firm reputation and financial performance (e.g., Margolis & Walsh, 2001, 2003; Orlitzky & Benjamin, 2001; Orlitzky, Schmidt, & Rynes, 2003; Peloza, 2009), which has led many in the field to endorse the notion that CSR benefits firms. On the other hand, some researchers urge caution because existing studies have several methodological limitations; for example, large companies are over represented in study samples, key control variables are missing from some analyses, there is uncertainty about how well existing measures operationalise key constructs, and nearly all studies are correlational and unable to determine whether CSR improves financial performance or vice versa (e.g., Griffin & Mahon, 1997; Margolis & Walsh, 2003; McGuire, Sundgren, & Schneeweis, 1988; Peloza, 2009; Ullmann, 1985; Waddock & Graves, 1997).

LITERATURE REVIEW

According to Carroll (1979), CSR is a multi-dimensional construct, consisting of four types of responsibilities: economic, legal, ethical and discretionary. Economic responsibilities include the obligations for businesses to maintain economic wealth and to meet consumption needs. Legal responsibilities imply that businesses must fulfill their economic mission within the framework of legal requirements. Ethical responsibilities require that businesses abide by the moral rules defining appropriate behaviors in society. Discretionary responsibilities are tantamount to philanthropic responsibilities and reflect society's desire to see businesses contributing to its development. Earlier research on the CSR and business performance link have reported a negative relationship (e.g. Vance, 1975) or no relationship (e.g. Aupperle et al., 1985),however more recent studies on the linkage have provided more consistent empirical evidence showing a positive relationship between CSR and business performance (Russo and Fouts, 1997; Waddock and Graves, 1997; Maignan et al., 1999; Luo and Bhattacharya, 2006). The discrepancy between the earlier and more recent studies might result from the fact that business environments change and the current business environments are becoming more favorable towards businesses that place an emphasis on CSR. In a survey Smith (1996) found that 88 per cent of consumers in the study are more likely to buy from a company that is socially responsible. Empirical evidence demonstrates a positive impact of CSR on organizational performance (Maignan et al., 1999). CSR refers to the concept that business has broader societal interests to consider not just the financial interests of the organisation (Sen and Bhattacharya, 2001). In addition, to meeting societal obligations,it is being argued that a more socially responsible organisation will engender enhanced business performance, including greater customer based brand equity.Maignan and Ferrell (2004) argue for a broader more integrative approach that considers multiple stakeholder perspectives and CSR initiatives, including the ''bundling together of various social responsibility initiatives''. It is believed that firms with good social responsibility may attract better employees and increase current employees' motivation, morale, commitment, and loyalty to the firm (Jones, 1980; Lam, 2009; Lindgreen et al., 2009). According to Cegarra-Navarro and Martı´nez-Martı´nez (2009), Galbreath (2009) and Simson (2004), firms can leverage successful CSR based track records to entice high-quality job applicants and improve morale of existing employees. It can be assumed that employees have better self-images when they work for a company that has a reputation for socially responsible behaviour (Porter and Kramer, 2006; Rowe and Schlacter, 2001; Roth, 2005). It is vital for today's organizations to be able to manufacture and deliver quality products and services cost-effectively. Therefore, managers may have some instrumental motives to push for CSR when social initiatives are directly related to the greater competitiveness of the firm, such as by protecting a company's reputation (Bansal and Clelland, 2004). Several authors have found a link between CSR reputation and consumer response. For instance, Lichtenstein et al. (2004) found that the firm's CSR reputation had an impact on perceived corporate benefits (measured as a function of store loyalty, emotional attachment and store interest). However, Berens et al. (2005) found no direct effect between corporate associations (measured as CSR reputation) and product attitude (measured as a function of appeal, reliability and quality) or purchase intentions. In a study using bank respondents, Marin and Ruiz (2007) found a direct association between a customer's attraction or liking for the bank and the bank's reputation for caring on a battery of CSR related causes, such as communities, environment, philanthropy and disadvantaged groups.

HYPOTHESIS

The overall research problem is stated as an investigation into the effects of CSR initiatives on the competitive advantage of the firm and the following hypotheses will be used to guide the study.

H1. There is a positive relationship between CSR initiatives and competitive advantage of the firm.

RESEARCH APPROACH & METHODOLOGY

The research began with examining the secondary data followed by the collection of primary data. Primary data comprised of interviews and questionnaires. The interviews were conducted with the personnel in CSR Core group, Human Resource personnel, Corporate communication personnel, public relations personnel, finance personnel and other employees of two financial institutions of State Bank of India and J & K Bank. The respondents were selected on the basis of Simple Random Sampling Method (SRSM).Using this sampling procedure a total sample size of 205 respondents were chosen, which included 101 respondents from Jammu & Kashmir Bank and 104 respondents were chosen from SBI. Five point Likert-scale (5=Strongly Agree, 4=Agree, 3=Neither Agree nor Disagree, 2=Disagree, 1=Strongly Disagree) was used to assess the strategic implications of corporate social responsibility initiatives on the banks in india.

TABLE 1: RESPONSES FOR THE STATEMENTS RELATED TO THE STRATEGIC IMPLICATIONS OF CSR ON THE PERFORMANCE OF J&K BANK AND SBI

S.No.	Statement	Scale	Banks		Total
			J&K Bank	SBI	
			%age	%age	%age
1	The effectiveness of corporate social responsibility activities has a positive impact on your organisation.	Strongly Disagree	1.0	1.0	1.0
		Disagree	2.0	.0	1.0
		Neither Agree Nor Disagree	7.9	3.8	5.9
		Agree	43.6	54.8	49.3
		Strongly Agree	45.5	40.4	42.9
2	CSR has positive strategic implications on the performance of your organisation.	Strongly Disagree	1.0	1.0	1.0
		Disagree	4.0	5.8	4.9
		Neither Agree Nor Disagree	17.8	10.6	14.1
		Agree	47.5	51.9	49.8
		Strongly Agree	29.7	30.8	30.2
3	There is a positive relationship between CSR initiatives and competitive advantage of your organisation.	Disagree	1.0	1.9	1.5
		Neither Agree Nor Disagree	27.7	26.0	26.8
		Agree	56.4	49.0	52.7
		Strongly Agree	14.9	23.1	19.0
4	CSR is a strategic tool to achieve competitive advantage for your organisation.	Strongly Disagree	1.0	1.9	1.5
		Disagree	2.0	6.7	4.4
		Neither Agree Nor Disagree	27.7	22.1	24.9
		Agree	46.5	50.0	48.3
		Strongly Agree	22.8	19.2	21.0
5	Investing in CSR has resulted in differentiation and hence given competitive advantage to your organisation.	Disagree	5.0	7.7	6.3
		Neither Agree Nor Disagree	37.6	23.1	30.2
		Agree	46.5	51.9	49.3
		Strongly Agree	10.9	17.3	14.1
6	By being ethical corporate citizen and investing in CSR, the operational efficiency of your organisation has increased.	Disagree	12.9	12.5	12.7
		Neither Agree Nor Disagree	32.7	30.8	31.7
		Agree	44.6	53.8	49.3
		Strongly Agree	9.9	2.9	6.3

TABLE 2: T-TEST BETWEEN J&K BANK AND SBI FOR THE CONCERNED STATEMENTS
(COMPARATIVE TEST TO DETERMINE DIFFERENCE OF OPINION IF ANY BETWEEN THE EMPLOYEES OF J&K BANK AND SBI FOR THE CONCERNED STATEMENTS)

S.No.	Statement	Bank	Mean	Std. Deviation	t value	P value
1	The effectiveness of corporate social responsibility activities has a positive impact on your organisation.	JK Bank	4.30	0.78	-0.295	0.076
		SBI	4.33	0.64		
2	CSR has positive strategic implications on the performance of your organisation.	JK Bank	4.00	0.85	-0.400	0.690
		SBI	4.05	0.85		
3	There is a positive relationship between CSR initiatives and competitive advantage of your organisation.	JK Bank	3.85	0.66	-0.815	0.416
		SBI	3.93	0.75		
4	CSR is a strategic tool to achieve competitive advantage for your organisation.	JK Bank	3.88	0.81	0.851	0.396
		SBI	3.77	0.90		
5	Investing in CSR has resulted in differentiation and hence given competitive advantage to your organisation.	JK Bank	3.63	0.74	-1.413	0.159
		SBI	3.78	0.82		
6	By being ethical corporate citizen and investing in CSR, the operational efficiency of your organisation has increased.	JK Bank	3.51	0.84	0.392	0.695
		SBI	3.47	0.74		

* The difference of opinion is significant at P value less than 0.05.

CONCLUSION AND DISCUSSION

As shown in table 1 highest number of respondents from both the banks agree to all the statements mentioned above. Therefore we can conclude that the results are in accord with the null hypothesis H1 which stated that there is a positive relationship between CSR initiatives and competitive advantage of the firm.

As shown in table 2 there is no significant difference of opinion between the employees of J&K Bank and SBI for the mentioned statements. Therefore we can conclude that the opinion of the employees of J&K Bank and SBI is almost the same for these statements.

The research suggests that integrating commercial interests with socially responsible behaviour is in the interest of the sample study banks. Therefore socially responsible behavior must become the part of the core strategy of these banks in order to flourish in this competitive market place. The corporate social responsibility activities of these banks must be effective so as to have positive impact on the society and the environment in which they operate which in turn will have positive impact on these organisations. Since it is shown in the research that corporate social responsibility has positive strategic implications on the performance of the sample study banks. Therefore it is recommended that these banks must invest in CSR for improving their overall performance. As shown in the research, CSR initiatives are adding value to these banks. Therefore it is recommended that these banks must take CSR initiatives for value addition. As is evident from the research that there is a positive relationship between CSR initiatives and competitive advantage of these banks. Therefore in order to stay ahead from the competition these organizations must take CSR initiatives. The findings also suggest that CSR is a strategic tool to achieve competitive advantage for these banks. Therefore it is recommended that CSR must become the part of the strategy of these banks for achieving competitive advantage. The research also suggests that investing in CSR has resulted in differentiation and hence given competitive advantage to these banks. Therefore it is recommended that these organizations must invest in CSR to differentiate themselves from the competition and to achieve competitive advantage. The findings also suggest that by being ethical corporate citizen and investing in CSR, the operational efficiency of these banks has increased. Therefore it is recommended that in order to increase operational efficiency, these banks must invest in CSR and do their business ethically.

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STUDENT MOTIVATION, STUDYING AT HIGHER EDUCATION: A CASE OF BOTHO UNIVERSITY

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ABSTRACT
The research investigates the factors that motivate the students at higher education in Botswana to study. Using Botho University level 1 and level 11 students as a case study, the research reveals that the students are mainly motivated by factors that are related to the classroom environment and the attitude of the tutor. This means that the classroom environment plays a crucial role in student motivation. These factors include the nature and quality of feedback, tutor's knowledge of the subject and the attitude of the tutor towards teaching, learning and assessment. Factors like student's life goals the general school environment also plays an important role in student motivation. Higher education as a means to an end motivates the students to study. This means that students at higher institutions of learning are extrinsically motivated which might be the reasons why most students use the surface approach to studying. It is imperative for tutors and school system to encourage the approaches that would have the learners to be intrinsically motivated. This helps the student to take ownership of their learning which would eventually lead to personal development.

KEYWORDS
Higher Education, Student Motivation.

INTRODUCTION
The education system in Botswana heavily depends on government funding both at public and private institutions. This means that the government of Botswana is heavily investing in education which is a commitment to have an educated and informed nation. Having an educated and informed nation is one of the pillars of the Vision 2016, a strategic plan for the country. This commitment is evidenced by the funding of repeating students of which some of the students have been repeating several times and still funded by the government. To ensure that the students are financially fit, the living allowances are also catered for by the government. Despite all the efforts that are done by the government, many students fail to complete their intended programmes with some dropping out at diploma levels which is generally explained as lack of interest to study. The failures to complete the studies have been attributed to many factors. Some of these factors include the inability of the students to understand the subject content, poor social support and lack of student interest in their studies, thus poor motivation. This has been a cause of concern especially at tertiary education level. It is in this context that the research would want to examine what can be done by tertiary education institutions in Botswana to boost the student interest (motivation) to study.

The paper concentrates on motivation to study at tertiary level in Botswana with specific reference to Botho University level 1 and 11 students. Certo and Certo (2008) define motivation as a psychological state that causes an individual to act in a way that ensures the achievement of some goals. The definition implies that this psychological state explains why people behave in a certain manner. In learning, teaching and assessment, motivation is one of the key aspects in students' achievement of their goals. Motivation in teaching and learning is an important pillar of which most of the aspects of learning are dependent upon. This is especially so about taking assessments and the approach to studying (Jenkins et al., 2003). Thus motivation plays a central position in learning and it is imperative that institutions of higher learning infer what motivates different students in and across cohorts. The study seeks to find the factors that motivate students to study at higher education and what can be done to improve the student interest in studying.

Currently, tutors and tertiary education systems concentrate on delivering in the classroom and assessment with very minimum effort to addressing motivation as an area of concern in learning, teaching and assessment. To encourage students to study, by addressing issues such as the inability of the student to utilise the time effectively, Botho University has taken an initiative to take students through short courses on Time and Personal Management. These courses though important, have not been yielding the intended results especially on studying. In some institution, the reward system is being used as a way to encourage students to study but with very little being achieved. Knight (2010) noted in his "self-theories" that reward system might make even the intelligent students learn helplessly especially if they have fixed beliefs about themselves thus de-motivating the students if they fail to earn any rewards. Students who have fixed beliefs about themselves believe that things are fixed and people have little chance in making a difference. Once students fail to get the prizes, they may view themselves as failures if they have fixed beliefs about themselves. The reward system might weaken the students, as the students tend to focus on assessable material which might restrict their scope of the subject. Other institutions offer level certificates as a way of motivating student but all these have been having very little influence on student motivation to study. Students who receive level certificates tend to look for employment before they finish their studies and majority end up failing their degree levels.

Most institutions of higher learning do not pay much attention on student motivation because it is a complex psychological state influenced by many factors and has its own dynamics (Exley and Dennick, 2009). This is despite the fact that motivation of students plays a pivotal role in learning teaching and assessment. Students join the institutions of higher learning for various reasons and with various expectations. Motivation of students is important especially for those students who attend higher education as a "stopgap" and the "amotivated" students (Fry, Ketteridge and Marshall, 2009). Thus the paper seeks to identify the factors that influence students to learn at higher education and accompanying motivation to study. In the proceeding sections, there is background to the study, problem statement literature review, methodology, data analysis and conclusion.

REVIEW OF LITERATURE
Fry, Ketteridge and Marshall (2009) explain motivation at different levels which are;

i. Intrinsic Motivation which is the enjoyment of the subject and the eagerness to learn more about the subject and one is curious to develop oneself, thus personal development goals.
ii. Extrinsic motivation where by the students are more concerned about the grade they want to achieve and the approval from others such as friends, family and society at large thus performance goals
iii. Achievement motivation measures the strength of motivation of which both intrinsic and extrinsically motivated students can be both high and low achievers.

The approach to study is linked to specific motivation. Intrinsically motivated students, apply the deep approach to studying while extrinsically motivated students tend to apply the surface approach to study. Students are driven to study if they are studying the programme which they identify with, which may not be the programme they would have chosen as their first preference. This suggests that there may be an initial mistake in the selection of a programme. Again the nature of the programme might also determine the level of motivation and the effort the student invests into studying. Bandura (1977) cited in Fry, Ketteridge and Marshall (2009) argues that the type of programme done by the student can motivate the student. His argument is supported by Adcroft (2009), when he found that the students doing specialized degrees were highly motivated as compared to those doing the general programme. This could be linked to the status one will have after completing the programme. This situation can be observed in areas such as medicine in Botswana which carry a very high status.

Students who would have done professional training year (PTY) have higher levels of motivation as compared to the students who would not have undertaken the PTY (Adcroft, 2009). This could be because of the exposure to the real world. PTY gives the students the opportunity to put into practice what they would have learnt. Thus experiential teaching (Jenkins et al., 2003) gives the learners the opportunity to directly discover the benefits of learning and seeing that knowledge works. PTY also makes the students to use deep approach to studying (Biggs and Tang, 2007) as this cements the belief that the learnt knowledge will be required beyond assessment and is valid and applicable beyond/outside the learning environment (Jenkins *et al*., 2003).

The change in culture as students migrate from secondary school to higher education institution can de-motivate students (Race, 2007). The culture shock that the student experience when adjusting to a new social, economic and education environment might cause the student to be de-motivated. This needs to be addressed by tertiary institutions especially at entry point in order to minimise damage to the student's ability to study. Strike (1985) cited in Jenkins et al. (2003) stated that learning involves remodelling and undoing existing beliefs about the subject. If the beliefs are not properly dislodged from the student's mind it might be very difficult for the student to get motivated to learn new ideas and concepts, thus the responsibility of the institutions of higher education to guide and support the students through the learning process by ensuring the right attitude towards learning and levelling all the possible obstacles to study. Earlier learning experience may affect the student motivation to learn. This is common with the level 1 students, given their high school learning experiences. Preconceptions and inability to understand new material and adopting the new learning models at tertiary level may negatively impact on the levels of motivation by learners.

The lecture, teaching method and mode of assessment, would determine the level of motivation and the approach to study that the students can use. Students are likely to concentrate and get motivated in the lecture if the teaching and assessment methods accord the students the opportunity for fulfilment and self-actualization. This can be achieved when the students have a sense of control over their learning (Exley and Dennick, 2009). This means that tutors controlling the learning process instead of facilitating the learning process might de-motivate the students.

Knight (2010) argues that sometimes even if all is done to ensure student motivation, the success of the student to study and achieve the goals is related to the beliefs that people hold about themselves and their interpretation of success or failure. He explained this using self-theories and attributes. The theory is summarized in the table 1 below:

TABLE 1: KNIGHT'S SELF THEORY

Attributes	Internalist (high locus of control)	Externalist(low locus of control)
Incrementalist: Things are malleable , people can make a difference.	A Effort is more important. The more effort you make, the more you are likely to succeed, People here see intelligence not as God given but as something that can be acquired if an extra effort is put. *"Where there is a way, there is a will". (Anonymous)*	B Luck fate and chance play a great part in life. Some people have all the luck others don't. The students with such beliefs tend to sit and do nothing to improve themselves. *"You can take the horse to the river but one cannot force it drink" (Anonymous)*
Entity theorist: Things are fixed and people have little chance making a difference.	C Fixed traits, such as intelligence essentially determines what we can and cannot do. People here believe that they will do well because they are naturally clever or fail because they were born stupid. *"leaders are born" (Anonymous)*	D Specific circumstances keep holding back usually explain your success, e.g. liked by the teacher, what's the point of trying. These people believe and owe their failures or successes to other people.

Source: Knight (2010:64)

In motivating students, it is important to understand self-theories and attributes. Knight (2010) noted that the role of the tutor is to move the student from cell C and D towards A. From the table above, the level of student intelligence does not contribute much to the level of motivation. Even the most intelligent student can learn helplessness depending on the beliefs they have about themselves, (ibid). If the tutor fails to move the student to cell A, Race (2007) argues that the "amotivated" students might end up diluting the motivated students thus the need to have all the students motivated.

A well planned and designed lecture accompanied by an appropriate delivery method which allows the students to direct their own learning is argued by Knight (2010) to be one of the ways in which the students can be motivated to learn. McGregor (1960), cited in Biggs (2007) in his theory Y of motivation, argues that students are motivated if they are given the responsibility of managing their learning. This can be achieved by allowing the students to be at liberty to direct their own learning and sometimes negotiating with the students on assignment and test dates as well as deadlines for assignment submission. A good lecture can be used as motivating tool. A good lecture is a lecture that adds value to the classroom learning which is done in a more relaxed, conducive and exciting manner that allows the students to learn without feeling pressured or intimated (Ross, 2013). Experiential learning which was developed by Kolb in 1984 can be used as delivery methods. This would help the students to master the subject better. Ardley and Taylor in Ross (2013) emphasise the importance of the tutor in guiding and directing the students because if the students are left alone, they might be de-motivated.

The challenge tertiary education educators find in motivating the students to study is the information generation gap (Matulich, et.al. 2008). This is because these two generations have different ways of processing information. The student generation (Millennial generation (ibid 2008) might find it preferable and interesting to multitask while their tutor (Baby Boomers generation (ibid 2008) might be comfortable with a linear presentation of information. Once there is a disparity between the students' preferred method of learning and the actual learning method deployed, the students are bound to develop disinterest in learning. This means that the tutor has to identify the preferred method by the students and align his teaching method with the student qualities.

A cohort is comprised of heterogeneous learners and because of their heterogeneity; these learners have got different learning styles with some learners being visual, auditory or holistic. If a tutor sticks to one teaching methods, such auditory, then this means that the other learners are left out of the learning process and might end up developing a negative attitude towards learning. Therefore, there is a need for the tutors to blend the teaching methods to ensure that all the types of learners in a cohort are catered for. Other than adopting the teaching method that suit the students, there is need to identify the teaching method that suit the topic content (Lincoln, 2008).

Student feedback, especially on formative assessment, can help the student to develop self-identity as a critical thinker (Celuch et.al 2010). Once student self-identity is achieved this would help to boost the student's self-esteem which then motivates the student to learn. Once the student's efficacy is improved, the student is bound to shift the beliefs about themselves especially if the beliefs about themselves were fixed. The student's worth can be improved by the manner in which the feedback is delivered to students. The accurate evaluation of student work instead of the student who has done the work might help boost the student's confidence levels which in turn will help the student to believe in their abilities to turn around situations. If such has been achieved, it means that the tutor would have successfully moved the student from Knight (2010)'s cell C and D to cell A.

IMPORTANCE OF THE STUDY

Having assessed the tertiary education system in Botswana and the challenges that the institutions of higher education are facing especially, the lack of interest to study by the students, this study is important because it seeks to unveil the areas that are de-motivating the students to study possible solutions are

suggested. Given that empirical evidence on student motivation at tertiary education in Botswana is sketchy and the belief/assumption that students at tertiary education level are naturally motivated to study, this study seeks to fill the gap and unveil the myth about the tertiary education students and their study abilities.
The study is important regarding the handling of tertiary education students and the systems that tertiary institutions can put in place to support the students in taking responsibility of their own learning. Knowledge of what motivates students to study will assist both tertiary education institutions, tutors and the government of Botswana to come up with policies that might minimise the number of students who are failing to complete their studies or repeating the programmes several times. Knowledge of the factors that affect student motivation is important to school systems and those directly responsible for learning, teaching and assessment at tertiary institutions.

STATEMENT OF THE PROBLEM

There has been an increase in the number of students failing to complete their tertiary education in Botswana despite the opportunity the government avails to the students through sponsored repeats. The preliminary observations have revealed that most of these students who are failing to complete their programmes are not interested in doing so for various reasons which include lack of motivation among other reasons. This is evidenced by a sizeable number of students who opted to drop out from school at diploma level.
Student motivation is one of the key elements with substantial influence on the study approach and eventually the conceptualization and understanding of the subject. Despite the fundamental role played by motivation in learning, teaching and assessment, there is not much evidence on what motivates students at tertiary level in Botswana.

OBJECTIVES

Given that there is not much evidence or literature on student motivation at tertiary institutions in Botswana, the study seeks to fill the gap. The study aims at identifying the factors that influence student motivation at tertiary education using cross sectional data and coming up with suggestions on what can be done by tertiary institutions and policy makers to ensure that the students are adequately motivated to study and learn.

HYPOTHESIS

In an endeavour to understand better the importance of motivation and factors that motivates the students to learn, the study investigates in detail influences attributable to the teacher such as design of learning material and the teaching methods applied, the learning environment, the assessment methods and the general institution environment as well as external factors such as socio-economic factors on student motivation, thus the study hypothesis that student motivation is influenced by classroom environment, lecturer’s enthusiasm, student’s past experiences, nature and quality of feedback, assessment system, lecturer’s knowledge of the subject, students’ curiosity about the subject. Systems are also considered to be attributing to high failure rates.

SCOPE OF THE STUDY

The study focus is on year 1 and year 11 students that are enrolled at Botho University, Francistown campus. The study focuses on levels 1 and 11 for most of the students at these levels are usually caught up in culture shock, as they struggle to dislodge the high school mentality and adapt to new a culture. Again if the students’ problems are not identified and solved at early stages of learning, this might lead to the students failing to adopt the right mind set towards their studies. Once the problems are identified at early stages of learning, the learners can be guided, counselled and directed appropriately which would enhance the learning experience of learners.

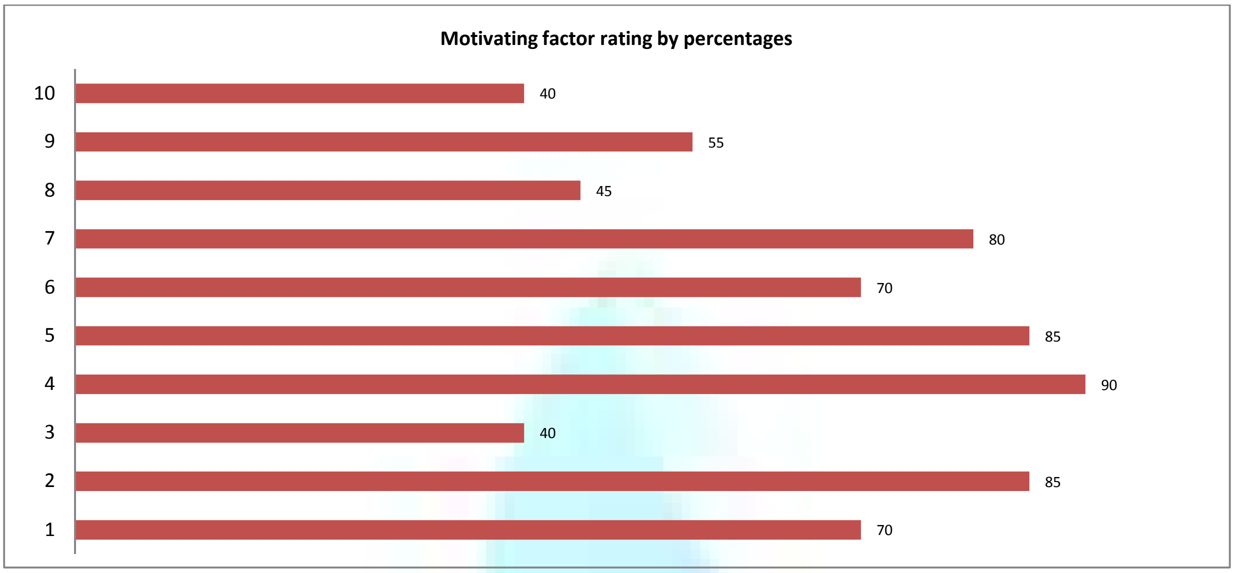
RESEARCH METHODOLOGY

The analysis is based on a sample of 80 level 1 and level 11 Information and Technology and Business Management students at Botho University. The questionnaire was distributed to 40 - year 1 and 40 - year 11 students who were randomly selected. Random sampling was used in order to ensure an unbiased statistical representation of the data.
The students were given a day to complete the questionnaires. After collecting the questionnaires the information was compiled and average ratings were used to capture data for each factor that motivates the students.
Student motivation is analysed as a function of lively class room discussions, lecturer’s enthusiasm, students’ past experiences, means to an end, clear guidance and feedback, lecturer’s attitude towards students, the assessment system, lecturer’s knowledge of the course/subject, the general learning environment, want to meet my life goals and the students’ curiosity about the subject.
In order to be able to quantitatively analyse the data the interval scale is used (since most of the information collected was qualitative) to determine the strength of the motivators. The identified scores are then averaged so as to be able to come up with an average perception of the factor by the students. The data is also subjected to statistical analysis where the strength of the variables is tested using the p-values to determine the significance of the factors. The variables were chosen on the basis of literature review and the role each variable plays in motivating students.
Lively classroom discussions were included as the way the tutor delivers the lesson has a great impact on the student’s attitude towards study. The lively classroom discussions can be motivating if accompanied by the tutor who has enthusiasm in what he/she is doing. The tutor’s enthusiasm can be influenced by the amount of subject content knowledge the tutor is possessing. The nature and quality of feedback as highlighted in the literature review plays a very crucial role in student motivation. It is through the feedback that the tutor can influence. The student’s general life goals determine the effort the student applies when studying. Students who have very high ambitions are likely to have the urge to study and are ambitious to know more about the subject thereby applying the deep approach to their studies than those who are not clear with their life goes are likely to apply the surface approach to study and might not be motivated to go through the whole programme of study.

RESULTS & DISCUSSION

After data collection, the general contribution of each factor is shown on the diagram below:

FIG. 1: CONTRIBUTIONS OF FACTORS TOWARDS STUDENT MOTIVATION



Source: Own calculations

Key

1. Lively classroom discussions
2. Lecturer's enthusiasm
3. Student's past Experience
4. Nature and quality of feedback
5. Lecturer' attitude
6. Assessment system
7. Lecturer's knowledge of the subject
8. General learning environment
9. Student's life goals
10. Student's curiosity about the subject

From figure 1 above the areas found most outstanding are linked to the tutor. These are nature and quality of feedback from the tutor, the tutor's knowledge of the subject content, lecturer's enthusiasm, the nature of classroom discussions. The assessment system was also found to have a very high percentage. This means that system of assessing students should be such that it encourages the students to work hard. This could be because, sometimes the assessment take the form of multiple choice which does not push the student to work hard.

From the graph above, nature and quality of feedback has the highest percentage while the student's past experience has the lowest percentage. This shows that the feedback given in class play a major role in motivating students to study. Lecturer's enthusiasm is also found to be a key element in student motivation.

TABLE 2: COEFFICIENT CALCULATION OF THE FACTORS

Variable	Coefficient	t-value
Subject interest	0.0466	1.320
Lecturer enthusiasm	0.529*	0.942
Feed back	0.424*	3.226
Lively classroom	0.805*	2.448
Student's past experience	0.127	0.865
Lecturer subject knowledge	0.815**	3.212
Life goals	0.911*	2.232
Lecturer's attitude	0.87*	3.243
General learning environment	0.234	0.345
Assessment system	0.242	2.670

R^2 = 0.743234

Source: Own calculations

Notes: * and ** denotes significance at 5% and 1% respectively

From the table 2 above, the coefficients imply that student motivation is sensitive to lively classroom discussion, lecturer's knowledge of the subject, lecturer's attitude and the nature and quality of feedback given by the teacher. The general learning environment, assessment system and student's past experience though important in motivating students, their coefficients imply a low elasticity not very important in student motivation to study.

The results provide a strong support of the study hypothesis. The factors with high elasticity which are lecturer's subject knowledge, lecturer's attitude, classroom discussions and life goals turn to be the most influential factors with elasticity of 0.815, 0.805, 0.87 and 0.911 respectively. Students tend to link their subject interest with lecturer's overall attitude towards teaching, learning and assessment which is reflected in the quality and nature of feedback given to learners and the lecturer's level of enthusiasm.

This means that in learning teaching and assessment, the tutor plays a central role when it comes to student motivation. The enthusiasm of the teacher in many cases is influenced by the knowledge of the subject. The results are a reflection of a classroom environment and the general behaviour and conduct of the lesson. It is imperative for tutors to ensure that their lessons are interesting and all the students are involved in class discussions.

The nature, quality and the way the feedback is communicated to the student was found to be significant. Students get motivated by feedback given to them by the tutors. The feedback the tutor offers to the student should not address the student but the subject area.

Student's life goal is found to be significant and has the highest elasticity. This means that most students that attend higher education are motivated by their life objectives. Thus they attend higher education as a means to an end. The role of the teacher should be to ensure that the goals are maintained and natured until they are realized.

General learning environment, assessment systems and student's past experience are positive but insignificant at both levels. This could be because assessments are usually done at the end of learning and most students would have developed certain attitudes well before the assessment. Past experiences is insignificant because most students when they enter tertiary institutions, they would have already set their goals and they are now focused on achieving those goals as evidenced by the elasticity of life goals. Some students also view tertiary institutions as a solution to their problems. The orientation given to students at the beginning of level 1 could be the reason why past experiences are insignificant in student motivation. This is because during orientation, the difference between high school and tertiary levels is clearly explained.

Though the students highlighted that they would get motivated if tutors and systems device means to make learning at tertiary education interesting, the research also found that students might not be motivated to study because some students had not applied for their current programme but took the programme because they could not be admitted in the programmes they had applied for. See table 3 below;

TABLE 3: REASONS FOR PURSUING A PROGRAMME

Reason for studying the programme	Number of student (level 1)	Number of students (level 11)
Programme fit into my life goals	10	5
Advised to study by relatives/friends	8	9
Could not qualify for any other programmes	12	18
Needed to receive financial aid for my daily needs	10	8

Source: Own calculations

The summary of reasons for studying the programmes could also be the reasons why the students are failing to complete their programme of study. The students might be de-motivated because they are not identifying themselves with their programmes of study. This might imply that, the institutions of higher education through the tutor and other student counselling mechanisms in place has to play a pivotal role to ensure that the students understand and identify themselves with the programme of study.

FINDINGS

The study found that student motivation responsibility mainly lies with the tutor. The manner in which the feedback is given to the student, the enthusiasm of the tutor and the knowledge of the subject matter are perceived by the students as key to their motivation to study. The assessment system also plays a significant role. Students at tertiary institutions sometimes found themselves studying certain programmes not because they have chosen but certain circumstances might have forced them to do such because their inability to qualify for their programmes of choice. It is interesting to note that quite a number of students are viewing attending tertiary education as a source of finance for their daily needs and those of their loved. This could be evidenced by the number of times some students are repeating the same programme.

RECOMMENDATIONS/SUGGESTIONS

The study results suggest that tutors play a very important role in student motivation. This means that it is imperative for institutions of higher learning to ensure that the tutors are equipped with relevant skills and knowledge so as to motivate learners. There is need to orient tutors on different ways of delivering a lesson. This is because, currently most tutors at tertiary education are subject expects but do not have a formal training on how to deliver at tertiary institutions. The systems should give the teachers a leeway to adjust the teaching method depending on what excites the learners. This would help the learners to get motivated to study. There is need to put in place system that would identify individual student needs so as to ensure that the students are guided and counselled accordingly. The assessment should be made interesting and in a manner that stimulates the student's desire to know more about the subject. This could be done by ensuring that the higher levels of Blooms' taxonomy are applied when designing assessments both formative and normative assessments.

CONCLUSIONS

From the research findings, it can be concluded that student motivation to study is influenced many factors which are, life goals, nature and quality of feedback, reasons for choosing a programme of study, the school environment, assessment systems and the student's abilities to master the subject content. This means that the tutor, the student and the tertiary education system has to work together to achieve the full objectives of education which is transformation of an individual, thus employability.

SCOPE FOR FURTHER RESEARCH

The study was not exhaustive though it brought out some of the pertinent issues with regard to student motivation at higher education. There is need to subject the finding to empirical test by trying all the recommendations such as the mode of delivery and tutor training and then measure the level of student motivation. Further research can be done on the process of motivation and the effectiveness of different teaching methods on student motivation.

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APPENDIX/ANNEXURE

STUDENT MOTIVATION TO STUDY

QUESTIONNAIRE

In an effort to improve your learning experience at Botho University, we are collecting information on your learning experience so far and your views on areas that you think if improved might enhance your learning experience. As a student, it is anticipated that you have your own preferred ways of doing things which we would like to capture and incorporate into the University system so as to improve the delivery of service.

We would appreciate if you can take some time to complete this questionnaire. You are advised to be as free as possible to express your views in any area. Please note that the information supplied will be treated with strict confidentiality. We would like to take this opportunity to thank you in advance.

1. Gender
   a. Male
   b. Female
2. Year of study
   a. Year 1
   b. Year 11
3. Programme of study ---
4. My studies are financed by
   a. Self ---
   b. Government---
5. How long have you been at Botho University? ------------- years
6. How long have been doing your current programme of study? ----- years
7. What made you choose the programme you're studying? Please tick one
   a. Want the programme for my life goals
   b. Pushed by relatives/friends to do the study
   c. Could not qualify for the programme I have applied for
   d. Other. Specify---
8. How would you rate your performance in the programme you enrolled for? Please note that 1 is for very poor and excellent.
   1----- 2---- 3------ 4-----5
9. Using the same ratings above as above how would you rate your tutor?
   a. Knowledge of the subject ----
   b. Usage of exiting teaching methods during lessons ---
   c. The tutor is enthusiastic ------
   d. The nature of feedback-----
   e. The manner in which the feedback is delivered-------
10. Which of the following make you enjoy your learning? Please rank them in order with 1 being the most important element.
    a. Exciting lessons
    b. Considerate tutor
    c. Constructive feedback
    d. The general school environment
    e. Independent learning
    f. Availability of resources
    g. Campus infrastructure
    h. The nature and type of assessment
    i. Independent social life
    j. Other--- Specify-------------------------------------
11. I am finding my studies,
    a. Interesting
    b. Boring
    Explain your answer---
12. I am finding my programme'
    a. Easy
    b. Difficulty
    c. Challenging
    d. I do not know
13. My programme is'
    a. Useful
    b. Useless
    Explain your answer --
14. From the list below choose the first five elements that you think if in place will make you enjoy your learning.
    a. Constructive feedback
    b. Receiving monthly allowance from the government
    c. Knowledgeable and enthusiastic tutors
    d. Assessments that reflect my level of study
    e. Good campus infrastructure
    f. Improved social life
    g. Self confidence
    h. Time management
    i. Family support
15. In your own opinion what would you want to see in place that would assist in your learning?-----------------------------------

Thank you for time once again. Have a nice day.

INSTITUTIONAL ANALYSIS ON POVERTY REDUCTION PROGRAM IN THE SOCIETY: A CASE STUDY OF NATIONAL PROGRAM FOR COMMUNITY EMPOWERMENT OF INDEPENDENT URBAN (PNPM-MP) IN SEMARANG, INDONESIA

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ABSTRACT

Institutional PNPM-MP in Semarang put poverty alleviation as the main priority of the empowerment-based development policy. The strategy developed is to synergize government agencies with community institutions built by PNPM-MP program at the village and base level, that is, Community Institutional Agency (BKM) and the Community Self-Reliance Group (KSM). The problem studied in this research is: How does PNPM-MP institutional in society involve in poverty reduction, with the aim of describing and analyzing institutional programs in the community. The research approach used phenomenological qualitative, by conducting interviews, observation, focus group discussion to obtain data from informants (BKM / KSM). Informants include two BKM and ten KSM which is purposively selected (deliberately) from two villages in two districts. The analysis was performed interactively, that is, analysis techniques which are integral cycle among data collection, data reduction, data performance and conclusion withdrawal. Research conclusion: PNPM-MP institutional at the village and base level (BKM / KSM) has not been able to be a driving force in poverty reduction and is still seen by the community as a program requirement, not institutionalized on both horizontal and vertical level. Recommendation for the research result is that it needed awareness that poverty reduction requires a synergy between government agencies and community agencies embodied in the development planning of one village one planning.

KEYWORDS
Institutional, Synergy, Government Agencies, Community Agencies. Poverty Reduction.

ABBREVIATION

PNPM-MP/NPCEIU:	National Program for Community Empowerment of Independent Urban
KSM/CSRG:	Community Self-Reliance Group
BKM/CSSC:	Community Self-Supporting Community
BLM /DAS:	Direct Aid for Society

1. THE BACKGROUND OF THE RESEARCH

Urban Poverty Reduction Program (P2KP) implemented since 1999 as a government effort to build self-reliance of the community and local governments to reduce poverty sustainably. The program considered very strategic to set up a foundation for the self-reliance of community is a representative community leadership institution, rooted and conducive to the development of social capital as a binder in community partnership with local governments and local care groups. Taking into account the various developments in the community associated with the P2KP, starting in 2007 it has been initiated to adopt P2KP be a part of the National Program for Community Empowerment (PNPM) of Independence.

Beginning in 2008 P2KP changed fully into the National Program for Community Empowerment of Independent Urban (PNPM-MP) as a part of the PNPM-Independence with the purpose, principles and approaches in line with that set out in PNPM-Independence. But PNPM-MP institutional at the village and base level has not reflected representation of the society characterized that public institutions existed in some ways more oriented to the external interests or even for the individual and certain group benefit. Thus they lack the commitment and concern to the communities in their area, especially the poor and leading to a crisis of public trust towards public institutions there.

In order to PNPM-MP institutional which is the responsibility of governments, businesses and communities are able to provide more tangible benefits to the poor, it is necessary to integrate the role and functions of government institutions (central and regional) with PNPM-MP institutional and other community institutions to minimize discrepancies in policies and in the implementation of poverty reduction programs.

The identification results show that PNPM-MP institutional in the social, economic and environment aspects still faces some problems in its implementation include:

1. Dynamics of socio-economic and environmental communities produce variation and different community characteristics. On one hand it produces fatalist people (resigned to fate), on the other, resulting in a fighter society (high fighting spirit). These conditions seem negligible and have not been accommodated in the planning of the program.
2. Variation and characteristics of the different communities have implications for public participation and work ethic on the field, for the character of a particular society PNPM-MP institutional was considered successful because of the high public enthusiasm. In contrast to other community character PNPM-MP is regarded as giving dependence effecting on not maximal to the implementation of the program,
3. The allocation of development budget: infrastructure, economic, social in any program location, in fact, shows the issue needs at each location are not the same proportions.

This situation needs to be improved, because of its urgency PNPM-MP institutional is expected to be a place as well as a driving force agency to facilitate, mediate, communicate these institutions as well as making a major actor in encouraging participation, empower self-reliance and mutual cooperation, in order to create welfare and independence of the poor.

2. REVIEW OF LITERATURE

2.1 INSTITUTIONAL THEORY

Institutional is the rule in a community group or organization that facilitates coordination among its members to assist them with the hope of every person or organization to achieve their common goals (Ruttan and Hayami, 1984). Meanwhile, North (1990) emphasizes that institutional is as a rule of the game within a group that is heavily influenced by economic, social and political factors. In principle, institutional differs from organizations, in which institutional is more viscous with rules and organizations are more focused on the structure. Based on the understanding it can be said that institutions are rules facilitating the institution or organization in coordinating and cooperating to achieve desired common goals. The rules in this matter include formal and non-formal rules which are necessary and mutually agreed, therefore the rules should be clear, measurable and consistent. Organization and its related environment is often referred to as institution, it means that if the system framework of the development administration can be viewed as a macro approach, so the system approach in the development of the institution can be seen as a micro approach in order to study the development activities.

Definition of institution here refers to a combination of organizational goals and its relationship with the environment which is the result of interaction and adaptation, so that institution can mean an organization in which there are individual values and social environment. Institution is defined as an organization that shape, support and protect normative relationships and specific activity patterns and simultaneously forming the functions and services that are valued in an environment.

Hence institutional development is defined as the whole planning, structure design and new instructions, or realignment of the direction of organization, include: (a). Creating, supporting and strengthening the normative relationships and active patterns, (b). Formation of the functions and services that are valued by the community, (c). Creation of facility that connects the new technologies with the social environment. Institution or organization is needed as an integrated community learning centers and should have a clear organizational structure, because organizational structure is the formal structure of task and authority relationships that control how individuals collaborate and manage all available resources to achieve the goals of the organization.

Eastman, (in Eaton, 1986) explains that the entanglement variables in institutions, namely: (1). Linkages that allow (enabling), that is, with organizations and social groups that control the allocation of authority and resources, (2). Functional linkages, that is, with organizations that carry out the functions and services that are complementary in terms of production that provide inputs and use outputs of the institutions, (3). Normative linkages, that is, with institutions that include relevant norms and values (positive or negative) to the doctrines and programs of the institution, (4). Spread linkages, that is, with elements in society that can not be clearly identified by membership in formal organizations.

From the various comprehension of institution it can be explained that institution is a process in the community interaction that involves organization as its implementing to achieve the common goal. There are at least five fundamental questions about the institutional (Siagian, 2005), namely: (1). Who does what, (2). Who is responsible to whom, (3). Who is related to whom and under what terms, (4). What communication channels are in the organization, how to use it and for what purpose, (5). What information network contains within an organization.

Institutions are generally directed to the organization, place or institutions. Organization serves as a container or place, while the definition of institutions include rules, ethics, code of conduct, attitudes and behavior of a person or an organization or a system. In sum, Institution is an activity system of patterned human behavior in their culture along with the components comprising the system of norms and code of conduct for the ideal form of culture, patterned behavior for behavior form of culture and equipment for the physical manifestation of culture coupled with human or personnel performing patterned behavior (Koentjaraningrat 1997).

In order that institution can run and be obeyed by its members, it is necessary to have intensive structure containing sanctions and rewards so that community will obey it. The institutions have three components, namely:

1. Formal rules, including the constitution, statutes, laws and all other government regulations. Formal rules establish a political system (the structure of government, individual rights), economic systems (ownership rights in conditions of scarcity of resources, contract), and security systems,
2. Information rules, including experiences, traditional values, religion and all factors that affect the shape of the individual's subjective perception of the world in which they live;
3. Enforcement mechanisms, all of these institutions will not be effective if it is not accompanied by enforcement mechanisms.

2.2 THEORY OF COMMUNITY POVERTY

There are several theories that have been elaborated with regarding to poverty (Sherraden, 2007), in brief these theories are grouped into two categories, namely the theory that focuses on individual behavior and the theory that leads to the social structure. The first theory, focusing on individual behavior is a theory about the choice, expectations, attitudes, motivation and human capital. Overall, this theory it is presented in neoclassical economic theory, which assumes that human is free to make decisions for himself with the availability of choices. In brief, the theory of the behavior believe that not productive individual attitudes bore poverty. The second theory, structuralist theory, represented by theory of a group of Marxist is that the systemic structural obstacles have created inequalities in opportunity and sustained oppression of the poor by the capitalist groups. Structural theory sees that the poor conditions result the particular behavior in each individual, namely the emergence of individual attitudes which are not productive is a result of adaptation to the circumstances of poverty. In addition to the two theories above, there is also a theory that does not take sides, that is, theories about culture of poorness, which says that a picture of lower-class group culture, especially in orientation to the present and absence of the delay gratification, perpetuate poverty among them from one generation to the next generation.

Basically the definition of poverty can be seen from the four categories, namely:

(a) Absolute poverty, poverty associated with an approximate income level and needs only limited to basic needs or minimum basic requirements that allow a person to live decent lives. Absolute poverty is measured by comparing the level of income with the required income level to obtain their basic needs, that is, food, clothing and housing in order to ensure its survival.

(b) Relative poverty, is seen from the aspect of social inequality, because there are people who are able to meet the minimum basic needs but still much lower than the surrounding society (environment). The greater the gap between the upper class and the lower class in subsistence level then the greater the number of people who can be categorized as poor, so poverty is relatively closely related to the issue of income distribution.

(c) Cultural poverty is associated with cultural communities to which poverty is happening to them, even not responding to the other’s efforts who helped out of the poverty.

(d) Structural poverty, poverty is caused by the unequal economical structure and system and not in favor of the poor, so that giving rise to structural economic problems that increasingly marginalize the role of the poor.

Todaro (1997), states that the variation of poverty in developing countries are caused by several factors, namely: (1) differences in geography, population and income levels, (2) differences in history, partly colonized by different countries, (3) differences in wealth of the nature resources and the quality of human resources, (4) differences in the role of the private sector and the state, (5) differences in industrial structure, (6) differences in the degree of dependence on economic and political power of other countries, and (7) differences in the distribution of power, political and institutional structures in country.

The problem of poverty remains an interesting problem to study and find the solution, because it relates to the gap, inequality and unemployment. Thus, the reduction should be comprehensively associated with the influencing factors. Poverty reduction policies by the government seem partial, because any change of government occurs, the old concept that is already running is ignored and reformulated a new policy.

As a result, each policy has not been able to see the results and are likely to become a political commodity, in addition to government structure itself, programs that run seem on their own path so that it is mazy, unfocused, and confusing to the community. Therefore, what we need now is the deal among government, business, and the community to the concept of poverty reduction implemented well for the targeted communities. Program implemented must begin with targeting, that is, determining target to poverty reduction. The target should be aimed at two things: (1). the poorest communities in the sense of inability to work anymore or just survive (poor of poor). (2). unproductive poor people.

3. PROBLEM AND RESEARCH OBJECTIVES

The problem in this study is "How do institutional programs in communities play role in poverty reduction", which is studied from a). the role of government institutions in poverty reduction, b). the role of community institutions c). integration between government and community agencies.

While the purpose of this study is to describe and analyze the institutional PNPM-MP program in the community in poverty reduction in Semarang.

4. RESEARCH METHODS

1. The research uses phenomenological qualitative approach with interactive analysis technique, that is, an analytical technique of an integral cycle between data collection, data reduction, data performance and making conclusions (Bungin, 2010).
2. The focus of the research is the institutional program in community, that is, Institutional Communities Agency (BKM / KSM) at the study location as the informant;
3. The research locations are in Semarang by taking locations of 2 districts, 2 villages with 10 KSM taken purposively (deliberately).
4. Collecting data is done through interviews, observation, documentation, and Focus Group Discussion (FGD).

5. RESULTS AND DISCUSSIONS

5.1 OVERVIEW OF THE INSTITUTIONAL BKM IN THE COMMUNITY

The existence of government agencies carrying out the functions of coordination and integration of programs to reduce poverty in the region have not been understood by the BKM / KSM in the poverty reduction activities at the village and base level. BKM in poverty reduction activity is related only to the institution of Settlement Infrastructure Development Task Force (Satker PIP), District Development Program (PPK), and the Activity Operational Charge (PJOK) and even then it is only limited to verification and fund disbursement of Direct Aid for Society (BLM). Distribution of BLM PNPM-MP by BKM to KSM has not been seperated from intervention dominated by a team of facilitators, even in many cases BKM has no/less movement because they feel that they will not get a share of the running processes.

An interesting but worrying thing about the existence of BKM is in forming a document of the Medium Term Plan against Poverty Reduction (PJM Pronangkis) which is BKM's product dominated by village elite in the formulation, including the prioritization of activities funded by BLM. BKM as the owner of the authorities in the process of distributing the BLM only refers to the General Guidelines, Implementing Guidelines and SOP/POK (Standard of Operating Procedures/Activities Operational Guidelines), has not referred to the purposes of BLM cycles as well as Community Empowerment (PM) cycles.

5.2 DISCUSSIONS

Institutional programs in the community at horizontal level conducted by BKM/KSM institution based on programs and activities runs relatively well, but on the vertical level seems very weak because the presence of BKM focuses more on the activities of BLM cycle facilitated by Activity Operational Charge (PJOK) in district level without being followed with coordination pattern in the district or urban level. Relationships with government agencies up to the urban level (*Satker PIP, TKPP, TKPK-D*) are only facilitated by the City Coordinator (*Korkot*) PNPM-MP in *Musrenbang Kota*.

BKM institutional at the village level as the representative of the PNPM-MP institution in developing BLM cycle as well as PM cycle will be better if it can be done with the approach of empowerment aspect and not fully with structural bureaucratic approach. In its development BKM still focuses on how the BLM cycle can run properly, not to the development of impacts of the BLM and PM cycles. In the future, BKM is expected to be able to develop BLM and PM cycles not only on cycle procedures, but can be followed with cycle impacts, that is, KPI (Key Performance Indicator) and PAD (Project Appraisal Document) as well as the institutionalization of the program which is participation-based.

BKM in implementing the BLM cycle (BLM capping, utilization documents of BLM, disbursement documents of BLM, distributing fund from BKM to KSM, verification, activities, LPJ) at the BKM "Manunggal Sejahtera" is relatively orderly from fund leakage of BLM, because through public accountant examination and LPJ taped on some open spot it is easily accessible to the public. In general BKM through UPK doing bookkeeping as the material of the Citizen Annual Meeting (RWT) as BKM's accountability to the public is very simple, does not meet the rules of good bookkeeping, but meet the rules of transparency and accountability.

This is consistent with the previous research conducted Andi Sopandi (2010) about the Institutional Capacity Study of PNPM of Independent Rural and Finance of the UPK (Case Study in the Regency of Bekasi) recommended that:

1. The institutional capacity program of the PNPM of Independent Rural has been able to coordinate all structures of institution to poverty reduction, yet have not been able to synergistically empower and sustain institutional structures in local government.
2. Institutional program PNPM of Independent Rural is characterized by a variety of improvisation to the technical manual operations, so that inter-region there is a various institutional structures that do not lead to the simplicity of the structure.
3. Financial management of UPK is carried out simply, does not use standard accounting principles because the human resources of UPK is less inadequate, so it makes difficult for monitoring and reporting.

In line with the matter above, (Edward III, 1984), states that institutional program of poverty reduction as a policy in the community in its implementation is less effective because it is influenced by several factors:

a) The program can be executed properly when it is clearly communicated to the executive;
b) The program will be effective if the four components of the resources (people enough in terms of quantity and quality, adequate information, the authority which is owned and responsibility) are adequate for its implementation;
c) The attitude of the program managers in the field as a commitment;
d) The bureaucratic structure that is based on standard operating procedures governing work flow and implementing policies.

Therefore, it is necessary to manage dissemination of policy program, namely: a) availability of public respect for government authority to explain the need to obey morally regulations/policy made the authorities, b) availability of awareness to accept the policy/program when reasonable, c) availability of belief that the policy/program made legitimately, d) firstly a policy/program is considered controversial, but as the time passes the policy/program is considered as a natural thing. Furthermore (Uphoff, 1986), states that local institutional community can manage local resources to be mobilized and organized the use in productive activity, and can be utilized efficiently and continuously as it uses local specific knowledge, people's behavior conditioned by the norms and community consensus.

As a poverty reduction program, PNPM-MP institutions at the community level carried out by public institutions (BKM) should be the rule in a community group or organization that facilitates coordination among its members to help them (person or organization) achieving their goals (Ruttan and Hayami, 1984). Principally institution is different from organization, in which institution is more viscous with rules and organization more focused on the structure. Thus it can be said that institutions are rules that facilitate the institution or organization in coordinating and cooperating to achieve desired common goals.

The rules include formal and non-formal rules which are necessary and mutually agreed, therefore the rules should be clear, measurable and consistent. Organizations or institutions involved are expected to have credible human resources and have sufficient knowledge and understanding about the existing problems. Organization and its linked environment are often referred to as institution, it means that if the framework system in administration of the development can be viewed as a macro approach, the system approach in the development of the institution can be seen as a micro approach in order to study the development activities.

Taylor and Mckenzie (1992) suggest seven reasons why local initiatives needed in efforts to achieve local autonomy, namely:

1. From the government side, local initiative is needed because the government has not been able to provide adequate services, while the ability of central planning is also in a weak condition.
2. From the local communities side, one of which is because there are still many untapped resources seen to be more effective when using a local strategy.
3. Empowerment means preparing people to strengthen themselves and their groups in a variety of ways, ranging from institutional, leadership, socio-economic, and politic by using their own cultural base.
4. Development approach through the local self-reliance perspective suggests that all stages in the process of empowerment should be done decentralized.
5. Empowerment efforts with the principle of centralization, deterministic, and homogeneous is highly avoided, therefore empowerment efforts based on the decentralization approach will foster autonomous state, where each component will still exist with a range of diversity contained.
6. Empowerment efforts with centralistic characterized will not be able to understand the specific characteristics order, and tend to ignore characterized order. Conversely empowerment efforts undertaken decentralized will be able to accommodate a wide range of diversity order.
7. Perspective of local independence is an alternative development approach developed based on shifting of development conceptions, as well as a paradigm shift in science.

Institutional is an activity system of patterned behavior of humans in their culture and their components consisted of a system of norms and code of conduct for the ideal form of culture, patterned behavior for behavior form of culture and equipment for the physical form of culture plus human or personnel performing the patterned behavior (Koentjaraningrat 1997). Institutions as a set of norms and rules growing in the society rooted in the fulfillment of basic needs and have a concrete form as association. In substance, norms and rules are the basic features of the public institutions.

Institution in the society is the essence or essential part of society and culture. Institutions are the constraints on the individual freedom of members of the public. Individual often makes action resulting in externalities that often threaten the interests of the whole society, so it is necessary to restrict the individual freedom in order that his attitude is consistent with the public interest. Institutional as a rule interpreted as a set of rules, both formal and informal, written or unwritten concerning relationships between humans and their environment concerning with the rights and protection of the rights and their responsibilities and institution as an organization usually refers to formal institutions.

6. CONCLUSIONS

Institutional PNPM-MP at the village and base level (BKM/KSM) has not been able to be a driving force to reduce poverty and is still seen by the public as a program need, not institutionalized well on both horizontal and vertical level. This situation appears from the aspects of:

1. The role of government institutions in poverty reduction programs, manifested in the development planning documented in the rules and regulations at the village, district and city level (musrenbang, aspirations, recess, contingency, etc.), which is more proposed by elites of village, district, and city.
2. The role of BKM in society has been a shift in meaning of community involvement to cultivate the spirit of institutions in poverty reduction, which was limited in which people can manage and control program assistance properly, has not oriented in meaning of BLM and Community Empowerment (PM) cycles.
3. Integration among agencies put the authority for coordination between programs has occurred communication patterns built personally only ranged between officials (head/head of institution), has not been to the collective consciousness that actual matters coordinated are tasks, roles and functions of each institution at the central-local level.

7. RECOMMENDATION

Institutional PNPM-MP at village and base level (BKM/KSM) in order to able to be a driving force to reduce poverty, it is necessary to be intensified in the following activities:

1. Government institutions will be able to strengthen the intervention strategy of PNPM-MP by coordinating with community agencies (BKM) in each phase cycle (BLM cycle, PM cycle), resulting in strengthening institutions at the village level (BKM).
2. Institutional programs in the community (BKM) through integrated planning mechanism involving government agencies will make the program initiated by the PNPM-MP are directed at individual/poor people activities directly, so the orientation of the programs are pro-poor and pro-poor budgeting.
3. Integration between agencies should be the process of mutual teaser, foster care and compassion and a shared learning media which in turn it will produce positive recommendations for the running poverty reduction activities.

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PREDICTING DEFAULTS IN COMMERCIAL VEHICLE LOANS USING LOGISTIC REGRESSION: CASE OF AN INDIAN NBFC

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ABSTRACT
This study aims to test the significance and impact of contract specific variables as predictors of defaults in commercial vehicle loans. Two phased research was designed for this study. In-depth interviews of senior managers responsible to approve Commercial Vehicle loans provided a list of contract specific variables which are used to develop a binary logistic regression predictive model generated from data of 12081 commercial vehicle loan borrowers in India. In-depth interviews of senior managers resulted into generation of seventeen contract specific variables having potential impact on defaults. The binary logistic regression model retained eleven out of the seventeen variables. The model suggests that using contractual variables as predictors for default in commercial vehicle loans has potential to provide more benefits to the credit lending institutions. Various insights emerge from this study related to the use of contract specific variables in predicting the commercial vehicle loan defaults. Using the proposed variables has a direct benefit to the companies in question as they can focus on preparing their credit policies on the basis of feasible offers they can provide rather than losing out on business due to credit rationing based on borrowers' demographic characteristics only. Using contractual variables is different from the prevalent practice of considering demographic variables of customers as highly important in decisions for credit granting for commercial vehicles in emerging market like India.

KEYWORDS
Commercial Vehicle Loans, Logistic Regression, Loan Default, Binary Logistic Regression, Contract specific variables.

INTRODUCTION
Indian Commercial Vehicle (Referred to as CV through the article) industry has been contributing significantly to the economic growth of India. The evidence of a bi-directional causality between a country's GDP and Motor Vehicle Output has already been established (Santini and Poyer, 2008). CARE (Credit Analysis and Research Limited based at Mumbai, India) has estimated that 66 per cent of the goods and 87 per cent of the passenger traffic in the country moves via road *(International Atlantic Economic Society 2008).*

Transportation Industry in India is fragmented with small operators accounting for 65 per cent of the fleet. ICRA (Formerly Investment Information and Credit Rating Agency of India Limited, later renamed ICRA Limited) estimates that more than 90 per cent of the CVs in India are brought on credit (ICRA report 2006). Commercial Vehicle lending institutions in India usually follow a credit process, termed as profile based funding, that lays emphasis on the future expected deployment of purchased vehicle based on a detailed field investigation report. CV loan borrowers in India are generally the transporters who are small, unorganized merchants, first time users (FTU). NBFCs in India, which usually have strong funding networks in the rural and semi-urban areas, usually find it difficult to find borrowers with sound financial status and credentials, limiting their business only to the affluent class if the established conventional funding policies are to be followed. Small transporters and FTUs fail to meet these requirements and may remain devoid of funding. At the same time, NBFCs in India have been facing huge pressure to move ahead of the traditional funding policies after the restrictions by the central bank called Reserve bank of India (RBI) on taking public deposits. This restriction and other challenges like unequal competition from Banks and Multi National Companies, absence of a dedicated recovery mechanism, poor availability of medium and long term funding, absence of parity with banks and housing finance in various regulatory provisions forced NBFCs to look for funds from organized banks and institutions, leading to a higher cost of funds and thereby limiting risk appetite. These factors resulted in a greater pressure on Indian NBFCs and a need to move ahead of the traditional funding policies by utilizing more scientific methods for decision making. Most of the studies related to credit granting mechanisms and credit decisions have been focused on lending by established banks and institutions. The results of these studies prove to be of little use by the NBFCs due to an entirely different set of issues and challenges being faced by them. In view of the above mentioned problems, and the potential significance of the commercial vehicle industry in India, this study attempts to propose a different approach to funding decision of Commercial Vehicles in India by NBFCs.

LITERATURE REVIEW
Research aimed at estimating loan defaults have broadly used two approaches. The first approach is to use borrowers' characteristics as predictors. The second approach tried to avoid the borrowers' characteristics and have used other variables to predict loan defaults. Furstenberg and Green attempted to quantify factors determining delinquency risk and used the predicted delinquency rates to estimate the total delinquency risk of mortgage portfolios (Furstenberg and Green, 1974). They used loan to value ratio, mortgagor income, age of mortgage, home location and interest rate to build a regression model. The study has been a noble attempt to help lenders prevent overestimating delinquency risk. Gardner and Mills made an attempt to calculate the likely hood of default on already delinquent loans (Gardner and Mills, 1989). Their study aimed at estimating probability of default based on borrowers' financial and demographic characteristics. The main premise of the study was that the status of a borrower is dynamic through the loan cycle and a fresh analysis would be required once the loan has gone delinquent and efforts are to be made to prevent eventual default. However, ten out of eighteen variables used in the study were not

dynamic. Volkwein, Cabrera, Szelest and Napierski analyzed the defaults using racial and ethnic parameters and found that under similar circumstances, which are independent of demographic factors, different racial groups behaved similarly in their repayment patterns (Volkwein, Cabrera, Szelest and Napierski, 1994). Ross used a simulation approach to examine the effect of lending discrimination and racial differences on mortgage loan defaults (Ross 1997). The study used a sample of 1990 loan applications from the Federal Reserve Bank of Boston and concluded that lending discriminations will not usually create racial differences in default. The variables used were a good mix of both type of determinants i.e. borrowers' characteristics as well as loan contract factors. Canner, Gabriel and Woolley further explored the issue of discrimination mainly using demographic characteristics (Canner, Gabriel and Woolley, 2001). They concluded that most lenders ration credit on the basis of perceived difference in borrower default risk that is measured from lender experiences in similar demographics. Udoh analyzed the extent of default among government sponsored loan schemes in Nigeria based on the demographic characteristics of borrowers (Udoh, 2008).

The possibility of using non-demographic variables for predicting defaults on Automobile loans have also been explored. (Agrawal, 2102).

Though studies focused on the characteristics of borrowers, which are uncontrollable variables, are dominant in this area, a few studies use contract specific variables too in the analysis. One of the early notable studies is by Bierman and Hausman. They approached the credit granting problem both from a single period, two action problem (to give credit or not) as well as a multi period, two action problem and demonstrated the superiority of multi period approach where new information about collections can be incorporated in the model (Bierman and Hausman, 1970). Stiglitz and Weiss discussed the issue of credit rationing with respect to markets with imperfect information, focusing the impact of Interest rate or Cost aspect of a loan contract (Stiglitz and Weiss, 1981). Zhou highlighted the important issue of other industry specific and economic factors bearing on default rates (Zhou, 2001). Heitfield and Sabarwal analyzed the performance of asset backed securities in subprime automobile loans using the cost factor of loan (Heitfield and Sabarwal, 2003).

Other observation evident from the literature survey reveals that a significant amount of research has been done to model the credit processes followed by lenders and for estimating the probable defaults in mortgage lending, business loans, microfinance loans, farm loans, education loans, and rural credit etc. But, similar studies in Commercial Vehicle loans are rare. In addition, most of the research aimed to estimate probable defaults are found focusing the markets in developed economies. There is a need to study CV loans industry using the previously ignored detailed analysis on factors specific to the loan contract which are independent of borrower demographics. This is important because using demographic variables as major determinants of funding would result in rationing against specific customer groups. In other words, not all potential borrowers living in specific localities or not all borrowers following a particularly deemed risky profession, would be defaulters. Therefore, using only demographic based credit granting criteria would in fact ensure that the company loses out on a significant good business. The other advantage of using such factors is that the loan contract variables are under the control of the lenders. Using controllable variables is important because defaults may occur due to the conditions that generally arise out of forcing the predefined policies, terms and conditions of loan on the borrowers. As per the sentiments raised by Industry practitioners during this study, a loan appraisal manager may only accept or reject a loan application which has been evaluated based on customer demographics, Whereas, if controllable variables are used, a specific combination of the contract specific variables may be offered to the customer which may be statistically considered as safe, i.e. having less probability of default. This will ensure getting rid of a major source of potentially good business loss for NBFCs.

RESEARCH OBJECTIVES

Indian practitioners have been using borrowers' characteristics or demographics as predictors to CV loan default. This study aims to test the significance and impact of contract specific variables as predictors of defaults in CV loans. Practicing managers' insights were obtained to understand the current practice of CV lending followed by the development of a predictive model based on contract specific variables. A comparison of the results of this study against the prevailing assumptions of industry practice may help in studying the possible advantages of a model using contract specific variables to aid in decision of credit granting in CV industry.

RESEARCH METHOD

A two phased research was designed for this study. At first phase, a qualitative research is designed in order to obtain the relevant variables for this study. Ten in-depth interviews of senior managers of one NBFC who are responsible to approve CV credits as well as managers responsible for leading sales teams to source fresh cases (potential borrower/customer) provided a list of contract specific variables to be used in the predictive model. The NBFC used under this study is a public listed non-banking finance company, registered with the Reserve Bank of India as an Asset Finance Company. The company started its operations in the year 1989. It provides a bouquet of financial products including financing of utility vehicles and cars, commercial vehicles, construction equipments, tractors and other small and medium entrepreneurship finance. It has a dedicated base of more than 0.25 million customers and has assets of approximately INR 93.90 billion under management. The company has 172 offices in 21 Indian states and employs around 4950 employees. Data used for this study pertains to a list of all 12081 CV borrowers of this NBFC in the state of Punjab (India) over a period of 5 years capturing various parameters.

Agriculture and related activities form the largest industry in Punjab. Other industries include manufacture of scientific instruments, electrical goods, financial services, machine tools, textiles, sewing machines, sports goods, starch, tourism, fertilizers, bicycles, garments, and the processing of pine oil and sugar. The Indian state of Punjab is considered to have the best infrastructure in the country which includes road, rail, air and river transport links that are extensive throughout the region. All these factors contribute to a high significance of CV finance industry in this state.

VARIABLES

In-depth interviews provided some insights on the process and decision criteria for credit grant to the applicants. Discussion section of this paper explains some of the current common beliefs of the managers and the prevalent assumptions of industry practice revealed from in-depth interviews. A total of 17 independent variables are proposed as predictors of default, the dependant variable used in this study. Table I lists and explains the proposed variables. The term 'Default' denotes delayed payment for loans exceeding 60 days (similar criterion is used by the NBFC from where the data is obtained). In the predictive model, Default is represented by the value of '1' and '0' represents no default. Because, independent variables are nominal and dependant variable is dichotomous, Binary Logistic Regression is used to develop a regression equation. The data was obtained from the same NBFC where the in-depth interviews were conducted. CV loans disbursed to borrowers of state of Punjab and Chandigarh in India over a period of 5 years constituted the data.

TABLE I: PROPOSED INDEPENDENT VARIABLES

(1) S. No.	(2) Independent Variable	(3) Variable explained from the view point of practitioners. (Based on the result of in-depth interviews)	(4) Description	(5) Values	(6) Labels	(7) Occurrence of actual Default Percentage in the data
1	SBU	Each SBU has a separate Underwriting Department. Individual analysis style of the heads may have an impact on the Credit Quality and hence Default	The Strategic Business Unit or Regional Office which processed the loan	1	Ambala	14.25%
				2	Bhatinda	12.75%
				3	Chandigarh	12.83%
				4	Ludhiana	13.22%
2	Source	Direct cases are usually considered to be of a better quality as the company has a direct control on the team.	Direct refers to cases sourced by Direct Sales Force, Non Direct refers to cases referred by agents, brokers and Direct Selling Agents (DSAs)	1	Direct	13.15%
				2	Non-Direct	13.31%

3	Quarter	Cases processed during Q-4 are usually considered to be poorly judged due to Financial Year Closing Targets, and may have an impact on Default Rates.	April - June	1	Q-1	15.59%
			July - September	2	Q-2	15.96%
			October - December	3	Q-3	12.49%
			January - March	4	Q-4	10.04%
4	Month-end	Heavy workload on Underwriters during month-ends is generally associated with a reduced quality of appraisals.	Weather the application was processed during month-end (25^{th} to 31^{st} of the month)	1	Yes	10.08%
				2	No	14.96%
5	Co-Hirer Taken	Cases with a CH are considered to be better	Weather a Co-Hirer was taken to justify eligibility	1	Yes	10.81%
				2	No	14.48%
6	Customer Category	Categorical differences are considered to be important for loan repayment probability.	Category to which the customer belongs w.r.t size of his setup, fleet, experience and income	1	A	16.58%
				2	B	9.87%
				3	C	9.80%
				4	D	18.18%
7	Tenor Band	Underwriting teams are usually instructed to keep loan tenors between 12 and 48 months, with 36 months being most favourable.	Period for which loan is extended in months	1	<= 12	31.63%
				2	>12 & <= 24	21.37%
				3	>24 & <= 36	11.50%
				4	>36 & <= 48	12.85%
				5	> 48	8.50%
8	Body Funding	Funding the body along with the vehicle is expected to reduce customer equity in the loan and hence may have an adverse effect on loan performance.	Weather money is required for building the body of the truck has been financed as well	1	Yes	7.79%
				2	No	13.62%
9	Make Name	Some brands of vehicles are expected to perform poorly due to many factors such as service quality, spare part availability etc. This is thought to have an impact on loan repayment.	Manufacturer of the Vehicle	1	Ashok Leyland	20.44%
				2	Bajaj	16.95%
				3	Eicher	17.37%
				4	Force Motors Ltd.	4.55%
				5	Mahindra & Mahindra	15.26%
				6	Swaraj Mazda	35.40%
				7	Tata Motors Ltd.	11.44%
10	Product Group	Load and freight constraints certain size and category of vehicles is thought to impact gainful deployment on certain routes.	Category of vehicle to be funded	1	Bus	11.86%
				2	LCV	14.46%
				3	M&HCV	12.58%
				4	MUV	18.83%
				5	Tipper	10.45%
				6	Tractor	11.36%
				7	Trailer	7.48%
11	Quality	Old vehicles are sometimes expected to perform poorer	Weather the vehicle being funded is new or an old vehicle	1	New	12.77%
				2	Old	13.89%
12	Advance Instalment	Deposition of advance is considered to be a reflection of good intentions	Weather an amount equivalent to one month EMI has been deposited	1	Yes	14.02%
				2	No	12.60%
13	Exposure Band	Higher LTVs reduce customer equity and payment quality is expected to deteriorate	Percentage of Vehicle cost provided as loan(LTV)	1	<=50	24.07%
				2	>50 & <=65	13.82%
				3	>65 & <=80	9.37%
				4	>80 & <=85	17.75%
				5	>85 & <= 90	15.59%
				6	>90 & <=95	8.91%
				7	>95	9.03%
14	IRR Band	Higher rate is charged from poor profile customers or for highly delinquent vehicle categories	Effective Rate of Interest on the loan	1	< 8.01	8.59%
				2	>=8.01 & < 9.10	17.07%
				3	>=9.10 & <10.40	18.21%
				4	>=10.40 & <13	14.00%
				5	>13	11.44%
15	Purpose	Loans on vehicles under non-commercial usage are considered to be of better quality	Commercial use implies deployment for fare or freight, non-commercial use implies captive use	1	Commercial	13.65%
				2	Non-Commercial	0.73%
16	Payment Terms	Low customer hassle in PDC cases implies a better repayment quality	Mode of payment is through Post Dated Cheques or cash payment every month	1	Non PDC	13.22%
				2	PDC	12.39%
17	Fleet	Higher the fleet size, higher is the experience and probability of gainful deployment	Number of Vehicles previously owned by Hirer and Co-Hirer	>=0 (ratio scale)	FLEET	NA

Table I suggests that a uniform spread of loan default across the state of Punjab (variable SBU). 'Direct cases' refer to cases sourced by an in-house sales team consisting of executives and senior executives on company roles. The 'non-direct' channels include the channel partners, Direct Sales Agents (DSAs), Direct Marketing Agents (DMAs), company dealers, brokers (for old vehicles) and freelancers. The in-depth interviews suggested that due to the limited control by company, non-direct channels are regarded as source of poor quality accounts, frequently leading to a high probability of default. This was attributed due to the following reasons cited by the senior managers:

- Non-direct channels employ people with poor training and skills
- Non-direct partners generally act as middlemen for different financers and are able to manipulate profiles on the basis of credit policies used by different companies
- For a given customer profile, the application is forwarded to financers with a better commission structure
- Certain channel incentives are dependent on the volume of business given by them with no legal liability in case the borrowers (customers) default later. This leads to intentional non disclosure of important information including past customer payment patterns too, which if disclosed, may have negative impact on credit granting decision

Business sourced by the NBFC seems to be balanced in terms of seasonality, with a slightly higher share sourced during January to March owing to pressure to complete sales targets by the end of financial year. About 36 per cent of the company's business is sourced during month-ends. This poses a significant pressure on the loan underwriters and their teams in terms of quality of proposal scrutiny. Small operators with little or no experience in running a vehicle are usually required to have experienced transporters as a co-hirer in order to mitigate the risk of failure in gainfully deploying the vehicle. Tenor represents the duration over which the repayment in equal monthly installments (EMI) is spread. Most of the borrowers prefer a tenor of three to four years. The company on the other hand prefers to promote loans with a slightly less tenor in order to recover the amount while the vehicle is in good condition.

Most of the vehicle models sold requires a carriage body to be built separately by a third party. The carriage body building cost ranges from INR 0.2 million for a small sized truck to INR 0.7 million for a big truck. The financer provisions for funding body building cost too with the vehicle loan. But, the NBFC assumes that body costs may be overstated and the body is usually not very long lasting. Tata motors accounts for nearly 76 per cent of all vehicles funded in the region. Interaction with various transporters in the region revealed that Tata Motors provides an extensive network of repair centers and workshops in the region leading to higher acceptability. Vehicles from minority manufacturers in the region usually account for a higher rate of default. Medium & Heavy Commercial Vehicle (M&HCV) segment remains the most lucrative one due to a number of Grain Markets and Steel Traders in adjoining areas. Iron Ore, Oil and food grains contribute to a major portion of total load carried.

Nearly 40 per cent of the vehicles funded by the company are re purchase and refinance cases. The performance of old vehicles is generally lower than that of new vehicles and it reduces the ability of hirers to gainfully deploy them in market. To ensure the customer equity, the company requires hirers to pay one month EMI in advance before proposal evaluation. This is an industry standard practice in India. But, NBFC under study provides for waiving off this advance payment under a controlled environment. Cases with the advance installment waived off are perceived to have a higher risk associated. The decision makers in financial institutions often feel very 'comfortable' while dealing with cases having exposure (as a percentage of cost) less than 50 per cent. Majority of business sourced by the company falls in the uneducated rural and semi urban areas, where commercial banking usage is not as high as in urban areas in India. About 99 per cent of the borrowers preferred the option to pay their EMI in cash every month. The option of asking post dated cheques in some predefined risky cases (from prior experience) is usually followed so as to pave the way for legal option if needed. Vehicles bought for captive (non-commercial) use contribute a very low share of total business, due to various documentation requirements. This segment, though very low, amounts to virtually 'clean' business with comparatively less default risk.

DATA ANALYSIS AND RESULTS

SPSS 16.0 is used in this study with backward stepwise (LR) elimination method of Logistic Regression. The regression output suggests elimination of six variables out of seventeen proposed variables. The six eliminated variables are body funding, payment terms, advance installment, source type, Co-Hirer Taken, and strategic business unit/regions.

The final logistic regression model is represented in Equation I

$$Y = -4.086 + \beta Quarter*Qtr + \beta monthend*Monthend + \beta custcat*Custcat + \beta Tenorband*Tenorband + \beta makename*MakeName + \beta ProductGroup*ProductGroup + \beta Quality*Quality + \beta Expband*Expband + \beta IRRband*IRRband + \beta Purpose*Purpose + \beta Fleet*Fleet \quad \text{(Equation I)}$$

The correspondence between the actual and predicted values of dependent variable is investigated by Homser and Lemeshow goodness of fit statistic. A good model fit is indicated by a non-significant chi-square value. Table II shows goodness of statistic fit values for all the seven models developed by SPSS while searching for the best model for this study.

Data analysis suggests that eleven independent variables out of the proposed seventeen variables are statistically significantly affecting the defaults ($p < 0.05$). The result is presented in Table III. This predictive model can be used to calculate the probability of default based on the contract specific variables.

TABLE II: HOMSER AND LEMESHOW GOODNESS OF FIT STATISTIC FOR MODELS

Step	Chi-square	df	Sig.
1	3.94	8.00	0.86
2	4.01	8.00	0.86
3	4.24	8.00	0.83
4	5.63	8.00	0.69
5	5.44	8.00	0.71
6	7.10	8.00	0.53
7	6.62	8.00	0.58

TABLE III: LOGISTIC REGRESSION OUTPUT

Step 7	B	S.E.	Wald	df	Sig.	Exp(B)
Qtr			32.77	3.00	0.00	
Qtr(Apr-June)	0.38	0.08	23.32	1.00	0.00	1.47
Qtr(July-Sep)	0.37	0.08	23.40	1.00	0.00	1.45
Qtr(Oct-Dec)	0.16	0.08	3.75	1.00	0.05	1.17
Monthend(Yes)	-0.31	0.06	25.21	1.00	0.00	0.73
CUSTCAT			15.44	3.00	0.00	
CUSTCAT(A)	-0.91	0.34	7.35	1.00	0.01	0.40
CUSTCAT(B)	-1.04	0.31	11.04	1.00	0.00	0.36
CUSTCAT(C)	-0.79	0.30	6.84	1.00	0.01	0.45
Tenorband			60.99	4.00	0.00	
Tenorband(<= 12 M)	1.09	0.30	13.52	1.00	0.00	2.98
Tenorband(>12 & <= 24 M)	0.58	0.20	8.25	1.00	0.00	1.79
Tenorband(>24 & <= 36 M)	-0.04	0.19	0.06	1.00	0.81	0.96
Tenorband(>36 & <= 48 M)	-0.07	0.17	0.17	1.00	0.68	0.93
MakeName			174.94	6.00	0.00	
MakeName(Ashok Leyland)	0.79	0.11	48.16	1.00	0.00	2.21
MakeName(Bajaj)	0.60	0.38	2.45	1.00	0.12	1.81
MakeName(Eicher)	0.63	0.12	27.25	1.00	0.00	1.88
MakeName(Force Motors)	-1.51	1.05	2.06	1.00	0.15	0.22
MakeName(Mahindra & Mahindra)	-1.19	0.19	38.83	1.00	0.00	0.31
MakeName(Swaraj Mazda)	1.52	0.16	91.66	1.00	0.00	4.56
ProductGroup			93.18	6.00	0.00	
ProductGroup(Bus)	0.27	0.23	1.31	1.00	0.25	1.31
ProductGroup(LCV)	0.08	0.20	0.16	1.00	0.69	1.08
ProductGroup(M&HCV)	0.47	0.18	6.73	1.00	0.01	1.60
ProductGroup(MUV)	1.82	0.25	54.46	1.00	0.00	6.19
ProductGroup(Tipper)	0.62	0.34	3.32	1.00	0.07	1.85
ProductGroup(Tractor)	0.50	0.33	2.39	1.00	0.12	1.66
Quality(New)	-0.36	0.13	7.40	1.00	0.01	0.70
EXPBANDS			64.11	6.00	0.00	
EXPBANDS(<=50)	0.30	0.20	2.31	1.00	0.13	1.35
EXPBANDS(>50 & <=65)	-0.15	0.19	0.63	1.00	0.43	0.86
EXPBANDS(>65 & <=80)	-0.26	0.15	2.93	1.00	0.09	0.77
EXPBANDS(>80 & <=85)	0.43	0.14	9.74	1.00	0.00	1.54
EXPBANDS(>85 & <= 90)	0.25	0.14	3.43	1.00	0.06	1.29
EXPBANDS(>90 & <=95)	-0.04	0.15	0.06	1.00	0.82	0.97
IRRband			46.70	4.00	0.00	
IRRband(< 8.01)	0.15	0.17	0.76	1.00	0.38	1.16
IRRband(>=8.01 & < 9.10)	0.69	0.13	29.80	1.00	0.00	1.99
IRRband(>=9.10 & <10.40)	0.53	0.10	26.36	1.00	0.00	1.70
IRRband(>=10.40 & <13)	0.30	0.07	17.99	1.00	0.00	1.34
Purpose(Commercial)	2.55	0.58	19.19	1.00	0.00	12.86
Fleet	-0.10	0.02	22.70	1.00	0.00	0.90
Constant	-4.09	0.72	32.35	1.00	0.00	0.02

As an illustration: According to this model, the probability of committing a default for a CV borrower of category '2', having a fleet of six vehicles, applying for a 45 per cent loan on an Old Tata Medium & Heavy Commercial Vehicle on a month-end, for a period of 18 months, at an IRR of 13.5 per cent, for commercial deployment is 22 percent that is high than the accepted level of 15 percent. Thus it would be advisable not to extend a loan to the applicant.

Modified cut off value classification

In a logistic regression, the classification cut off relates to the sensitivity and specificity of results. Using the default value of 0.5 as cut off would mean accepting a proposal with a default probability of 50 percent. To align the model with a very low risk appetite of NBFC's, the logistic regression results are computed for classification cut-off of 15 per cent instead of the default value of 50 per cent. This signifies that any proposal with a default probability of 15 percent or more is liable to be rejected. Though NBFCs would prefer to ignore any case with even a slight probability of default, taking a value below 15 percent would practically result in rejecting most of the cases, which is not desirable from business point of view. A similar approach was used by Gardner and Mills by evaluating three Logit Regression models at different classification accuracies (Gardner and Mills 1989). A comparison of the classification tables at a 15 per cent and 20 per cent cut-off is presented in Table IV.

TABLE IV: COMPARING THE RESULTS AT DIFFERENT CLASSIFICATION CUT-OFFS

Observed			Predicted at 15%*			Predicted at 20%*		
			Default		% correct	Default		% correct
			No	Yes		No	Yes	
Step 7	Default	No	7765	2720	74.1	9015	1470	86
		Yes	735	861	53.9	975	621	38.9
	Overall Percentage				71.4			79.8

**Calculations at a 20 per cent cut-off percentage yield a higher accuracy of 79.8 per cent overall.*

But, a 20 per cent cut-off results in a decrease in the correct predicted defaults. Thus, keeping in view the higher risk involved in a 20 per cent cut-off, 15 per cent cut-off level is proposed in the final model.

DISCUSSION

Various insights emerge from this study related to the use of contract specific variables in predicting the loan defaults. Out of the predictors analyzed, some of them conform to the industry practice, beliefs and expectations.

Default rates at all four SBUs are about equal in the data. The absence of SBU variable in the final model suggests that SBU specific variations are insignificant and cannot be used as a predictor of default rates. This conforms to the industry practice of following similar funding norms and processes across offices.

Among all manufacturers, the cases with customers using Tata vehicles do not show any significant impact on defaults. Swaraj Mazda and Ashok Leyland are the variables that significantly increase chances of default, whereas Mahindra & Mahindra and Force Motors have the opposite impact.

Funding of MUVs in the region has been found to be more risky than other vehicle types in the CV segment. This is in line with the expectations of managers interviewed in this study. Similar expectations about the performance of new vehicles as against old vehicles also emerge true. This is also in line with financers' efforts to promote new vehicle market in spite of low interest earned by the finance company.

With respect to IRR bands, it has been found that customers who are charged with higher IRRs have low odds of defaults with a lower band of '>=8.01% and < 9.10%' leading to an increased odd of default. Practitioners don not seem to have any specific belief in this regard as the IRR bands are not variable and are calculated as per a uniform table based on various factors not under the scope of this study.

Commercial usage cases in the data reflect a significant increase of odds of default. This behavior is exactly in accordance with expected results. Non-commercial cases, which contributed to a clean business, though have been found to be insignificant. Experience of customer as well as the number of vehicles owned has long been considered a crucial factor while lending. Customers with a higher fleet size are not expected to commit defaults. This assumption has been confirmed in the present study.

On the other hand there are some of the variables that seem to challenge the industry established beliefs and practices. Though source type has traditionally been considered as a significant variable in lending decisions, the analysis shows that the impact of source is insignificant. As Preferential treatment to direct sourced cases, though statistically insignificant and uncalled for, may be due to the ease of collections and approachability of the customer once default has been committed. Further non-direct cases are not encouraged by such companies due to the scope of malpractices discussed earlier in the '*Variables'* section of this paper.

The industry belief that loans offered during later part of the financial year post a significant amount of pressure on credit teams due to a relatively high pressure in terms of business and compliance; actually seems to improve the quality of their appraisal process. Similarly cases sourced during lean months are expected to perform better due to low pressures as per industry belief. As against the beliefs of industry practitioners, impact of cases sourced in the final quarter on default is insignificant whereas cases sourced during the lean months of first two quarters significantly increase the odds of default. Similar interpretation can be made about month-end cases which are found to decrease the odds of default significantly. As per the feedback taken from practitioners, it was found that since such cases were considered to be risky, the appraisal of these cases was based on more cautious approach.

Taking a co-hirer in the assumed risky cases is commonly believed to decrease the default rates. But the absence of the variable in the model suggests that its impact is insignificant. A logical explanation could be that quality of most of the assumed risky cases are improved by taking a co-hirer and thus the overall impact on default ceases to exist. But the data provided by the company does not capture details of the underwriting process and no data was available to indicate the conversion of such cases to co-hirer based cases. Another explanation to the phenomena could be that induction of co-hirers could be to reassure the appraiser of the presence of an experienced or existing customer who would be helpful for a better vehicle deployment and who could later be approached in case of a default for recovery. During our interviews, industry practitioners seemed to agree to the second explanation.

Three out of four customer categories have been found to decrease the odds of default with comparable coefficient values. This may be due to the variables that impact the classification of customers in these categories, which are not covered in this study. Higher tenor bands have proved not to have significant impact on defaults as against the industry belief. The absence of this predictor seems to arise from the fact that in case of a default, the re-sale value of the vehicle in recovered would be very low due to age of the vehicle. Alternatively, the reason for preferring medium tenor bands by companies may be due to some other factors like cost, operations efficiency and not only on default rates.

Vehicle body funding is found to be insignificant in the study. Reluctance to fund the vehicle body may exist due to other reasons like variation in body building costs due to unorganized nature of the industry, thereby inducing variability in the resale values of recovered vehicles. Advance Installment cases are being preferred by practitioners. But, the result of the data analysis suggests an insignificant effect of this variable. This practice seems to have evolved in an effort to reduce pressure on early delinquency teams (Those dealing with non repayment for less than 60 days and non-starters) by collecting one or two installments in advance. This may further reduce the higher effort by sales team in the fields while convincing borrowers to avail a loan.

Impact of Exposure bands (LTV) presents most unexpected result in the analysis. In general, it is expected that higher the customer equity (or lower the LTV), lower are the chances of a default. The analysis shows a mixed result. Very low LTVs have been found to increase odds of default and very high LTVs has shown to decrease the odds of default. The reason for such a result warrants further analysis as it may be due to some other predictors not included in the study or due to company specific reasons.

Preferential treatment for PDC case customers by most financers seems to be an effort not to reduce defaults but to reduce overheads and costs associated with reminder calls to customers as this variable has been found to be insignificant.

Tables V & VI list factors significantly increasing and factors significantly decreasing odds of default.

TABLE V: FACTORS SIGNIFICANTLY INCREASING THE ODDS OF DEFAULT

S.No.	Variable Name	Variable Value	Coefficient	Significance
1	Purpose	Commercial	2.554	0.00
2	Product Group	MUV	1.823	0.00
3	Make Name	Swaraj Mazda	1.517	0.00
4	Tenor Band	<= 12 Months	1.093	0.00
5	Make Name	Ashok Leyland	0.794	0.00
6	IRR Band	>=8.01% and < 9.10%	0.689	0.00
7	Make Name	Eicher	0.632	0.00
8	Product Group	Tipper	0.615	0.07

TABLE VI: FACTORS SIGNIFICANTLY DECREASING THE ODDS OF DEFAULT

S.No.	Variable Name	Variable Value	Coefficient	Significance
1	Make Name	Force Motors Ltd	-1.508	0.15
2	Make Name	Mahindra & Mahindra	-1.185	0.00
3	Customer	CategoryB	-1.036	0.00
4	Customer	CategoryA	-0.909	0.00
5	Customer	CategoryC	-0.789	0.00
6	Quality	New Vehicle	-0.355	0.00
7	Month-end	Yes	-0.312	0.00
8	Exposure Band	>= 65% and <= 80%	-0.258	0.08
9	Exposure Band	>= 65% and <= 80%	-0.258	0.08

CONCLUSION

This study has tried to put most of the contract specific variables to test their ability to predict loan defaults. The results suggest possibility of modeling defaults using eleven contract specific variables. This approach is different from the prevalent practice of considering demographic variables of customers as highly important in decisions for credit granting. Using the proposed variables has a direct benefit to the companies in question as they can focus on preparing their credit policies on the basis of feasible offers they can provide rather than losing out on business due to credit rationing based on borrowers' demographic characteristics only. The accuracy of the models using contract specific variables can be further increased by using advanced non-linear models using neural networks and advanced data mining tools.

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RISK DISCLOSURE BY SELECT INDIAN BANKS WITH REFERENCE TO IFRS 7 / IND AS-32: A STUDY

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ABSTRACT

Although banks have always been risk-taking entities, the recent financial crisis resulted in an increased attention on the risks of banks and their financial instruments. This research therefore examines the disclosures of market, credit, and liquidity risks of a sample of Indian banks in their 2012-2013 annual reports. By constructing two disclosure index frameworks and applying these to the annual reports the quantity and quality of the risk disclosures are examined. Since the outcomes of the empirical research show that there are differences in disclosures scores between banks, several hypotheses are developed based on among others the political cost theory and the fact that new regulation on risk disclosures (IFRS 7) has been introduced in 2007 & Basel II Pillar III as well. The relationships that are examined are the following: (1) the quantity and quality of disclosures, (2) disclosures and bank size, (3) disclosures and bank profitability. The present study contributes to the accounting literature for several reasons, amongst others because it focuses on risk disclosures in a sector that has only been examined by a few other researchers before. Next to that, it provides a sound basis for future research like capital market research, event studies, and behavioral studies in relation to risk disclosures.

KEYWORDS

Financial Crisis, AS-32, IFRS-7, Risk Disclosure.

1.0. INTRODUCTION

Banks are especially unpopular in two circumstances: first, when they are very profitable; and second, when they are very unprofitable'

Sir Davies, LSE

In 2007, and even more in 2008, the world got confronted with an international financial crisis, also called the credit crisis. Worldwide banks had invested billions of Euros in financial instruments like sub-prime related collateralized debt obligations (CDO's), but due to increasing interest rates, decreasing values of houses and the consequences of that for the repayment of mortgages in the United States, the value of these and other financial instruments decrease significantly. Since International Financial Reporting Standards prescribe to impair on these financial instruments through the profit and loss account when the value declines significantly, banks had to report billions of Euros of losses. One of the industries that is hit hard by the crisis is the Indian banking industry, that even needed support from the government to survive. Although Sir Davies states that banks become unpopular when they are very unprofitable.

Since the existence of banks these are known to be major risk taking and risk management entities. Hypovereinsbank (2009, 40) even describes in their annual report that 'as a rule it is not possible to earn income in the banking business without incurring risk'. According to Linsley and Shrives (2005, 205) they are therefore "expected to release relevant risk-related information to the marketplace, as part of good corporate governance". The annual report is for many years used to communicate firm performance with shareholders and stakeholders and includes, in general, both mandatory and voluntary disclosures. Although regulation is meant to protect the stakeholders, some argue however that this will only lead to an oversupply of accounting information (Deegan and Unerman, 2006, 49).

1.1. WHY ASSESS BANK DISCLOSURE PRACTICES?

Enhanced disclosure leads to better transparency and stronger market discipline in the banking sector. The third pillar of Basel II and Basel Core Principles No.21 explicitly asks for better disclosures by banks to allow the market to have a better picture of the overall risk position of the banks and to allow the counterparties of the banks price and deal appropriately. More disclosures should reduce information asymmetry between those with privileged information and outside small investors, and facilitate more efficient monitoring because sufficient information is necessary for market participants to exert effective disciplinary roles[1]. According to McKinsey's "Global Investor and Emerging Market Policymaker Opinion Surveys on Corporate Governance", "accounting disclosure" is listed as the number one most important factor considered by 71% of investors surveyed, and "enhanced disclosure" is named as number one key progress area by 44% of policymakers.

Accounting disclosure is raised to a particularly high level of importance for banking organizations compared to firms in other industries, for several reasons. Accounting reports are almost the sole source of information for bank investors and other stakeholders. Banks own few physical and visible assets and investors can get a sense of a bank's performance and asset quality only from accounting numbers. Earnings numbers alone are not adequate for assessing the valuation of banks, the main business of which is to take risks and to provide liquidity (and thus earnings can be inflated through doing more of them). Thus profitability does not give investors the whole picture of the bank's financial situation, until risk profile of the bank is holistically disclosed. Finally, aggregate accounting numbers (e.g., *total* profits, *total* loans) without certain level of breakdown is less informative for banks than it is for industrial firms, because the most important information lies in the details of the sources of income and expenses, or quality of assets. Investors need this information to make judgments on which incomes are sustainable and which expenses are recurring. *Transparency and disclosure is critical to banking sector stability.* Enhanced bank disclosures have been showed to be able to make banking crisis less likely to happen (Tadesse [2005], Hoggarth, Jackson, and Nier [2003]), because in high disclosure regime banks are less likely to take excessive risks (Nier and Baumann [2006]), and when they happen the losses less costly (Rosengren [2001]). The reason is that worse-run banks will see their funding base shrank as a result of market discipline, and thus situations would not have deteriorated to a disaster-level in the first place. The key for market discipline however is information disclosure. Cordella and Yeyati (1998) and Boot and Schmetis (2000) both show that, ex-ante, managers will chose lower risk when the risk profile is observable to outsiders; and ex-post, when a banking crisis does occurs, Hoggarth et al. (2003) argue that disclosures reduce the likelihood of runs on fundamental sound banks.

Because of the systematic importance of banks and the safety net extended to them paid by taxpayers, enhanced disclosures are not only necessary and relevant for publicly traded banks, but also for privately-held and state-owned banks. As a matter of fact, disclosure has already become one of the key principles highlighted in the "OECD guidelines of governance of *state-owed enterprises*". The failure of banks always hurts large number of stakeholders such as depositors, and brings about political and reputation risks. Even when banks are fully insured or owned by the government, bank disclosures are still useful for tax payers, who ultimately shoulder the costs of bail-outs, in monitoring and disciplining the banks. Transparency & disclosure is one of the core components in many Bank/Fund operations in financial sector, e.g., FSAP, ROSC, and IFC's Corporate Governance.

Currently, data needed for assessment purpose are collected on an *ad hoc* basis prior to each individual FSAP or ROSC missions. The establishment of a quantitative benchmarking system with timely data on disclosure practices around the globe is long overdue and if completed will greatly facilitate cross-country

[1] As proposed by Andrew Crocket (BIS), four pre-conditions have to be met in order for market discipline to work effectively. They are: (1) Market participants need to have sufficient information to reach informed judgments. (2) They need to have the ability to process it correctly. (3) They need to have the right incentives. (4) They need to have the right mechanisms to exercise discipline.

comparisons and the use of peer pressures. Furthermore, the disclosure items examined in this project are closely linked to what are already included in IMF's Financial Soundness Indicators framework (the core and the encouraged set), which creates compatibility with IMF-led operations, while at the same time seeks to provide more disaggregated level information in the assessment of financial stability in member countries.

A simplified and standardized checklist of core disclosure items needs to be developed for low and mid-income countries. There already are many initiatives made by not only international standard-setting bodies such as the IASB and Basel committee, but also national regulators to standardize financial reporting of banks, to make information disclosure more comparable across banks, through fixed formats of presentation. In BCBS report "Enhancing bank transparency", it is recommended that "one area in which supervisors are well suited to take on a productive role is in enhancing comparability by promoting the use of supervisory definitions and reporting classifications in public disclosure." The new IFRS 7 has replaced IAS 30 and asks for more detailed disclosure from financial institutions. Comprehensive as the new rule certainly is, the long laundry list prescribed is too remote for less complex banks in mid- and low-income developing countries. A smaller checklist of core items thus is needed, which has to be concise, easy to understand, easy to benchmark, and applicable to economies at all stages of development.

2.0. BRIEF REVIEW OF THE AVAILABLE LITERATURE

A large number of studies have been conducted the world over covering different aspects of corporate disclosure through annual reports. A few of these studies has been discussed below in order to understand the nature, methodology and findings that will help to compare and find the gap with the present study.

Cerf (1961) empirically investigated the extent of disclosure of 527 companies in USA and associations between extent of disclosure and four corporate attributes viz., size, ownership pattern, profitability and method of trading shares.

Singhvi and Desai (1971) studied the association between disclosure of information and six corporate characteristics, namely asset size, no. of stockholders, listing status, type of CPA firms, rate of return and earnings margin of 100 listed and 55 unlisted US companies for the year 1965-66.

Barret (1976) examined the extent of overall disclosure and the degree of comprehensiveness of financial statements in the annual reports of 103 large publicly held companies operating in seven countries (fifteen each from the USA, the UK, Japan, France, Germany and Sweden and thirteen companies from the Netherlands) for the years 1963 to 1972.

Shankar (1972) analyzed the adequacy of corporate reporting practices in the annual reports of Indian companies as compared to foreign companies, such as, USA, UK, Germany and Japan.

Singh and Gupta (1977) examined the relationship between the level of disclosure and seven organizational correlates of 28 Indian companies (28 private and 6 public sector companies) by using weighted disclosure index.

Singh and Bhargava (1978) analyzed relationship between the extent of disclosure and organization pattern and nature of industry of 40 public sector enterprises in India with the help of an index consisting of 35 items.

Lal (1985) examined the extent of disclosure in annual reports of 180 manufacturing companies in the private sector in India for the years 1965 and 1975 by preparing a disclosure index consisting of 50 major items (104 items in all with all possible sub-items).

The Research Committee of ICAI (1985) surveyed the annual reports of 87 private sector companies and 25 public sector companies to study their reporting practices.

Chander (1992) measured the extent of disclosure by applying the 'index of disclosure' to the annual reports of top 50 companies from public and private sectors for the years 1980-81 to 1984-85.

Vasal (1992) examined the quality of corporate financial reporting of 129 Central Public Sector Companies (CPSCs) in India for a period of four years from 1988 to 1991. He analyzed the corporate reporting under three major heads – extended corporate reporting, extended financial reporting and extended social reporting. Applying an index of disclosure consisting of 65 non-statutory items, he measured the variability of disclosure – both weighted and unweighted scores of 129 CPSCs. In addition to disclosure index, six corporate attributes (i.e. size, age, rate of return, review of accounts by CAG, nature of industry and participation in best presented account competition) were also examined. He used univariate, bivariate and multivariate statistical techniques.

Rathinam (1996) has made a comprehensive study about disclosure practices of 160 Indian companies (114 private sector and 46 public sector) using an index of disclosure consisting of 114 items. He also examined the relationship between various corporate attributes and disclosure, and analysed disclosure practices of companies regarding certain contemporary issues in financial reporting like Social Responsibility Accounting, Human Resource Accounting, Value Added Statement etc.

Ubha (2001) examined the annual reports of 50 selected companies for the period 1989-90 to 1993-94 to find out the general disclosure trends and practices prevalent in the corporate sector in India by using an index of disclosure.

Paul and Pai (2001) examined corporate environmental reporting in the annual reports of 23 companies for the sample period of 13 years – 1986-87 to 1998-99.

Banerjee (2005) examined environmental accounting and reporting practices of 60 companies in India for the financial year 2002-03.

Nangia (2005) examined the disclosure practices of MNCs operating in India as against domestic companies by taking a sample of ten MNCs and ten domestic companies for a period of ten years from 1992 to 2001. She studied the association between the extent of disclosure and certain company characteristics like size, profitability and type of industry.

Mahajan and Chander (2007) studied the disclosure practices of 50 software firms in India for the year 2004-05 using a disclosure index of 90 items. They also examined the relationship between extent of disclosure and certain corporate characteristics (age, listing status, shareholding pattern, leverage, size, profitability, audit firm size, residential status) with the help of multiple regression analysis.

3.0. FINDING OUT THE ULTIMATE RESEARCH VACUUM

A minute review of literature reveals that very few studies are industry specific and enormous literature is available on the analysis of different aspects of disclosure of the non-financial companies worldwide. Very scanty literature is available on examining the different aspects disclosure by banks, insurance companies and financial institutions. Therefore, the need to carry out this study was felt. The present study is an attempt to analyze the disclosure practices of the Indian banking companies, specifically the risk disclosure practices. Also, an attempt will be made to examine the association between the extent of disclosure and various company-specific characteristics with the help of a statistical model.

4.0. OBJECTIVES OF THE STUDY

Since there are only a few empirical studies on risk disclosures by banks and the interest in risk disclosures has strongly increased due to the financial crisis, it is interesting to examine this topic. Both a literature study and empirical research of risk disclosures in the Indian banking industry will be conducted in order to increase the understanding of why risk disclosures are important and what the developments in this area are.

One of the objectives of this study is to develop new disclosure frameworks that can measure the quantity and quality of risk disclosures in the banking sector and that can overcome certain limitations of previous research. Although quantity is also assumed to be a good proxy for the quality of information in other studies, which is logical when the disclosed information is relevant for the user, the quality framework in this project also takes into account the other qualitative characteristics of the IASB framework: understandability, comparability, and reliability. The quantity framework is based on IFRS 7 and measures quantity by counting the number of pre specified items disclosed. In order to distinguish between quantity and quality, these separate frameworks will therefore be called the quantity framework and quality framework throughout the rest of this research.

The main objective of this project is to examine the developments of risk disclosures in annual reports over time and the differences between banks. Therefore the frameworks will be applied to a sample of 19 Indian banks, resulting in disclosure scores that can be analyzed and tested for relationships with bank size, profitability, and time. Next to that, more insight will be provided into the relationship between the quantity and quality of disclosures.

5.0. RESEARCH QUESTIONS

In this project the problem is defined by the following main project question:

"How can differences in the quantity and quality of financial instrument risk disclosures in the annual reports of German banks be measured and explained?"

Before conducting own empirical work it is important to examine the theoretical background first. To support the main project question, the following sub questions are therefore drawn up:

1. ***What is risk and what are risk disclosures?***
2. ***What are financial instruments and their risks?***
3. ***What is the quantity disclosure score by sample Indian banks?***
4. ***What is the quality disclosure score by sample Indian banks?***
5. ***Is there any significant correlation exists between quantity and quality disclosure score by sample Indian banks?***
6. ***Can the quantity disclosure score of sample Indian banks can be explained by variables of bank size and profitability of banks?***
7. ***Can the quality disclosure score of sample Indian banks can be explained by variables of bank size & profitability of banks?***

6.0. RESEARCH DESIGN

This project is divided in three major parts.

The first part is descriptive that consists of a literature study in which not only the background of risk disclosures is discussed, but also the institutional setting of India. In order to understand how studies on risk reporting can be conducted and what the limitations of the methodologies are, the concept of content analysis will be explained before the second and third part of the research will be described.

The second part of this research consists of the construction of disclosure index frameworks that will make it able to measure the quantity and quality of risk disclosures. Consequently these will be applied to the annual reports of 2012-2013 of 19 Indian banks that are included in the sample.

Differences in disclosure scores are expected and in the third part of this research. These will be tried to explain by testing the relationships between disclosure scores and other variables. Pearson correlation coefficients and a paired sample t-test will be calculated in statistical software and conclusions will be drawn based on these results.

7.0. BACKGROUND OF RISK AND RISK DISCLOSURES

Regulation regarding financial reporting and disclosures has an impact on every firm. Financial reports and disclosures are however "potentially important means for management to communicate firm performance and governance to outside investors" (Healy and Palepu, 2001, 405). These disclosures can give information on several topics, including earnings forecasts, corporate social responsibility, segments and risks. This research focuses on risk reporting by banks, with the disclosures on this topic becoming less voluntarily in the past few years.

7.1. CONCEPT OF RISK

In the past, and more specifically the pre-modern era, people considered risk to be something negative because it was at that time associated with the occurrence of natural phenomena (Linsley and Shrives, 2006, 388: Lupton, 1999). Serious studies of risk started to be performed in the Renaissance by Pascal, Fermat and others who based this on advances in algebra and calculus, and in the 17th and 18th century modern techniques for quantifying risk were developed (Bernstein, 1996). In economics the concept of risk and uncertainty was introduced by Frank H. Knight (1921), who referred to risk as a 'measurable uncertainty' and considered uncertainty as non-quantitative.

Nowadays, in the modern era, there are according to Dobler (2008, 187) two views on risk: an uncertainty-based and a target-based view. The first "defines risk as randomness of uncertainty of future outcomes that can be expressed numerically by a distribution of outcomes" (Dobler, 2008) and is based on the concept of risk as introduced by Knight (1921). The second view, the target-based view, "defines risk as the potential deviation from a benchmark or target outcome" (Dobler, 2008, 187: Borch, 1968).

Risk is driven by internal and external factors, and is according to the ICAEW inherent in business. Both the ASB and ICAEW view risk as the "uncertainty as to the amount of benefits" and "the term includes both potential for gain and exposure to loss" (ICAEW, 1998, 5). In the case of the upside risk profile, "all the results that have any likelihood of happening give a positive net cash flow" (ICAEW 1998, 7), in the case of the down-side risk profile there will be a negative net cash flow.

According to Beretta and Bozzolan (2004, 269) risk disclosures can as a consequence of the above definition be defined as "the communication of factors that have the potential to affect expected results". The definition of Linsley and Shrives (2006, 389) is however more extensive and includes the "opportunity, prospect, hazard, harm, and threat of exposure".

In view of the fact that banks are known to be major risk taking and risk management entities that make their money by taking risks, the broad and more general definition of risk will be used in this research. This includes past, future, good, neutral and bad news, and is in accordance with the modern view of risk as defined by the ICAEW (1998). Given that this project mainly focuses on the risks of financial instruments.

7.2. RISKS OF FINANCIAL INSTRUMENTS

In recent years, the techniques used by entities for measuring and managing exposure to risk arise from financial instruments have evolved and new risk management concepts and approaches have gained acceptance. The users of the financial statements need information about an entity's exposure to risk and how these risks are managed. Such information can influence a user's assessment of financial position and financial performance of an entity or of the amount, timing and uncertainty of future cash flow. Greater transparency regarding those risks allows users to make more informed judgments about risk and return. Thus risk disclosure means disclosing and informing the relevant risk and risk factors to the users of financial statements for the present and future period[2].

Risk disclosure can be beneficial for several reasons. It mitigates information asymmetry between management and external shareholders and can have positive effects on the trust and confidence stakeholders have in the firm's management. It may decrease the firm's perceived risk because an open disclosure strategy supposedly results in a better assessment of the firm's future performance. This, in turn, can lead to a decline in the firms cost of capital (Linsley and Shrives, 2006a; Abraham and Cox, 2007; ICAEW, 1999a) and to a reduced possibility of financial failure (Beretta and Bozzolan, 2004; Solomon *et al.*, 2000)[3].

Banks in India are required to make risk disclosures under Basel II Accord from 2008-2009 in few cases 2009-2010 for all banks. On the similar line, recognizing the importance and relevance of risk related disclosure IASB issued IFRS 7 – Financial Instruments Disclosure which was made applicable in many countries of the world since year 2007. However Indian AS 32 same as IFRS 7 has been issued by Indian Accounting Standard Board, which is made compulsory from 1-4-2011 for the most of the entities in India.

7.3. INDIAN ACCOUNTING STANDARD 32 - FINANCIAL INSTRUMENTS: DISCLOSURES

This AS issued by the Council of the ICAI, came into effect in respect of accounting periods commencing on or after 1-4-2009 and was recommendatory in nature for an initial period of two years. This Accounting Standard is mandatory in respect of accounting periods commencing on or after 1-4-2011 for all commercial, industrial and business entities except to a Small and Medium-sized Entity. The disclosures focus on the risks that arise from financial instruments and how they have been managed. These risks typically include, but are not limited to, credit risk, liquidity risk and market risk[4]. This Accounting Standard is based on

[2] Sharma M, "*Basel II Tectonic Shift', Treasury Management"*, The ICFAI University Press, September 2008, *p.* 22.

[3] Vandemaele S. '*Management Risk Reporting Practices and their Determinants A study of Belgian listed firms.*'2009. *p*.1, uhdspace.uhasselt.be/dspace/bitsstream/1942/…/2/CorporateriskB.pdf

[4] Rawat D. S.,' *Students Guide To Accounting Standards,*' Taxmann Publishing Pvt. Ltd.,21st Edition, 2012, *p.* 554

International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures issued by the International Accounting Standards Board (IASB). There is no material difference between Indian AS 32 and IFRS 7.

7.4. BASEL II PILLAR 3 DISCLOSURES

Over and above Indian AS 32, Indian banks are required to make risk disclosures as per Basel II Pillar 3 disclosures. The objective for these disclosures is to have better disclosure, market discipline and safe and sound banking system. Pillar 3 primarily aims at disclosure of bank's risk profile and capital adequacy. Basel II guidelines are specified by the RBI also include the following 10 schedules in the financial statements. The requirements as per Indian AS 32 for financial instruments are subsets of Basel II pillar 3 disclosures (namely DF 4, DF 5, DF 6, DF 8 and DF 10) as under:

DF 1 – Scope of application	DF 2 – Capital structure
DF 3 – Capital adequacy	**DF 4 – Credit risk – general disclosures for all banks**
DF 5 – Credit risk – disclosure for portfolios subject to the standardized approach.	**DF 6 – Credit risk mitigation – disclosures for standardized approaches**
DF 7 – Securitization – disclosure for standard approaches	**DF 8 – Market risk in trading book**
DF 9 – Operational risk	**DF 10 – Interest rate risk in the banking book**

7.5. RATIONALE BEHIND RISK REPORTING

Although regulators and standard setters mainly focus on the information needs of users of financial statements and therefore claim that risk disclosures are necessary, the companies itself can also benefit from it. First the rationale behind risk reporting from the information asymmetry and agency problem perspective will be explained. Next to that the information risk perspective, the political cost theory and the signaling perspective will be shortly discussed. According to Healy and Palepu (2001, 406) information asymmetry and the agency problem cause the demand by outside investors for disclosures to be made by management. Information asymmetry, also described by Akerlof (1970) as the 'lemons problem', means that these investors and managers do not have the same extent of information, with the latter usually having more and better information. In the context of this research, the bank manager will have more information about risks that might affect future results than the share- or stakeholder. Consequently, disclosing more about these risks will result in a reduction of the information asymmetry. From the point of view of the stakeholder this is favorable since disclosed information can be taken into account in the decision making process. The agent will however be reluctant to remove some of the information asymmetry for the reasons that will be discussed later on in this section. The agency problem arises due to the difference in interest between an agent and a principal, with the first being the manager and the latter being the shareholder (Jensen and Meckling, 1976; Fama, 1980). The problem here is that the agent has the incentive to act in his own interest, which is not always in the interest of the shareholder. Healy and Palepu (2001, 410) describe several ways to reduce the agency problem, including compensation contracts, corporate governance, information intermediaries and disclosures. Irrespective of the fact that disclosures in general might reduce the information asymmetry and agency problem, they might also result in reduced costs of capital. According to Helbok and Wagner (2006a, 9), from an information risk perspective, "investors demand of returns depends on the level of information provided to them through disclosures". Several empirical studies have tried to confirm the connection between risk disclosures and the cost of capital and found support that the cost of equity capital declines when the amount of disclosures increase (Botosan, 1997; Healy and Palepu, 2001; Hutton, 2004; Botosan, 2006). The ICAEW and IASB 26 share this view and also state that risk reporting will help companies in managing their risk and to improve their risk management. Last, but not least they also believe that information on risks will "improve accountability for stewardship, investor protection and the usefulness of financial reporting" (ICAEW, 2002, 7).

By disclosing more information about risks, shareholders are better able to understand the company's future economic performances and its market value (Schrand and Elliot, 1998; Linsley and Shrives, 2006; Abraham and Cox, 2007; Dobler, 2008). According to the Modern Portfolio Theory of Markowitz, this information is used in decision making and gives the opportunity to maximize shareholders' value (Markowitz, 1991; Solomon et al., 2000, Abraham and Cox, 2007). There are however according to Linsley and Shrives (2000) also two other perspectives on why companies, financial and non financial, would disclose risk information: the political cost perspective and the signaling perspective. According to Helbok and Wagner (2006a, 11) and based on the Political Cost Theory by Watts and Zimmerman banks will disclose more information in order to attract less attention from supervisors like the Authority of Financial Markets (AFM) or the central banks. Next to that, the signaling perspective suggests that banks want to distinguish themselves from each other and that especially banks that are performing well will be early adopters of risk disclosures (Helbok and Wagner, 2006a, 11). Others however suggest that the rest of the industry will imitate these early adopters (DiMaggio and Powell, 1983) and that the behavior of the dominant bank might shape the disclosures within an industry (Cooke, 1992).

Next to the above mentioned perspectives Dobler (2008, 186) "considers risk reporting to be an endogenous feature and, thus, are motivated from risk management and game setting perspectives". Incentives for risk reporting are important, even when there is regulation. It is however not always in the advantage of the company or manager to disclose certain information. Linsley et al. (2006) state that there are two reasons why managers are reluctant to do this. The first reason is that there is a 'problem of proprietary information', because information might be commercially sensitive and can give competitors an advantage. Second, there is the issue of forward-looking information. Although Solomon and Solomon (2004) examined that forward looking is found to be more useful in the decision making of investors and the ICAEW states this as well, forward-looking information is "unreliable and could leave directors open to potential claims from investors who have acted upon this information" (Linsley et al., 2006, 269). According to Dobler (2008) and its analytic models this threat of litigation is also one of the reasons why managers might not report on risks. Fuller and Jensen (2002) on the opposite however state that being clear about risks could prevent reputation damage.

Whether mandatory risk disclosures are better than voluntary risk disclosures can be questioned. According to Hutton (2004) and Solomon et al. (2000) voluntary risk disclosures are preferred, because relevant information cannot be standardized. Despite this, regulators and accounting standards boards continued to examine this topic and by now laws and regulations about risk reporting exist in certain parts of the world and for certain companies (for instance banks).

7.6. PREVIOUSLY USED MODEL

An approach that is previously used in risk disclosure studies makes use of a model created by Arthur Anderson (also known as the Deloitte model, Groenland et al. 2006) and is published by the ICAEW in 1998. According to Linsley and Shrives (2006), Kajüter (2001) was the first to use this model. Other studies by Linsley and Shrives (2006) and Linsley et al. (2006) consequently make use of this model in their specific risk disclosure studies.

7.7. FINANCIAL INSTRUMENTS DISCLOSURES - IFRS 7

To improve the disclosure framework of risks arising from financial instruments and provide financial statement users with greater transparency about an entity's exposure to risks, the new disclosure requirement in IFRS 7 has been adopted and applies to accounting periods beginning on or after 1 January 2007. IFRS 7 sets out guidelines of the application requirement and allows users of the financial statements to make more informed judgments about risk and return. It requires the disclosure of risk exposures in both qualitative and quantitative way. In this way, those entities can communicate to the market on its risk management strategies more effectively. Such new disclosure requirement applies not only to financial institutions, but also to all entities including those that do not have comprehensive financial instruments.

The new disclosure requirement in IFRS 7 / HKFRS 7 has been adopted and applies to accounting periods beginning on or after 1 January 2007. With the adoption of IFRS 7, the framework of quantitative disclosures of risk has been expanded. Some common risks include Credit Risk that arises from the uncertainty in a counterparty's ability to meet its obligations, Liquidity Risk which is a financial risk resulting from uncertain liquidity, Interest Rate Risk which leads to the change in the investment's value of an instrument as a result of the change in the absolute level of interest rates, Market Risk which arises from the uncertain market value of a portfolio and Other Price Risk which arises from the change of value in financial instruments affected by changes in commodity prices or equity prices.

IFRS 7 sets out guidelines of the application requirement and allows users of the financial statements to make more informed judgments about risk and return. It requires the disclosure of risk exposures in both qualitative and quantitative way. In this way, those entities can communicate to the market on its risk management strategies more effectively. Such new disclosure requirement applies not only to financial institutions, but also to all entities including those that do not have comprehensive financial instruments.

8.0. FRAMEWORK OF THE STUDY

The study on risk disclosure of financial instruments includes market risk, credit risk and liquidity risk. Prior research on risk disclosure used content analysis (e.g. Linsley and Shrives (2006), Amran et al (2009) while others (e.g. Hossain (2008), Oorschot (2009)) developed disclosure index to measure the extent of disclosure. As the objective of the study is to know the extent of risk disclosure and relationship of variables like profitability and bank size, disclosure index method was considered more appropriate. As discussed earlier, two types of information namely quantity and quality of risk disclosure is required by IFRS 7/ AS 32. The disclosure index developed by Oorchot[5] (2009) is used for the study. The quantity disclosure index consists of 59 items and quality disclosure index consists of 13 items (Table 1 and 2). If an item is present in the annual report one point is awarded to the item, if the item is not present no points is given for the item.

8.1. HYPOTHESES

In order to find possible explanations for the differences in disclosure scores a limited amount of hypotheses is developed that will test the relationship between quantity and quality scores, with certain firm-specific characteristics, and with time. The hypotheses and the logical basis for the development of it are explained below. Due to the limited amount of research on this specific topic these hypotheses are mostly based on general risk disclosure studies.

8.2. QUANTITY VERSUS QUALITY

An important contribution to the already existing accounting literature on disclosures can be provided by examining the relationship between the quantity and quality of risk disclosures. As explained in previous sections, certain researchers assume that quantity is a good proxy for the quality as well, but no clear explanation for this has been given. Other researchers state that this relationship cannot just be assumed and a study by Beretta and Bozzolan (2008) on forward looking information shows as well that the quality of disclosures is not related to the quantity of disclosures.

In this study quantity is measured by the quantity framework, and quality by the quality framework. To a certain extent the quantity framework measures quality as well, by including items related to relevance, but the quality framework also takes into account comparability, understandability and reliability of information. In order to examine what the relationship between the quantity and quality of risk disclosures in the banking sector is the hypothesis below is drawn up. There is however no clear theoretical background for the expectation that banks that disclose a lot of information do not automatically also provide information of better quality.

8.3. RISK DISCLOSURES AND BANK SIZE

The second set of hypotheses to be tested focuses on the relationship between risk disclosures and the size of banks. In general, larger companies attract more attention of share- and stakeholders than smaller companies. According to the Political Cost Theory this might lead to higher political cost and one way of reducing these costs is to disclose more information, for instance about risks. Also the problems of information asymmetry, agency costs and higher demand of returns for shareholders will be higher for larger companies. In accordance with Diamond and Verrechia (1991, 1325) larger companies and banks are therefore expected to disclose more risk information.

Previous studies have found a positive relationship between the level of risk disclosures and the size of non-financial companies in inter alia the UK, Italy and Malaysia. Linsley et al., (2006) however also found this positive relationship for UK and Canadian banks when examining a total amount of 18 annual reports in 2002. The rationale for this relationship would be that stakeholders "have an expectation that larger banks should be providing more disclosures or have more varied information needs and consequently larger banks may be responding to this expectation or need" (274). On the other hand, institutional isomorphism, as described by DiMaggio and Powell (1983), suggests that financial firms imitate each other in their risk disclosures (Linsley et al., 2006, 279) and also according to Cooke (1992) the behavior of a dominant company may shape the disclosures within an industry.

Based on the political cost theory one can expect to find a positive relationship between bank size and the quantity of disclosures. However, only in the years before the disclosures of IFRS 7 became mandatory (2005-2006). In the years 2007-2008 no significant relationship is expected since the disclosure requirements are in this period equal for all banks.

The relationships between the quantity of disclosures and bank size will be examined by testing the following hypotheses:

H2a: There is no significant positive relationship between the quantity of risk disclosures in the annual reports of Indian banks and bank size in the period 2012-2013.

H2b: There is a significant positive relationship between the quantity of risk disclosures in the annual reports of Indian banks and bank size in the period 2012-2013.

For examining the relationship between the quality of risk disclosures and bank size the Hypotheses below are drawn up.

It is expected that larger banks produce qualitative better annual reports since they have more political exposure and in general more stakeholders that make use of the annual report.

H2c: There is a significant positive relationship between the quality of risk disclosures in the annual reports of Indian banks and bank size in the period 2012-2013.

H2d: There is a significant positive relationship between the quantity of risk disclosures in the annual reports of Indian banks and bank size in the period 2012-2013.

8.4. RISK DISCLOSURES AND PROFITABILITY

The fact that a bank might be larger, for instance based on total assets, does not necessarily have to mean that a bank is also more profitable. The question for this research is therefore what the relationship between risk disclosures and bank profitability is. According to Helbok and Wagner (2006a, 11) banks that are more profitable will be early adopters of risk disclosures since they want to distinguish themselves from the other, less profitable banks. Next to that, the political cost theory also gives rise to the expectation that more profitable banks will disclose more risk information in order to reduce the political costs. Whether risk disclosures lead to higher profitability or higher profitability leads to more risk and better risk disclosures is however not the relationship that will be examined in this research.

Previous empirical research on operational risk disclosures by Helbok and Wagner (2006b) shows a negative relationship between operational risk disclosures by banks and their profitability level as measured by the net profit divided by total assets. In contrast with their expectation, Linsley et al. (2006) do not find a significant positive relationship between the quantity of risk disclosures by banks and the relative profitability. In general mixed results are found, but in accordance with the theory and expectation that by risk disclosures banks can show the users of the annual report that they manage their risks well, the following hypothesis is drawn up for the years 2012-13 :

H3a: There is no significant positive relationship between the quantities of risk disclosures in the annual reports of Indian banks and the relative profitability of the banks in the period 2012-13.

Since the disclosure requirements became equal for every bank in the years 2007-2008 differences that are related to the profitability of a bank are not expected and therefore the following hypothesis is drawn up for the years 2012-2013.

H3b: There is a significant positive relationship between the quantity of risk disclosures in the annual reports of Indian banks and the relative profitability of the banks in the period 2012-2013.

Concerning the relationship between the quality of risk disclosures and bank profitability the following hypotheses are drawn up, for the same reasons as mentioned for hypotheses 2c and 2d.

[5] Oorschot L. Van, *"Risk Reporting: An Analysis of German Banking Industry"*, Master Thesis, Erasmus university Rotterdam, July 2, 2009.

H3c: There is no significant positive relationship between the quality of risk disclosures in the annual reports of Indian banks and the relative profitability of the banks in the period 2012-2013.

H3d: There is a significant positive relationship between the quality of risk disclosures in the annual report of Indian banks and the relative profitability of the banks in the period 2012-2013.

9.0. MEASUREMENT OF VARIABLES

9.1. BANK SIZE

In order to calculate the correlation between bank size and disclosure scores, the measurement of the variable bank size has to be determined. Previous studies on disclosures by non-financial companies, for example by Botosan (1997), consider the market value of equity at year end to be a good measure of company size. However, other measurements as turnover, total assets, and the number of employees can also be used to measure the size of a company. Hackston and Milne (1996, 87) state that “no theoretical reasons exist for a particular measure of size”, and therefore they measure size in their study by market capitalization, sales and total assets. Whether these measures are also appropriate for measuring bank size is the question. According to Linsley et al. (2006, 275) turnover cannot be considered to be an appropriate measure since banks “do not derive profit from sales in the same way that the profits of say, a manufacturing company derive from sales”.

Total assets are used in the study by Linsley et al. (2006), but since not all the banks included in the sample of this research are stock-listed market capitalization cannot be used. Therefore bank size will in this work be measured by total assets, and in order to prevent heteroscedasticity by taking the natural logarithm of total assets.

9.2. PROFITABILITY

The variable profitability can be measured in several ways, especially since both absolute and relative profitability can be distinguished. In the case of relative profitability financial ratios are calculated, which make it easier to compare performances between companies and over time. In the case of bank performances the Return on (Average) Total Assets (ROA) and Return on (Average) Equity (ROE) are often calculated. Previous studies by Helbok and Wagner (2006b) and Linsley et al. (2006) examined the relationship between disclosures and profitability of banks, thereby measuring profitability by the net profits divided by total assets (ROA). Another measurement that is often reported as a key performance indicator in the annual reports of banks is the ROE, which is the division of net profits by shareholders equity. In order to examine the relationship between bank profitability and risk disclosures by Indian banks, profitability will therefore be measured by ROE.

9.3. STATISTICAL METHODS

The tools are used in this work are,

(a) Arithmetic Mean

(b) Variance

(c) Standard deviation

(d) Pearson Corellation coefficient

(e) One & two tailed T-test (at .05 significance level)

9.4. TYPES OF DATA USED

For the study, secondary data is used in form of annual reports of banks. The annual reports were downloaded from websites of each respective bank for the year 2012-2013. Out of population of nationalized banks and private sector banks, by May 2012, annual reports of 27 banks were available on websites of respective banks and therefore they form a sample size of this study..

9.5. DESCRIPTIVE STATISTICS

Descriptive statistics are used to scoring the qualitative & quantitative item, shown in the annual report of the Indian bank.

TABLE 9.1.: SUMMARY DATA OF EACH BANK

BANK NAME	QUALITATIVE SCORE	QUANTITATIVE SCORE	BANK SIZE “000’s”	PROFITABILITY
Allahabad Bank	25	28	2043731889	24.24
Andhra Bank	23	32	1462989442	23.04
Bank of Baroda	13	29	5471354403	108.84
Bank of India	21	25	4526027183	47.79
Canara Bank	20	32	4123426086	11.88
Dena Bank	13	27	1134404240	23.15
Punjab National Bank	11	24	4788770363	139.52
United Bank of India	20	27	1146151131	8.64
Union Bank of India	19	28	3118608073	38.93
State Bank of India	29	29	21331583363	210.06
Axis Bank	27	29	3405606584	119.67
Development Credit Bank	21	27	112788239	4.19
HDFC	20	31	407729850	28.49
ICICI	20	25	5367946811	72.20
IndusInd Bank	14	27	733065154	21.83
ING Vyasa Bank	18	31	548364438	40.36
South Indian Bank	33	26	497950316	4.03
Yes Bank	20	30	991040774	36.53
Syndicate Bank	17	26	2151223251	33.30

Source : Compiled from Secondary Data.

10.0. SUMMARY OF THE FINDINGS

The purpose of this study has been to know the extent quantity and quality disclosures score related to risk in financial instrument for banks in India as required by AS 32 & Basel II pillar III of financial instruments and to know the relation between the two as well as the relation of each quality and quantity risk disclosure with bank size and bank profitability.

TABLE 9.2.: SUMMARY DATA OF HYPOTHESES TESTING

OBJECTIVES	NO. OF BANKS	STATISTICS	NULL HYPOTHESIS	HYPOTHESIS RESULT	STATISTICAL TECHNIQUE
Objective 1: What is the quantity disclosure score by sample Indian banks?	19	Mean: 0.28 Variance: 0.057	N.A.	N.A.	Descriptive Statistics
Objective 2: What is the quality disclosure score by sample Indian banks?	19	Mean: 0.202 Variance: 0.313	N.A.	N.A.	Descriptive Statistics
Objective 3: Is there any significant correlation exists between quantity and quality disclosure score by sample Indian banks?	19	r value: 0.17 Table value of t: 1.729 Observed t value: -5.988278 Value of P : < .00001	$H1_0$: There is no significant relationship between quantity and quality score of banks.	Not Significant	Correlation Analysis
Objective 4a: Can the quantity disclosure score of sample Indian banks can be explained by variable of bank size of banks?	19	r value:0.04 Table value of t: 1.729 Observed t value: 3.298 Value of P : 0.001998	$H2_0$: There is no significant relationship between the quantity of risk disclosures in annual reports of banks in India and bank size in year 2012-2013	Not Significant	Correlation Analysis
Objective 4b: Can the quantity disclosure score of sample Indian banks can be explained by variable of profitability of banks?	19	r value: -0.015587 Table value of t: - 1.729 Observed t value:2.1991 Value of P : .020588	$H3_0$: There is no significant relationship between the quantity of risk disclosure in the annual reports of banks and the relative profitability of the banks in the period 2012-2013.	Not Significant	Correlation Analysis
Objective 5a: Can the quality disclosure score of sample Indian banks can be explained by variables of bank size of banks?	19	r value: 0.26 Table value of t: 1.729 Observed t value: 3.2098 Value of P : .001998	$H4_0$: There is no significant relationship between the quality of risk disclosures in annual reports of banks in India and bank size in year 2012-2013.	Not Significant	Correlation Analysis
Objective 5b: Can the quality disclosure score of sample Indian banks can be explained by variable profitability of banks?	19	r value: 0.050174 Table value of t: 1.729 Observed t value:2.8376 Value of P:0.005459	H 5_0: There is no significant relationship between the quality of risk disclosure in the annual reports of banks and the relative profitability of the banks in the period 2012-2013.	Not Significant	Correlation Analysis

10.1. THE EXTENT OF QUANTITY AND QUALITY DISCLOSURE

The quantity disclosure index contained 37 items. The breakup of these item score consist of 33 items. Mainly located at market risk – interest rate risk, other price risk, there is no disclosure for currency risk in any bank, credit risk are disclosed at good level and liquidity risk are also disclosed.

The quality disclosure index contained 13 items, 4 items were related with relevance, 4 with compatibility, 1 with reliability and 4 with understandability. A close look of above 13 items shows that out of these 7 to 9 items are required as per Basel II. As Basel II is already mandatory in India since more than 2 years the banks are likely to score high in quality score. As the findings of study show the mean value of quality disclosure is 0.71 and minimum being 0.54 and maximum being 0.92 with variances of 0.01. In other words on average 9 items are scored of 13 items by a bank. These findings confirms with the observations that 7-9 items are required as per Basel II norms. It is expected that with making disclosures mandatory, the score shall approach to 1.

The findings of this study suggest that banks in India require more disclosures to meet the requirements of users of information and compete successfully with banks which discloses more. Especially the quantity disclosure requires more attention.

10.2. QUANTITY V/S QUALITY DISCLOSURE

As expected the outcome of hypothesis H1 shows no significant relationship between quantity and quality disclosures. This result is important to further explore co-relationship of quantity disclosure score with bank size and profitability and quality disclosures.

10.3. QUANTITY DISCLOSURE SCORE AND BANK SIZE

The expected outcome of the study was to have no significant correlation between quantity disclosure score and Bank size as it is mandatory requirement as per Indian AS32- which is subset of Basel II disclosure which became effective before 2008- 09/2009-10 for banks in India. The result for the year 2012-13 for 19 banks under study are in line with expected outcome.

10.4. QUANTITY DISCLOSURE SCORE AND PROFITABILITY

The expected outcome of the study was to have no significant correlation between quantity disclosure score and profitability as measured by Return on Equity. The findings are contrary to expectations and show significant relationship with profitability. One reason for this unexpected outcome can be explained by wide variation of ROE value for sample banks with lowest value of 4.19, highest value of 139.52.

10.5. QUALITY DISCLOSURE AND BANK SIZE

The expected outcome of hypothesis H4 has been that there is no significant relationship between quality disclosure and bank size of banks.The findings are in line with the expected outcome.

10.6. QUANTITY DISCLOSURE AND PROFITABILITY

The expected outcome of hypothesis H5 has been that is no significant relationship between quality disclosure and relative profitability of banks. The findings are in line with the expected outcome.

11.0. SUMMARIZED CONCLUSION

To summarize,

1. The quantity disclosure score has the potential to improve for banks in India. This can help the banks to compete more effectively also. It will enable users of information of annual reports to take more informed decisions. Perhaps with introduction of Xtensible Business Reporting Language (XBRL) in India it may be easier for regulatory authorities to expect risk disclosure score closer to 1 in near future.
2. On the similar line quality disclosure score has a lot of potential to improve for banks in India.
3. There is no significant correlation ship of quantity disclosure and bank size for 2012-13, the reason for this may be as it is mandatory requirement.
4. There is significant correlation between quantity disclosure and profitability. This was not expected as disclosure has become mandatory. Perhaps the wide difference is ROE of Banks can explain this correlation.
5. As expected, there is no significant correlation of quantity disclosure and bank size and also profitability.

6. Overall the results are in line with expected outcome expect for quantity disclosure score and profitability co-relation. However both the quantity and quality disclosure score have potential to reach to 1 and it can enhance the utility of risk disclosure for both banks as well as users of information.

Overall the results are in line with expected outcome expect for quantity disclosure score and profitability co-relation. However both the quantity and quality disclosure score have potential to reach to 1 and it can enhance the utility of risk disclosure for both banks as well as users of information.

The study concludes that sample banks in do follow the financial risk disclosures as required by Indian AS 32/ IFRS 7 in their first year, by way of quantity disclosure less than 0.5 while quality disclosure near to 1, and therefore, there is lot of scope to improve especially the quantity disclosure in the years to come..

12.0. LIMITATION OF THE STUDY

The study is limited to 27 banks. It is based on convenient sampling method rather than random sampling and therefore it has limited validity. The conclusive study require large and more scientific sampling method.

12.1. CONRIBUTION OF THE STUDY

The present study gave empirical findings on Risk disclosures Practices for financial instruments in line with IFRS 7 and AS 32 for Banks in India and therefore provides empirical evidence in Indian context for further strengthening the literature on risk disclosure by banks.

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APPENDICES

APPENDIX 1: RISK DISCLOSING ITEMS

TOTAL DISCLOSURE IS TO BE CONSIDERED

Qualitative – 42

Quantitative – 37

APPENDIX 2: BANKS UNDER STUDY

ALLAHABAD BANK	STATE BANK OF INDIA	PUNJAB NATIONAL BANK
ANDHRA BANK	SYNDICATE BANK	SOUTH INDIAN BANK
BANK OF BARODA	AXIS BANK	YES BANK
BANK OF INDIA	DEVELOPMENT CREDIT BANK	UNION BANK OF INDIA
CANARA BANK	HDFC BANK	UNITED BANK OF INDIA
DENA BANK	ICICI BANK	ING VYASA BANK
INDUSIND BANK		

APPENDIX 3: DETAILING OF DISCLOUSING ITEMS

Section	Qualitative	Quantitative
DF1(scope of application)	Bank has no branches	Bank has no branches
DF2(capital structure)	Summary information of capital instrument	• Tire1 capital • Debt capital instrument • Subordinate debt • Other deduction • Total capital
DF3(capital adequacy)	• ICAAP policy • Requirement of current business level • CAR/CRAR	Capital requirement for • Credit risk • Market risk • Operational risk • Tire1 & capital adequacy ratio
DF4(credit risk-general)	• Past due & impaired assets • Credit risk management policy	• Gross credit exposure(fund & non fund based) • Geographical distribution • Industry type • Residual contractual • Interest rate sensitivity • Amount of gross NPAs • Net NPAs • NPA ratio • Movement of NPA • Movement of NPA provision • Amount of non performing investment • Provision for NPA investment • Movement of provisionfor depreciation on investment
DF5(credit risk-standardise approach)	• Name of ECRAs • Reason (if not)	• Amount of outstanding • Amount of deduction
DF6(credit risk mitigation)	• Policies for collateral valuation • Has CRM & CPM put in • If not discuss • Financial collateral • Guarantor & counter parties • Non financial • Information about risk concentration	• Cover of total exposure • Elegibleelegible financial collateral • Other elegible collateral
DF7(securitization)	• Objective • Role • Regulatory capital approach • Summary of bank accounting policy • Name of ECAIs	• Total outstanding exposure securitized • Amount of impaired past due asset securitized • Loss recognisation • Total amount of securitized exposure retain • Amount retained securitise exposure into a meaningful no. of risk weight bands
DF8(market risk)	• General disclosure requirement for market risk including portfolio • Market risk management policy • Trading policy with risk monitoring & mitigation measure. • Standardize duration approach • Securities under HTF • Securities under AFS • Derivatives enter into AFS • Risk management & reporting based parameter • Analysation of risk profile & mitigation strategy • Forex open position limit	• Capital requirement for market risk • Interest rate risk • Equity position risk • Forex risk
DF9(operational risk)	• Risk policy in place • RCSA has been rolled out to zone • ORMC has been constituted • Disaster recovery policy • Operating risk capital assessment	• Capital charge on operational risk
DF10(interest rate risk in banking book)	• Indicate wheather NII is measured as per ALM guideline • Indicate wheather earning at risk is arrived under thetraditional gap analysis • Changes in bank's market value of equity	• Changes in net interest income • Changes in market value of equity

E-GOVERNANCE: EXPLORING CITIZEN'S BEHAVIOR IN INDIA

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ABSTRACT

Online working of a government or providing its services online to its citizens at their door step is known as E-Governance. Development of any country can be judge by the scope of E-Governance in that country. India is a developing nation having democratic decentralization and to enhance the participatory approach; e-governance was initiated in early seventies. The focus of this paper is at the current status of e-governance in India and some emerging areas where e-governance can play a vital role in betterment of the society. This paper also covers key challenges with possible remedial solutions and some strategies for successful implementation of e-governance. It also focused on initiatives adopted by the government at both national and state level. Finally an Indian citizen's behavior is explored that focused on maintaining trust in e-government, perceived risk and perceived behavioral control that are important in understanding a citizen's response to e-governance.

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KEYWORDS
citizen's behavior and e-governance.

INTRODUCTION

Technology is viewed as a tool that helps to monitor performance and thereby aids in instituting transparency and accountability. Electronic government has been viewed as the adoption of information and communication technology (ICT) by government organizations to achieve better public services. E-governance (Radl, & Chen, 2005) refers to the use of information and communication technology to carry out government operations such as delivering government information and services. Also, Jayaradha and Shanthakumar (2003) defined E-governance as the process of service delivery and information dissemination to citizens using electronic means providing the benefits such as increased efficiency in various governmental processes, transparency and anticorruption in all transactions and empowerment of citizens and encouragement of their participation in governance. So, e-governance is the continuous optimization of service delivery, constituency participation and governance by transforming internal and external relationships through technology, the internet and new media. E-Governance has come a long way since the late 80s and has now become an integral part of governance, be it at the center or the state level. Earlier, e-governance had more to do with facilitation rather than regulation, but now e-governance involves both facilitation and regulation. Basically, it is a step towards better administration by facilitating transparent, speedier, responsive and non-hierarchical system of governance. Better administration leads to effective management of delivery of governmental services and this comes from managing e-governance process.

Government cannot exist or function in isolation. For a government to operate effectively, a government-community-citizen infrastructure should be in place. A close-knit infrastructure would yield two fold benefits. First, citizens can enjoy faster, effective and timely government services. This would also evolve a culture of self-service wherein citizens can help themselves wherever and whenever required. Second, government can become more integrated into the community itself. Also government can focus its resources where they are needed the most.

In India, the government aims to make e-governance mandatory in the all government departments to reduce personal interaction of the public with government officials and minimizing such official and citizens interaction to a large extend will help in reducing corruption. Also, E-governance enables various departments to synchronize data. This will not only result in paperless administration but also help government provide services to citizens at their doorstep or, in some cases, even at the click of the mouse. As the number of servers will reduce, the cost incurred on hardware, machines and maintenance too would come down. This will help government in saving good amount of money.

E-GOVERNANCE MODELS

E-governance services can be shared between citizens, businessman, government and employees. These four models of e-governance are as:-

- **GOVERNMENT TO CITIZENS (G2C):-**This model of e-governance refers to the government services which are shared by citizens. Here, citizens visit to the link of services that they want to use. It enables a strong bond between government and its citizens. It provides services like payment of online bills such as electricity, water, telephone bills etc., online registration of applications, copies of land-records, online filling of complaints and availability of any kind of online information.
- **GOVERNMENT TO GOVERNMENT (G2G):-**This model refers to the services which are shared between the governments. There are lot of information that are needed to be shared between various government agencies, department and organizations. These types of services or information includes sharing of information between police departments of various states, government document exchanges like preparation, approval, distribution and storage of government documents.
- **GOVERNMENT TO BUSINESSMEN (G2B):-**Through this model, bond between private and government sector increases. They share information through this model like collection of taxes, rejection and approval of patent, payment of all kind of bills and penalty and complaints or any kind of dissatisfaction.
- **GOVERNMENT TO EMPLOYEES (G2E):-**This model increases the transparency between government and its employees. Here, employees can keep a check on the functioning and working of government and government can keep a check on its employees. Information that can be shared by this model includes all kind of data submission (attendance record, employee record etc) from various government offices, rule- regulation and information for employees, payment and working records.

E-GOVERNANCE IN INDIA: CURRENT POLICIES, INITIATIVES AND INSTITUTIONS

As previously mentioned, India is one of the leading countries venturing into e-governance. Recently, the Indian Government has set the target of delivering at least 25 percent of its dealings and services electronically (MIT, 2001a). In this regard, the Indian Government's major policy measures have been defined in terms of computer density, connectivity, content, cost and cyber laws (Vittal, 2000). The government has introduced various measures for e-governance, which can be categorized into national- and state-level initiatives and institutions.

INITIATIVES AND INSTITUTIONS AT THE NATIONAL LEVEL: One of the most important initiatives undertaken by the central government is the Information Technology Act (2000), which is to regulate cyberspace and define offences and penalties related to information technology (IT) such as tampering with computer source documents, breach of confidentiality and privacy, publication of false digital signatures (Vittal, 2000). Furthermore, it has introduced citizen's charters under which the ministries and departments at both national and state levels are required to adopt charters specifying their respective service provisions, time frames, service standards and channels for redressing grievances. In order to implement this vision, policy initiatives and legal measures related to e-governance, there has emerged a series of institutions and official positions in India. For instance, the Government has introduced a National Task Force on IT and Software Development, a Committee on Improving Efficiency in Government Through IT, a Ministry of Information Technology (MIT) and a Centre for Electronic Governance in order to promote it and e-governance in the country (Budhiraja, 2001; MIT, 2001a). In particular, the MIT plays a crucial role in facilitating e-governance by reinforcing knowledge-based enterprises, encouraging coordination among users, adopting procedures based on international standards, promoting the internet and introducing it education (Upadhyaya, 2000).

The Government has also decided to establish a National Institute of Smart Government in order to enhance capacity building in e-governance in all administrative levels (Government of India, 2001a). In addition, various ministries and departments have created Information and Facilitation Counters as one-stop shops to make varieties of information available to citizens through electronic links (MIT, 2001a). An essential institutional aspect of e-governance in India is also the government decision to appoint it managers in the ministries or departments (Agnihotri & Ramani, 2001)

INITIATIVES AND INSTITUTIONS AT THE STATE LEVEL: Several State Governments have taken various innovative steps to promote E-governance. At a recent conference on e-governance in Bangalore, IT Secretaries from 32 states and union territories expressed their strong commitment to e-governance (Centre for the Development of Advanced Computing, 2000). Andhra Pradesh Government took the initiative of e- governance known as the Andhra Pradesh State Wide Area Network, which is a network for data, voice and video communication (MIT, 2001c). Madhya Pradesh followed Andhra Pradesh's example by introducing its own e-governance with some modifications. In particular, the government in this state has introduced extensive computerization in dealing with payrolls, the budget, accounts, personnel, official communications, land records, public programmers and relief operations. It trains public servants in e-governance at the Academy of Administration. Karnataka is another state that has undertaken e-governance program. This state government has begun to computerize most departments, especially the education department. Its major city, Bangalore, is known as an IT hub attracting over 1500 IT companies from advanced industrial nations; and its Indian Institute of Information Technology has a very advanced infrastructure and IT facilities (Siliconindia, 2001).

Similarly, the Government of Tamil Nadu is strongly committed to transforming the state into an advanced system of e-governance by computerizing its major departments with the objective of restoring public confidence and creating an effective relationship between citizens and government (MIT, 2001c). In Kerala, however, the state government uses selected nodal officers in each department to accelerate the application of IT. In this regard, one unique feature of Kerala is its comprehensive program aimed at decentralizing e-governance to the district level — many district cooperative banks and credit societies have been networked (PC World, 2000)

Beyond these state-level initiatives, e-governance has been pursued at the local community level. It encompasses local information facilities, and thus, offers an expansive multilateral network connecting all information users and information providers (MIT, 2001c). A good example of local-level initiatives in e-governance is a rural intranet project known as Gyandoot, which was adopted by the district panchayat of Dhar district in Madhya Pradesh to extent IT services including e-governance to rural areas in a people-centered manner (Misra, Agarwal & Kumar, 2001).

EMERGING AREAS OF E-GOVERNANCE IN INDIA

Today area of e-governance is very wide. E-Governance is implemented by government in almost every field. From urban states to rural areas governance has spread its root everywhere. Either its public or private sector, common man or businessman all is largely dependent on e-governance. Some of the emerging areas of e-governance are:

- **E-GOVERNANCE PROJECTS IN URBAN AREAS:** These include transportation (provision of booking facility for Interstate transport, transportation improvement program), online payment of bills and taxes (online transaction, payment of bills and taxes), municipal services (house tax assessment, billing and collection, maintain records of land & property, issue of death certificates), roads and traffic management (network of roads & bridges, road construction and their maintenance, traffic management)
- **AREAS OF E-GOVERNANCE IN RURAL AREAS:** These include agriculture (projects like gyandoot, belle), local information (prices of seeds, fertilizers, loan rates), disaster management is a very big challenge for the government as these are natural phenomena and are unpredictable, panchayat (issue of birth/death certificate, application for inclusion of name in voter list, conducting various welfare schemes for the poor and needy sections of the society)
- **E-GOVERNANCE IN HEALTH:** Service provided by these projects are availability of medicines, special health camps, facilities at anganwadi canters
- **E-GOVERNANCE IN EDUCATION**: Providing basic education (elementary, primary, secondary) to children, providing computer education to children, results for 10th& 12thclasses, information on eligibility for "distribution of books" scheme

EXPLORING CITIZEN'S BEHAVIOUR TOWARDS E-GOVERNANCE IN INDIA

To adopt e-Government processes, citizens must have the intention to 'engage in e-Government', which encompasses the intentions to receive information, to provide information and to request e-Government services

TRUST IN E-GOVERNANCE: Trust is a central defining aspect of many economic and social interactions. It is the belief that the other party will behave as expected in a socially responsible manner, and in doing so, it will fulfil the trusting party's expectations (Gefen 2000, Lewis & Weigert, 1985, Luhmann 1979). Hence, trust reduces the social complexity that is the result of people being independent agents whose behaviour cannot always be controlled or anticipated (Gefen, 2000) and thus reduces the risk and uncertainty involved in interacting with them (Lewis & Weigert 1985, Luhmann 1979). Trust is crucial in economic transactions because it reduces the risk of falling victim to opportunistic behaviour (Fukuyama 1995). Presumably, the same should apply to tax payments, where the transaction is one sided especially in the favour of the government. Citizen trust positively influences intentions to engage in e-Government.

PERCEIVED RISK: When engaging in online transaction process consumers are rightfully alarmed about the different types of risks present (Jarvenpapa & Tractinsky 1999). Perceived risk is defined here as the citizen's subjective expectation of suffering a loss in pursuit of a desired outcome. Perceived risk is viewed as a belief that attenuates when trust is present. Risk is lack of behavioural control, involving in this case (1) economic risk, (2) exposure of personal information, and (3) imperfect monitoring. In e-commerce, perceived risk reduces intentions to exchange information and transact (Pavlou 2001). Perceived risk negatively influences intentions to engage in e-Government.

PERCEIVED BEHAVIOURAL CONTROL: The Theory of Planned Behaviour (TPB) (Ajzen 1985) suggests that since citizens do not have full control over their online government transactions, perceived behavioural control should become a critical component of e-Government adoption. There are two components of perceived behavioural control: self-efficacy (confidence in one's ability) and facilitating conditions that provide the resources to engage in behaviour (Triandis 1971). Applied to the e-Government context, behavioural control should facilitate information acquisition since citizens have the opportunity and resources to manage such behavioural activities. Similarly, in terms of providing information, a sense of control over how personal information will be managed and used is likely to encourage such behaviour. Finally, perceived behavioural control would also positively influence behavioural intent since citizens would not have fears of opportunistic behaviour if they perceived control over the situation.

AILING E-GOVERNANCE: There are multiple reasons of ailing e-governance in India. Firstly, there seems to be lack of insight among the policy-makers. The ICT polices and strategies of India are not covering the e-governance aspects at the national level. No political party ever considers e-governance as an important part of their political agenda before elections. Second, there is too much stress upon procurement as opposed to management. India has to accept that computerization of traditional governmental and public functions are not e-governance. We have to empower the citizens with the power of ICT. We have to make the governmental services user-friendly as well as productive and easy. Third, there is lack of transparency in governmental dealing and in the absence of the same -governance is just paperwork. In India, we have the Right to Information Act, 2005 but the same has been a failure in India. Fourth, accountability among governmental officers is missing. There is no mechanism through which we can punish a wrong doer for his violations and negligence. This results in a casual attitude towards public good and e-governance. If we fix accountability and time-bound progress requirements then a lot of problems can be solved. Fifth, public participation in both policy making and governmental decisions is missing. If we get the opinion of those who are somehow surviving at the grassroots level we can solve the majority of our problems. However, the fact is that grassroots level problems are never solved.

OPPORTUNITIES AND CHALLENGES OF E-GOVERNANCE IN INDIA

The e-governance challenge is not a technological one. Rather, the challenge is to use technologies to improve the capacities of government institutions, while improving the quality of life of citizens by redefining the relationship between citizens and their government. Initially, e-governance may seem like another option for communication with citizens. But in the face of rising demands from demographic, economic, social and global trends, it no longer appears to be a matter of choice, but a necessity for India to compete with the world.

With e-governance, the quality of services provided to citizens and businesses has been improved significantly while attaining greater efficiency for all participants. The provision of 24/7 services has improved the level of satisfaction among citizens (Stiftung, 2002). E-Governance has resulted in significant cost savings to governments and citizens alike (Eggers, 2004). It also offered a number of potential benefits to citizens like a more control on how and when they interact with the government. Instead of visiting a department at a particular location or calling the government personnel at a particular time specified by the government, citizens can choose to receive these services at the time and place of their choice. The accessibility of government services also increased, despite government's mammoth infrastructure, there are always a limited number of personnel interacting directly with the citizens and waiting times, even on the phone, can be long. The electronic delivery of government services, especially the availability of different forms and the option of electronically submitting them, provided a considerable saving of time and money for individuals. Technology now makes it possible to personalize a website to a point where delivery of services could be tailored to meet the specific needs of an individual, thereby increasing the satisfaction of citizens from government services. The adoption and usage of online government services has a special significance for developing countries like India. Unlike developed countries, the governments of developing countries have an incessant shortage of resources. They are always short of skilled personnel and facilities to provide adequate services to their citizens. The online delivery of government services could, therefore, tremendously increase accessibility and bring significant time and cost savings to citizens in developing countries. The element of transparency built in the online channel could also alleviate corruption, a serious problem in a number of developing countries. Therefore, e-governance could virtually revolutionize the provision of government services in developing countries. Access to the Internet by citizens is a serious issue but it could be dealt with by providing public access terminals (Government On-Line, 2004).

The infrastructure of India is not up to the mark. Under such condition it becomes very difficult to provide government services to the people. There are number of reasons for this. First, lack of awareness is the prime factor in the utilization of e-governance services. This can be improved by sensitizing the people through arranging several awareness camps or workshops at the local grass root levels. Second, internet access is too expensive for the poor in developing countries like India. Installing the necessary telephone lines needed for internet or email access is equally unaffordable in most poor countries. Third, there is general lack of technical literacy as well as literacy in countries like India, the correlation between education level and use of electronic means or Internet and other ICT means are quite significant. Fourth, the dominance of English on the internet constrains the access of non-English-speaking population. Due to such overwhelming dominance of English over these communication channels, computers and the internet are quite useless in Indian villages, and the use of local languages does little to alleviate the problem due to the poor literacy level mentioned earlier. Fifth, designing of any application requires a very close interaction between the govt. department and the agency developing the solutions. At present the users in govt. departments do not contribute enough to design the solution architecture and lastly, inequality in gaining access to public sector services between various sections of citizens, especially between urban and rural communities, between the educated and illiterate, and between the rich and poor.

CONCLUSION AND FUTURE DIRECTIONS

Although government of India has taken significant steps towards successful implementation of e-governance but despite of that, there are some factors which may affect in successful implementation. In spite of some reservations and potential negative implications of implementing and designing e-governance, including disintermediation of the government and its citizens, impacts on economic, social, and political factors, vulnerability to cyber attacks, and disturbances to the status quo in these areas, e-governance can radically change the face of governance. In future India will be having e-governance completely which will impart an ideal democracy. Several e-governance projects have attempted to enhance the base, minimize the processing costs and increase transparency. It has been claimed that e-governance has the potential to impact the livelihood of poor and economic backward India. It can radically change the face of governance, especially in a big country like India and provide its citizens, an interface to get better and more efficient government services. This can be done by strengthening trust between Government and citizens, regardless of their location in the country, provisioning of better quality e-services to the citizens–preferably in the style of one-window, improving government efficiency by reducing the time spent upon manual tasks and thus aiming for automation, cooperation and collaboration through IT when and where possible, providing better and timely nation-wide administrative control and securing inter-operability and communication within and among the government departments.

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RECENT INITIATIVES TOWARDS CSR IN INDIA

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ABSTRACT

The Importance Of business in the society is well recognized and understood by the whole world. People are getting aware of the fact that business can play a significant role in betterment of the quality of life and in today's complex environment. It can lead to spread the long -lasting impacts on people, our planet and also able to help in aspire the sustainable development. But all these can be achieved only when the business functions with fairness, responsible and ethical manner. So the concern for the fair, transparent and ethical behavior adopted by the business has also increasing among the stakeholders. So to help the business houses and to motivate them to engage in socially responsible business the Indian Government also took an effective step by launching the voluntary guidelines on CSR in 2009. It was the first step towards the concept of Business Responsibility (BR). But after getting the useful feed backs from many diverse stakeholders, Ministry of corporate affairs launched the refined and improved Guidelines over the earlier CSR Voluntary guidelines 2009 named as National voluntary guidelines on Social, Environment and Economic Responsibilities of business. Even though Stakeholder consultation was claimed, a number of stakeholders includes representation of consumer were never consulted during this process.

KEYWORDS

Corporate social responsibility, Business Responsibility Reporting, National Voluntary Guidelines, SEBI's Circular on BRR.

INTRODUCTION

Currently business enterprises are progressively more seen as significant components of social system and they are considered responsible not only to their shareholders from a revenue and profitability viewpoint but also to the larger society which is also its stakeholder. Hence, adoption of responsible business practices in the interest of the social system and the environment are as essential as their financial and operational performance. This is all the more relevant for listed entities which, taking into account the fact that they having accessed funds from the public, have an element of public interest involved, and are compelled to make in-depth continuous disclosures on a regular basis. So to help the business houses and to motivate them to engage in socially responsible business the Indian Government also took an effective step by launching the National Voluntary Guidelines on CSR in 2009. This consists of nine key principles for business practices — conduct with ethics; transparency and accountability; provision of goods and services that are safe and contribute to sustainability; employees' wellbeing; responsiveness to stakeholders, especially disadvantaged, vulnerable or marginalized; protection of human rights and the environment; and so on. The NVG framework talks about sustainability and fair and factual representation of company's activities.

India Government through the National Voluntary Guidelines would like companies to:

- Give back something to the society
- Make companies accountable
- Be liable for its actions and
- Be sustainable in itself and in the environment it operates in.
- Be responsible for betterment of community

NVGs are applicable to all businesses operating in India and Indian MNCs operating to another place irrespective of sector, size, orientation or ownership. Organizations have a tendency to underestimate their influence on different aspects. Organizations not only influenced their relevant stakeholder such as Customers, Employees, Shareholders, etc. But apart from these any organization put forth influence on other larger aspects such as Economy, Policy, Community Relations, Environment and the like. So, we need organizations which look beyond their primary influence and target broader Sustainability goals. This would also provide advantages to the organization such as:

- Develop ability to enhance competitive skills
- Enhance company's growth and brand reputation.
- Increase ability to attract and retain good knowledge pool.
- Improve relationship with investor and society in a better way.

So for each of these nine principles, companies need to provide their declaration report named as Business Responsibility Report on their compliance by providing numbers, data and any specific cases relevant to each of the principles. In August 2012, the Securities and Exchange Board of India made Business Responsibility Reporting mandatory for the top 100 entities by market capitalization on the Bombay Stock Exchange and National Stock Exchange by stating that non-financial reports should include environmental, social and governance initiatives, outlined as per National Voluntary Guidelines (NVG). SEBI envisions this proactive step would increase the transparency in business operations, thereby enabling stakeholders to measure companies on their 'actual performance.' The BRRs should be included in the annual report filings for the financial years ending on or after December 31, 2012.

OBJECTIVES OF THE STUDY

- To know the recent Indian initiatives in the area of CSR.
- To analyze the various underlying characteristics of these measures.
- To examine the adaptability of these measures.

RESEARCH METHODOLOGY

To have insight of the Indian initiative towards CSR, secondary sources have been adopted for study. Various guidelines, Journals, Articles, websites and circulars have been accessed to collect the information for study.

MAJOR FINDINGS

The Corporate Social Responsibility has become the need of today's world, and companies are also depicts interest towards it. In India many big and reputed companies are doing their bit to help the society at large, but still the number of concerned ones is less. The Indian government is trying to implement CSR in Indian companies to help the society and all stakeholders by taking important steps such as launch of NVG's in 2011, insertion of schedule VII in new company bill, and SEBI's circular on Business Responsibility Reporting. These initial steps will help and support Indian organization in planning and implementation of CSR programmes in their organization. India has emerged with ray of hope in this field, but still the destination is very far. But moreover India is a developing nation and these steps are good move in order to enjoy immense scope of growth through CSR.

INDIAN INITIATIVE TOWARDS CSR

1.1 NATIONAL VOLUNTARY GUIDELINES

The Importance Of business in the society is well recognized and understood by the whole world. People are getting aware of the fact that business can play a significant role in betterment of the quality of life and in today's complex environment. It can lead to spread the long –lasting impacts on people, our planet and also able to help in aspire the sustainable development. But all these can be achieved only when the business functions with fairness, responsible and ethical manner. So the concern for the fair, transparent and ethical behavior adopted by the business has also increasing among the stakeholders. So to help the business houses and to motivate them to engage in socially responsible business the Indian Government also took an effective step by launching the voluntary guidelines on CSR in 2009. It was the first step towards the concept of Business Responsibility (BR). But after getting the useful feed backs from many diverse stakeholders, Ministry of corporate affairs launched the refined and improved Guidelines over the earlier CSR Voluntary guidelines 2009 named as National voluntary guidelines on Social, Environment and Economic Responsibilities of business. Even though Stakeholder consultation was claimed, a number of stakeholders includes representation of consumer were never consulted during this process. This guideline is based on the perspective of only some stakeholders. It presents the basic requirements for business to function in a responsible manner in order to achieve the wholesome and inclusive economic growth. The guidelines are not prescriptive it is based upon the practices and earlier available evidence and its real life cases of Indian business houses. Its main idea is to motivate the business to use triple bottom line approach of SR so the business financial condition can be harmonized with the society, environment and stakeholder's benefits. Its core idea is to enhance the socially responsibility (SR) practices in India. Adoption of these guidelines into practice will help the business to enhance the competitiveness, profit and better human resource management.

Principle 1. "Businesses should conduct and govern themselves with Ethics, Transparency and Accountability''- This principle states that the ethical conduct in all activities and functions should be the fundamental idea of the responsible business it explain, that there is a clarity and fairness in all the activities of the business and they should report or disclose the all actions so that the stakeholders can be aware and results are visible to them. It also recognize that there is an act distribution of responsibility and power so the accountability of each person should be clears and noticeable.

Principle 2. "Business should provide goods and services that are safe and contribute to sustain ability throughout their life cycle"- This principle explains that the business should work to improve the quality of life of and it should design its activities and functions which enhance the profitability to the business but also contribute to the realm of SR concern. The all stages of product life cycle has some direct or indirect impact on the society so at the time of making decision form procuring raw material to disposal of goods/waste the stake of society should be kept in mind. The business should not only take care about their internal activities but try to go beyond and also keep eye on the external activities to ensure the betterment of the society as a whole.

Principle 3. "Business should promote the well being of all employee"- It states that business should take the well being of all the employees connected with it value chain at the time of making and implementing the policies and practices. And this could be applicable for all types of employees whether they are in or outside of the business or they are subcontracted workers. Its core elements suggest that business should provide and respect the freedom & rights of employees for example freedom of association, participation, addressable mechanisms. It's should mountain the equal opportunities environment for all employees.

Principle 4. "Business should respect the interest of and be responsible towards all stakeholders, especially those who are disadvantage vulnerable and marginalized"- This principle states that business should go beyond the boundaries means It should not take care about the interest of its shareholders but also consider the stakeholder, especially those who are less aware, under privileged and in a marginal or in vulnerable positions in the society

Principle 5. "Business should respect and promote human rights"- This principle recognizes that business should protect, promote and respect the human rights because these rights are the fundamental need of the human and these are evolved under the heading of civil, political, cultural and social rights. That business's who respect and promote these, they are able to gain profit, opportunity and widens acceptance from the society.

Principle 6. "Business do should respect, protect and makes efforts to restore the environment"- This principle states that business should take care about the environment and its various dimensions because it is the first important responsibility of business to take care. This principle explains that environmental sustainability is the top responsibility because it is important for, economic growth and society's benefit as well. It also explains that environmental issues are very important part of the environment it also encourage business to understand and be accountable for those activities directly or indirectly affect the environment.

Principle 7. "Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner"- This principle states that the business should follow all the laws and rule of regulation because these are made by and for the various stakeholder so at the time of making policies and conducting various activities the concern for all the rules and policies should be there. The core element attached with suggest that a business should recommend those polices which are according to the given principle and guidelines and for this the business should take help from the various trade and industry chambers and association.

Principle 8. "Business should try to participate in the inclusive growth motive"- In India the disparity in growth level in various sections is very drastic so to overcome this problem every business should take care to help and make strong the various underdeveloped and marginalized sections and for this they can join hand with various government or non government agencies. Equitable and inclusive growth definitely helps the business to grow.

Principle 9. "Businesses should engage with and provide value to their customers and consumers in a responsible manner"- The principle states that basic aim of a business entity is to provide goods and services to its customers in a manner that creates value for both. Consumers are one of important stakeholder of the business and no business can survive without making the satisfied. In today's era customer is consider as the king of the market .The principle recognize that no business firm even can exist or survive in the absence of its customers. The principle state that customers enjoy the freedom of choice in the selection and usage of goods and services so it is the duty of the enterprise to produce and provide desired product and services to the consumer and that should safe, at competitive priced, easy to use and safe to dispose off, for the benefit of their customers. The main objective of the principle is to protect the interests of the consumer. The customer delight is the new approach now days which means provides the extra value which actual expecting by the customer.

The principle nine also explains that businesses have a responsibility to cultivate the long term adverse impacts that excessive consumption may have on the overall well-being of individuals, society and our planet. They promote sustainable consumption. The core elements attached with this principle states that Businesses, should take into account the overall well-being of the customers and that of society at the time of fulfilling the need of the customer and it should try to make it sure at the time of designing, promoting and selling their products, the rights of the freedom of choice and free competition in any manner should not restricted by their activities. This principle also suggests business to disclose all information truthfully reliably, transparently and factually, through labeling and other means. All the information should be clearly mentioned on the labels which includes the risks to the individual, to society and to the planet from the use of the products, so by which the customers can do exercises their freedom to consume in a responsible manner.

Business should carry the awareness program when the need is required likewise in India people are less aware about their rights so it is the duty of the responsible business to make their customer aware so they can enjoy their full rights and also take care about making choices of product..4. Businesses should promote and advertise their products in ways that do not mislead or confuse the consumers or violate any of the principles in this Guideline. It should take care and caution while providing goods and services that result in over exploitation of natural resources or lead to excessive conspicuous consumption. For example products are made by those natural resources which are non-renewable by the nature or product the which can harm the safety and security like destructive weapons, and there should be good grievance handling mechanism which can handle the grievances of customer on timely and adequately basis and also provide necessary information to the customer which are important for them and a good two communication channel also set up the business which provide information along with important feedback from the customer.

1.2 NEW COMPANY BILL

There are total 29 Chapters, 470 clauses with 7 schedules in new company bill 2011 but for purpose of this paper only considering the clause 135 with schedule VII. In new companies' bill 2011 clause 135 dealing with "Corporate Social Responsibility" is in focus. Under this clause new mandatory provisions are given in order to support the CSR in Indian companies,

According to the clause 135(1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an Independent director.
Clause 135(*2*) states that The Board's report under sub-section (*3*) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.
Clause 135(*3)* state that" The Corporate Social Responsibility Committee shall,—
(*a*) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII. (*b*) Recommend the amount of expenditure to be incurred on the activities referred to in clause (*a*); and(*c*) monitor the Corporate Social Responsibility Policy of the company from time to time.
Clause 135(*4*) state that The Board of every company referred to in sub-section (*1*) shall,—
(*a*) After taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the Company and disclose contents of such Policy in its report and also place it on the Company's website, if any, in such manner as may be prescribed; and
(*b*) Ensure that the activities as are included in Corporate Social Responsibility Policies of the company are undertaken by the company.
Clause 135 (*5*) state that The Board of every company referred to in sub-section (*1*), shall make every endeavor to ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding Financial years, in pursuance of its Corporate Social Responsibility Policy:
Provided that if the company fails to spend such amount, the Board shall, in its report Made under clause (o) of sub-section (*3*) of section 134, specify the reasons for not spending the amount. To support clause 135 on corporate social responsibility the schedule VII is given in The New Companies' Bill. In the schedule those activities are given may include by companies in their CSR policies. The Schedule VII is meant to help in implementation of above said provisions.

SCHEDULE VII

Activities which may be included by companies in their Corporate Social Responsibility Policies Activities relating to:—
(i) Eradicating extreme hunger and poverty;
(ii) Promotion of education;
(iii) Promoting gender equality and empowering women;
(iv) Reducing child mortality and improving maternal health;
(v) Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
(vi) Ensuring environmental sustainability;
(vii) Employment enhancing vocational skills;
(viii) Social business projects;
(ix) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socioeconomic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
(x) Such other matters as may be prescribed.

1.3 SEBI CIRCULAR ON BUSINESS RESPONSIBILITY REPORT

The security exchange board of India issued the circular named as Business Responsibility Reports for all the stock exchanges on 13 Aug, 2012. It is given in the SEBI circular that In today's world now enterprises are playing important role in the society, they affects society by their activities and practices and also get affected by the society, so they are not only liable to fulfill the obligation regarding shareholder as per revenue and profitability point of view besides this they are also accountable for the all stakeholders and society because it is also one of the main stakeholder. So it's become compulsory requirement of today that business should opt responsible behavior in order to satisfied the need of overall society and the stakeholders, the concern for the environment should be there in the business, as it is the primary important aspect for the business, so as it considers financial and operational performance very important so this should also consider as the one of vital and must important objective of the business. SEBI consider the NVG and importance of larger interest of public disclosure regarding steps taken by listed entities from an Environmental, Social and Governance ("ESG") perspective, the inclusion of business responsibility reports in annual reports made mandatory for the listened firms who are listed in the various stock exchanges.
SEBI has inserted a condition, in Clause 55 which is given in annexure-1, in equity listing agreement. The basic purpose is to insert this clause into the equity listing agreement is to make the good quality and reliability of disclosure by the listed firms and the suggested framework of Business Responsibility Report. Section A in listing agreement ask for the general Information about the Company like name, working location etc, Section B ask for Financial Details of the Company total capital, paid up capital etc. Section C ask for Other Detail like subsidiary company of the existing company, is this company is subsidiary of the other company etc, Section D ask for business responsibility report Information like details of directors who are responsible for BR and governance detail of the firm etc. and last Section E ask about all 9 Principle-wise performance of listing entities.
The social responsibility behaviors become the need of the today and Business Responsibility report also become important for each stakeholder so SEBI took an initiative by this way. There is certain important principle to help the fulfillment of listed firms and there explanations are also given in full detail in annexure-2. And it is given in the circular that the requirement to include BR Reports as part of the Annual Reports shall be mandatory for top 100 listed entities based on market capitalization at BSE and NSE as on March 31, 2012. And BSE and NSE shall independently prepare a list of listed entities to which the circular likely be applicable based on the above said criteria and publicize the same in their websites. And the clear information is also given those listed entities which already have been submitting sustainability reports to in a foreign regulatory, and agencies/stakeholders based on internationally accepted reporting frameworks need not prepare a separate report for the purpose of these guidelines but only provide the same to their stakeholders along with the details of the framework under which their BR Report erstwhile prepared and a drawing of the principles enclosed in these guidelines to the exposé made in their sustainability reports. And this circular is shall be applicable is with effect from financial year ending on or after December 31, 2012. Though, listed entities that are so far to submit their Annual Reports for financial year ended on March 31, 2012 may also include BR Reports as part of their Annual Reports on a voluntary basis. It is clearly mentioned in the circular that condition which are mentioned in the circular are specified in exercise of the powers conferred under Section 11 read with Section 11A of the Securities and Exchange Board of India Act, 1992. And these listing conditions should form a part of the existing Listing Agreement of the stock exchange. Circular also advised the all stock exchanges to ensure compliance with this circular and carry out the amendments in their Listing Agreement as per the Annexure to this circular. In the circular the exact web address is also given from where we can find this and that is SEBI website at www.sebi.gov.in under the categories "Legal Framework" and "Issues and Listing".
The BSE has accordingly identified 100 top companies for the SEBI Guidelines; these companies are listed in the table below. Out of 100 companies I have arranged those which deal in consumer product/service..

TOP COMPANIES 100 IDENTIFIED BY BSE AS PER SEBI CIRCULAR WHICH ARE DEALING WITH CONSUMER (BUSINESS TO CONSUMER)*

RELIANCE INDUSTRIES LTD.*
OIL AND NATURAL GAS CORPORATION LTD.*
TATA CONSULTANCY SERVICES LTD.
COAL INDIA LIMITED.
ITC LTD.*
INFOSYS LTD.
NTPC LIMITED.*

STATE BANK OF INDIA.*
BHARTI AIRTEL LTD.*
HDFC BANK LTD.*
WIPRO LTD.*
ICICI BANK LTD.*
HOUSING DEVELOPMENT FINANCE CORP LT.*
HINDUSTAN UNILEVER LTD.*
LARSEN & TOUBROLIMITED.
MMTC LTD.
TATA MOTORS LTD.*
NMDC LTD.
INDIAN OIL
CORPORATION LTD.*
CAIRN INDIA LIMITED.
BHARAT HEAVY ELECTRICALS LTD.
SUN PHARMACEUTICAL INDUSTRIES LTD.
HINDUSTAN ZINC LTD.
JINDAL STEEL & POWER LTD.
POWER GRID CORPORATION OF INDIA LIMITED.*
BAJAJ AUTO LIMITED.*
GAIL (INDIA) LTD.*
AXIS BANK LTD.*
TATA STEEL LIMITED.
NESTLE INDIA LTD*
MAHINDRA & MAHINDRA LTD.*
ULTRATECH CEMENT LTD.*
HERO MOTOCORP LIMITED.*
KOTAK MAHINDRA BANK LTD.*
MARUTI SUZUKI INDIA LTD.*
STEEL AUTHORITY OF INDIA LTD.
STERLITE INDUSTRIES (INDIA) LTD.
ADANI ENTERPRISES LTD.
DLF LIMITED.*
HCL TECHNOLOGIES LTD.
RELIANCE POWER LIMITED.*
IDEA CELLULAR LTD.*
BANK OF BARODA.*

CONCLUSION

The Corporate Social Responsibility is one of the most talked about corporate theme of today, CSR has become the need of today as companies are also drawing interest towards it, The triple bottom line approach of CSR state that the there are three main dimension of CSR namely people, planet and profit. In India many reputed company are doing their bit to help the society at large, but still the number of concerned ones are less. The Indian government is trying to implement CSR in Indian companies to help the society and all stakeholders and the first step of MCA in this direction is National voluntary guidelines launched in 2011 to assist the organizations in formulating their CSR practices and how the organizations should go about executing the practices developed. These guidelines are easy to understand and implement. The guidelines have been formed in 9 principles with core elements to support the each principle and with each principle a sections also have been given to help the management implementations of these SR practices in the business. But there are some limitations also attached with this guidelines such as, they were prepared without full range of consultation (including consumer), so basically stakeholder dialogue has not been taken care by the formulating committee. The actual wants and requirements of stakeholder did not included in these guidelines, but apart from these some flaws the guideline is good and congratulatory step taken by the Indian government.

The Business Responsibility Reporting requirement from SEBI is one another welcome move and brings India to the front position of this global rising practice. The planned applicability, with the top categories of companies first in procession, is particularly helpful to build experience in the industry as well as set a standard for the quality of reports.

In new company's bill, Clause 135 states that the largest profit earning companies should appoint independent directors in their Board. This will promote transparency and good corporate governance, as the independent directors are from the outside of the company and work honestly and governance of the company is also being in good condition. The Clause of disclosure helps the transparency in all the activities of the company, and provides the real information from inside the company. The clause of minimum spending will necessitate the company activities for social betterment. Earlier CSR activities were taken as philanthropist activities but now it became the important demand of society and without considering it no business can able to achieve these objectives. But there some weak spots are also observed in the inclusion of new clause as Indian government framed this clause 135 on CSR but did not gather information's from the different stakeholders they just developed this clause especially Schedule VII related thereto on their own, without the proper consultation and ignored the interest of different stakeholder. This clause doesn't provide the full and required information in engaging and implementing CSR strategy in the organization. The list of activities given the Schedule VII is very limited. The government could have engaged the stakeholders at the time of framing this clause, so it could have been better and could have contained all the required information. The NVG is a tool that provides guidance on 9 core principles for CSR activities. However, it doesn't provide practical guidance on creating shared value or stakeholder engagement, in CSR planning and implementation. Therefore, it will be useful For Indian companies to us ISO-26000, AA1000, GRI.3 as supplementary tools for implementation and report CSR based on National Voluntary Guideline (NVG).However despite this shortcoming it is a good start and will hopefully be improved in the CSR movement takes root in India.

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HIGHER EDUCATION FOR SUSTAINABLE DEVELOPMENT: QUALITY PERSPECTIVE

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ABSTRACT
The development of human capital is crucial and necessary since it drives the nation to the envisioned vision and mission. Without a quality human capital, a nation will be weak due to want of human factor that is capable of embarking on new initiatives and perspectives. A quality human capital comes from a quality education process. A carefully designed and well planned education system is vital in developing such human capital. This paper discusses higher education for sustainability and also sustainability in higher education along with brief discussion of Indian higher education sector.

KEYWORDS
Higher education, human capital, India, sustainable development.

INTRODUCTION
Human resources, particularly quality human resources, are considered one of the most important resources for the social and economic development of a country. The development of human capital is crucial and necessary since it drives the nation to the envisioned vision and mission. Without this, a nation will be weak due to want of human factor that is capable of embarking on new initiatives and perspectives. Therefore, the quality human capital is the most valuable asset of the country. Development of human capital and mind shift of the citizens is one big challenge. To become a knowledgeable-based economy and a sustainable country, the development of quality human capital should be a priority. In the context of a global world, a high human capital is a necessity and not a luxury.

A quality human capital comes from a quality education process. Education is a human right and the primary agent of transformation towards sustainable development, increasing people's capacities to transform their visions for society into reality. Education teaches people to be better individuals, family members, community members and citizens. It upholds and conveys the ideals of a sustainable world. It takes into consideration the social, economic and environmental context. Quality education is locally relevant and culturally appropriate. It is informed by the past and relevant to the present, and prepares individuals for the future. A carefully designed and well planned education system is vital in developing such human capital. Higher educational institutions play a significant role in this process of improvement by providing a critical input in the form of improved educational background and professional skills to the nation's development. Thus Higher education is a powerful tool for sustainable development of the nation.

QUALITY EDUCATION FOR SUSTAINABLE DEVELOPMENT
Education for sustainable development (ESD) is an approach to the whole curriculum and management of an institution (school, college, universities, organizations etc.). It is important to differentiate between education about sustainable development and education for sustainable development (ESD). The first is an awareness lesson or theoretical discussion while the latter is the use of education as a tool to achieve sustainability. In higher education, there is a need to go beyond awareness, and in this case, 'for' indicates a purpose whereby all education serves a purpose. Education is central to sustainability. However, the distinction between education as we know it and education for sustainability is enigmatic. Nevertheless, education and sustainability are inextricably linked.

The purpose of education is to change individual orientation and behaviour for the better. To achieve this aim, it is very necessary that the provision of education must be highly qualitative in order to produce a large number of learned scholars who continuously enlarge the frontiers of knowledge and therefore make life meaningful. The purposes of education to its citizens are multifaceted, especially in a civilian and democratic society. These purposes are usually fashioned out to meet the designs and ideals of civil and democratic setting. These include personal self-esteem and dignity, provision of equal opportunity for development etc.

Quality education makes its recipients more productive, since education is the transmission of knowledge, information and understanding of man in his social and physical environment in addition to many other things, it is necessary to note that the recipients are capable producers and are agents of sustained development. Quality education is therefore more efficient in effective socialization of the behaviour of its recipients.

There is no doubt that higher educational institutions (HEI) can play a significant role in contributing to a more sustainable world by addressing sustainability through their major functions of education, research and outreach. In order for HEIs to play a role in transition to sustainability, however, HEIs need to go beyond modifying their activities by mainstreaming sustainability components. Modern HEIs have been part and parcel of individual and collective 'development' which has pursued improvement in living standards and often encouraged unsustainable practices at different levels.

Ecological and social changes, ranging from ecosystem changes to transformations of human practices and interactions, dramatically challenge the view that changes which we experience, and will be experiencing in the future, are incremental, predictable and, therefore, to a large degree, controllable. Global environmental and social systems are being affected, often unpredictably, by the way in which we manage resources and govern ecosystem services. It is time to critically examine the kinds of competencies which have been promoted by the HEIs over decades, the type of its engagement with society and its role as knowledge creating, technology transferring and policy influencing institution.

There are numerous programmes of action that can be mounted at improving the provision of quality of education for sustainable development and the need to display sincere commitments to achieve them are herculean. In this manner, there should fundamentally be effective and workable designs, organization and management of quality educational provision. In addition, there must be exist productive and continuous teacher training and retraining for integrated quality education for all children and young people. Furthermore, there must be established unambiguous childhood qualitative education and its widespread provision through specific identification, assessment and interactions of the essential needs, priorities and peculiarities of communities' settings.

Objectives must however be set out to be achieved with clear milestones. These objectives will contribute towards the enhancement of the provision of quality education to children and young people for sustainable development. Again, through drawing and designing strategies, policy makers and implementers must adopt certain premise to ensure not only appropriate provision but at same time monitoring and feedback. There are certain very clear and simple basic principles underlying the provision of quality education for sustainable development.

HIGHER EDUCATION IN INDIA: AN OVERVIEW
India has one of the largest education systems in the world. As shown in Table 1.1, there are six main types of institutions of higher education: central universities, state universities, deemed universities, private universities, institutions of national importance (established under state and central legislation), and colleges. Put together, they make for a massive university system.

Universities play an important role in providing higher education. Most of these universities in India have affiliated colleges where undergraduate and post graduate courses are being taught. Private universities and institutions offer higher education and play a critical role in satisfying the increasing demand.

TABLE 1.1 HIGHER EDUCATIONAL INSTITUTIONS IN INDIA

Type of institution	Number
Central Universities	42
State Universities	295
Private Universities	154
Deemed Universities	130
Institutes of National Importance	38
Total	659
Total Colleges	33,023
Grand Total	33,682

(Source: University Grants Commission, June 2013)

GOALS OF HIGHER EDUCATION AND SUSTAINABLE DEVELOPMENT

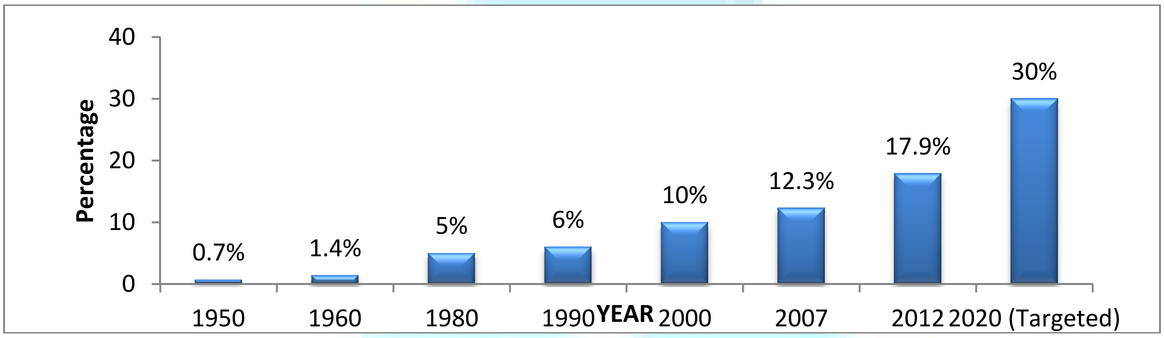
The primary objective of higher education sector is to build human resources that contribute to social, scientific and economic development of the country. It is necessary to recognize that the present approach towards higher education is governed by the "National policy on Education" of 1986 and Program of Action of 1992. The 1986 policy and Action Plan of 1992 were based on the two land marks report namely, the "University Education Commission" of 1948-49 (popularly known as Radhakrishnan Commission), and the "Education Commission" of 1964-66, (popularly known as Kothari Commission Report). These two landmark reports in fact laid down the basic framework for the National policy for higher education in the country. The University Education Report had set goals for development of higher education in the country.

From the beginning the Indian higher education is working for mainly three important goals, namely, greater access, equal access and excellence. The progress of Indian higher education system would ensure the expansion and strengthening of the higher education system by maximizing the output/outcome of access, making higher education fully inclusive, and promoting international quality and excellence to achieve the objective of the core of Indian social and economic development planning.

- **GREATER ACCESS: GROSS ENROLLMENT RATIO (GER)**

The extent of higher education in a country is generally measured by Gross Enrolment Ratio (GER) (Percentage of the 18-23 age group enrolled in a higher education institution) in higher learning. The following figure 1.1 presents the growth of Indian GER, which has increasing growth rate and presently is about 18% and is targeted for 30% by 2020. The government of India proposed a dual strategy to increase the institutional capacity to achieve the target of 30% by 2020. The first component of the strategy involves additional increase in the numbers of universities, colleges, and vocational and technical institutions. Second component of the strategy centers on enhancing the "intake capacity" of existing educational institutions.

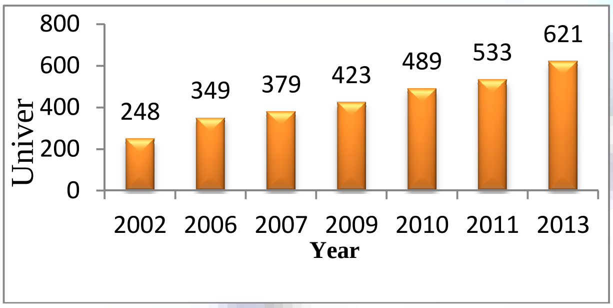
FIGURE 1.1: GROWTH OF GER IN INDIA



(Source: www.ugc.ac.in)

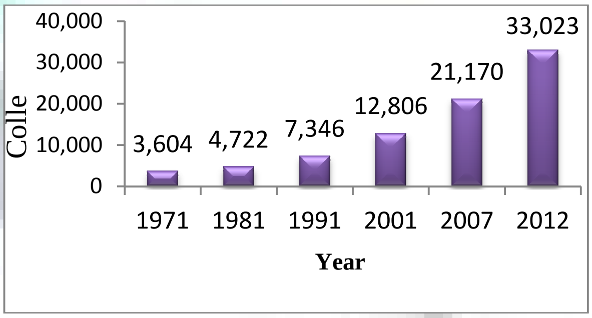
Figure 1.2 presents the growth trend of the universities in the past decade. It can be noted that there is an ample growth in the past decade. In addition, the colleges also have seen a significant growth as shown in Figure 1.3 and can be observed that India has more than 33,000 colleges with one-third of the colleges having been set up in the last five years. However, GER solely cannot be a measure of overall development of higher education sector. Accessibility, correcting regional, disciplinary and gender imbalances, lessening the burden of affiliation and working on new models of Public Private Partnership (PPP) are also important factors in measuring the extent of development.

FIGURE 1.2 GROWTH OF UNIVERSITIES IN INDIA



(Source: www.ugc.ac.in)

FIGURE 1.3 GROWTH OF COLLEGES IN INDIA



(Source: www.ugc.ac.in)

EQUAL ACCESS (EQUITY)

The term equity refers to an individual with talent not being denied access to higher education opportunities on the grounds of economic and social backwardness. This can be achieved by the larger facilitation and promotional role of the state, central and private sector in higher education towards the marginalized sections of the society.

The major emphasis on promoting inclusiveness which accommodates more students from the marginalized sections into the field of higher education can be achieved by following practices: elimination of gender inequalities, promotion of inclusion, improving access for differently-abled students, promoting equity in all disciplines of general and technical/professional education and reducing regional/disciplinary imbalances.

- **QUALITY AND EXCELLENCE**

Mere attention towards expansion of higher education institutions and providing equal access are not sufficient to achieve the national development goals without concurrent attention to quality and excellence in all institutions of higher education to match up to international standards. The Indian higher education sector ensures quality of educational process with the help of accreditation agencies. Two major accreditation bodies are:

(1) National Assessment and Accreditation Council (NAAC), established by the University Grants Commission (UGC) in 1994, accredits University and Colleges in general education and
(2) National Board of Accreditation (NBA), set up by All India Council for Technical Education (AICTE) in 1994, accredits technical and programme level education. Some of the other professional regulatory bodies are attempting to set up their own accreditation bodies, for instance Agricultural education by Accreditation Board (AB), Distance Education Council (DEC) and the National Council for Teacher Education (NCTE).

SUSTAINABLE DEVELOPMENT IN HIGHER EDUCATION

The concept of sustainable development incorporates not only an environmental dimension, but also economic and social dimensions, and frequently also a cultural dimension. That education and research play a key role for the long-term development of society is hardly disputed by anyone; but how to integrate sustainability effectively into higher education and, in particular, into the curriculum and the design of research projects is still a debated issue.

In higher education, the level of integration of the concept of sustainable development can range from mere formulations of policy statements to integration into courses, curricula, and other selected activities for a total reform of the educational system. A more practical approach to promote sustainable development is to work with tangible environmental impacts.

Education has always been seen as key to improving quality of life, not just of individuals but also collectively for human-kind (Galang, 2010). The higher education declarations on sustainability explicitly acknowledge this and confirm the importance of learning, communication and capacity building for sustainable development. Sustainable development in higher education will enable students to develop a personal critique of society and produce graduates who are ideologically aware and socially critical.

In this era of modernization and globalization, higher education has a responsibility to produce a human capital that is not only professionals of the future but also responsible citizens. Higher education needs to foster the human capital with the skills and attitudes that will allow all people, present and future, to have a decent quality of life, fair and equitable access to the earth's resources and preserve the biological diverse ecosystems on which we all depend on. Helping create a sustainable society is a social responsibility both for the educators of future leaders in society and for our graduates in their professional and personal lives.

Moore, J. (2005) described a set of recommendations that will aid universities planning to create sustainability education programs. These recommendations are not specific to curriculum or programs but are instead recommendations for academic institutions considering a shift towards "sustainability education" in the broadest sense. They are Infuse sustainability in all decisions, promote and practice collaboration, promote and practice transdisciplinarity, focus on personal and social sustainability, integration of planning, decision-making and evaluation, integration of research, service and teaching and create space for pedagogical transformation.

Education for sustainable development is a contentious concept that has been present in many official agendas at higher education institutions since, at least, a decade ago. Unfortunately, progress on campuses has not been as fast as expected because there is a general lack of adequate conditions. Sustainable development has slowly permeated in universities not only through courses. According to Velazquez et al. (2004) education, research, outreach and partnership, and sustainability on campus are the four strategies used in higher education institutions around the world for achieving sustainability.

The expansion of the higher education sector and improvement in its quality can help us in getting rid of employability enigma of graduates on the one hand and phenomenon of 'missing teachers' on the other and in addition can ensure inclusive growth by making higher education accessible and affordable. However, the higher education sector is facing several challenges varying from accessibility to affordability to quality to even participation. Several reform measures have been proposed to revamp and reform this sector. In India, Eleventh five year plan too is aiming at enhancing public spending, encouraging private initiatives and initiating long major institutional and policy reforms to bring positive changes to the Indian education system. Unarguably, the outcomes will depend not only on policies but also on their implementation. Herein come to the role of political commitment and good governance.

Velazquez, L., Munguia, N. and Sanchez, M. (2005) conducted an extensive literature review and identified the factors that could obstruct the implementation of the sustainability initiatives in higher education institutions as a way for assisting key players to improve the effectiveness of their potential or current sustainability initiatives: Lack of awareness, interest, and involvement, Organizational structure, Lack of funding, Lack of support from university administrators, Lack of time, Lack of data access, Lack of training, Lack of opportune communication, and information, Resistance to change, Profits mentality, Lack of more rigorous regulations, Lack of interdisciplinary research, Lack of performance indicators, Lack of policies to promote sustainability on campus, Lack of standard definitions of concepts, Technical problems, Lack of designated workplace, The "Machismo" (female leaders).

CONCLUSION

For a sustainable development therefore, quality education must be continuously provided by a responsible and legitimate government. The need for quality education for a sustainable development is premised on the grounds that the challenges of development are essentially designed to bring about political stability, rapid transformation of the economy equitable distribution of resources through poverty reduction, food security, reduction of unemployment, administration of justice and rule of law etc. There is no doubt that quality education provided to all citizens will strengthen the week structures which inhibit or prevent the delivery of all other services like health care, food and nutrition, shelter, gainful employment etc.

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QUALITY MANAGEMENT PRACTICES IN MANUFACTURING SECTOR

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ABSTRACT

Nurturing the right organizational culture conducive for developing an individual's full potential, fostering of a spirit of cooperation and teamwork, anticipating customer needs and working towards fulfilling them, are all essential elements of the TQM approach. The philosophy of TQM centers around the customer focused approach along with principles of teamwork and regular, continuous improvement. That the TQM approach applied diligently within and outside an organization helps improve its effectiveness seems a good possibility.

KEYWORDS
Quality Management, Quality control, Cronbach, Quality Management Practices Index.

JEL CLASSIFICATION
L15

INTRODUCTION
All the activities undertaken by an organization to ensure that a product or service meets a desired or specified standard come under the purview of quality control activity. Quality control is almost as old as the human race. In the ancient times the quality control activity was not performed consciously but was part of every day activities. In recent times quality control has emerged as a primary function in business organizations. It is attributed to various factors such as rapid industrial growth, specialization of labour, technological advancements, precision in and complexity of production, increased consumer awareness, and stiff competitive environment.

Due to the recent economic liberalization measures of the Government, new vistas of international competition have opened up. The globalization of market emphasizes the necessity for Indian business organizations to produce quality goods and services, in order to survive and prosper. The inevitable entry of Multi-national Corporations has threatened their Indian counterparts to wake up to the increasing quality needs of the new breed of customers, who are basking in the safety of protection of consumer rights.

OBJECTIVES OF THE STUDY
The main objective of this study is to explore and understand the Quality Management Practices which are prevalent in the selected manufacturing organizations of Delhi and NCR.

1. To study the current quality management practices in the selected manufacturing organizations.
2. To seek opinions of managers in the quality / production area regarding the critical factors of quality management and to develop a measure of quality management practices.
3. To study the influence of size of organization (a company characteristic) on quality management practices.
4. To study the influence of age of the organization (a company characteristic) on quality management practices.
5. To study the influence of industry on quality management practices of the organization.
6. To suggest the measures to strengthen the quality management practices for Indian manufacturing sector.

RESEARCH METHODOLOGY
The study uses the Total- Quality Management Assessment Inventory Questionnaire (TQMAIQ) designed through empirical studies by Sashkin and Kiser (1992) comprising 49 items. The 49 items are divided between the two parts of TQMAIQ. The first part has 10 items associated with information on the tools and techniques of TQM used in an organization. The second part consists of the 39 items dealing with an organization's operations, cultural and customers' quality practices.

While this questionnaire may not necessarily be the most exhaustive instrument for providing insights into TQM practices of organizations, in that it does not employ statistically rigorous methodologies such as content analysis for extracting quantitative information from qualitative feedback (Weber, 1990). It does attempt to provide a substantive basis for obtaining information on TQM practices across its key elements, namely organizational culture, customer quality approaches and tools and techniques. The TQMAIQ (Sashkin and Kiser1992) has been selected for this study as it was believed to be technically, methodologically and theoretically an appropriate way to evaluate TQM practices in the organizations studied.

RESEARCH DESIGN
The research design chosen for the present study is an exploratory type. The major objective of the study is to explore what practices are currently being adopted with respect to quality management. Since an exploratory type of research design is framed a large number of manufacturing organizations representing a cross-section of industries are approached. Survey method is used for data collection.

SAMPLING PROCEDURE
The present study is confined to manufacturing organizations located in the state of Delhi and NCR. A list of some manufacturing organizations in Delhi and NCR is the sampling frame for this study. The nature of research design is such that non probability sampling procedure is followed. Under this, purposive sampling has been done based on convenience and judgement.

The managers / executives of manufacturing organizations listed in the sampling frame were personally approached. The process of primary data collection was arduous as the response could be received only after repeated visits and reminders through telephone or messengers. A filled up questionnaire could be received only after visiting 4-5 times on an average. Many a times a questionnaire had to be replaced as it was reported to be missing.

Only one questionnaire was to be received from each organization and view point of the manager incharge of Quality Management was sought. The choice of Quality Manager as the respondents from Quality management Department is based on the thinking that he is the only appropriate person in the department to be able to give information regarding policies and intimate activities in his department. In case of organizations where no manager / executive is responsible for the quality department (in very few cases) the production manager was requested to respond to the questionnaire.

The response has been received from 54 organizations. Out of this 6 responses were unusable as information on vital questions was missing. The list of 48 organizations, which is the sample for this study, is included in the Appendix C.

THE QUESTIONNAIRE

A structured questionnaire was framed to meet specific requirements of the present study. The design of the questionnaire has been kept simple. Both close and open ended questions have been included. A large number of questions are close ended while a few questions in the end are kept open-ended to seek respondent's suggestions and opinion about quality management practices. For all the close ended questions' clear cut instructions have been provided at appropriate places to avoid ambiguity.

LITERATURE REVIEW

DEFINITION OF QUALITY

The concept of quality as a transcendent view has been existent from time immemorial, perceived mostly as indicating the goodness of an object (Shewart, 1931). Elaborating on the transcendent view of quality, Shewart mentions,

''The majority of advertisers appeal to the public upon the basis of the quality of product. In so doing, they implicitly assume that there is a measure of goodness which can be applied to all kinds of products, whether it be vacuum tubes, sewing machines, automobiles, grape nuts, books... Such a concept, is, however, too indefinite for practical purposes." (p.37).

According to Garvin (1988), the evolution of quality took place through four distinct eras: inspection, statistical control, quality assurance and strategic quality management. The era of skilled craftsmen, handcrafting goods in small volumes was followed in the 1800's by specialization characterized by division of labour and mass production (Bounds et al, 1994). Bounds et al (1994) explain that by early 1900's, gauging and inspection had become more refined as evidenced by the large manufacturing automobile sector in the USA. Explaining this further, they point to Shewart's statistically oriented product-based view of quality as describing a set of characteristics. According to them, the manufacturing-based view of quality focuses on manufacturing and engineering practices, emphasizing conformance to specific requirements and relying on statistical analysis to measure quality. Bounds et al (1994) mention that this was followed by the quality assurance era, especially in the USA where the concept of quality evolved from a narrow manufacturing-based discipline to one with implications for management throughout a firm.

TOTAL QUALITY MANAGEMENT (MULTIFUCTIONALITY OF TQM)

It may be useful to consider some of the important aspects of management to comprehend their relevance to TQM, through a study of some of the available literature validating these. According to Powell (1995), these include getting closer to suppliers and customers, executive commitment, employee empowerment and zero defect mentality. It has been suggested that an organization's commitment to quality originated in a quality assurance plan (QAP) focusing on a downstream product checking system, (Hayden, 1992). In Hayden’s opinion, QAP found less favour with many customers because it focussed only a project's downstream technical accuracy, leading industries to increasingly adopt TQM within their processes from the beginning. Hayden reiterates the need for senior management to not only commit their financial resources but their personal participation through their own behaviour change.

EMPLOYEE INVOLVEMENT AND TQM

Magjuka (1993) highlights that a core component in the emerging continuous process improvement strategy of TQM is a direct link between employee involvement programmes (EIP) and TQM objectives.

Ludeman (1992) has found in his study that in the early stages of quality programmes, organizations have significantly more support from executives, managers and employees. According to the author, his study showed that this support gradually declined with time leading to a situation where despite programmes being initially successful, they tended to bog down later on, maybe due to changes in lifestyle not taking place.

Finally, dealing with the importance of inspiring employees towards involving themselves which are said to facilitate the successful implementation of a company wide TQM process, Walker (1992) brings out the need to educate employees to formulate goals and strategy. In the same theme, Waldman (1994) suggests the following as key factors among other things for the success of TQM programmes,

"Involvement and empowerment of all organizational members in cooperative efforts to achieve quality improvements, the commitment continually to improve employees' capabilities and work processes through training and benchmarking, respectively." (pp 511-512).

ANALYSIS AND PRESENTATION

The filled up questionnaires were coded and master data sheet was prepared. The data was tabulated and classified on the basis of company characteristics such as age and type of organizations to fulfill the objectives of the study.

Following statistical analysis methods have been used: percentages, proportions, measures of central tendency, statistical significance test namely, t-test; correlation coefficient and Cronbach’s reliability test.

THE INSTRUMENT FOR MEASURING QUALITY MANAGEMENT PRACTICES

In this section the procedure used for developing an instrument to measure the Quality Management Practices of an organization has been outlined. It is followed by the description of the scoring procedure used to quantify responses of the instrument. In the end, the explanation, calculation and validation of Quality Management Practices Index (QMPI) has been described in detail. The detailed item analysis has been performed to rank both the individual items and factors.

THE INSTRUMENT

The instrument has been developed which attempts to measure a profile of the business unit's actual level of quality management practices. For developing this instrument the researcher relied on the study conducted by Saraph et al (1989). He has studied the quality management practices in United States based on manufacturing and service organizations. The instrument developed for the present study reflects Indian conditions and realities as it was pretested among Indian professionals. Their view points on quality management practices have been incorporated. Some basic elements of quality management system have been included in the instrument, which are essentially present in organizations of industrially developed countries. The instruments which measure social science variables are developed using the instrumental design method as suggested by the psychologists. For developing measures of the critical factors of quality management, a nine-step process, described by Saraph et al (1989), has been followed.

Fifty three measures in the form of statements were identified as a result of literature survey. After prolonged and intensive discussions with the research supervisor, colleagues and academicians, the number was brought down to 44 statements. The instrument was, then pretested among ten quality / production managers. They were requested to comment on the following aspects of the statements (items): appropriateness, ease of comprehension, readability, wording etc. As a result an inventory of 37 statements has been retained. To enable respondents to indicate the degree of each practice in their organization, a six-point interval rating scale is used. To quantify the responses following scale is used.

The extent for prevailing practice is:

	Not Applicable	Very Low	Low	Medium	High	Very High
Letter Code	NA	A	B	C	D	E
Numerical Score	0	1	2	3	4	5

The option 'Not Applicable' has been given a numerical score of zero for computational convenience.

These 37 statements were then grouped into 8 categories which are termed as the factors of quality management practices. This grouping is similar to the grouping performed by Saraph et al (1989). Table 1 provides brief descriptions of these factors.

TABLE 1: CRITICAL FACTORS OF QUALITY MANAGEMENT

S.NO.	CRITICAL FACTORS OF QUALITY MANAGEMENT	EXPLANATION OF CRITICAL FACTORS
1	The role of management, leadership and quality policy	▪ Acceptance of quality responsibility and department heads. ▪ Evaluation of top management on quality. ▪ Participation by top management in quality improvement efforts. ▪ Specificity of quality goals. ▪ Importance associated to quality in relation to cost and schedule. ▪ Comprehensive quality planning.
2	Role of the quality department	▪ Visibility and autonomy of the quality department. ▪ The quality department's access to top management. ▪ Use of quality staff for consultation. ▪ Coordination between quality department and other departments. ▪ Effectiveness of the quality department.
3	Training	▪ Provision of statistical training, trade training, and quality-related training for all employees.
4	Product / Service design	▪ Thorough scrub-down process. ▪ Involvement of all affected departments in design reviews. ▪ Emphasis on productivity. ▪ Clarity of specifications. ▪ Emphasis on quality, not roll-out schedule. ▪ Avoidance of frequent redesigns.
5	Supplier quality management	▪ Fewer dependable suppliers. ▪ Reliance on supplier process control. ▪ Strong interdependence of supplier and customer. ▪ Emphasis on Purchase policy rather than price. ▪ Supplier quality control. ▪ Supplier assistance in product development.
6	Process Management	▪ Clarity of process ownership, boundaries and steps. ▪ Use of statistical process control. ▪ Selective automation. ▪ Fool-proof process design. ▪ Preventive maintenance. ▪ Employee self-inspection. ▪ Automated testing.
7	Quality data and reporting	▪ Use of quality cost data. ▪ Feedback of quality data to employees and managers for problem solving. ▪ Timely quality measurement. ▪ Evaluation of managers and employees based on quality performance. ▪ Availability of quality data.
8	Employee relations	▪ Implementation of employee involvement and quality circles. ▪ Open employee participation in quality decisions. ▪ Responsibility of employees for quality. ▪ Employee recognition for superior quality performance. ▪ Effectiveness of supervision in handling quality issues. ▪ On-going quality awareness of all employees.

The reliability of the instrument was measured by the INTERNAL CONSISTENCY METHOD (www.statview.com/support/techsup/faq/Calpha/coefalph.shtml) CRONBACH's COEFFICIENT ALPHA is calculated for the scale based on given sets of itams to estimate the internal consistency. Cronbach's coefficient alpha has the most utility for multi item scales. The working of the measurement of Cronbach's alpha for measuring the reliability of the instrument is shown below:

FORMULA TO CALCUALTE THE VALUE OF CRONBACH'S ALPHA

$k/(k-1) * [(\sigma^2_{xp} - \sigma^2_p)/ \sigma^2_{xp}]$

where,

k represent the number of items in the scale,

σ^2_{xp} represent the variance of the total score, and

σ^2_p represent the sum of variances of the items,

The table 2 showing the Mean scores of the Quality Control measures:

TABLE 2: MEAN SCORES OF THE QUALITY CONTROL MEASURES

S.No.	Quality Control Measures	Mean Score	Rank
1	Specificity of Quality goals	4.93	1
2	Clarity of product specifications	4.74	2
3	Coordination	4.74	2
4	Training	4.72	4
5	Visibility of Quality Department	4.70	5
6	Traceability	4.63	6
7	Autonomy	4.55	7
8	Product development process	4.52	8
9	Resources for employee training	4.52	8
10	Understanding of quality policy	4.52	8
11	Recognition of employee's Quality performance	4.50	11
12	Process design	4.46	12
13	Thoroughness of product design	4.42	13
14	Frequency of design changes	4.40	14
15	Efforts to develop quality policy	4.23	15
16	Use of quality data as a tool to manage quality	4.10	16
17	Effectiveness of the quality department	4.08	17
18	Access to the top management	4.06	18
19	Responsibility for quality control programme	4.04	19
20	Availability of quality data	4.01	20
21	Advanced Training	4.00	21
22	Importance of quality	3.99	22
23	Importance of Inspection Review	3.97	23
24	Timeliness of quality data	3.95	24
25	Selection of suppliers based on quality	3.93	25
26	Producibility	3.93	25
27	Thoroughness of supplier rating system	3.87	27
28	Training for basic statistical techniques	3.11	28
29	Reliance on few dependable suppliers	3.05	29
30	Use of acceptance sampling	2.90	30
31	Display of quality related information	2.79	31
32	Use of statistical control charts	2.77	32
33	Preventive equipment maintenance	2.37	33
34	Effectiveness of training	2.37	33
35	Effectiveness of employee involvement programs	2.35	35
36	Participation of workers in quality decisions	2.33	36
37	Employee involvement programs	2.32	37

Here,
$k = 37$
$\sigma^2_{xp} = 0.723935$
$\sigma^2_p = \sigma^2_{p1} + \sigma^2_{p2}$
where, p1 is certain number of items in the scale chosen randomly, here p1 = 26
p2 is the difference between total number of items in the scale and p1, here p2 = 37-26 = 11
$\sigma^2_{p1} = 0.11509$
$\sigma^2_{p2} = 0.079056$
Hence, $\sigma^2_p = 0.703262$
Substituting the values of k, σ^2_{xp} and σ^2_p in α, we have
$\alpha = 0.744044$
The ideal range of alpha is between 0.5 and 0.9.
The calculated value of alpha for this instrument is within the feasible range that is considered adequate, hence the instrument is judged to be reliable.

THE SCORING PROCEDURE

The following scoring procedure has been devised for quantifying the response to the Part C, i.e., the instrument, of the questionnaire:
Aggregate score of an individual organization was calculated by adding the item scores for all the applicable statements and this is termed as Quality Management Practices Score (QMPS). The median value of aggregate QMP scores was calculated and those organizations whose QMP score was less than the median value were termed as organizations having lower level of quality management practices, and the organizations whose QMP score was either equal or higher to the median score were termed as organizations having higher level of quality management practices. Factor wise scores have also been calculated by summing the item score for all the statements pertaining to that factor.

THE QUALITY MANAGEMENT PRACTICES INDEX (QMPI)

Explanation

The instrument described above lists the practices relevant to the Quality Management. Thirty seven statements have been included in this instrument. The respondents were asked to rate their organization's practices on a six point interval rating scale. With its help a quantitative measure termed as Quality Management Practices Index (QMPI) has been calculated. The QMPI has been considered as criteria for classification of companies.

CALCULATION OF QUALITY MANAGEMENT PRACTICES INDEX

For the purpose of developing the Quality Management Practices Index, the following eight factors were identified:
1. Role of Management
2. Role of Quality Department
3. Training of employees
4. Product Design
5. Supplier Quality Management

6. Process Management
7. Quality Data
8. Employee Relations

The instrument contained 37 statements which comprehensively cover facets of these factors which in turn cover Quality Management Practices. To quantify the response a six point scale has been used. Each statement was given a score ranging from 0 to 5. The cumulated score of the respondent has been used as Quality Management Practices Index for each company. The range for QMPS is from zero to one hundred eighty five (37 * 5). All the QMPS values have been arranged in ascending order using the Rank function in MS-Excel tool. One of the measures of central tendency, median is taken as a cut-off point to divide the 48 companies into two categories. Median value for these 48 ungrouped observations comes to be 133.5. The companies whose QMPI value was less than 133.5 were classified in low QMPI companies while the companies with QMPI value of 133.5 or more were put in high QMPI companies category.

The Quality Management Practices (QMPS) of all the companies have been arranged in the form of frequency distribution. The results are shown in the following table:

TABLE 3: FREQUENCY DISTRIBUTION OF QUALITY MANAGEMENT PRACTICES SCORE

Frequency Distribution of QMPS

Class intervals of QMPS	No. of organizations	% of total
41 - 60	2	4.17
61 - 80	0	0
81 - 100	7	14.58
101 - 120	10	20.83
121 - 140	8	16.67
141 - 160	11	22.92
161 - 180	10	20.83
	48	100

Analysis of the above data reveals that almost 50% of the total respondents fall in the range of 141 to 180 score value of Quality Management Practices.

EMPIRICAL FINDINGS

In this very section, the analysis has been done to study the influences of industry, size and age of the organizations on Quality Management Practices Index of the prevalent Quality Management Practices of the respective organizations.

RELATIONSHIP BETWEEN THE INDUSTRY TO WHICH ORGANIZATION BELONGS AND THEIR QUALITY MANAGEMENT PRACTICES

TABLE 4: RELATIONSHIP BETWEEN INDUSTRY & THE ORGANIZATION'S QUALITY MANAGEMENT PRACTICES W.R.T THE CRITICAL FACTORS OF QUALITY MANAGEMENT

		1	2	3	4	5	6	7	8
	CRITICAL FACTORS OF QUALITY MGT → / INDUSTRY ↓	The role of management, leadership & quality policy	Role of the quality department	Training	Product / Service design	Supplier quality management	Process Management	Quality data & reporting	Employee relations
1	Automobiles	1	0.98	0.99	1	0.90	0.91	0.87	0.9
2	Auto Ancillaries / Auto components	0.64	0.96	0.68	0.97	0.90	0.89	0.57	0.8
3	Agriculture / dairy	0.24	0.28	0.56	0.37	0.66	0.8	0.67	0.5
4	Cement / Marble / Ceramics / Stones	0.6	0.84	0.8	0.40	0.93	0.8	0.90	0.6
5	FMCG	0.88	0.48	0.8	0.50	0.73	0.82	0.80	1
6	Consumer Goods - Durables	0.76	0.24	0.64	0.80	0.65	0.76	0.27	0.9
7	Electricals & Electronics	0.4	0.96	1	0.87	0.60	0.6	0.37	0.5
8	Garment / Textiles	0.8	0.48	0.44	0.53	0.80	0.88	0.50	0.7
9	Engineering	0.8	0.4	0.76	0.70	0.90	1	0.47	0.9
10	Food Processing / Beverages	0.8	0.76	1	0.87	0.93	0.9	0.97	0.6
11	Paper / Publishing / Printing / Stationary	0.6	0.48	0.8	0.27	0.68	0.64	0.83	0.9
12	Petrochemicals / Oil / Gas / Refineries	1	0.32	0.8	0.70	0.87	0.9	0.83	0.4
13	Pharmaceuticals / BioTech / Research	0.32	0.96	0.84	0.73	0.87	0.83	0.97	0.5
14	IT	0.48	0.8	0.72	0.87	0.73	0.88	0.30	0.8
15	Leather / shoes / Accessories	0.56	0.52	0.72	0.77	0.90	0.52	0.60	0.8
16	Glass	0.2	0.56	0.8	0.27	0.90	0.48	0.60	0.3
17	Chemical	0.36	0.56	0.24	0.53	0.80	0.67	0.90	0.6
18	Iron and Steel	0.92	0.85	0.44	0.87	0.99	0.79	0.43	0.8
19	Capital Goods / Machine Manufacturing	0.92	0.8	0.88	0.73	0.94	0.7	0.70	0.4

TABLE 5: RELATIONSHIP BETWEEN SIZE AND QUALITY MANAGEMENT PRACTICES OF THE ORGANIZATIONS

S.No	Organization	QMPS	No. of employees
1	Hero Honda Motors Ltd.	168	2300
2	Maruti Udyog Ltd.	170	2980
3	Tata Trucks India Ltd.	112	460
4	Escorts Ltd.	171	2687
5	Majestic Auto Ltd.	108	567
6	SAS Motors Ltd.	168	401
7	Auto Pins (India) Ltd.	114	800
8	Rai Prexim India Pvt Ltd.	157	442
9	Sharda Motors Industries Ltd.	144	421
10	JK Tyre Ltd	84	2177
11	Yamaha Motor India Pvt Ltd.	90	1300
12	Imperial Malts Ltd.	90	178
13	ACC Ltd.	112	2036
14	Hyderabad Industries Ltd.	123	482
15	Godfrey Philips India Ltd	110	770
16	Blue Star Ltd.	101	400
17	Godrej Consumer Products Ltd	96	890
18	Controls & Switchgear Co. Ltd	157	427
19	Lumax Industries Ltd.	118	1182
20	Su-Kam Power Systems Ltd.	110	590
21	Schneider Electric India Ltd.	46	400
22	Surya Roshni Ltd.	138	2000
23	Tudor India Ltd. (Prestolite)	94	345
24	Indo Rama Synthetics (India) Ltd.	131	452
25	Bry-Air (Asia) Pvt Ltd.	134	700
26	Jay Bharat Maruti Ltd.	176	2700
27	Spell Organic Ltd.	144	407
28	Manugraph India Ltd.	136	420
29	Yamuna Gases & Chemicals Ltd.	150	455
30	Castrol India Ltd.	169	6500
31	Aventis Pharma Ltd.	162	1877
32	Brawn Laboratories	101	550
33	Moser Baer India Ltd.	155	3798
34	Applied Electro-Magnetics Pvt Ltd.	131	880
35	Avaya Global Connect Ltd	144	426
36	Thunderbird Industries	176	407
37	DCP Group of Companies	90	480
38	Nothern India Leather Cloth Mfg Co. Ltd.	161	461
39	Yamuna Industries Ltd.	160	409
40	Wonder Polymers (P) Ltd.	153	487
41	Asahi India Glass Ltd.	92	880
42	Hindustan Insecticides Ltd.	143	449
43	ElectroSteel Castings Ltd	119	453
44	Jindal Stainless Ltd.	132	1900
45	Saw Pipes Ltd.	161	1500
46	Indian Seamless Steels & Alloys Ltd.	53	220
47	PSL Ltd.	133	200
48	Vestas RRB India Ltd.	152	498

For the purpose of exploring the degree of relationship between size of organizations and the Quality Management Practices following null hypothesis has been formulated:

$H_0$1: THERE IS NO RELATIONSHIP BETWEEN THE SIZE OF THE ORGANIZATIONS AND QUALITY MANAGEMENT PRACTICES.

For testing the above hypothesis, correlation coefficient has been calculated between the number of employees in an organization and it's Quality Management Practices Score. Tests of significance for 'r' have been performed to see whether the correlation is significant.

APPLYING t-TEST

Coefficient of correlation 'r' between No. of employees of the organization and its Quality Management Practices:

$r_{\text{size \& QMP}} = 0.346847 \cong 0.347$

$\Rightarrow T_{\text{size \& QMP}} = 2.508133$

Now, critical value of t at 46 degrees of freedom and 5% level of significance is 2.01.

Here, since significant value, T is greater than the critical value, $t_{0.05}$. Hence, the result is significant at 5% level of significance. Therefore, we conclude that the null hypothesis, i.e., there is no relationship between the size of the organizations and quality management practices, is rejected.

Hence, ***THE CORRELATION BETWEEN THE SIZE OF THE ORGANIZATIONS AND THEIR RESPECTIVE QUALITY MANAGEMENT PRACTICES IS SIGNIFICANT.***

TABLE 6: RELATIONSHIP BETWEEN AGE AND QUALITY MANAGEMENT PRACTICES OF THE ORGANIZATIONS

S.No	Organization	QMPS	Year of incorporation	Age of the organizations
1	Hero Honda Motors Ltd.	168	1984	22
2	Maruti Udyog Ltd.	170	1981	25
3	Tata Trucks India Ltd.	112	1960	46
4	Escorts Ltd.	171	1944	62
5	Majestic Auto Ltd.	108	1978	28
6	SAS Motors Ltd.	168	1997	9
7	Auto Pins (India) Ltd.	114	1997	9
8	Rai Prexim India Pvt Ltd.	157	1993	13
9	Sharda Motors Industries Ltd.	144	1997	9
10	JK Tyre Ltd	84	1900	106
11	Yamaha Motor India Pvt Ltd.	90	1953	53
12	Imperial Malts Ltd.	90	1998	8
13	ACC Ltd.	112	1936	70
14	Hyderabad Industries Ltd.	123	1997	9
15	Godfrey Philips India Ltd	110	1977	29
16	Blue Star Ltd.	101	1996	10
17	Godrej Consumer Products Ltd	96	1978	28
18	Controls & Switchgear Co. Ltd	157	1998	8
19	Lumax Industries Ltd.	118	1945	61
20	Su-Kam Power Systems Ltd.	110	1997	9
21	Schneider Electric India Ltd.	46	1997	9
22	Surya Roshni Ltd.	138	1950	56
23	Tudor India Ltd. (Prestolite)	94	1997	9
24	Indo Rama Synthetics (India) Ltd.	131	1999	7
25	Bry-Air (Asia) Pvt Ltd.	134	1979	27
26	Jay Bharat Maruti Ltd.	176	1999	7
27	Spell Organic Ltd.	144	1973	33
28	Manugraph India Ltd.	136	1972	34
29	Yamuna Gases & Chemicals Ltd.	150	1973	33
30	Castrol India Ltd.	169	1899	107
31	Aventis Pharma Ltd.	162	2000	6
32	Brawn Laboratories	101	1988	18
33	Moser Baer India Ltd.	155	1983	23
34	Applied Electro-Magnetics Pvt Ltd.	131	1975	31
35	Avaya Global Connect Ltd	144	2000	6
36	Thunderbird Industries	176	2004	2
37	DCP Group of Companies	90	1990	16
38	Nothern India Leather Cloth Mfg Co. Ltd.	161	1998	8
39	Yamuna Industries Ltd.	160	2000	6
40	Wonder Polymers (P) Ltd.	153	2001	5
41	Asahi India Glass Ltd.	92	1984	22
42	Hindustan Insecticides Ltd.	143	2001	5
43	ElectroSteel Castings Ltd	119	2001	5
44	Jindal Stainless Ltd.	132	1970	36
45	Saw Pipes Ltd.	161	1986	20
46	Indian Seamless Steels & Alloys Ltd.	53	1999	7
47	PSL Ltd.	133	1989	17
48	Vestas RRB India Ltd.	152	1987	19

For the purpose of exploring the degree of relationship between age of the organizations and the Quality Management Practices following null hypothesis has been formulated:

$H_0$1: THERE IS NO RELATIONSHIP BETWEEN THE AGE OF THE ORGANIZATIONS AND QUALITY MANAGEMENT PRACTICES.

For testing the above hypothesis, correlation coefficient has been calculated between the age of an organization and it's Quality Management Practices Score. Tests of significance for 'r' have been performed to see whether the correlation is significant.

APPLYING t-TEST:

Coefficient of correlation 'r' between No. of employees of the organization and its Quality Management Practices:

$r_{\text{age \& QMP}} = 0.056693 \cong 0.057$

$T_{\text{size \& QMP}} = 0.385127$

Now, critical value of t at 46 degrees of freedom and 5% level of significance is 2.01.

If the calculated value (or statistical value) of t, i.e., T exceeds $t_{0.05}$ for (n-2), d.f., we say that the value of r is significant at 5% level. If T < $t_{0.05}$ the data are consistent with the hypothesis of an uncorrelated population.

Here, since significant value, T is less than the critical value, $t_{0.05}$. Hence, the result is not significant at 5% level of significance. Therefore, we conclude that the null hypothesis, i.e., there is no relationship between the size of the organizations and quality management practices, is accepted.

Hence, ***THERE IS NO CORRELATION BETWEEN THE AGE OF THE ORGANIZATIONS AND THEIR RESPECTIVE QUALITY MANAGEMENT PRACTICES.***

RESULT SUMMARY

The results are summarized as follows:

TABLE 10: RESULT SUMMARY OF THE T-TEST STATISTICS

Factor combination	Value of r	Test statistics value	Remarks
Size and QMPS	0.347	2.508	Significant
Age and QMPS	0.057	0.385	Non-significant

The correlation between size of the organization and QMPS was found to be significant at 5% level with 46 degrees of freedom, hence, H_01 is rejected and H_02 is accepted. It can therefore be inferred that size of an organization (in terms of the number of employees) is positively and significantly correlated to the Quality Management Practices Score. This result corroborates other findings also.

CONCLUSIONS

The average Quality Management Practices Score is 129.98 $\cong$ 130 for the sample. The results indicate that some confidence is generated in the validity of QMPI instrument developed, on the basis of positive and significant correlation between Quality Management Practices score and respondent's perception of overall effectiveness of quality department.

In the sample organization, the statement "Specificity of quality goals", has emerged at the top with the highest mean score. It indicates that in these organizations, the respondents seem to be more than satisfied with responsibility assumed by their top management and as such their support to the quality programmes in the organizations. To the extent the academicians have reiterated time and again in their writings that top management support is essential for the success of any quality management programme – this finding seems to place the practice, in this respect at a very commendable position. At least, one can not say that top management is indifferent to the quality aspects in their organizations.

However, contrasting situation has emerged with respect to the factor "Employee Relations" which is at the bottom of the rankings. The general condition in Indian organizations is that the Industrial Relations and Human Resource Development aspects are still being given less attention. Finding of this study supports the same general perceived contention. To improve this situation, more efforts should be given to building of employee relations in general and quality department in particular. The employees should be recognized and rewarded for superior quality performance. Culture of mutual trust should prevail.

The small and large size organizations show a significant difference with respect to following factors of quality management: "Training of Employees", "Product Design" and "Quality Data".

As expected, the large companies provide comparatively better training to their employees, better practices relating to product design activities and more systematic in management of quality data. It is quite possible that the practices relating to product design may not be applicable to comparatively small organizations. But training of employees and generation & analysis of quality data are equally relevant and applicable to any manufacturing organization irrespective of size. Therefore it becomes prudent for small organizations, as a matter of fact for all organizations, that they improve practice in respect of these aspects, if at all they are interested in quality development. For the other factors of quality management such as "Role of Quality Department" and "Role of Management" both large and small organizations are reporting higher levels of practices. But, in respect of "Employee Relations" and "Inspection" both large and small sized organizations need to improve their level of practices.

The established and young organizations differ significantly with respect to "Product Design" only. The impact of market competition has been realized more during the last 10 years. World-wide, the competitive organizations have always been coming out with frequent product design changes and new brands and models. Perhaps, that is why the young organizations are attuned to these new philosophies due to the presence of competition. Established organizations, on the other hand, have not been able to overcome inertia. If at all these organizations are willing to take up competition and survive they must revamp their practices, immediately or as long as a long term strategy. Some complacency seems to have set in established organizations which should be overcome more so, in the wake of emerging situations.

Due to foreign collaborations the young organizations were expected to provide higher amount of training to their employees. Although they are rated as better than established organizations, in this regard, the difference is not large enough to be significant.

Most of the young organizations are launched by young breed of entrepreneurs who are relatively younger, more professionally qualified, and their level of awareness is high. Their attitude is reflected in practices of the young organizations. These organizations are supposed to be having more sophisticated technology due to foreign collaborations, which results in better inspection related practices being reported by these young organizations. Established organizations will also have to pay more attention to inspection related practices even if their processes are not that much sophisticated. Any how, they would have to go in for technological up gradation to face the ensuing competition and any home work done towards this aspect of "Inspection" is likely to benefit in their subsequent efforts.

The size of organizations was found to be dependent on the levels of QMPI but the age of organizations was independent of levels of QMPI. This finding consolidates the result that large organizations differ significantly from small organizations with respect to three factors of Quality Management, as described earlier. Age is not such a significant factor, i.e., if both young and established organizations have to survive their level of Quality Management Practices must improve. However in large organizations the risk of failure is high so they are expected to make more efforts in this respect, in order to survive and prosper – this particular attitude seems to be reflected in the findings of this study in the shape of significant difference emerged between large and small organizations.

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PROBLEMS OF MUTUAL FUND IN INDIA

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ABSTRACT

The Indian Capital market has been increasing tremendously during the last few years. With the reforms of economy, reforms of industrial policy, reforms of public sector and reforms of financial sector, the economy has been opened up and many developments have been taking place in the Indian money market and capital market. In order to help the small investors, mutual fund industry has come up to occupy an important place. Mutual funds are a pool of money collected from many investors and corporate and then invested by fund managers to buy securities such as stocks and bonds. This requires that the investor studies his needs and aspirations, identifies a goal that he wants to achieve, and then makes an investment decision. However, this decision cannot be made on the basis of comparing one fund to another, since every Mutual Fund invests based on a particular focus. There are Blue-Chip funds which invest only in big companies with established track records. Besides this, there are Mid Cap Mutual Funds which invest in medium-sized companies. Similarly, there are sector-based Mutual Funds such as Information Technology, infrastructure etc. The main objective of this paper is to examine the importance and growth of mutual funds and evaluate the mutual fund problems and recommend some measures to make it a successful scheme in India.

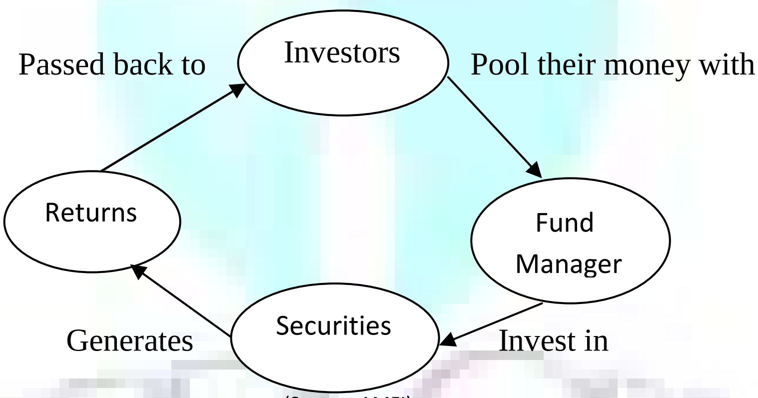
KEYWORDS

Mutual fund, AMC, Capital market, Investment.

INTRODUCTION

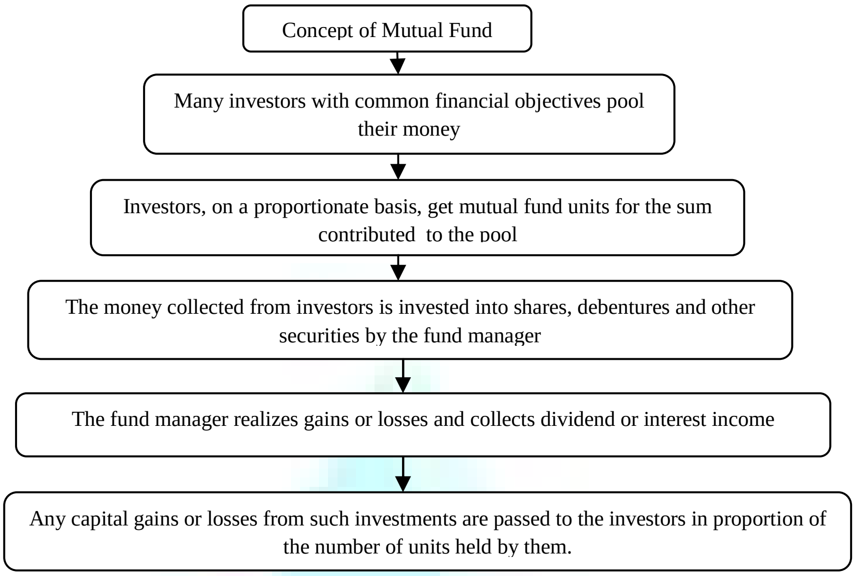
A Mutual Fund is a very important form of Non Banking Financial Institutions (NBFIs) for promoting as well as mobilizing financial savings. Mutual Funds also act as important investment institutions, especially for the corporate sector. The term Mutual Fund is commonly used for such NBFIs in USA and Canada and is now increasingly used in India too, whereas, similar financial institutions are called 'Unit-Trusts' in U.K. It is just a matter of historical accident that when the first mutual fund of this was set up in India in 1964, it was named as Unit Trust of India [1]. An investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets. Mutual funds are operated by money managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund is an investment company or trusts that pools the resources of thousands of its shareholders or unit holders and invest on behalf of these diversified securities and a cross-section of companies to attain the objective of investors, which in turn achieve income or growth or both, i.e., steady return or capital appreciation or both along with low risk [2].
Working of Mutual Fund is given below:

FIG. 1: MUTUAL FUND OPERATION FLOW CHART



(Source: AMFI)

Mutual funds provide the alternatives to the investors who instead of making direct investments in share or bonds through public issues or through secondary market, subscribe to the corpus of mutual funds. Mutual funds mobilize funds by selling their own share also known as units. When an investor owns share in mutual funds, he owns a proportional share of their securities portfolio [10].According to Encyclopedia Britannica "Mutual fund, also called Unit Trust, or Open-end Trust, company that invests the funds of its subscribers in diversified securities and in return issues units representing shares in those holdings. It differs from the investment trust, which issues shares in its own capital. In contrast to closed-end investment companies, which have a fixed capitalization and whose shares are bought and sold by the investor in the market, mutual funds make a continuous offering of new shares at net asset value (plus a sales charge) and redeem their shares on demand at net asset value, determined daily by the market value of the securities they hold" [3].

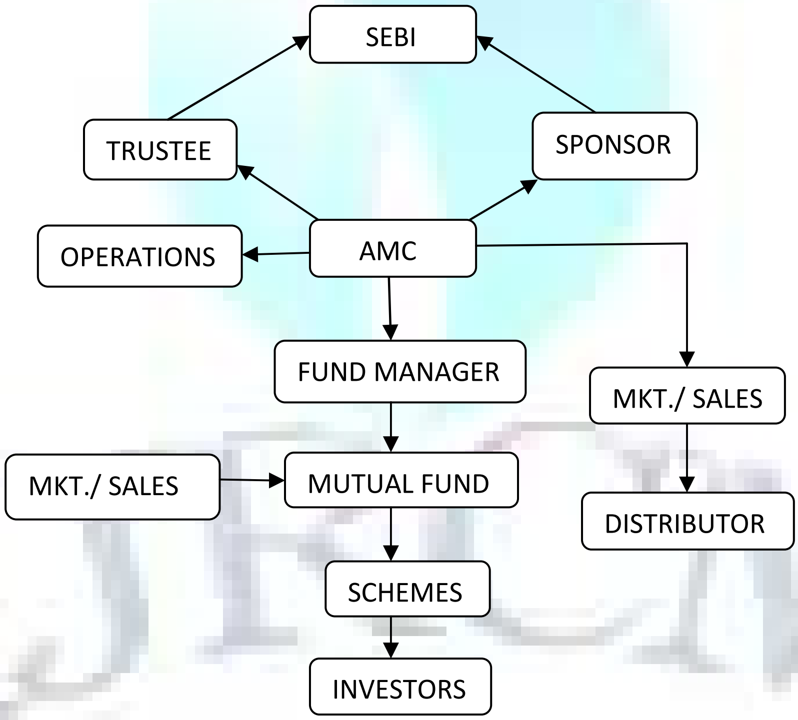


The concept of mutual fund is new to the Indian capital market, but not to the international capital world. The origin of mutual funds can be traced to the U.K. in the 19th century, which spread to United States in the beginning of the 20th century. Subsequently, hundreds of mutual funds have been developed and expended in Latin America, Far East and Europe [7].

STRUCTURE OF MUTUAL FUND

Structure of Mutual Funds Investors dealing with a mutual fund come in contact with so many entities associated with the fund, that they wonder who does what and why. The core function of a mutual fund is to provide the expertise of professional investment managers to small investors. In a mutual fund structure prescribed by SEBI, money is not handed over to anyone else. It is kept in a trust, where you are the beneficiary and whose operations are supervised by the trustees in your interest [4]. The trustees appoint a professional manager, the asset management company (AMC) to manage your money. The AMC never really accesses your money. Then how do they make the investments? The trustees appoint a custodian, usually a large bank, who holds the funds and the securities. The AMC makes the investment decisions, but the custodian implements it. A mutual fund is structured for the protection of your money from misuse [2]. The structure of mutual fund is given below:

FIGURE 2: MUTUAL FUND STRUCTURE



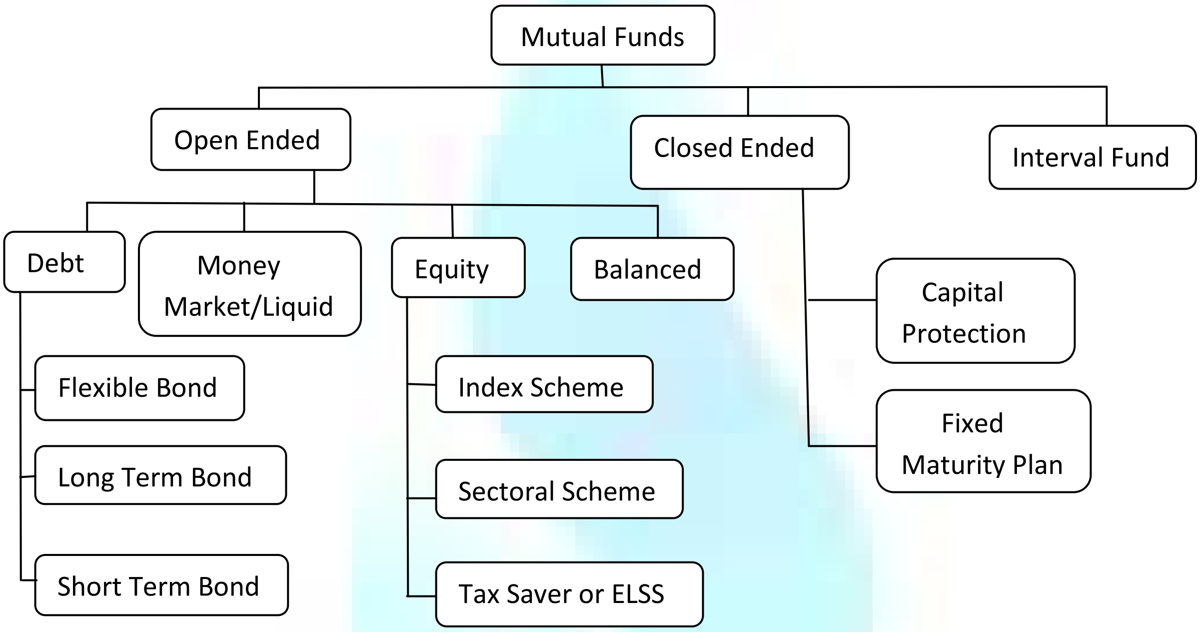
(Source: AMFI)

A mutual fund is structured to minimize the costs of managing money.Regulation ensures that at least two-thirds of the trustees are independent. An independent trustee is one who does not receive any other monetary consideration from the mutual fund, other than the trustee fee. The trustee appoints the AMC to manage the funds, and the AMC is accountable to the trustees. The AMC runs the mutual fund business under the supervision and guidance of the trustees. The trustees are responsible for ensuring that all activities undertaken by the mutual fund are in the interests of the investors who have invested in the fund. Trustees are appointed with the approvalof SEBI and they ensure that operational systems and procedures are in place so that no action ofthe AMC or any other constituent could be detrimental to the investors interest [2]. Mutual funds operate in a competitive environment. Though SEBI Regulations allow an investment manager to charge up to 1.25% as fees, the actual fee charged is much lower, offering the investor the benefits of competitive rates. Similarly, though the overall annual expense that a mutual fund can charge can be up to 2.5%, in reality, mutual funds charge a much lower annual fee [8]. This feature is perhaps unique to mutual funds as compared to other investment options where the annual fee is not only higher, but far from transparent to the investor. Important decisions relating to the fund, such as launching a new product, can be taken only with the approval of the trustees. The custodian, who actually holds the investor's funds in the bank account and the securities that have been bought for the mutual fund portfolio, has to be independent as well [10]. The AMC, who is the investment manager, is created by a sponsor. Such sponsor can also have a bank that offers custodial services. But regulations do not allow the sponsor and the custodian to be owned by the same entity. This ensures that the custody of your money and securities is even safer. The custodian is appointed not by the AMC, but by the trustees themselves. Regulation also requires that investors know what is being done with their money. The investors' money is kept scheme-wise in separate accounts. The entire portfolio of investments of a scheme has to be disclosed to the investors at least every six months. Mutual funds make this disclosure voluntarily on a monthly basis [4]. The scheme accounts are published and publicly available for investors to see the expenses that are being charged to them. The extent of expenses that can be charged, and the heads under which they can be charged are also subject to regulation. Mutual funds are subject to detailed regulations by SEBI, and are inspected periodically for compliance. All constituents of a mutual fund, such as brokers, registrar & transfer (R&T) agents, custodians and intermediaries, have to be registered with SEBI and are monitored by the regulator. Mutual funds provide safety from the multiple levels of supervision and regulation [8]. They combine this with the expertise in management and efficiency in costs. Mutual funds are thus a modern and ideal investment vehicle for investors.

CLASSIFICATION OF MUTUAL FUNDS

Various types of mutual funds categories are designed to allow investors to choose a scheme based on the risk they are willing to take, the investable amount, their goals, the investment term, etc [5]. Let us have a look at some important mutual fund schemes under the following three categories based on maturity period of investment:

FIGURE 3



I. Open-Ended - This scheme allows investors to buy or sell units at any point of time. This does not have a fixed maturity date [10].
1. Debt/ Income - In a debt/income scheme, a major part of the Inver channelized towards debentures, government securities, and other debt instruments. Although capital appreciation is low (compared to the equity mutual funds), this is a relatively low risk-low return investment avenue which is ideal for investors seeing a steady income.
2. Money Market/ Liquid - This is ideal for investors looking to utilize their surplus funds in short term instruments while awaiting better options. These schemes invest in short-term debt instruments and seek to provide reasonable returns for the investors.
3. Equity/ Growth - Equities are a popular mutual fund category amongst retail investors. Although it could be a high-risk investment in the short term, investors can expect capital appreciation in the long run. If you are at your prime earning stage and looking for long-term benefits, growth schemes could be an ideal investment [7].
3. i. Index Scheme - Index schemes is a widely popular concept in the west. These follow a passive investment strategy where your investments replicate the movements of benchmark indices like Nifty, Sensex, etc.
3.ii. Sectoral Scheme - Sectoral funds are invested in a specific sector like infrastructure, IT, pharmaceuticals, etc. or segments of the capital market like large caps, mid caps, etc. This scheme provides a relatively high risk-high return opportunity within the equity space.
3. iii. Tax Saving - As the name suggests, this scheme offers tax benefits to its investors. The funds are invested in equities thereby offering long-term growth opportunities. Tax saving mutual funds (called Equity Linked Savings Schemes) has a 3-year lock-in period [9].
4. Balanced - This scheme allows investors to enjoy growth and income at regular intervals. Funds are invested in both equities and fixed income securities; the proportion is pre-determined and disclosed in the scheme related offer document. These are ideal for the cautiously aggressive investors.
II. Closed-Ended - In India, this type of scheme has a stipulated maturity period and investors can invest only during the initial launch period known as the NFO (New Fund Offer) period [2].
1. Capital Protection - The primary objective of this scheme is to safeguard the principal amount while trying to deliver reasonable returns. These invest in high quality fixed income securities with marginal exposure to equities and mature along with the maturity period of the scheme.
2. Fixed Maturity Plans (FMPs) - FMPs, as the name suggests, are mutual fund schemes with a defined maturity period. These schemes normally comprise of debt instruments which mature in line with the maturity of the scheme, thereby earning through the interest component (also called coupons) of the securities in the portfolio. FMPs are normally passively managed, i.e. there is no active trading of debt instruments in the portfolio. The expenses which are charged to the scheme are hence, generally lower than actively managed schemes [4].
III. Interval - Operating as a combination of open and closed ended schemes, it allows investors to trade units at pre-defined intervals [2].

Role of Mutual Funds in Capital Market

A mutual fund is a special type of institution, which acts as a investment intermediary and canalizes the saving of large number of people in such a way that investors get steady returns, capital appreciation and a low risk [9]. Mutual funds are becoming very popular in the world because of the following advantages:

- **FINANCIAL PLANNING WITH MUTUAL FUNDS**

How often have we wished that there were 48 hours in a day? With earning money and fulfilling family responsibilities topping our priority list, our investments usually take a backseat. Complex investment options further delay our investment decisions for the lack of time to understand these avenues. Here is where mutual funds play an important role. Why invest in a mutual fund: Various investment options to choose from mutual funds offer a plethora of products to choose from, which makes it easier for investors to align their investment objectives with investment avenues [4]. Consider equity schemes; One can choose from index funds, equity diversified funds, large cap funds, mid cap funds, flexi cap funds, sector funds, and the list goes on. Similarly, in case of debt schemes there are balanced funds, monthly income plans (MIPs), gilt funds, fixed maturity plans (FMPs) and many more. If one's investment horizon is very short, then he/she can invest in liquid funds.

- **PROFESSIONAL INVESTMENT MANAGEMENT**

Another major advantage of investing in a mutual fund scheme is that it is professionally managed. With inputs from research analysts, the fund managers take investment decisions in tune with the objective of the scheme [1]. In short, you can rest assured that your money is in safe hands.

- **AFFORDABLE INVESTMENT**

Mutual funds offer a very affordable investment avenue for investors; investors individually may lack sufficient funds to invest in high grade stocks. On the other hand direct equity or debt investments would require a much higher outlay. Moreover, a very moderate fee is charged for investment in mutual fund [2].

- **CONVENIENCE OF INVESTING**

Options like Systematic Investment Plans (SIP), Systematic Transfer Plan (STP) and Systematic Withdrawal Plans (SWP), enable you to manage your investments & withdrawals in an automatic and efficient manner [4]. On the whole, mutual fund investing is quite simple and easy.

- **EASY LIQUIDITY**

Mutual funds are highly liquid investments. One can redeem units of a mutual fund at NAV based prices and receive the redemption proceeds within a period of 3-5 days.

- **DIVERSIFICATION WITH A SMALL AMOUNT OF INVESTMENT**

With a small investment, not many options are available while investing directly in the capital market. However, mutual funds allow you to spread your investments across a wide range of securities, lowering your risks considerably [1].

- **DISCIPLINED INVESTING**

Facilities like 'Systematic Investment Plan' (SIP) inculcate a habit of regular saving and investing by making you invest a fixed amount periodically for a pre determined period of time in a mutual fund scheme [5].

- **TRANSPARENT AND WELL-REGULATED INDUSTRY**

The mutual fund industry is regulated by Securities and Exchange Board of India (SEBI) and is governed by SEBI Mutual fund regulations. These regulations ensure transparency in the functioning of mutual fund. An investor to achieve his financial goals requires various investment avenues with varied risk-return characteristics [8]. Mutual funds with various investment options of differing risk return profile should from part of financial planning of every individual.

- **PORTFOLIO DIVERSIFICATION**

Mutual Funds invest in a number of companies across a broad cross-section of industries and sectors. This diversification reduces the risk because seldom do all stocks decline at the same time and in the same proportion. You achieve this diversification through a Mutual Fund with far less money than you can do on your own [2].

- **TAX BENEFITS**

Dividends given by equity oriented mutual funds are tax-free in the hands of the investor. In case of Debt funds, the funds pay dividend distribution tax.

- **FLEXIBILITY**

Mutual fund offers features such as regular investment plans, regular withdrawal plans and dividend reinvestment plans; you can systematically invest or withdraw funds according to your needs and convenience.

- **INVESTOR PROTECTION**

Mutual funds are regulated and monitored by the Securities Exchange Board of India (SEBI). The SEBI (Mutual Funds) Regulation, 1996 which have replaced the regulation of 1993, provide better protection to the investors, impart a greater degree of flexibility and facilitate competition [8].

- **SUPPORTING CAPITAL MARKET**

Mutual funds play a vital role in the growth of capital market. Therefore, growth of industrial development and capital formation is possible of the country [2].

GROWTH OF MUTUAL FUND IN INDIA

This part traces the growth of the Indian mutual fund industry from 1964, the year of launching of the first mutual fund - UTI. The industry has since witnessed the entry of public sector and private sector mutual funds, the establishment of a regulatory authority, Securities and Exchange Board of India (SEBI), the promulgation of the Mutual Fund Regulations in 1993 and other regulatory measures for the healthy growth of the industry and Investor protection. The growth of the mutual fund industry in India was very slow till the end of the 1980s, primarily due to government controls and stiff regulation of the financial services industry [7]. State planning and development objective of the economic policy meant that financial institutions assisted the government in developmental activities through mobilization of domestic savings. Severe entry bamers restricted the growth of the mutual fund industry In terms of number of players, mobilization of domestic savings and creation of assets. This was the scenano till 1986-87 when the mutual fund market in India, such as it was, solely controlled by a single institution, namely Unit Trust of India (UT1) which was formed by the Government of India under an Act of Parliament. UTI commenced operations in July 1964, 'with a view to encouraging savings and investment and participation in the income, profits and gains accruing to the corporation from the acquisition, holding management and disposal of securities' [4].

PROBLEMS OF MUTUAL FUND IN INDIA

" The mutual funds have failed to provide safety, liquidity and returns on investments to the small investors, which are facing several problems in our country." The main problems are given below:

- **POOR INVESTOR INTEREST**

Assets managed by mutual funds are falling. For the month ended March 2012, assets under management with all mutual funds plunged 13 per cent to Rs.5,87,000 crore, according to Association of Mutual funds in India (AMFI) data. This is the lowest since June 2009. This means investors have pulled out money. While March usually sees a high outflow of funds as corporate India pulls out money to meet tax and other working capital requirement, the absence of a diverse retail base hurts [6]. The industry needs more common people to own mutual fund units and not just large corporate to park their money.

- **OTHER ATTRACTIVE INVESTMENT AVENUES**

For the common man, the Indian government offers saving schemes with sovereign guarantee. With high interest rates and tax rebates, post office schemes like public provident fund or National Saving certificate offer better returns to investors [8]. Individuals have Rs. 5,19,162 crore invested in the post office or government guarantee schemes, according to Karvy, securities firm. Employee Provident fund and public provident funds manage another Rs. 2,81,000 crore. This is more than the size of the total mutual fund industry in India. High bank deposit rates also reduce the risk appetite. Indian individuals own fixed deposits and government guaranteed bonds worth Rs.22,16,307 crore, according to Karvy. Another Rs. 6,20,000 crore is held in savings bank accounts with public and private sector banks [7].

- **EQUITY ASSETS STAGNANT**

Mutual funds manage Rs. 1,82,000 crore in equity assets, according to the AMFI data. This is barely 3 per cent of the total market capitalization of the Bombay Stock Exchange. Foreign institutional investors control five times that [6]. A successful asset management business is evaluated on the basis of the equity assets it manages. However, with sovereign guarantee schemes dominating most of the household investible surplus, it is a challenge to ask individuals to take risks [4].

- **INDIVIDUALS PREFER DIRECT EQUITY INVESTMENT**

Direct equity holding is estimated at Rs. 22,73,043 crore, more than 11 times equity assets managed by mutual funds and a third of the BSE market cap [8]. This means investors prefer to buy or sell shares on their own and not rely on mutual funds. Mutual funds have failed to educate this segment to allocate resources to them.

- **PROBLEMS RELATED TO THE INVESTORS**

The success of a mutual fund depends upon the confidence of the investors. All the problems related to the investors are, lack of awareness and poor after sales service to the investors. The investors believed, so far, that the mutual funds promoted by UTI, LIC, and nationalized banks are guaranteed by the Central Govt. The majority of the new investors don't understand the concept, operations and advantages of investment in mutual funds before investing. The researcher had undertaken surveys of individual investors and members of Ahmadabad Stock Exchange to analyses the awareness of investors about the mutual fund schemes [9]. It was observed that small businessmen, farmers and persons belonging to rural and semi-urban areas in low income group had no awareness about the mutual funds. The queries received from the investors are promptly attended by all the private sector mutual funds. There are delays in attending queries by the transfer agents in case of UTI due to large number of queries received by them.

- **PROBLEMS RELATED TO WORKING**

The inventible funds of the mutual funds increase when sales are more than the redemptions and decrease when the redemptions are more than sales creating the problems of maintaining liquidity. The investors prefer to invest in equity funds during boom period and shift their investments to debt funds during the recession period. The most profitable and high income & appreciation potential stocks during the boom period or at the time of investing funds in such stocks may become illiquid over a period of time [7].The investors can't take decisions of investment due to unavailability of track records of working. HDFC and Standard Chartered Mutual Funds started their operations in 2000; all other mutual funds except UTI have the track record of 3 to 5 years. Unless the track records of working of mutual funds is available covering the several stock market booms and crashes, the investors can't judge which schemes or mutual funds are better alternatives for investments [9].

- **PROBLEMS RELATED TO PERFORMANCE**

The investor prefers safety of the principal amount, regular returns, long-term growth, income tax benefits, etc. The mutual fund schemes have been designed based on the preferences of the investors, changes in stock/capital market, and returns on various instruments and changing profile of the investors. The schemes are framed and conceptualized by the top management of the mutual funds and marketed by their branches and through the agents. The agents and the sales executives of the mutual funds assure higher returns to the investors and paint a rosy picture about the mutual funds while marketing schemes. The mutual funds in our country have been quite wrongly promoted as an alternative to equity investing and created very high expectations in the minds of the investors. The ignorance of the investors about mutual funds coupled with aggressive selling by promising higher returns to the investors have resulted into loss of investors' confidence due to inability to provide higher returns [4]. All mutual funds set a higher target for mobilization of savings from the investor by launching new schemes and expanding investor base. The agents or distributor of mutual funds are more governed by commissions and incentives they get for selling the schemes and not by the requirements of the investors and quality of the products. They share commissions with the investors and don't explain the risk factors to them [7].

The investors who invest in growth or equity schemes consider it as an alternative to stock market investing and the investors who invest in debt schemes expect higher returns on their investments than returns on nationalized banks' fixed deposits. The investors expect higher returns and get dissatisfied when they don't receive the expected returns. The NAV of the mutual fund scheme gets discounted on debiting the front-ended load of issue expenses after closure, further discounted on listing and continue to decline on trading due to poor demand for such units due to the poor sentiments of the investors [9].

RECOMMENDATIONS TO MAKE MUTUAL FUND SUCCESSFUL IN INDIA

The greater transparency, increased innovations, better services to the investors, liquidity and higher returns will make mutual fund schemes more popular and investors friendly [9]. Some recommendations are to make mutual fund successful in India.

- **INCREASE THE DISTRIBUTION STRENGTH**

Compared to the insurance sales force, the strength of the mutual fund network appears to be dismal. Quoting an industry CEO, "there are over 0.3 million insurance agents in India, while only 16,000 distributors for mutual funds." This data implies that investors are likely to meet insurance agents much more frequently than mutual fund distributors and hence likely to park their surplus funds in insurance policies rather than mutual fund products.

- **NEED TO UPGRADE DISTRIBUTION NETWORKS**

In the current scenario, the industry needs willingness from asset management companies to invest more in the distributor community. The smaller asset management companies due to lack of funds, find it more challenging to invest in the distribution channel. Training and educating the distributors are integral to increasing penetration of mutual fund products [10].

- **CONTINUATION OF INVESTOR AWARENESS INITIATIVES**

National awareness campaigns for mutual funds continue to remain a focus area for fund houses and distributors. Distributors are taking it upon themselves to educate the investor and make them aware of the benefits of investing in mutual funds. The AMCs are trying to think of innovative ways of reaching the investors in smaller towns and cities and mobilize their savings. Investors should be aware of the sectors in which they are investing and should have a clear outlook on the performance of their investments, with all the risks explained [11]. Servicing the customers and guiding them to achieve their financial goals over a period of time will lead the industry towards sustainability and asset retention. The plan should be to 'manage assets' and not just 'gather assets' [9].

- **GROWTH OF SYSTEMATIC INVESTMENT PLANS**

Fund managers need to enhance the growth of their systematic investment plan books. These plans have the capacity to deal with volatility over a long-time horizon and generate steady returns.

- **FOCUS ON SERVICE INITIATIVES**

Fund houses can create a differentiator for themselves by offering a premium service proposition. The initiative to increase distribution needs to be matched with service quality to investors and distributors alike or else increased penetration will not attain its full value [7].

- **MULTIPLE SHARE CLASS STRUCTURE**

Some industry CEOs believes that a multiple share class structure can possibly be a viable model for the domestic mutual fund industry. In this kind of a structure, each share class can have its own expense ratio [9].

- **LONG-TERM PERFORMANCE**

To attract retail investors, a stable long-term performance by funds is most desirable. Asset management companies with a good track record over a period of time will be successful in drawing more funds from investors.

- **UNCERTAIN MARKET ENVIRONMENT**

Going forward sluggish economic growth, high rate of inflation and slowdown of consumer demand is predicted in 2013. This has in turn adversely affected the investors' ability to invest in financial markets. Investors are hesitant to approach capital markets and wary of risk in these challenging times [7].

- **ATTRACTIVENESS OF INCOME FUNDS**

In a scenario where inflation is high and the RBI is lowering interest rates, investors are showing an interest in the fixed income market. Riding on the expectation that rates could be cut further in 2013, the market looks promising for gilt funds, bond funds and income funds [9].

- **POSITIONING MUTUAL FUNDS AS A LONG TERM PRODUCT**

Mutual funds need to be positioned appropriately as a long term product in the investor's mind. Distributors hence need to be incentivized adequately in order to sell the product correctly to investors.

- **NEW CADRE OF DISTRIBUTORS TO TAKE THE INDUSTRY FORWARD**

The new cadre of distributors such as postal agents, retired officials and school teachers, etc will likely take inflows from smaller towns and cities. This cadre of distributors will be crucial in mobilizing the savings of the smaller towns and directing these savings towards mutual fund investments [4].

- **PRODUCT DESIGN**

Mutual fund products need to be simplified if they have be sold to the masses through a public sector bank channel. The product needs to mimic a fixed deposit, and provide a predictable income. Also, these products need to be solution oriented. In the past, some fund houses launched similar schemes with minor differences. The SEBI has directed a move towards a consolidation of schemes to make the process simpler for investors. If the right product or solution is not available to be sold to customers, it will be difficult to create a 'pull' factor.

- **TECHNOLOGY MIX**

To overcome operational challenges, measures need to be taken to improve the existing infrastructure and to bring in more efficiency while increasing the scale of operations. This is not possible without the back-up of a good technology mix. It is also a key facilitator to break down under penetrated markets [9].

CONCLUSION

The outlook of the mutual fund industry is governed to a great extent by the economic situation in the country. The current economic scenario with sticky inflation and rising fuel prices is likely to adversely impact perceptions, resulting in depressed equity inflows into the market. Steps need to be taken to instill confidence in the minds of the investor and to encourage him to invest in mutual funds, even in times of uncertainty. We believe that the mutual fund industry manifests huge opportunity for growth and further penetration, and this can be achieved over time, with support from technology. The key lies in strengthening distribution networks and enhancing levels of investor education to increase presence in rural areas. In terms of opportunity, the infrastructure debt market has become very attractive, during investors to invest in this space. Also, it is critical for the industry at this point to assess and capitalize the value that pension products bring to the growth of the mutual fund industry. Lastly, it may perhaps be useful if the mutual fund industry emulated some best practices from other industries and sectors to transition to the next level of growth. It is rightly said that change is the only constant. The sea of changes in the financial & economic scenario in country has brought with it a fresh wave of opportunities. These opportunities and problems can only lead to the betterment of the investment community at large. The message to the investors is Happy investing!!

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HOMESTAYS FOR THE DEVELOPMENT OF TOURISM IN THRISSUR DISTRICT

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ABSTRACT
Hospitality has always been one of the most valued service areas of Indian culture in general and Kerala, in particular. Hospitality becomes more homely when the guests stay at home and this belief was utilized to the full by the Keralites as Kerala was one of the first states in India to initiate and develop the concept of homestays. In a homestay, the tourist lives with the family for some part of his or her journey and enjoy the culture and tradition of the land. Even though homestay is regarded as a home away from sweet home, tourist stay in hotels by paying high rates for rooms. This makes some kind of problems for the homestay providers because for some it's the only livelihood. By conducting census method of data collection through telephone interview, study concludes about different problems of homestay owners and suggests some solution.

KEYWORDS
Homestays, tourism.

INTRODUCTION
India is one of the few countries in the world blessed with the tremendous variety of tourist sources. India recoganised the economic significance of tourism soon after independence and established full fledged Department of tourism as early as 1958. In fact India was one of the first countries among newly independent Asian nations to under take the promotion of international tourism in a professional way. And it was the first Asian country, to open overseas tourist offices in USA and UK as early as 1952. In 1966 India molded ITDC to make the tourism industry a flourished one. The India Tourism Development Corporation Limited (ITDC) is a hospitality, retail and education company owned by Government of India, under Ministry of Tourism. It was incorporated with the objective of developing and expanding tourism infrastructure in the country and thereby promoting India as a tourist destination. Now, in 2010, India witnessed a growth of 10.7% in domestic tourist visits over the year 2009 and that of foreign tourists was 24.2%. In 2010, foreign tourist visits registered an increase of about 18.31 percent, and the growth in domestic tourist visits was near to 8.0 percent.

The tourism industry has taken the state of Kerala to the global map with its branding. The brand name of Kerala, 'God's Own Country' has become popular around the world. Kerala has an active tourism industry which has been accepted as one of the most suited industries for Kerala. The Kerala Tourism Development Corporation (KTDC), a public sector undertaking conducts and regulates the tourism activities. It is one of the most profitable ventures of the Kerala government. There is District Tourism Promotion Council also, which mainly concentrates on tourism promotion activities like marketing products through public/private participation, improvement of quality/standard or evolving procedure for certification of all tourism products, improvement of signages, sanitation etc by working through local government, heritage conservation and preservation, coordination of tourism clubs, creation of tourism awareness and preparation of host community, promotion of paying guest scheme information dissemination and local infrastructure projects.

As mentioned, the number of tourist is increasing so their accommodation becomes a question during the peek seasons. In Kerala there is a need for twenty thousand classified rooms in a tourist season. But the luxury five star hotels and resorts can provide with about ten thousand rooms only. The rest of the tourists find accommodation in other hotels and homestays. So the importance of homestays had increased in the recent years. With travel becoming more about experimental holidays, homestays are more apt accommodation for the alert and independent traveller. They present a bright, affordable and secure accommodation option for todays enlighten tourists. Not only will homestays bridge the gap of quality of accommodation in the state, but also paves the way for unique cultural exchange and penetration of the benefits of tourism directly to the common man.

HOMESTAYS
Hospitality has always been one of the most valued traditions of Indian culture in general and Kerala, in particular. The centuries old adage, 'Atithi Devo Bhava" - the guest is always considered to be a representative of God, is practiced in Kerala to the core. Hospitality becomes more homely when the guests stay at home and this belief was utilized to the full by the Keralites as Kerala was one of the first states in India to initiate and develop the concept of homestays. In a homestay, the tourist lives with the family for some part of his or her journey and enjoy the culture and tradition of the land.

There are so many exclusive homestays in Kerala and most of them are located in the midst of coconut palms and natural beauty, also quite away from the crowded cities and heavy traffic. From budget tourists and backpackers to the rich, homestays in Kerala are available for all and offer a place to relax and dream in, with loving care. They not only showcase the rural life but also the warmth and care of the rural folks. Another high point of homestays in Kerala is the traditional Kerala cuisine. And since strict guidelines have been implemented by the government, most of them are safe to put up with supreme maintenance. Couples and families looking for a private holiday in the laps of nature are invited to experience and share the unique hospitality of Kerala Homestays

A BRIEF HISTORY OF HOMESTAYS OR BED AND BREAKFASTS
The bed and breakfast concept has existed in one form or another since the beginning of man. Monasteries served as bed and breakfasts for travelers, and in some cases still do. Bed and breakfasts have been very popular with the traveling public in Europe for years. It was in England, Scotland and Ireland that the term "B&B" first came into use. Tourists will see B&B signs in many windows there. The term "bed and breakfast" is not used in many other countries. Terms such as paradors, pensions, gasthaus, minskukus, shukukos and pousados are used to describe what Americans and English-speaking Europeans think of as a bed and breakfast. The United States also has a history of bed and breakfasts dating back to the time of early settlers. As the pioneers traveled the trails and roads across this county, they sought a safe refuge in homes, inns and taverns. In fact, some of those historic accommodations now serve as B&Bs. During the Great Depression, many people opened their homes to travelers to bring in some additional money for the family. The term "boarding house" was used at this time. After the Depression, this type of lodging declined and many people had the idea they were just for low-income travelers or drifters. In the early fifties, people may remember the term "tourist home" being used. This too was essentially a form of bed and breakfast. Once motels were built on the new highways, they were soon forgotten.

In large part because of the number of Americans traveling to Europe in recent years and rediscovering B&Bs, there has been an exponential increase in interest in the U.S. Today, the B&B is not viewed as a low-cost lodging facility but as an attractive alternative to the typical standard chain hotel or motel room. Today, some bed and breakfasts offer amenities not unlike those found at the most upscale hotels in the world.

A homestay in India concept is as similar as a bed and breakfast concept. Guests are stay in the family home or in divided sections close by. At the present time lots of homestays providing comfortable stay their guests than a reputable hotel. We may have experienced the advantages of staying at home with services that equal to the finest hotels.

HOMESTAY ACTIVITIES

A homestay isn't simply somewhere to stay; many homestay offer a range of activities which give guests the unique opportunity to experience the specific culture of the area. Depending on the location, homestay can offer anything from adventure pursuits, artistic activities and experiencing local culture such as dance and music. The activities include;

1. **Cooking Classes:** These are informal and a friendly way to get to know your host and the Indian culture of food! In all towns there are excellent restaurants, and some of the best regional delicacies will probably be cooked by the hosts. Meals are cultural experiences in themselves and learning some of your favorites is a must.
2. **Yoga and Ayurveda:** Hosts arrange private classes at the homestay or guide the tourist to a nearby centre for long term courses.
3. **Plantation tour:** These tours can be by jeep or by foot. Tours of plantations can be offered by Homestay owners themselves, if they run a plantation, or by local tourist companies.
4. **Hikes and treks:** Long, tough treks into the mountains are offered and lighter treks to see the surrounding landscape, such as the sheer rock faces and cultivated fields. Short treks, day long treks and longer treks including camping can be organized.
5. **Local tours:** Local tours within a destination can be much more hassle free if tourists were provided the right information. Homestay hosts will always be there to help tourists.
6. **Bird Watching:** Bird watching is especially good in the Kuttanad backwaters and plantation areas of Kerala.
7. **Fishing:** Many homestays are more than happy to cook the fish that their guests have caught, so tourists can enjoy a delicious home-caught fish curry.
8. **Elephant safaris:** Elephants are sacred animals in India and are found in temples, and working in plantations. Homestay hosts can arrange for elephant safaris tickets in a wildlife sanctuary or general joy rides in certain destinations.
9. **Backwater cruise:** A trip on a fully staffed houseboat with living areas, visiting different areas of the backwaters in Kerala for 1-3 days is the best way to get into the narrow canals to see traditional villages which live mainly on farming.
10. **Wildlife safaris:** Homestay hosts can put guests in contact with tourist companies who can arrange wildlife safaris**.**
11. **Cycling / biking:** Cycles and scooters can be hired, or host may have a spare one that tourists can use and with a map in hand or directions from host, ride into narrow lanes and discover little hidden treasures that are not open for all to see.
12. **Access to local events:** With the help of homestay hosts tourists can get to exclusive private events or weddings or celebrations within families that a regular tourist can never see.
13. **Visit to local mark:** Hosts explain to all about life in India, spices, fresh produce, Indian fabrics and much more. There is also the advantage of getting a locals recommendation on the best places to buy specific items and also getting the best bargain.

TYPES OF HOMESTAYS

There are different types of homestays and it varies with location, facilities, and building types. Different types of homestays are as follows:

a) **Heritage homestay** A surprisingly large number of homes and hence homestays in India are ancestral properties. Many of them going back over 100 years and are filled with artifacts collected over generations. There are great museums of an unknown history.
b) **Modern homestay** Big cities in India have numerous homestays with all these traits like, modern conveniences, international décor, and families with a global outlook. Clubbed together with Indian hospitality, these urban Indian homestays serve as wonderful homes away from home for travelers.
c) **Plantation homestay** A lot of homestays in India are nestled in over 100 acres of lush greens where tea, spices and much more are grown. These homestays allow people an experience where nature comes to them.
d) **Rural homestay** Some of the most memorable homestays in India are located in villages. These homestays are the hub of lost culture and traditions as well as natural beauty.
e) **Eco homestay** Many homestays have adopted the practice of ecotourism to supplement their income while preserving their region's fragile ecosystem.
f) **Palaces** All over India there are many palaces, forts and castles, which have opened their doors to guests. These incomparable homestays are often destinations in themselves.

KERALA STATE HOMESTAY AND TOURISM ASSOCIATION (KERALAHATS)

Kerala State Homestay and Tourism Association (KeralaHATS) has been formed basically to serve as a consortium of homestay providers and tourism promoters for the effective co-ordination of tourism activities in Kerala and also to ensure qualitative and competitive service. KeralaHATS while striving to enhance the working conditions of homestay providers and tourism providers would also join hands with the government and organizations of it to promote tourism activities in Kerala. It would also among the objectives of KeralaHATS to carry out research programs in the hospitality sector of Kerala and be actively involved in conservation of natural resources and environment, upkeep of heritage structures and monuments. Promotion of rainwater harvesting, organic farming and zero waste management system would also occupy a prominent place in the activities of KeralaHATS.

HOMESTAY CLASSIFICATION

Homestays were classified on the basis of score gained during the unexpected physical verification by 'The Classification Committee', constituted by the government. The committee gives scores on the basis of following criteria: Location, Exterior and Surroundings, Type of Building, Guest rooms, Bathrooms, Public area, Food, Kitchen, Cleanliness, Hygiene, Safety and Security, Communication and Eco – friendly Practices. Those homestay units, scoring seventy five and above marks are classified as Diamond House, scoring between seventy four and sixty marks are classified as Gold House and scoring between fifty nine and fifty as Silver House. If the score is less than fifty it is not qualified for classification.

REVIEW OF LITERATURE

As a part of study the following literature has been reviewed:

The purpose of the study "Tourist motivation to use homestays in Thailand" by Kanoknon Seubsmrn was to explore demographic characteristics, tourist motivation, cultural and heritage attributes and identify the relationship between them and tourist. The result of study revealed that although three factors, location, attraction and information, have significant relationship with tourist's overall satisfaction, attraction was more important.

S. Anil Radhakrishnan in his report says that the roping in of 50 reputed home-stay families in different areas of the State has come as a relief to the tourism industry which is facing severe shortage of hotel rooms during the season. Even though the State has 50,000 rooms for tourist accommodation in different categories, it has been found that there are only less than 10,000 rooms of good quality. It is estimated that the tourism industry is facing a shortage of 20,000 rooms during the tourist season. Official sources said there is a need for 6,000 more rooms in the home-stay sector in the next five years to cater to arrivals during peak season.

In the study "Tourist's perception about homestay in Subah" Clotilde Lugman goes through reactions for preferring homestay by tourist. He classified the reasons as push factors and pull factors. He suggests the methods of attracting tourists to homestay. The pull factors include learning the local culture, connections with people, experience and local food and push factors include privacy, comfort, and hygiene, afraid of dirty toilets, of being bored, discretion, problems of communication etc. He concludes that pull factors are existional and push factors are immaterial. Also improving communication, training, networking and homestay itself would bring more tourists.

Krish Mahar of Time India reported India may have moved yet another rung down the ladder of desirable destinations for female travelers. Reports surfaced on British woman injured after trying to escape out a window from the unwanted advances of a hotel manager in Agra, home of the Taj Mahal and the nation's biggest tourists draw.

STATEMENT OF THE PROBLEM
Homestays have its own specialties to attract foreign as well as domestic tourists, but only 0.14% of the total tourists stayed in homestays functioning in Thrissur district. Moreover only 613 homestays are functioning in Kerala and of them only 19 are situated in Thrissur district. Hence it is proposed to study the problems of the homestay providers.

OBJECTIVES OF THE STUDY
1. To find out the factors influencing the homestay providers for providing the service.
2. To find out the problems of homestay providers while rendering the services.

RESEARCH METHODOLOGY
Primary data were collected through telephone interview with help of structured questionnaire. Secondary data were collected from various text books, Journals, Newspapers and Internet

SELECTION OF DISTRICT FOR THE STUDY

Multiple stage sampling is used for selecting the district where study is to be conducted. For this purpose districts of Kerala are classified on the basis of number of homestays. The numbers of homestays varies from 118 to 0 and were grouped into 3 categories.

1st category consists of districts having more than 100 homestays and it includes Ernakulam and Alappuzha.

2nd category consists of districts having homestays between 100 and 50 and it includes Kottayam, Idukki and Trivandrum.

3rd category consist of districts having less than 50 homestays and it includes Kollam, Palakkad, Wayanad, Thrissur, Pathanamthitta, Kannur, Kozhikode, Malappuram and Kasargode.

Lottery method was used for selecting the district, where study is to be conducted. From the nine districts having less than 50 homestays, Thrissur district was selected.

SAMPLE SIZE

All the 19 (100%) licensed homestays were interviewed for collecting primary data

TOOLS FOR ANALYSIS

Percentage calculations and pie diagrams were used for analysis and interpretation of data.

LIMITATIONS OF THE STUDY
1. Data were collected through telephone interview. All the limitations of telephone interview had affected this study.
2. Homestays included in the District Tourism Co-operation website were considered only. The websites were not updated.

ANALYSIS AND INTERPRETATION
PROFILE OF RESPONDENTS

- Among the 19 homestay providers of Thrissur district only 15 were available in the telephone.
- All the 15 were responded to the structures questionnaire except one.
- In the balance fourteen, only 10 (71%) were functioning and rest stopped their homestay service due to several reasons.
- Only one of the homestay providers is female.
- Most of the homestay providers were between 30 and 50 years old.
- Majority (57%) of the homestay providers were graduates.

THE FINDINGS OF THE STUDY ON HOMESTAYS IN THRISSUR DISTRICT ARE

TABLE 1: FACTORS INSPIRED TO START HOMESTAY

Factors	No: of respondents	In Percent
Interested in homestay	6	43
Successful story of friends	0	0
Increased no: of tourist	5	36
To earn more income	0	0
To get engaged after retirement	0	0
Make use of unoccupied portion of home	6	43
Other reasons	0	0

Source: Primary Data

- 43% of the existing providers started homestay business due to their interest in this unique kind of service. Another 43% started the homestays to make use of the unoccupied portion of their home. Only 36% was influenced by increased number of tourist. No one is treating the monitory benefit as a reason to start homestay. Some homestay providers were inspired by multiple reasons.

TABLE 2: PROBLEMS FACED BY THE HOMESTAY PROVIDERS WHILE DOING THE BUSINESS

Problems	In numbers	In percent
High maintenance and promotion cost	0	0
Acquiring homestay license	4	28
Lack of infrastructural facilities in locality	0	0
Cheating by tourist	1	7
Misbehavior to family members	2	15
Rough handling of home appliances	2	15
Other problems	1	7
No problems	9	64

Source: Primary Data

- 64% of the respondents have no problem in doing homestay business. Acquiring homestay license is the problem for 28% of homestay providers. 15% faced misbehavior to family members, another 15% faced rough handling of homestay appliances and 7% faced cheating from tourists. The reason for not having the problem for the 64% of homestay providers were checking of identity proofs of domestic tourists, ensuring their marital status, checking passports, identity cards and reporting the nearby police station for international tourists.

TABLE 3: TYPES OF TOURIST, HOMESTAY PROVIDERS WERE ACCOMMODATING

Type of tourists	No: of respondents	In percent
Domestic Tourists only	6	46
Foreign Tourists Only	2	15
Both Domestic and Foreign tourist	5	38
Total	13	100

Source: Primary Data

- 46% of homestay providers accommodates only domestic tourists, 15 % accommodates foreign tourists only while 38% of them accommodates both domestic and foreign tourists.

SUGGESTIONS

- 29% of homestays are not functioning, but their details are still in the tourism websites and are like to be functioning. This may mislead the tourists. So the authorities may remove the names from their websites.
- Diamond house is Class A house in homestay classification. It is necessary to ensure that the services and the facilities of the Diamond house should be on par with international standards.
- Homestays were chosen more by domestic tourists. It would be more beneficial to the tourism industry to fix the charges which are affordable to the domestic tourists.
- At present renewal of licensing is done once in two years. But frequent inspection would be more helpful for ensuring the standard of homestays.
- Authorities need to take more steps to attract tourists to Thrissur district with the help of advertisements. There is also a need to conduct awareness programs so that more and more tourists came to know about homestays.
- There is need to design innovative, attractive and economical tour packages with the help of local self governments.
- Homestays would be the better option for women tourists who travel in solo.
- Hartals and strikes affect the tourism industry adversely. To overcome such challenges special transportation and security arrangements should be provided for the tourists.

CONCLUSION

The tourism industry in India is substantial and vibrant, and the country is fast becoming a major global destination. India's travel and tourism industry is one of them most profitable industries in the country. Homestay is a new trend in the tourism industry to attract foreign as well s domestic tourists. But the number of homestays in Thrissur district is only 3% of the total homestays in Kerala. So there is need to increase the number of homestays in the district through mass publicity. Thus both tourists and the new homestay providers can be attracted and can realize this programme as potential to the tourism industry.

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MERGERS AND ACQUISITIONS IN BANKING SECTOR

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ABSTRACT

The main objective of this research paper is to analyse the market share of mergers and acquisition in banking sector in India. Through this paper we will try to find out reasons of merger and acquisition from the experience of Indian banking sector. Indian banking sector is currently valued at rupees eighty one trillion (US$ 1.31 trillion). It has the potential to become the fifth largest banking industry in the world by 2020 and the third largest by 2025, according to an industry report. The face of Indian banking has changed over the years. Banks are now reaching out to the masses with technology to facilitate greater ease of communication and transactions are carried out through the Internet and mobile devices. Through this paper an attempt has been made to describe the reasons, impact and market share of banking sector. The main objective of this paper is to analyse the impact of mergers and acquisition in banking sector in India. A large number of international & domestic banks all over the world are engaged in M&A activities. Through M&A in the banking sector, the banks look for strategic benefits in the banking sector and it can be reckoned that size does not matter and growth in size can be achieved through M&A quite easily. Against such improvements, the present study has been carried out to study the literature review in mergers and acquisitions in banking sector.

KEYWORDS
Indian banking sector, Mergers & acquisitions, Market share, challenges.

INTRODUCTION

In today's globalized economy, competitiveness and competitive advantages have become the buzzwords for corporate around the world. Merger and Acquisition in the banking sector have been on the rise in the recent past, both globally and in India. In this backdrop of emerging global and Indian trends in the banking sector, this study illuminates the key issues surrounding M & A in banking sector with the focus on India. It also seeks to explain the motives behind some Merger and Acquisition that have occurred in India in post liberalisation era.

Mergers and Acquisitions is the only way for gaining competitive advantage domestically and internationally and as such the whole range of industries are looking to strategic acquisitions within India and abroad. In order to attain the economies of scale and also to combat the unhealthy competition within the sector besides emerging as a competitive force to reckon with in the International economy. Consolidation of Indian banking sector through mergers and acquisitions on commercial considerations and business strategies – is the essential pre-requisite. Today, the banking industry is counted among the rapidly growing industries in India. It has transformed itself from a sluggish business entity to a dynamic industry. The growth rate in this sector is remarkable and therefore, it has become the most preferred banking destinations for international investors‟. In the last two decade, there have been paradigm shift in Indian banking industries. The Indian banking sector is growing at an astonishing pace. A relatively new dimension in the Indian banking industry is accelerated through mergers and acquisitions. It will enable banks to achieve world class status and throw greater value to the stakeholders.

In the past three decades, India's banking system has earned several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to metropolises or cities in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main aspects of India's banking growth story. The first banks were Bank of Hindustan (1770-1829) and The General Bank of India, established 1786 and since defunct. The largest bank, and the oldest still in existence, is the State Bank of India, which originated in the Bank of Calcutta in June 1806, which almost immediately became the Bank of Bengal. This was one of the three presidency banks, the other two being the Bank of Bombay and the Bank of Madras, all three of which were established under charters from the British East India Company. The three banks merged in 1921 to form the Imperial Bank of India, which, upon India's independence, became the State Bank of India in 1955. The Government of India issued an ordinance and nationalised the 14 largest commercial banks in 1969. These banks have 85 per cent of bank deposits in the country. A second round of nationalisation of 6 more commercial banks took place in 1980. Nationalisation took place so that government get more control of credit delivery. With the second round of nationalisation, 91% of banking business was held by the Government of India. Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalised banks and resulted in the reduction of the number of nationalised banks from 20 to 19. At present the number of nationalised banks is 26.

RECENT DEVELOPMENTS IN BANKING SECTOR

The central banks of Japan and India have agreed to a proposal that expands the maximum amount of the Bilateral Swap Arrangement between the two countries to US $50 billion. The agreement is for a three-year period (2012–15); the previous size of the BSA was US $15 million. The new agreement will enable the two countries to swap their local currencies against the US dollar for an amount up to US$50 billion.

Public sector banks will soon offer customers insurance products from different companies as against products from one company. The finance ministry has asked public sector banks to become insurance brokers instead of corporate agents. This move was one of the steps stated by finance minister P. Chidambaram in early 2013, as a way to increase insurance penetration.

Citi has promoted Mr Anand Selvakesari as the head of consumer banking for the Association of Southeast Asian Nations region. Mr Selvakesari will continue his present role as Citi's consumer banking business head in India – a post he has occupied since July 2013 – as well as look after the consumer banking operations in Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

Indian Overseas Bank has received approval from the RBI to open a second branch in Bangkok, according to the bank's chairman and managing director Mr M Narendra. The bank will likely open the second branch before March 31, 2014. Also, the bank is looking to expand its presence. "Our focus is on opening more rural branches and taking banking to villages. We have covered 3,000 villages under the financial inclusion scheme," said Mr Narendra.

In an effort to expand its revenue streams, Bank of India plans to enter the merchant banking space through BOI Shareholding Ltd. BOI is looking to buy Bombay Stock Exchange's entire shareholding in their joint venture BOI Shareholding Ltd (BOISL). Another reason for BOI's inclination to foray into merchant banking is to offer a greater range of financial services to its customers.

REVIEW OF LITERATURE

Mehta Jay & Kakani Ram Kumar (2006) stated that there were multiple reasons for Merger and Acquisitions in the Indian Banking Sector and still contains to capture the interest of a research and it simply because of after the strict control regulations had led to a wave of merger and Acquisitions in the Banking industry and states many reason for merger in the Indian Banking sector.

Anand Manoj & Singh Jagandeep (2008) studied the impact of merger announcements on shareholder's wealth on the basis case study of five banks in the Indian Banking Sector. The study revealed that announcement of merger of Bank had positive and significant impact on share holder's wealth.

Aharon David Y (2010) analyzed the stock market bubble effect on Merger and Acquisitions and studied behaviour of investors during pre merger and post merger activities. According to the study, the bursting of bubble seems to have led to further consciousness by the investors and provide evidence which suggests that during the euphoric bubble period investor take more risk.

Kar Rabi Narayan (2011) has conducted a comprehensive study on mergers and acquisitions in Indian Scenario. Kar analyzed the trend for both pre liberalisation era as well as post liberalisation era in Indian scenario. The study also covers impact of M&A on shareholder's wealth, tax implications and due diligence practices in M&A exercises.

Mehroz Nida Dilshad (2012) measured the efficiency of market with respect to announcements of mergers and acquisitions using an event study methodology. The study analyzed the effects of banks mergers and their announcements on the prices of stocks, in Europe. Evidence here supports that significant cumulative abnormal returns were short lived for the acquirers.

OBJECTIVES OF THE STUDY

- To study the reasons for merger and acquisition in Indian banking sector.
- To analyse the market share of mergers and acquisition in banking sector.
- To study the challenges faced by banking sector in India.

RESEARCH METHODOLOGY

A comprehensive study has been undertaken for the banks those have gone for M&A during the post-reform period. Data require for the research paper is collected from secondary sources. Following secondary sources have been used for data collection: Annual Reports of R.B.I. ICRA and Website of SEBI, Websites of BSE and NSE, Annual Reports of Banking Companies that are involved in consolidation.

REASONS FOR MERGER

- Merger of weak banks- Practice of merger of weak banks with strong banks was going on in order to provide stability to weak banks but Narsimhan committee opposed this practice. Mergers can diversify risk management.
- Increase in market competition- Innovation of new financial products and consolidation of regional financial system are the reasons for merger.
- Markets developed and became more competitive and because of this market share of all individual firm reduced so mergers and acquisition started.
- Capability of generating economies of scale when firms are merged.
- Transfer of skill takes place between two organisation takes place which helps them to improve and become more competitive.
- Globalisation of economy impacted bank mergers.
- New services and products- Introduction of e- banking and financial instruments.
- Technology removal of entry barrier opened the gate for new banks with high technology and old banks can't compete with them so they decide to merge.
- Positive synergies- When two firms merge their sole motive are to create a positive effect which is higher than the combined effect of two individual firms working alone. Two aspects of it are cost synergy and revenue synergy. Cost Synergy is the savings in operating costs expected after two companies that complement each other's strengths join. Revenue Synergy is refers to the opportunity of a combined corporate entity to generate more revenue than its two predecessors stand-alone companies would be able to generate.

CURRENT MERGERS AND ACQUISITION IN INDIA

- The Indian banking industry may see a few mergers and acquisitions (M&A) deals this year, ahead of the banking regulator releasing the licensing norms for new banks that are expected to open for business in the next two years.
- At least three new generation private sector banks - HDFC Bank Ltd, Kotak Mahindra Bank Ltd and IndusInd Bank Ltd have set their eyes on acquisitions. Kotak Mahindra Bank has already created a war chest for acquisitions by selling 4.5% stake in the bank for $296 million (around Rs1, 400 crore today) to Sumitomo Mitsui Financial Group Inc. Its vice chairman and managing director Uday Kotak has previously said that he is "sniffing around" for acquisitions.
- ICICI Bank Ltd, India's largest private sector lender, is in the process of acquiring Bank of Rajasthan Ltd for its 463 branches. ICICI Bank had earlier acquired Bank of Madura Ltd and Sangli Bank Ltd, again for their branches, and their presence in southern and western India, respectively.
- Yes Bank Ltd is in talks to buy the local retail and commercial operations of Royal Bank of Scotland Group (RBS). A plan by RBS, majority owned by the UK government, to sell the Indian businesses to HSBC Holdings fell through in November last year, more than two years after the two banks started negotiations. Yes Bank, India's No. 4 private sector lender with assets of nearly $11 billion, is likely to start due diligence on the RBS unit soon. RBS has been shrinking its Indian business since the original deal with HSBC was struck in 2010 and it now has assets of just 190 million pounds. The unit has 31 branches, 400,000 customers and made revenue of 42 million pounds in the first nine months of last year, RBS said in a statement last November.

IMPACTS OF MERGER

- Diversification- When two firms merge their risk in investing assets diversify accordingly. When a firm is operating alone then they don't have many options to diversify their portfolio investment that they can get after merger.
- Mergers and Acquisition allows firms to obtain efficiency gains through cost reductions, revenue increases.
- Broader array of products- When two firms merge they have diversified variety of products and after the merger each consumer in both the firms will be benefited with the range of products or services to choose from.
- Mergers and Acquisition helps firms to widen its consumer portfolio but it also leads to a more diversified range of services and offer scope economies by optimizing the synergies between the merged activities.
- Domestic mergers cut costs for both the partners whereas for the majority of cases including domestic and cross border mergers and acquisition, the impact on profitability is insignificant but a clear trend to diversify the sources of revenue was apparent
- In terms of cost efficiency and revenue efficiency it has been noticed that in domestic merger organisation get the benefit of cost efficiency and in cross border merger organisation get the benefit of revenue efficiency because of the benefit of geographical expansion and diversification.
- Improvement in the activities of organisation, however, offer benefits from product complementarities which helps to enhance revenues.
- Efficiency may be improved after merger and acquisition, if the acquiring company is more efficient already and brings the efficiency of the target up to its own level by providing its managerial expertise, policies and other operations.

CHALLENGES OF BANKS IN INDIA

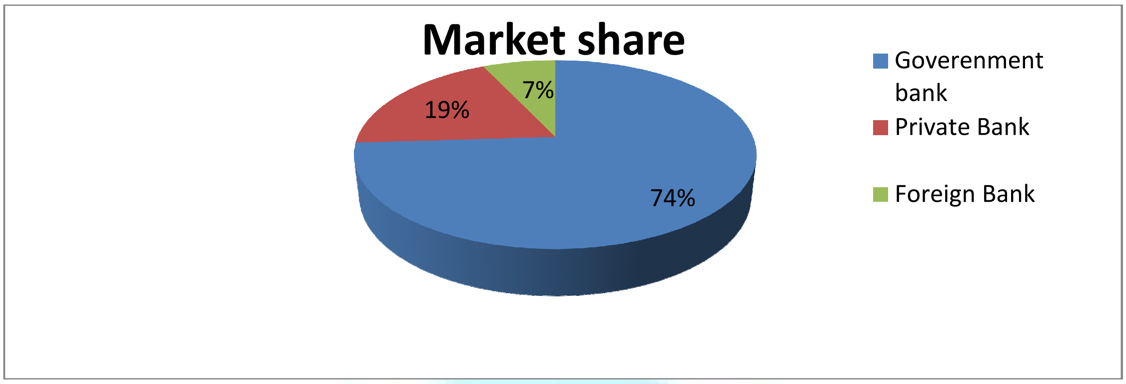
Today, banks are one of the most important parts of our daily life. Banks meet the needs and requirements of farmers, businessmen, entrepreneurs, governments and other segment of society. Banks contribute to speed up the economic growth of a country by mobilizing scarce financial resources for productive purpose. Hence, banking is the fundamental basis of economic, industrial, agricultural development of a country. Integration of economies leads to integration of banking industry catalyzing the globalization process. The growing role of the banking industry in allocation of resources has significant potential advantages for the efficiency with which our economy functions. Consequently, the adverse consequences of malfunction of the banking sector are likely to be more severe than they used to be in the past. Hence, all our efforts today are focused at ensuring greater financial stability. Given the significance of the Indian banking system, one cannot afford to underplay the importance of a robust and resilient banking system.

The enhanced role of the banking sector in the Indian economy, the increasing levels of deregulation along with the increasing levels of competition have facilitated globalisation of the India banking system and placed numerous demands on banks. Operating in this demanding environment has exposed banks to various challenges. The last decade has witnessed major changes in the financial sector - new banks, new financial institutions, new instruments, new windows, and new opportunities - and, along with all this, new challenges. While deregulation has opened up new vistas for banks to augment revenues, it has entailed greater competition and consequently greater risks. Demand for new products, particularly derivatives, has required banks to diversify their product mix and also effect rapid changes in their processes and operations in order to remain competitive in the globalised environment.

CURRENT SCENARIO OF INDIAN BANKS

The total assets of Indian banks, which are regulated by the Reserve Bank of India and the Ministry of Finance were pegged at Rs 82,99,220 crore (US$ 1564.8 billion) during Financial year

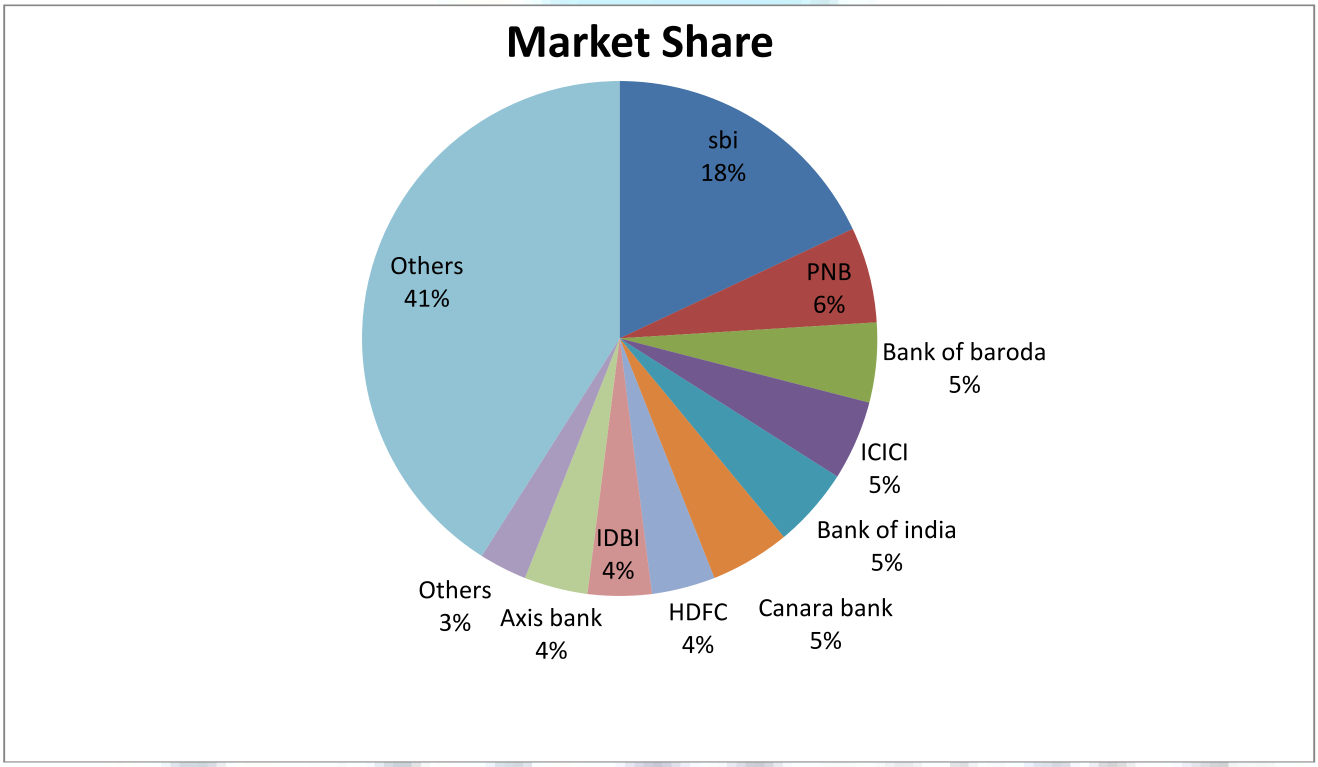
TABLE 1.1: CURRENT SCENARIOS OF BANKS



Source: ICRA, Thomas White Report on Indian Banking

Table 1.1 as per the study conducted by ICRA revealed that market share of Government bank is 74%, private bank 19%, and foreign bank market share is only 7%. Which revealed that the maximum share of Government bank.

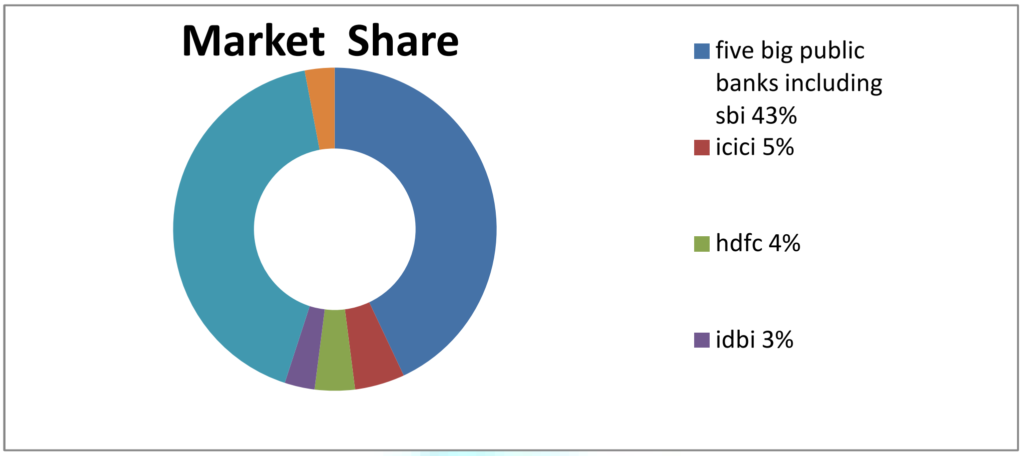
TABLE 1.2 CURRENT SCENARIOS OF BANKS



Source: ICRA, Thomas White Report on Indian Banking

Table 1.2 as per the study conducted by ICRA revealed that market share of sbi is 18%,PNB 6%,bank of Baroda 5%,ICICI 5%, Canara bank 5%,HDFC 4%, IDBI 4%, Axis Bank 4% 19%, and others bank market share is only 3%and 41%.

TABLE 1.3 AFTER MERGER SCENARIO OF BANKING SECTOR



Source: ICRA, Thomas White Report on Indian Banking

Table 1.3 as per the study conducted by ICRA revealed that market share of five big public banks including sbi is 43%, ICICI market share is 5%, HDFC market share is 4%, IDBI market share is 3%,And others market share is 42%and 3%.

CONCLUSION

The main purpose of mergers and acquisition is to reduce competition and protect existing markets in the economy. Overall mergers and acquisitions have their own pros and cons. But mergers are good for the growth and development of country only when it does not give rise to competition issues. Mergers improve the competition edge of the industry in order to compete in the global market but mergers shrink the industry because number of firms reduces. Mergers help banks to strengthen their financial base and access tax benefits and direct access to cash resources.

The recent years these trends have been changed. One striking feature which was noticed in comparison to domestic mergers and cross border mergers was that in domestic mergers if no competition issue were raised then cost will reduce because of reduction in operating cost. but in case of cross border mergers it has been noticed that revenue tends to improve without imposing negative impact on consumers. Setting of priorities in advance is beneficial for the acquiring company. If banks have priority to reduce capacity in domestic market then further consolidation is required in domestic market. Banks should opt for cross border merger if they have managed to reach the threshold level of concentration in domestic market.

Too many mergers inside or outside can be harmful for the economy and leads to economic failure. From society's point of view too many mergers should be avoided. But we cannot restrict all mergers which includes at least one big player in the economy instead we should reconsider our competition policies. Merger regulation by CCI would be therefore intended to ensure that such activities are not motivated by the desire to collude and make excessive profits at the expense of customers or to squeeze other players out of the market through abusive practices.

RECOMMENDATIONS

- Policies regarding mergers should be made in such a way so that it controls monopoly and anticompetitive practices in banking sector. But policies should not restrict the entry of any new firm because of the policies. Over protecting policies restrict the firm from taking risk and explore new areas which restrict the innovation process in any field.
- Present policies are ill framed and equipped to handle competition issues because of this we have seen so many unproductive mergers in the recent news. We should incorporate a full efficiency test in our competition policies and it would be desirable to restructure capital markets in small and medium banks.
- We should provide proper incentives to these small and medium banks so that they start innovating with their quality of services provided to common people.

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MEDICAL TOURISM OF INDIA: HIGH QUALITY & AFFORDABLE INTERNATIONAL PRICE

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ABSTRACT

Health tourism in India has occurred as the fastest growing section of tourism industry with a major impetus of economic liberalization. Aspects that have led to the increasing attractiveness of medical tourism comprises the high rate of health care, long wait periods for certain procedure, the comfort and affordability of international travel, and enhancement in both skill and standard of care in many third world countries like India, Mexico, Malaysia, Singapore etc. As per the market research report of 'Pharma Leaders' (Asia's Most Analytic News Media in Healthcare Communication) India's share in the worldwide health tourism industry will hike to around 26% CAGR by the end of 2013. Also, the medical tourism is estimated to create income of US$ 3 Billion by 2013. India signifies the most potential health tourism market in the world. Features such as low charges, offers a good holiday, there are no waiting queues to stand in, language does not pose a problem as most people speak English, and also scale and range of treatments provided by India discriminate it from other medical tourism endpoints. Also, the progress in India's medical tourism industry will be an advantage for various other associated businesses, including infirmary business, medical kit business and medicinal business. There are more than 3,371 hospitals and around 8, 00,000 registered practitioners outfitting to the needs of ancient Indian fitness care. Many Indian hotels are also showing their interest in fitness care facilities market by binding up with certified companies in a range of fitness fields and proposing Ayurvedic massages and spas. The study also delivers a deep understanding into the Indian medical tourism market and assesses the past, present and upcoming picture of the health tourism market. It discusses the major factors which are building India a striking health tourism end.

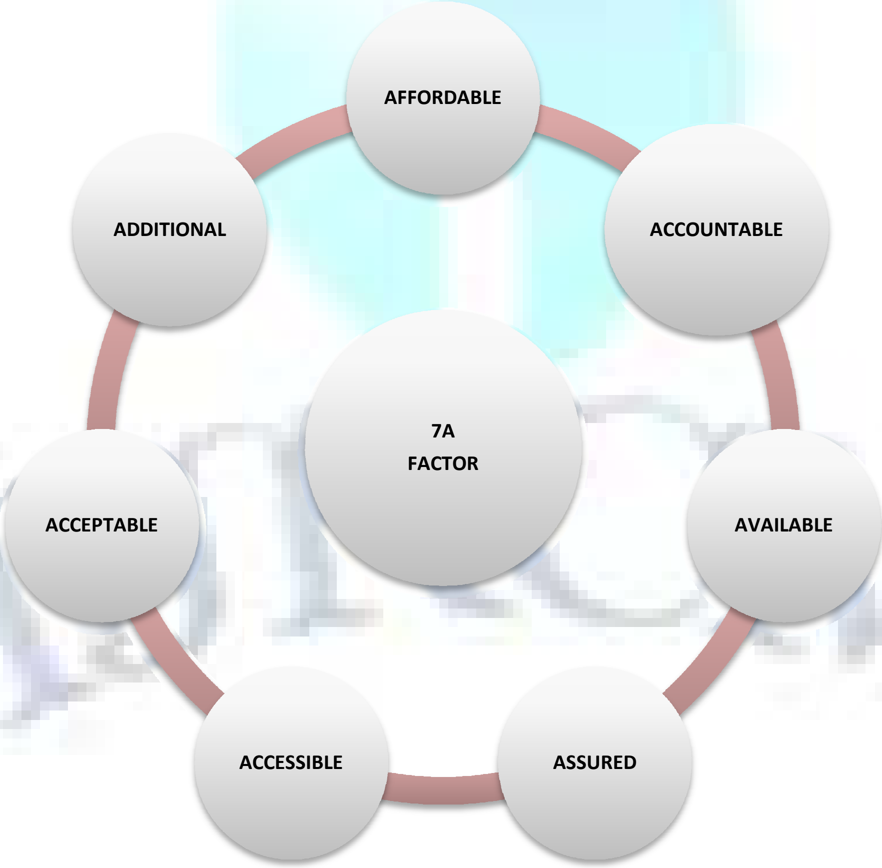
KEYWORDS
Medical Tourism, Foreign Patient, Ayurvedic Treatments.

MEDICAL TOURISM: THE INDIAN CONTEXT

Medical tourism (also called medical travel, health tourism or global health care) is a term initially coined by travel agencies and the mass media to describe the rapidly-growing practice of traveling across international borders to obtain health care.

Leisure aspects typically associated with travel and tourism may be included on such medical travel trips. Prospective medical tourism patients need to keep in mind the extra cost of travel and accommodations when deciding on treatment location.

FIGURE NO. 1: THE 7A FACTORS OF MEDICAL TOURISM



Source: (Self-Conceptualized Model, 2014)

A specialized subset of medical tourism is reproductive tourism, which is the practice of traveling abroad to undergo in vitro fertilization and other assisted reproductive technology treatments.

The business can be alienated into three clusters:

- Outgoing: patients migrating to other countries for health care

- Incoming: foreign patients migrating into the urbanized countries for health care
- Intrabound: patients of any nation migrating within their own country for health care.

Medical care in India has appeared as one of the major provision sectors in India. It is predictable to add 8% of GDP and hire about 9 million employees this year. Considering the current scenario "Indian rupee falls to an all-time low of Rs.62 in comparison to 1 USD." This is the catchiest news that is constantly being flashed on all the news channels now days. The whole of Indian economy has been suffering for a while due to the constant downfall of Indian rupee. Indian government seems helpless. Everyone especially the common man barely seems to have got the courage to put in their steps in the market. But what seems to be one good hope of ray for the Indians is that their MEDICAL TOURISM is heading towards a phase called-BOOM.

As the rupee continues to plummet, more and more patients from abroad are coming to indicator undergo complex surgeries at affordable rates. According to a recent survey in Chennai; private hospitals are of the opinion that they have seen a10% to 15% increase in the past months. And yes this is the pace being witnessed now a days from past one year. The fall in the rupee has only triggered it. If sources are to be believed, India is going to remain at the top slot in terms of medical tourism ahead of these so called developed nations like UK and USA, although countries like China and Japan are trying to flourish and compete in each and every term with India. As Indian healthcare sector develops, this new term has been coined, which is the process of people from all corners of the world is visiting India to seek medical and relaxation treatments. The most common treatments sought are heart surgery, knee transplant, cosmetic surgery and dental care.

According to research reports on Indian Healthcare sector, the medical tourism market is valued to be worth over $310 million with foreign patients coming by 100,000 every year, and the market is predicted to grow to $3 billion by 2013.

According to Dr.Trehan of MEDANTA HOSPITALS, Medical Tourism concern has gained exceptional rise in recent years. He says that for an economy like India which is considered the land of DEVTAS, medical tourism is one simple and strong way of strengthening the faith of the world. "Indian doctors are considered the best in the world." These are the words of famous cardiologist and chairman of APOLLO hospitals, Dr. Prathap C. Reddy. He says that we Indians now have one of the better technologies available and this only makes India an emerging power in the field of medical tourism. Also most importantly, in one recent interview and also in an award function, India's famous cardio surgeon, Harvard trained and internationally acclaimed Dr.Hariawala, known as the 'WOMB TO TOMB' visionary of Indian medical line, explained the 100 billion dollar medical tourism opportunity for India. He explained that the establishment of more modern hospitals might contribute to the excellent growth in this industry.

RESEARCH METHODOLOGY

Dominantly secondary sources are used, referred and analytically examined to deliver competent qualitative research in the context of Medical Tourism. Macro level information was critically examined with micro secondary sources. For the purpose of the research objective many sources, discussion, Press notes were taken into account from conceptualizing and concluding business related findings of medical tourism and its impact on India.

RESEARCH OBJECTIVE

The major objective of this research intends to establish and attain the desired result as stated below:

1. To examine the current Macro and Micro business trends of Medical Tourism in support of Indian Tourism industry.
2. To analyse the potentiality of medical tourism and business as a mono and non-supportive trend.
3. To study, conclude and recommend qualitative and futuristic business outcomes in support of the national economy.

The major advantage what makes India and which might make India a major hub of medical tourism in the near future is the much advanced HUMAN TECHNOLOGY AND SKILLED MANPOWER. Although technology wise too, many nations are ahead of India, but what grants India a front step, is the immense cluster of manpower availability. Moreover, the factor that provides an extra edge is the cost factor. Indian medical services are less costly and more efficient in comparison to other parts of the world.

And history proves, in India DOCTOR is considered as the SECOND GOD. Here patient is not just a responsibility for a doctor; instead he is the sole duty of the doctor. The only concern that is lacking and due to which India lags behind, is the VISA problem. Visa problem is one of those problems that do not generally come into light. India's large potential in medical tourism is being blunted by a thicket of restrictive rules for the tourists. According to the 'faulty' medical visa rules, a medical tourist is allowed only three entries a year, with a mandatory two month gap between two entries. So an in-bound patient who travels for consultation with doctors has to wait two months for treatment. But this problem needs to be fixed at the eleventh hour; otherwise India's ECONOMIC USP can suffer drastically.

PUBLIC PROMOTION OF MEDICAL TOURISM IN INDIA

The Indian government as well as players in the private sector have realized the huge potential and advantages in developing medical tourism segment and are initiating fresh moves to promote the same. The Indian government promotes hospital capable of providing high-quality care to the overseas market, through the Internet and other public relations efforts. The government also offers a one year medical service visa as an incentive to international patients who come to India for treatment, and MX visas are allotted to the spouse accompanying the patients. The Indian government is about to collaborate with the private sector to promote "internationally competitive" doctors and make India the medical service centre for the world.

In India, the government has provided fiscal incentives to earning from services provided to medical tourists in the same manner as those to export. In fact, these policies have invited some criticism. Experts question the policy imperative of the government in providing subsidies to private hospitals, when large section of the population do not have access, or have insufficient provision of primary healthcare.

Apollo Hospitals group executive chairman Prathap C Reddy is satisfied with the recent initiatives taken by the government in promoting health and wellness tourism in India, but he says more needs to be done by way of better coordination between the different industries involved. The government has increased budgetary allocation for healthcare to 21.9 percent out of total outlay. Custom duties have been reduced and service taxes on clinical trials have also been abolished-all in an effort to promote medical tourism in India. Thus, health and wellness tourism in India is being promoted aggressively by the private hospitals as well as by the government.

MEDICAL TOURISM- GLOBAL CONSTRAINTS & INDIAN ADVANTAGE

Currently fitness care in western nations has become very much costly not only for trifling surgical treatment but also for main medical procedures. Comparing to the nations like US or the UK, technique like heart bypass surgery or angioplasty comes at a portion of the fee in India, even though the excellence of surgeons and medical gear is comparable to the finest in the world. This state in west Asia has altered the total idea of India as one of the best hubs providing high class fitness care and has turned out to be health care industry. Some immigrants visit as first timer or repeatedly only for surgical treatment. Few of them come on holiday with major schema of health care in their holiday plans. Travelers come for ophthalmology, reproductive health care, cosmetic surgery, dentistry, cardiology, urology, since health care and extremely skilled, talented specialists are accessible at reasonable cost as differentiate to their own nations. Specifically in Asian republics like India, Singapore, Philippines, Honk Kong and Thailand etc. are transforming as major centers for medical tourism. Though, India is developing as most favored destination for health care across the globe. The amount of overseas tourists visiting is repeatedly growing since year 2005. It is important to refer a portion of article printed in Udaily by University of Delaware "the cost of surgery in India, Thailand, Colombia, Philippines or South Africa can be one tenth of what is in the United States or Western Europe and sometimes even less". For heart bypass surgery, cost would be $ 113,000 or more in US and that goes for $ 10,000 in India, excluding air fare and a brief holiday package. Likewise a metal free dental bridge cost $ 5,500 in the US and costs $ 500 in Bolivia or India, knee replacement in the Thailand with six days of bodily therapy expenses about – one fifth of what is would cost in the US. Lasik eye operation worth $ 3,700 in the states is accessible in many other nations for only $ 730.9 some of the health centers in the country are well recognized for specific techniques like, hip resurfacing, rhinoplasty, angioplasty, knee replacement, heart surgery etc. The administration and private infirmary groups are dedicated to the goal making India as a world frontrunner in the health industry at reasonable price. In spite of excessive obtainability of accomplished experts, health care in country is still sheathing behind in attaining number one position as health tourism, due to the deprived availability of arrangement and good hotels. These topics are necessary to be addressed with upper authorities to improve current scenario. The utmost strength of the country is its large English speaking residents, who can interconnect effortlessly with non-nationals. From previous discussion it is clear that, health tourism in India has turn out to be most desired terminus amongst non-nationals, due to accessibility of all medical services at lower cost with world standards as equated with other western nations.

TABLE 1: MEDICAL TOURISM PRICES (IN SELECTED COUNTRIES) Costs given in US$

Procedure	US	India	Thailand	Singapore	Malaysia	Cuba	Poland	UK
Heart bypass (CABG)	113000	10,000	13,000	20,000	9,000		7,140	13,921
Heart Valve replacement	150,000	9,500	11,000	13,000	9,000		9,520	
Angioplasty	47,000	11,000	10,000	13,000	11,000		7,300	8,000
Hip replacement	47,000	9,000	12,000	11,000	10,000		6,120	12,000
Knee replacement	48,000	8,500	10,000	13,000	8,000		6,375	10,162
Gastric bypass	35,000	11,000	15,000	20,000	13,000		11,069	
Hip resurfacing	47,000	8,250	10,000	12,000	12,500		7,905	
Spinal fusion	43,000	5,500	7,0000	9,000				
Mastectomy	17,000	7,500	9,000	12,400				
Rhinoplasty	4,500	2,000	2,500	4,375	2,083	1,535	1,700	3,500
Tummy Tuck	6,400	2,900	3,500	6,250	3,903	1,831	3,500	4,810
Breast reduction	5,200	2,500	3,750	8,000	3,343	1,668	3,490	5,075
Breast implants	6,000	2,200	2,600	8,000	3,308	1,248	5,243	4,350
Crown	385	180	243	400	250		246	330

The fee assessments for operation take into account hospital and doctor charges, but do not comprise the charges of air travel and hotel bills for the projected length of visit.

Source: Authors, March 2011, compiled table from medical tourism providers and brokers online.

FOREIGN INVESTMENT IN MEDICAL SECTOR IN INDIA

The healthcare segment as a business is growing speedily and has not been as impacted by current financial slowdown as some of the other businesses. It covers hospital services, medical technology, clinical trial services, diagnostic services and diagnostic products. This area is mainly privatized and accounts for more than 80% of entire healthcare expenditure in India with virtually 75 to 80 % of infirmaries being succeeded by isolated sector. The Indian infirmary business was projected to be worth about USD 44 billion as of 2010 and is expected to be value around USD 280 billion by 2020. Additional, the Indian infirmary facility business is predictable to cultivate at a compounded yearly progress rate of more than 9%. The Indian Medical care segment is developing as one of the fast-growing facility areas in India, contributing 6% to the country's GDP (Growth Domestic Product).

On average, the deprived 20% of the Indian residents is 2.6 times more expected than the wealthy populace to forego health treatment when ill, due to fiscal reasons. Even if the administration delivers free or nearly free facilities, poor families spend an important part of their income on transportation and easygoing charges. The cheap subsidizations on health care facilities and administration's removal from social area resulted in market segmentation, which in turn caused in an augmented demand for superiority medical care facilities by the higher and intermediate class sections in India. This issue made it eye-catching for isolated investors to control moneymaking healthcare processes, which resulted in amplified private speculation in healthcare. Though, the turning point in Indian healthcare facility supply came with the formation of the first "business hospital" by Apollo Hospital Enterprise limited, in 1983. Continually since then Apollo Hospital Enterprise Ltd, has seen a marvelous evolution with over 8000 hospital beds under its name across 25 cities in India. Simultaneously some other business hospitals were well-known across India including Escort Group and Fortis Healthcare. The Indian healthcare area is projected to reach US$ 280 billion by 2020, subsidizing an expected GDP spend 5.5 per cent in 2009 to 8 per cent in 2012, agreeing to a report by a business body. Increasing population, growing lifestyle related health issues, inexpensive cure costs, push in health tourism, refining health assurance infiltration, growing nonrefundable income, government inventiveness and attention on Public Private Partnership (PPP) models are some of the heavy features for the development of medical sector in India.

ROLE OF FACILITATORS IN MEDICAL TOURISM

People spend plenty of time in exploring health tourism upon internet which gives them a list of impressive website that claim to organize all the detail of their health trip. Usually, these websites have a list of doctors and hospitals in various endpoints along with information about several health procedures they support. These firms are usually referred to as "health care or medical tourism facilitators" and they function as mediators between patient and health care providers.

Health care facilitators are easy in reach on all over the internet; though it is very much important for the patients to endorse with those companies which are certified by organizations such as Better Business Bureau.

TWO-FOLDED ROLE OF HEALTH CARE FACILITATOR

- To inform possible patients about the numerous health services and surgeons they are sponsoring; and
- To achieve the flow of facts and coordination of facilities between patients and suppliers.

But sometimes it turns into a disadvantage of having a facilitator because quality of facility may vary knowingly from one healthcare facilitator to another; there may be unfairness towards assured hospitals or endpoints, which may cause a great trouble to the patient after spending a hansom amount of money on the facilitator.

THE EFFECTS OF MEDICAL TOURISM

India is an emerging nation with very low (PCI) per capita income by any mode of fiscal calculation in the world. National concerns of BPL (Below poverty Line) population and their welfares is in any way is the main encounter for the strategy proposers and implementers. Health facilities for the commonalities are delivered by the national administration through administration infirmaries at insignificant costs to make the commonalities to afford the facility. As an overall proposal, much of the presentation under the critical needles of Life Expectancy, MMR, TFR IMR, etc. correlates with financial prosperity and stages of poverty. The motives for such opposing health pointers may relay to high level of undernourishment and anemia, and lack of admittance to vital health facilities. Not remarkably, the states which are feeblest in terms of, maternal, life expectancy and infant mortality and total fertility regions are also lowest in terms of financial prosperity and uppermost in terms of deficiency intensities and entire health expenses.

India for the last five periods has capitalized in the remedial and health care sector by the general control of edification. The subjects of national implication were 'Brain Drain' of doctors to overseas nations in search of upper remunerations. Since 1991 liberalization Indian schooling has also gone through privatization and the business funding in this industry has gone up. Upper remunerations and job instable trend has fascinated Indian surgeons to come back to the country for profitable jobs as expert doctors. At the similar time medicinal sector at local front and overseas venture in the business is a mega fascination.

TABLE NO. 2: HEALTH INDICATORS: INDIA

High Focus NE States	Birth Life Expectancy (2002-06)	IMR (2008)	MMR (2004-06)	TFR (2008)	Poverty Level (2004-05)	Per Capita NSDP (2008-09) in INR	Per Capita Health Expenditure (NHA – 04-05)
Arunachal Pradesh	-	32	-	-	17.6	22475	1454
Assam	-	64	480	2.6	19.7	16272	774
Manipur	-	14	-	-	17.3	16508	673
Meghalaya	-	58	-	-	18.5	23069	894
Mizoram	-	37	-	-	12.6	20483	1133
Nagaland	-	26	-	-	19.0	17129*	819
Sikkim	-	33	-	-	20.1	30652	1507
High Focus EAG States							
Bihar	61.6	56	312	3.9	41.4	10206	513
Chhattisgarh	-	57	-	3.0	40.9	19521	772
Jharkhand	-	46	-	3.2	40.3	16294	500
Madhya Pradesh	58.0	70	335	3.3	38.3	13299*	789
Odisha	59.6	69	303	2.4	46.4	18212	902
Rajasthan	62.0	63	388	3.3	22.1	19708	761
Uttar Pradesh	60.0	67	440	3.8	32.8	12481	974
Uttarakhand	-	44	-	-	39.6	25114	818
General Category States							
Himachal Pradesh	67.0	44	-	1.9	10.0	32343	1511
Jammu & Kashmir	-	49	-	2.2	5.4	17590*	1001
Andhra Pradesh	64.4	52	154	1.8	15.8	27362	1061
Goa	-	10	-	-	13.8	60232*	2298
Gujarat	64.1	50	160	2.5	16.8	31780*	953
Haryana	66.2	54	186	2.5	14.0	41896	1078
Karnataka	65.3	45	213	2.0	25.0	27385	830
Kerala	74.0	12	95	1.7	15.0	35457	2950
Maharashtra	67.2	33	130	2.0	30.7	33302*	1212
Punjab	69.4	41	192	1.9	8.4	33198	1359
Tamil Nadu	66.2	31	111	1.7	22.5	30652	1256
West Bengal	64.9	35	141	1.9	24.7	24720	1259
INDIA	**63.5**	**53**	**254**	**2.6**	**27.5**	**25494**	**1201**

Note: TFR: Total Fertility Rate, NSDP: Net State Domestic Product IMR: Infant Mortality Rate, MMR: Maternal Mortality Ratio.

Source: (Rath and DAS et al Journal issue No.5, Page No. 65, 2011 September, Vol. No. 1)

Commercialization has caused in fake and unprincipled hike in the costs of lifesaving medications. Greater revenue margins and has valued the patients to pay very high fee in return making the mutual commonalities unreasonable to pay for the drug. Inadequate monitoring actions of the administration and the revenue motive of the health care and the medicinal business has made life of the common commonalities tough for the health care.

AYURVEDA: ANCIENT INDIAN SYSTEM OF CURE

Ayurveda is one of the antique methods of Treatment. Its foundation is in Indian subcontinent. It is the ancient unremittingly practiced structures of treatment and it still has its significance. This method studies man as a part of environment itself and cure are based on this supposition. It uses remedies that are got from environment itself. It is most commonly used and skillful in India, Srilanka and Nepal there are a lot of immigrant's people who believes in this cure.

India is a nation where medicinal diversity is formally accepted and heartened. Presently, India identifies six diverse healthcare methods along with the traditional drug (also known as Allopathy or Biomedicine). India trails a "parallel" kind of strategy model where the traditional biomedicine and other native systems of remedy including Homeopathy (referred collectively as AYUSH: Ayurveda, Yoga, Unani, Siddha, and Homeopathy) are positioned "parallel to each other." Because of such a strategy, though, there is no authorized facility for cross-talk between the specialists belonging to these dissimilar streams during medicinal learning, exploration, and training. This has in statistic given upswing to communal misgivings among these healthcare specialists concerning the strong point and faults of each other.

Agreeing to a recent report, there are at currently more than 500 undergraduate colleges that produce alumni in AYUSH streams of remedy in India. The prospectuses of these databases cover a huge amount of issues related to traditional biomedicine. Though, the figure of AYUSH institutes asking the biomedicine specialists to communicate these issues to their undergraduates is tremendously low. The leading bodies such as the Central Council of Homoeopathy and Central Council of Indian Medicine (CCIM) too do not make it essential for such issues to be taught by the specialists in the applicable fields. Consequently, the instructors teaching some AYUSH subjects also teach the applicable biomedical topics such as, physiology, anatomy, biochemistry, surgery and pathology. Consequently, it can be expected that the excellence of teaching in these subjects that AYUSH undergraduates obtain is possibly substandard.

The situation is dissimilar in the medicinal universities because the leading council, Medical Council of India, does not contemplate it is essential to include even the fundamentals of AYUSH-related subjects in the undergraduate or post-graduate programs. Consequently, there subsists a perceivable break between AYUSH and traditional healthcare experts when it comes to "consciousness about the area understanding of each other."

DRIVERS OF MEDICAL TOURISM IN INDIA

These years it looks like every single nation in the world endorses itself as a harbor for health tourism. The truth is that in most circumstances they provide sub-standard services and boundless skills/qualifications.

India has thousands of accomplished surgeons and nurse consultants. Over the last two decades, the financial boom in India has led to the construction of health services & setup that competing the very best that western health care that the west has to offer. Numerous of the surgeons that run-through in these infirmaries and health center have returned (to India) from the U.S. and Europe, leaving behind effective rehearses.

While some minor nations may be feasible as substitutes for negligible medical trials, India is the only mainstream option that bids a complete way out for any and all medicinal needs, and does this with the uppermost altitudes of service, services, and specialized assistances. A multifaceted transplant or bypass process can be attained for a tiny portion of the cost for the same technique in the U.S.

FIGURE NO. 2: MEDICAL TOURISM DRIVERS OF INDIA

Source: (Self-Conceptualized Model, 2014)

Benefits that India offers as an endpoint for health tourism are alike to those that make it an eye-catching selection for IT off shoring. Abundant like the crowd of engineers that controls the IT sectors; Indian surgeons are refined in English under a health prospectus that was carefully demonstrated on the British system. After freedom the Indian administration extended health education opening a number of new medical colleges at the state level and also funding health centers of brilliance such as AIIMS (All India Institute of Medical Sciences). In the last years or so there has been mounting private speculation in health education as well, with a number of isolated medical universities being started. The fee of remedial education has been comparatively economical in India with a greater part of the expenditure being funded by the administration. A strange feature of remedial education in India is that the numbers have been slanted excessively in favor of proceeding doctors rather than nurses linked to other nations. Accordingly India has transferred surgeons to other advanced countries, such as US, the United Kingdom a typical specimen of brain drain and the supporting of first world health by the tax capitals of an unpremeditated third world nation. No disbelief these surgeons have been able to obtain superior expertise by working with the state of the art skill and being visible to the latest expansions and best measures in medicinal science. Certainly major vending point of health tourism is precisely its skill to fascinate these Indian surgeons to return from overseas to work (either full time or part time) in these multi-specialty infirmaries where they would not lack for the latest and the best in gear and skill. Newly returned Non Resident Indian (NRI) surgeons have helped not only as picture boys (and girls) of health tourism in India but in some circumstances have been prime powerhouses in setting up such infirmaries joining the latest medicinal skill and medical performs, and often carrying with them their entire support operate in order to repeat in minute detail the surroundings of a first world facility and skill.

CONCLUSION & RECOMMENDATION

The future of healthcare sector seems encouraging. With augmented elevation, other nations are increasing their health care systems, inspiring travelers to visit. India is reviewing tactics to construct a medical tourism resort, providing larger lodging in “a hotel and hospital mixture”. Fast emerging metropolises are giveaway new ideas, counting Dubai’s Healthcare City, which will be one of the world’s biggest healthcare centers.

India is developing as an eye-catching, reasonable for healthcare but there are some challenges that the nation has to overwhelm to turn out to be a tourist terminus with knowledgeable health care business. The administration should stride in the role of a supervisory body and an organizer of isolated investment in healthcare. A zenith body for the business needs to be implemented to encourage the India trademark overseas and aid inter-sectoral organization. Joint ventures with foreign associates and setting up of MEDICITIES will help in India constructing a momentous benefit and leadership position in the business.

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