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PERFORMANCE ANALYSIS THROUGH RATIO ANALYSIS OF MICROFINANCE INSTITUTIONS OF KARNATAKA, INDIA

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ABSTRACT

Measuring the performance of microfinance institutions (MFIs) is not a trivial task. Indeed, looking at the financial sustainability of an MFI only gives one feature of its performance. As many MFIs primarily exist in order to help the poorest people, one also has to include aspects of outreach in their performance. Hence, MFIs' performance can be termed multidimensional. This study examines the performance of microfinance institutions (MFIs) using financial ratios. These ratios are assessed in relation to the dual objectives of MFIs of financial sustainability and outreach. The financial ratios used are categorised as profitability, portfolio quality and productivity ratios. The profitability ratios are hypothesized to be positively related to the financial sustainability and negatively to the outreach, while the portfolio quality and productivity ratios are expected to be negatively related to the financial sustainability and positively to the outreach. Data used in this study is a balanced panel data of 17 MFIs for the period of 2009-2013 and is extracted from the MIX market. Using random effect panel data estimation, we find important ratios in context of performance measurement of MFIs and also conclude that the trade-off between the dual objectives of MFIs is present.

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Financial ratios, Microfinance Institutions, performance.

INTRODUCTION

Microfinance is a much researched discipline. Although there is a lot of literature on microfinance, there is hardly any agreement on a universally accepted definition of microfinance. Researchers and microfinance visionaries are divided in their opinions when it comes to microfinance, its range and its targeted recipients. As Sriram and Upadhyayula put it, "It appears that what microfinance means is well understood, but not clearly articulated". (Sriram & Upadhyayula 2002, p. 1).

However, microfinance is generally an umbrella term that refers to the provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance to poor and low-income households and their micro-enterprises (Sharma 2001, p. 1). The demand or need for microfinance comes from the disadvantaged sections of the society - who are without access to services of formal sector financial intermediaries - and are typically excluded from the formal banking system for lack of collateral, in short the poor and the very poor. The definitions of these groups vary from country to country. The clientele of the microfinance institutes are normally employed in the informal sector, with closely interlinked household and business activities and earning low income (Central Bank of Philippines 2002).

Microfinance institutions (MFIs) work similar to traditional banks as they collect money (accept deposits) and make loans, the difference is the target market, with MFIs lending to the poor in small amounts. Another point of difference is that other than deposits, MFIs also accept grants and the default rate is normally lower than traditional banks (Morduch, 1999). However, although MFIs are different from traditional banks, as they deal with others money, their performance still needs to be measured. The bodies that grant money to the MFIs, value the social aspects more than the financial aspects. So in order to undertake performance assessment of MFIs, we need to take into account both of these aspects. Their performance can be measured by using the tools that are used to measure the performance of traditional banks but they need to be adapted to the context. Moreover, MFIs are a special form of financial institutions that follow the dual objectives of financial sustainability and social outreach so their performance is measured according to these objectives (Cull, Demirgüç-Kunt, & Morduch, 2006) that are elaborated in detail below.

MFI OBJECTIVES – OUTREACH AND FINANCIAL SUSTAINABILITY

Performance is all about success or failure in achieving corporate goals. The first goal of MFIs is outreach, and the second is financial sustainability. Outreach is about providing financial services to more poor people and financial sustainability is about covering the cost of these services. Microfinance enterprises struggle to meet the dual (but conflicting) objectives of alleviating poverty and attaining self-sustainability but meeting the full promise appears to be a challenge for most of the MFIs.

The social goal of outreach is important but at the same time self-sustainability has also emerged as a core governance and management issue. As the significance of microfinance is growing, especially among donors and commercial parties, the requirement for financial sustainability is becoming more important. Moreover, microfinance has developed different forms of organizations to meet these dual objectives (Hardy, Holden, & Prokopenko, 2003; Krauss & Walter, 2009). In the past, microfinance simply offered financial services to low income clients, but now it has broadened its scope to include all those who are usually excluded by mainstream financial services. Accordingly, performance of these institutions needs to be measured by incorporating all of the major factors that are involved in this financial sector.

Being a special type of financial institution, in terms of their objectives, there is much debate among scholars as to whether the focus should be on financial perspective or a social perspective when assessing MFIs performance. At a broader perspective these two concepts are perceived as mutually compatible (Conning, 1999; Copestake, 2007; Cull et al., 2006; Woller, Dunford, & Woodworth, 1999). Although microfinance emerged four decades ago, the question about their performance and productivity levels in terms of the dual objectives is still unanswered. This question will be addressed in this study.

LITERATURE REVIEW

Performance is recognised by microfinance practitioners as a critical success factor but only a few studies have touched the issue. This section discusses studies on the topic of performance measures of these institutions. The first part will briefly review studies on performance assessment of MFIs and the underlying

concept of performance of these institutions. The second part will review the trade-off between the dual objectives of MFIs and provide a brief review of previous studies on the topic.

MICROFINANCE INSTITUTIONS PERFORMANCE

In previous studies, different approaches have been used in performance assessment of MFIs. For example, Yaron (1994) introduces an outreach and financial sustainability approach and measures the performance of MFIs through efficiency. Farrington (2000) has applied accounting ratios such as cost per borrower, return on assets, administrative expense ratio and client per staff member to evaluate MFIs' efficiency. Arsyad (2005) while measuring the efficiency of Indonesian MFIs, take a similar approach in terms of cost per unit of currency lent, operating cost ratios and cost per loan. To understand the relation between the operational self-sustenance and financial self-sustenance, Crombrughe et al. (2008) use regression analysis and find that there is no need for increasing the monitoring costs of loans or size in order to meet the financing costs.

In terms of self-sustainability of MFIs, Morduch (1999) argues that the high rate of recovery has somehow failed to transform the donor dependent microfinance industry into self-sustaining organizations. He contends that for financial sustainability of MFIs, along with subsidies and external stakeholder's support there is also a need to seek further financial sources. Similarly, Crabb (2008) concludes, after analysing various MFIs, that external stakeholders are important for the sustenance of these institutions. These stakeholders may include government, societies, corporate etc. Pollinger et al. (2007) also highlights the need to explore further external sources for raising new capital. Although in order to overcome the financial sustainability issues government provides different subsidies and these subsidies are not enough for long term sustenance of the MFIs. Kneiding and Tracey (2009) highlight the importance of using the same performance measurement indicators in MFIs that are used in developed nations for the community development financial institutes (CDFIs). Moxham and Boaden (2007) also find low utilization for formal financial performance indicators of MFIs.

Navajas et al. (2000) provides a theoretical framework for the outreach of Bolivian MFIs and shows that MFIs are providing loans to the richest among the poor. Kyereboah-Coleman (2007) highlights the importance of governance in the MFIs and argues that in high risk exposures the outreach of MFIs increases due to present debt to equity levels that are much higher as compared to traditional times. Moxham (2009) also tries to understand the application of performance indicators and found good acceptability of these indicators that are present in public, private and non-profit organizations. The Cull et al. (2006) study also uses the same logic of a financial sustainability and outreach trade off in MFIs. Their study demonstrates that MFIs are losing their cause of serving the poorest in order to generate the profits.

Mersland (2007) focuses on the corporate governance and performance. He uses a panel data regression analysis to find the impact of ownership type, regulation, board characteristics and competition etc. on financial measures like yield on gross portfolio, outreach and return on assets. To measure the efficiency of MFIs, Yaron (1994) suggests a framework which later on became popular for the performance assessment of MFIs. The framework is based on the dual concept of outreach and financial sustainability which will be used in this study.

TRADE-OFF BETWEEN MICROFINANCE OBJECTIVES

Due to high information and transaction costs, providing microfinance services is a costly business. At present, a large extent of microfinance program is not financially sustainable as they still depend on donor subsidies. In the 1990s, the issue of financial sustainability of MFIs gave rise to a debate between the poverty lending approach and the financial systems approach (Robinson, 2001).

According to Schreiner and Woller (2003), the poverty lending approach focuses on poverty alleviation by giving the poor access to loans on easy terms. However, the financial systems approach emphasizes the financial sustainability so that MFIs have the ability to cover the cost of lending money and to reduce operational costs as much as possible. Therefore, the goal of serving large groups of poor borrowers ultimately goes against the goal of financial sustainability. In other words, there is a trade-off between outreach and financial sustainability.

The performance of MFIs is also criticized by many scholars. For example according to Morduch (1999), initially, as the rate of recovery of MFI's loans was excellent, it was expected that they would be able to stop depending on donor subsidies and accordingly achieve self-sufficiency. However, contrary to that, microfinance industry has somehow been unsuccessful in transforming themselves from donor-dependent MFIs to independent self-sustaining organizations. Morduch (2000) shows doubt in this optimistic belief that MFI's financial sustainability also ensures poverty alleviation and depth of outreach. Navajas et al. (2000) say that most MFIs are only providing loans to those households who are richest among the poor. Similarly, Cull et al. (2006) also show that MFIs can only maintain depth of outreach and profitability, as long as they do not extend credit to the absolute poor. Hartungi (2007) studies MFIs in Indonesia and the various factors that are involved in the success of these institutions. The major activities he identifies are usage of information technology in the outreach to the people and dynamic adaption of MFIs to the local conditions. The study highlights that an increase in transparency and active involvement of the MFI employees helped in better functioning of MFIs in Indonesia.

The literature on this issue is not extensive. Cull et al. (2006) has provided one of the few academically solid studies. This study attempts to systematically examine outreach and financial performance in a large comparative study that is based on a data set of 124 microfinance institutions in 49 countries. They investigate empirically whether there is a trade-off between profitability and the depth of outreach of MFIs. The results are based on the lending methodology of MFIs and suggest that those MFIs that mainly provide individual loans perform better in terms of profitability and those institutions that mainly provide group loans are better in outreach. The study also suggests that individual-based MFIs focus on wealthier clients. Therefore, their study provides evidence for a trade-off between outreach and financial sustainability and stresses the significance of institutional design in determining the size and existence of such a trade-off. Hermes et al. (2011) using data for 435 MFIs for the period 1997-2007 provide new evidence on the existence of the trade-off between outreach and financial sustainability. In particular, to know the relationship between this trade-off they used cost efficiency as a measure of financial sustainability and average loan balance, percentage of women borrowers and average saving balance as a measure of the depth of outreach. Hermes et al. (2011) find strong evidence that efficiency is negatively related to outreach of MFIs. More specifically, those MFIs that have more women borrowers as clients and lower average loan balances are also clearly appear to be less efficient. To check the robustness, they add a long list of control variables with the results and get same findings. After having reviewed the contents of the contributions to this trade-off on microfinance objectives, the question remains what new insights of these contributions have provided regarding the impact of MFIs on the one hand and the trade-off between the objectives of these institutions i.e. outreach and financial sustainability, on the other hand.

IMPORTANCE OF THE STUDY

Based on this review of studies two conclusions can be drawn. First none of the above studies explicitly measure the performance of MFIs in terms of their objectives by using standard measures of financial ratios provided by C-GAP (2003). Although some of the existing studies used these ratios but not in relation to the dual objectives of MFIs. For example, Gutierrez-Nieto et al. (2007) use profitability ratios but they suggest further investigation of the risk factor also in performance assessment of MFIs. Some studies, for instance, Caudill, Gropper and Hartarska (2009) and Paxton (2007) take into account more general efficiency determinants that are related to the performance measurement in terms of efficiency analysis. While others like Arsyad (2005) has used these performance ratios just for making comparison among institutions and countries but no evidence was found that these performance ratios have ever been used in comparisons of dual objectives of MFIs.

Secondly, above mentioned studies do not use the sample of Karnataka, India region.

OBJECTIVES

1. To assess and rank the performance of MFIs in Karnataka based on Financial Sustainability and Outreach, taking 5 years average data.
2. To assess the performance of MFIs in terms of outreach and financial sustainability in relation to profitability, portfolio quality and productivity ratios over a period of five years.

CONCEPTUAL FRAMEWORK AND WORKING HYPOTHESES

The review of microfinance literature highlights the importance and limited study of the topic of the performance measurement of MFIs. So this study will assess the performance of MFIs in terms of outreach and financial sustainability in relation to profitability, portfolio quality and productivity ratios. We hypothesize that MFI financial sustainability is positively related to the profitability and inversely related to the outreach while portfolio quality and productivity ratios are positively related to outreach and negatively related to financial sustainability. The hypotheses are described below and the variables are described in detail in appendix 1.

PERFORMANCE AND PROFITABILITY

For financial viability, profitability play a key role and is important for the financial sustainability of an institution (Ledgerwood, 1999). In this study profitability is measured through Return on Equity (ROE) and Profit Margin (PM) ratios. It is expected that the higher the value of these ratios the more sustainable will be an institution and the less will be the outreach. A higher profit margin and return on equity of an institution are among the reasons that prevent formal financial institutions from providing credit services to the poor. Therefore, it can be said that if an institution is achieving high value on these indicators it is doing well on financial sustainability and at the same time not approaching the real poor.

ROE is equal to net operating income excluding all taxes divided by average equity. ROE calculates the rate of return on the average equity for the period. The ratio is also used as a proxy for commercial viability because non-operating items such as donations are not included in the numerator. Profit margin is equal to net operating income divided by operating revenue; this ratio is primarily interest cost and operational driven (Krauss & Walter, 2009).

PERFORMANCE AND PORTFOLIO QUALITY

Credit quality is an issue that has greater impact on performance so we use three measures that will provide some assessment of credit quality of MFIs. The repayment rate is the most important performance indicator and good repayment rate indicate long run self-sufficiency. For MFIs, earning high profit margin indicate their short term financial sustainability while repayment rate is a necessary condition of long term financial viability (Yaron, 1994). In this study, portfolio quality is taken into account through loan repayment and includes portfolio at risk greater than 30 days (PAR30), risk coverage and the write-off ratio (WOR) measures. PAR30 ratio captures the high risk of non-payment as these exceed 30 days overdue and shows the portion of the overdue portfolio that is at risk of not being repaid; it can be said that the older the delinquency the less likely the loan will be repaid. WOR indicates the value of loan written off divided by average gross loan portfolio.

Portfolio quality ratios are hypothesized to be inversely related to the financial sustainability, with higher ratios related to lower financial sustainability and positively related to outreach. In support of this claim it can be said that more problem loans may indicate that the institution is doing a better job with outreach, while less outreach indicates fewer loans with problems. Similarly with a small average loan size, all things being equal, problem loans will be fewer in number. These are measures that help us assess portfolio quality and loan repayment performance of MFIs clients so it is expected in this study that portfolio quality ratios are positively related to outreach and inversely related to financial sustainability.

PERFORMANCE AND PRODUCTIVITY

Productivity refers to the volume of output that is generated for a given input by using minimum per unit cost. Thus productivity is the other group of performance measures and includes cost per borrower (CPB) that captures the average cost of maintaining an active borrower. The higher cost of administering smaller loans is one of the reasons that prevent formal financial institutions from providing credit services to the poor. Therefore, a higher value of cost per borrower ratio indicates a smaller value of average loan size and better outreach.

In addition to that, productivity is measured through Balance per loan officer (BPLO) and Balance per staff member (BPSM). It is expected that a higher value of productivity ratios causes financial sustainability of MFIs to be lower and outreach to be greater. The reason behind this argument is that a higher cost of the institutions is good as they are spending to reach more poor clients. Thus it is expected in this study that productivity ratios are inversely related to financial sustainability of the institution and positively related to the outreach.

The hypotheses of this study are summarised as follows:

H1a: Profitability ratios are positively related to financial sustainability.

H1b: Profitability ratios are negatively related to outreach.

H2a: Portfolio quality ratios are negatively related to financial sustainability.

H2b: Portfolio quality ratios are positively related to outreach.

H3a: Productivity ratios are negatively related to financial sustainability.

H3b: Productivity ratios are positively related to outreach.

RESEARCH METHODOLOGY

Data was gathered from various secondary sources. Primary data on MFIs is downloaded from Microfinance Information exchange (MIX) market. Data related to financial statements and other relevant information is also gathered from MIX market. Given that MFI data is downloaded from MIX market, the definitions of the variables are also utilized from MIX given information. Monetary variables such as gross loan portfolio provided by MIX market is in current Indian Rupees. Data used in this study comprises 15 MFIs operating in the state of Karnataka, India. All the MFIs selected are NBFCs. Financial data was collected for the year 2009-13.

The central focus of this study is to demonstrate empirical evidence that can refute the main claim that there is no trade-off between the dual objectives of MFIs (Quayes, 2012). Since providing credit to the very poor and being self-sufficient are the primary goals for MFIs, we are using both of these indicators in the performance measurement of these institutions. The dual objectives of outreach and financial sustainability are measured by using the number of active borrowers (NAB) and an operational self-sufficiency (OSS) indicator, respectively.

Outreach generally refers to either depth of outreach or breadth of outreach. Breadth of outreach is measured by the number of active borrowers or clients of MFIs and depth of outreach is measured by the number of women borrowers as fractions of total number of borrowers. Breadth of outreach is considered as a quantity of outreach and depth of outreach is considered as a quality measure of microfinance credit (Quayes, 2012). But the depth outreach measure has a limitation due to lack of availability of data so we use breadth of outreach, i.e. number of active borrowers as measure of outreach, in our study. These individuals are those that have an outstanding loan balance with the MFI (Ahlin, Lin, & Maio, 2011; Hermes et al., 2011; Olivares-Polanco, 2005).

OSS is a financial performance indicator to measure the self-sufficiency performance of a MFI or the ability of a MFI to cover its costs through operating revenues. It is described as a ratio of annual financial revenue to annual total expense. This paper assumes that OSS could serve as an approximation of the financial performance of MFIs. Other reasons to choose this indicator are as follows: first, the OSS does not account for the level of subsidies for operating expenses but it measures the manager's ability to cover operating costs and to run the organization. Secondly, Conning (1999) observes that lenders are not concerned with profits but they surely are concerned about the credibility so OSS is appropriate, as in the case of MFIs profits may not be as much as providers of finance may want. Thirdly, the OSS is a widely used indicator for industrial accounting practice and institutional diversity.

Eight financial ratios have been chosen for use in this study, with the choice largely driven by data limitations. These ratios are divided in the following three categories: profitability, portfolio quality, and productivity ratios. Profitability is proxied by Return on Equity and Profit Margin Ratios. Portfolio quality is measured by PAR30, Risk Coverage and Write off Ratio. Productivity is measured by Cost per Borrower, Balance per Loan Officer and Balance per Staff Member. The standard criterion of financial ratios is provided by C-GAP (2003) that is used in this study for performance assessment of MFIs.

RESULTS AND DISCUSSIONS

TABLE 1: PERFORMANCE ANALYSIS BASED ON SUSTAINABILITY AND OUTREACH

Name of the MFI	Operational Self Sufficiency (%)	No of Active Borrowers	log value Operational Self Sufficiency(%)	log value No. of Active Borrowers	Rank Based on Operational Self Sufficiency	Rank Based on Active Borrowers
BASIX	68.83	897139.75	4.23	13.71	15	5
BSS	106.29	181030.5	4.67	12.11	6	11
Chaithanya	102.42	15061.75	4.63	9.62	9	15
Equitas MF	127.7	1182386.75	4.85	13.98	2	4
Future	104.54	237416.5	4.65	12.38	7	10
GFSPL	98.67	333484.5	4.59	12.72	11	8
IDF	106.79	141330.75	4.67	11.86	5	12
JFSPL	99.2	308999	4.60	12.64	10	9
Muthoot	156.45	472794.33	5.05	13.07	1	7
NMSIL	103.75	16928.67	4.64	9.74	8	14
Samasta	96.97	45777.5	4.57	10.73	12	13
Sapandana	88.57	3419894.5	4.48	15.05	13	2
SKDRDP	114.19	1484397.75	4.74	14.21	4	3
SKS	83.28	5150578.5	4.42	15.45	14	1
Ujjivan	114.39	810013	4.74	13.60	3	6

Source: Mix market data

Table 1 shows the summary of some of the descriptive statistics. 5 years from 2009 to 2013 data average is shown in the table. The Operating Self Sufficiency and Active number of borrowers indicators are not normally distributed, so we take log of these variables to get a normal distribution. Above table shows that Muthoot Micro Finance and Equitas Micro Finance are leading in ranking based on Operational Self Sufficiency and SKS and Spandana are leading in terms of outreach.

From the Table 1, it can be observed that the self-sufficiency performance indicator, OSS is above 100 for 9 out of 15 MFIs (60%), and its below 100 for BSFL, GFSPL, JFSPL, Samasta, Spandana and SKS. Its below 100 is mainly due to Andhra crisis which took place in the year 2010. Indian MFIs were badly hit by the crisis and they have recovered fully and doing good in 2013 and 2014.

CORRELATION RESULTS

TABLE 2: DEPENDANT VARIABLE: OPERATIONAL SELF- SUFFICIENCY AND NUMBER OF ACTIVE BORROWERS

Correlations		
Independent Variable	Operational self-sufficiency(%)	No. of Active Borrowers
Return on Equity	.510*	-.539*
Profit Margin	.760**	-.517*
Portfolio at risk 30 days (%)	-.479*	.224
Write off ratio (%)	-.574**	.563**
Risk Coverage (%)	.361	.114
Loan officers productivity	-.387	-.260
Personnel productivity	-.339	-.172
Cost per borrower	-.345	-.193
Gross loan portfolio (GLP)	-.349	.965**
*. Correlation is significant at the 0.05 level (1-tailed).		
**. Correlation is significant at the 0.01 level (1-tailed).		

Source: Data collected from mix market

Table 2 shows correlation results for financial sustainability and outreach as dependant variables. We comment on all correlation results together. Although most of the signs of coefficients are as expected, not all of them are significant. However, there are some interesting results that warrant discussion.

Gross loan portfolio is the proxy for the size of MFIs. Gross loan portfolio has significant impact on outreach and has positive relation but no significant impact on financial sustainability which is not as expected. This means MFIs having larger portfolios have the tendency of performing more socially but not financially.

Introducing institution performance ratios in the model, profitability ratios show positive impact on financial sustainability and negative on outreach. So our first hypothesis (stipulating that the profitability ratios are positively related to the financial sustainability and negatively related to the outreach) is confirmed. Profitability is an important performance indicator of MFIs but these returns may be attained in a short time period so necessary condition for measuring the long term financial sustainability of MFIs is a high repayment rate; that is measured by portfolio quality and productivity ratios.

Profitability ratios get significant results but portfolio quality and productivity ratios are not providing additional information over and above what is recorded in profitability measures. To access the credit quality of MFIs measures PAR30, write off ratio get significant results and negative relationship on financial sustainability that is as expected but risk coverage gets insignificant results on financial sustainability. In case of outreach, only write off ratio shows a significant and positive relationship that is as expected.

Lack of significance of portfolio quality ratios suggest that MFIs, within the data analysed, are not showing good long term performance of these institutions in terms of both financial sustainability and outreach. Similarly, all productivity ratios such as loan officers productivity, personnel productivity and cost per borrower show insignificant result explaining no financial sustainability and outreach. According to these results, it can be said that, in the long run, MFIs of Karnataka, India are neither financially sustainable nor good in their outreach.

No evidence has been found that these ratios have been tested according to the dual objectives so we cannot compare the results with other studies. In general, these ratios are not providing additional information, over and above what is recorded in profitability measures. However, these regression results not only explain the dual objectives of MFIs but also show trade-off between these objectives.

CONCLUSION

This study documents the performance assessment of MFIs through financial ratios. These financial ratios are suggested by a consensus group of rating agencies, banks, donors and voluntary organizations (C-GAP, 2003) for performance measurement of MFIs. This paper has used a GLS model using a sample of 15 institution, 5 years.

Our focus of research is on both the outreach and profitability of microfinance. The eight performance ratios examine the trade-off that arises in the dual objectives of microfinance. Regression results show that profitability ratios are the best indicator for performance measurement of MFIs in terms of the dual

objectives while portfolio quality and productivity ratios do not provide additional information. The empirical evidence shows the difficulty of achieving the dual objectives of MFIs simultaneously. In practice, the microfinance program often entails distinct trade-offs between maximizing the financial performance and meeting social goals and evidences suggest that the trade-off between the two is existent. These results are consistent with Hermes et al. (2011) who posit that aiming for MFIs on financial sustainability means compromising on their social goals. Similarly Cull et al. (2011) describe that transformation of MFIs into formalized banking institutions has no positive effect for the poor. This provocative message is clear for all stakeholders of MFIs. For example, it is relevant for policy makers in making decisions of microfinance subsidization. Furthermore it is relevant for commercial investors, especially those who are aiming for socially responsible investments and also for those microfinance practitioners who make decisions for improvement in the efficiency of their operations.

The overall conclusion is that few of the financial ratios describe the dual objectives of MFIs, with the exception of profitability ratios that fully explain the trade-off between them. Several elements of the study findings are puzzling that motivate for future research work. We suggest the following. Firstly, the present study is a basic study for performance measurement of MFIs, more sophisticated techniques such as data envelopment analysis (DEA) and stochastic frontier analysis (SFA) are required to check the robustness of these results. We intend to further investigate these regression results with these sophisticated techniques. Secondly, the assessment of performance is required in terms of current legal structure of these institutions in detail. For example which type of institution is most efficient in terms of outreach and financial sustainability, what type of lending methodology is most appropriate and what are the other success factors that can be used as a benchmark in microfinance industry.

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APPENDIX

APPENDIX 1: NUMBER OF INDEPENDENT AND DEPENDENT VARIABLES

DEPENDENT VARIABLES

Sl. No.	Variable Name	Dependent Variable	
1	Sustainability	Operational Self-sufficiency	It measures how well MFI can cover its operating cost through its operating revenues (operating revenues/(financial expenses + loan loss provisions + operating expenses)
2	Outreach	Number of Active Borrowers	The number of credit clients at the end of each period

INDEPENDENT VARIABLES

Sl. No.	Variable Name	Independent Variable	
	Profitability	Return on Equity (ROE %)	(Net operating income - taxes) divided by average equity. ROE calculate the rate of return on the average equity for the period.
		Profit Margin (%)	Net operating income divided by operating revenue
2	Portfolio quality	Portfolio at risk 30 days (%)	Portfolio at risk > 30 days divided by gross loan portfolio. The ratio shows the value of outstanding loans that are due more than 30 days.
		Write off ratio (%)	Value of loan written off divided by average gross loan portfolio
		Risk coverage (%)	Risk coverage ratio is equal to loan loss reserves divided by portfolio at risk. According to MIX market this ratio is named as risk coverage ratio that is calculated by Impairment loss allowance divided by PAR > 30 days
3	Efficiency or productivity ratio	Loan officers productivity	This common ratio measures the average caseload of each loan officer of MFIs. Operating Expenses/Loan portfolio.
		Personnel productivity	This ratio measures the overall productivity of MFI human resource. It also contributes to the financial revenue of MFIs. Personnel Expenses/Loan portfolio.
		Cost per borrower	Operating expenses divided by average number of active borrowers
4	MFIs specific variables	Gross loan portfolio (GLP)	The outstanding balance of all of an MFI's outstanding loans that include current, restructured loans and delinquent but not loans that have been written off. It also does not include interest receivable.

APPENDIX 2: NAMES OF THE MFIS TAKEN FOR THE STUDY WITH THEIR SHORT FORMS USED IN THE ANALYSIS

Sl. No.	Name of the MFI
1	BASIX
2	BSS Microfinance Pvt Ltd (BSS)
3	Chaitanya Micro Credit India Pvt Ltd(Chaitanya)
4	Equitas Microfinance Pvt Ltd (Equitas)
5	Future Financial Services Ltd (Future)
6	Grameen Financial Services Pvt Ltd (GFSPL)
7	IDF Financial Services Pvt Ltd (IDF)
8	Janalakshmi Financial Services Pvt Ltd (JFSPL)
9	Muthoot Mahila Mitra (Muthoot)
10	Navachetana Microfin Services Pvt Ltd (NMSIL)
11	Samasta Microfinance Ltd (Samasta)
12	Shree Kshetre Darmastala Rural Development Project (SKDRDP)
13	SKS Microfinance (SKS)
14	Spandana Financial Services Pvt Ltd (Spandana)
15	Ujjivan Financial Services Pvt Ltd



THE UPSIDE OF JOB HOPPING AMONG MEDICAL REPRESENTATIVES IN INDIA

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ABSTRACT

The nature of pharmaceutical marketing is unique and dynamic. This demands highly skilled sales representatives which are popularly known as Medical representatives. Companies spent considerable amount on training of their representatives. Pharmaceutical market is very competitive and more than 20000 companies operating in Indian Market. In this highly competitive market retaining salespeople has become highly challenging for pharmaceutical industry. The purpose of this study was to identify underlying reasons for quitting jobs among medical representatives. With more than 55 lakh population, more than 4000 doctors and 6000 chemists, Pune is one of the important sales territories for pharma industry in India. Subjects were selected from the city and surveyed. The study concluded that not only inadequate compensation but its late reimbursement also cause medical representatives to quit job.

JEL CODE
M00

KEYWORDS

Attrition, Job Hopping, Medical Representatives, Pharmaceutical Marketing, Sales Management.

INTRODUCTION

Retaining Medical Representatives (MR) has become highly challenging for field managers in today's competitive environment. Most of the times they are blamed for not being able to retain sales force. Sales force retention refers to the policies and practices companies use to prevent valuable sales force from leaving their jobs. The nature of pharmaceutical sales demands qualified and trained medical representatives. Companies spend considerable time; effort and money to train MRs. High turnover of MRs is costly for companies. Usually replacement cost is 2.5 times of individual's salary. The costs associated with turnover may include lost customers, lost business and damaged morale. In addition there are the indirect costs of time spent in screening, verifying credentials, references, interviewing, hiring and training the new Medical Representatives. Apart from cost when a MR leaves s/he takes away confidential knowledge which s/he uses against the left company. This study is an attempt to understand 'why Medical representatives leave company?'

METHODOLOGY

With more than 55 lakh population, more than 4000 doctors and 6000 chemists, Pune is one of the important sales territories for pharma industry in India. Subjects were selected from the city and surveyed. Population of Medical representatives working in the city is unknown. An attempt was made to get the data from MSMRA's, (Maharashtra Sales and Medical Representatives' Association) Pune unit. It was understood that the city unit of MSMRA has not been functioning. However according to industry experts there are approximately 3000 medical representatives working in the city. In the absence of sampling frame non probability purposive sampling method was used. 300 questionnaires (10% of estimated population of 3000) were distributed out of which 138 Medical Representatives responded with response rate of 46%.

LITERATURE REVIEW

Busch, Paul, Bush, Ronald F. (1978) attempted to understand the effect of gender on job satisfaction among industrial sales force. Women and men were compared on six job satisfaction components, value importance of the job components, performance, role clarity, and propensity to leave the organization. Their findings generally supported the hypothesis of "no difference" between males and females. However, women did have lower role clarity scores and higher propensity to leave scores.

Darmon, Rene V., (1990) proposed an analytical framework for assessing the costs of various sources of salesforce turnover (promotions, voluntary leaving, firing, and uncontrollable turnover) for salespeople with given characteristics (age, tenure, education, etc.). The author considered main costs of salesforce turnover like, costs of separation, recruiting and selection, training, vacant territory, skill differential, and operating costs. Author claimed that the proposed procedure could be applied to any subgroup of sales-people, and would help managers to select the salesforce segments cost effectively and design specific turnover-reducing programs for those segments.

Ivancevich, John M.; Matteson, Michael T.; Freedman, Sara M.; Phillips, James S., (1990) offered a framework that may be used for viewing organizational stress interventions. The study briefly reviews some of the stress management intervention literature in the context of this framework, and identifies future needs that may be particularly appropriate for organizational psychologists to address.

Kumar Mishra, Sushanta, Bhatnagar, Deepti, (2010) examined the relationship of organizational identification and emotional dissonance with turnover intention and well-being among a sample of 468 medical representatives in the Indian pharmaceutical industry. Drawing from the conservation of resource theory, this study shows that apart from its direct effect, emotional dissonance has a mediating effect on the relationship of organizational identification with turnover intention and emotional well-being.

McNeilly Kevin M., Russ Frederick A. (1992) developed and tested the hypotheses about performance as a moderator variable in relationships involving role stress, job satisfaction dimensions, organizational commitment, tenure, and turnover intentions. In a sample of food broker sales reps and their supervisors, researcher found these relationships were generally weaker for high performers than for low performers, and dimensions of job satisfaction played somewhat different roles. The study suggests the value of using performance as a moderator variable and point to the need for expanded organizational commitment and satisfaction measures.

Mulki Jay Prakash, Jaramillo Fernando, Locander William B., (2006) tried to investigate the integrated effects of ethical climate and supervisory trust on salesperson's job attitudes and intentions to quit. Researchers collected responses from 344 salespeople who work for a global pharmaceutical company to examine the relationships among ethical climate, trust in supervisor, job satisfaction, organizational commitment, and turnover intention. The study indicated that ethical climate is a significant predictor of trust in supervisor, job satisfaction, and organizational commitment. Also, results showed that trust in supervisor is an antecedent of job satisfaction and turnover intention.

Sager, J. K. (1991) investigated the utility of salespeople's job stress, perceived fairness, job satisfaction, thoughts of quitting, job comparison, and intention to quit for differentiating individuals who remained in the job from those who left by using a discriminant model. Change in salespeople's intention to quit discriminated effectively between sales force leavers and stayers. Intention to quit at the second time period was useful for classifying leavers and stayers. While the study design may account to some extent for the findings, these findings cast doubt upon the utility of changes in sales job incumbents' job stress, job satisfaction, thoughts of quitting and job comparison predictors of voluntary turnover.

Walsh, J. P., Ashford, S. J., Hill, T. E. (1985) proposed a model of the relationship between feedback obstruction and employee turnover intent. Eighty-nine pharmaceutical sales representatives were measured on the value of feedback, feedback obstruction across five sources of information, anxiety, (dis)satisfaction, and turnover intent. Results demonstrated that the obstruction of several feedback sources is significantly correlated with anxiety, (dis)satisfaction, and turnover intentions. This found that the self- and supervisory feedback obstruction bear the strongest relationships to turnover intent. Study also noted, the self-feedback obstruction relationship was not in the predicted direction.

Several studies in the past focused on job satisfaction, work stress and turnover intentions. Job satisfaction and intention to quit are negatively correlated (Trevor, 2001) in the context of employees in general. Several studies have considered the relationship between job satisfaction and the intention to quit among sales person also. For example, Brown and Peterson (1993) in their study considered organizational commitment as a mediating variable to the job satisfaction, potential to leave relationship. Futrell and Parasuraman (1984) had considered the same relationship and found that performance is an important moderator in the relationship between job satisfaction and propensity to leave. This study focuses on identifying major reason for quitting job by medical representatives.

SCALE DEVELOPMENT

From the literature review factors responsible for attrition were identified. Experienced managers, senior medical representatives were interviewed to identify major reasons for attrition. More weightage was given to expert opinion. On the basis of their responses a questionnaire was prepared.

RELIABILITY AND VALIDITY

The questionnaire was referred to industry experts to access face and construct validity. Questions were modified and corrected as per the suggestions of these experts.

RESULTS AND DISCUSSIONS

TABLE NO. 1: TOTAL EXPERIENCE WISE NO. OF COMPANIES WORKED

Sr. No.	Field Experience in Years	No. of Medical Represent worked in		Total		
		2 Companies	3 Companies	Tot	%	Cum. %
1	<= 1	14	0	14	17.28%	17.28%
2	1 - 2	24	3	27	33.33%	50.62%
3	2 - 3	14	3	17	20.99%	71.60%
4	3 - 4	5	3	8	9.88%	81.48%
5	4 - 5	11	0	11	13.58%	95.06%
6	> 5	2	2	4	4.94%	100.00%
	Total	70	11	81	100.00%	

(Source: Field data)

Table No. 1 shows that; out of 138 Medical representatives(MR) 81 have changed companies. 50.62% and 71.60% MRs changed companies during initial 2 and 3 years from joining the profession. Highest percentage is 33.33% observed in the class of representatives with 1-2 year of experience followed by 20.99% in the class of 2-3 years of experience. Cumulatively 54.32% representatives with 1-3 years of experience have changed companies.

TABLE NO. 2: REASONS FOR CHANGING COMPANIES

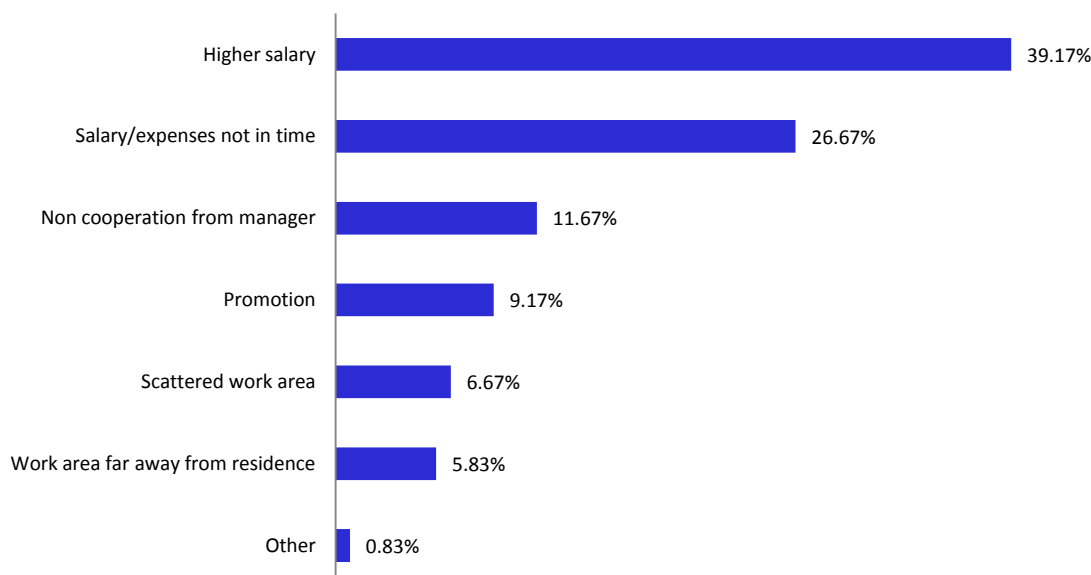
Reasons for attritions	Responses		Cumulative %	Rank
	N	%		
Higher salary	47	39.17	39.17	1
Salary/expenses not in time	32	26.67	65.83	2
Non cooperation from manager	14	11.67	77.50	3
Promotion	11	9.17	86.67	4
Scattered work area	8	6.67	93.33	5
Work area far away from residence	7	5.83	99.17	6
Other	1	0.83	100.00	7
Total	120	100.00		

a. Dichotomy group tabulated at value 1.

(Source: Field data)

The data yielded by a multiple choice multiple response question are summarized in Table No.2. Out of 138 representatives 81 has changed company and responded to this question. Their responses were analyzed and presented in above table.

Chart No. 1: REASONS FOR CHANGING COMPANIES



(Source: Field data)

39.2% Medical Representatives(MR) changed companies because of higher salary and 26.7% changes because they were not getting their salary/expenses in time. These two factors contribute 66% among the reasons for changing companies. Not only inadequate **compensation** but its **late reimbursement** has also observed as important factor for changing companies among medical representatives. Medical representatives work in market; for them company means immediate field Managers, their support motivate representatives to perform and non cooperation compel them to quit the job (11.67% Medical representatives left job due to non cooperation from field managers). Next important factor observed was **growth** opportunity, as 9.17% representatives joined other companies due to promotion. This indicates companies are failing to create adequate growth opportunities. While for other two factors related to **work environment** i.e. scattered work area (6.67%) and distance of work area from residence (5.83%); data does not support that they are significant reasons for quitting job. It was observed that during initial tenure (1-3 years from joining the profession) frequency of changing company is very high (54.32% medical representatives changed company during initial 3 years). This can be attributed to inadequate initial compensation and support from immediate managers, however further detailed investigation is required to prove this postulate.

CONCLUSION

One of the basic employment conditions for any employee is sufficient salary. We observed that not only inadequate compensation but its late reimbursement also cause medical representatives to quit job. Pharma companies should consider upward revision in compensation package offered and its timely reimbursement. Inadequate support (Non co-operation) from supervisors is another important cause for medical representatives to quite job. We recommend identification of expected areas of co-operation, possible reasons for non co-operations and training field managers to overcome this problem.

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STATISTICAL PROCESS CONTROL

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ABSTRACT

The quality development concepts have seen a great growth over the entire 20th century. To help an organization to survive in the world class market, Total Quality Management technique was introduced. TQM is a continuous development process developed to satisfy the customers by meeting their expectations. Statistical Process Control is one of the TQM methods that improves quality and reduces variation. The seven basic Quality Control tools help to eliminate the randomness in a process, to develop an effective method to analyze and a systematic way of thinking and problem solving. The present paper illuminates the concepts of the seven basic quality control tools - pareto diagram, process flow chart, cause and effect diagram, check sheet, histogram, scatter diagram and control chart. This paper covers the need of each tool, steps to construct them, their use and advantages.

KEYWORDS

Seven Quality Control Tools, Statistical Process Control, Total Quality management.

INTRODUCTION

Total Quality Management is a customer oriented philosophy which is centered on quality to result in customer delight. The TQM philosophy was evolved in Japan when they concentrated on customer satisfaction and were working to meet their needs. The need for TQM was felt due to the unprecedented need for goods. Quality plays an important role. The definition of quality as defined by ISO 9000 is "The totality of features and characteristics of a product or service, that bear on its ability to satisfy a given or implied need". The quality has many dimensions which are the various features of a product or service".

The process employed to develop a process plays a crucial role in determining the quality of the product or service. For best quality, every organization should nurture a standard, organized procedure (Ref 4). The best proposed tool for better quality product is Statistical Process Control (SPC). SPC tools are required to control and improve the process. SPC is useful in identifying the reasons for quality problems and reducing variability in product output, in making delivery, in maintenance, in equipment use etc. (Ref 1). According to H.G.Wells, "Statistical thinking will one day be as necessary for effective citizenship as the ability to read and write". The goals of SPC are collection of data, finding out variations, analyzing through brainstorming, finding out the causes and effects, continuous improvement (Ref 4). These quality control techniques were first introduced to the workers in Japan by Dr. Kaoru Ishikawa in 1968. He has mentioned the benefits of these techniques in his book "Guide to Quality Control" published in 1971 (Ref 1). There are seven tools which controls and improves the process. These tools can be classified into three categories as follows:

IDENTIFYING TOOLS: Flow chart and Check sheet are used to identify and quantify the problems existed.

PRIORITIZING TOOLS: Histogram and Pareto charts are used to organize, understand, interpret and present the collected data

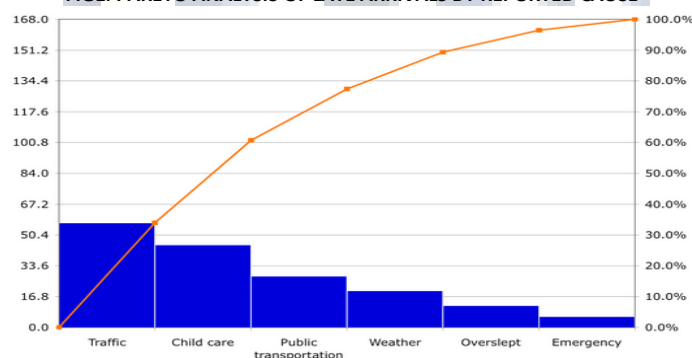
ANALYSING TOOLS: Cause and effect diagram, Scatter diagram and Control charts are used to examine the causes for problems and suggests corrective actions.

PARETO DIAGRAM

To sort out the unequal distribution of wealth in Europe, Alfredo Pareto invented this chart. He has discovered the universal law called "80-20 law" which states that 80 percent of anything is attributed to 20 percent of its causes (Ref 1). The pareto diagram is chart that ranks data classification in descending order from left to right. The steps involve in its construction are as follows :

1. Specify the goals and collect the required data.
2. Calculate the frequency distribution.
3. Rank the categories and calculate the cumulative distribution.
4. Draw the bars and cumulative curve.

FIG1. PARETO ANALYSIS OF LATE ARRIVALS BY REPORTED CAUSE



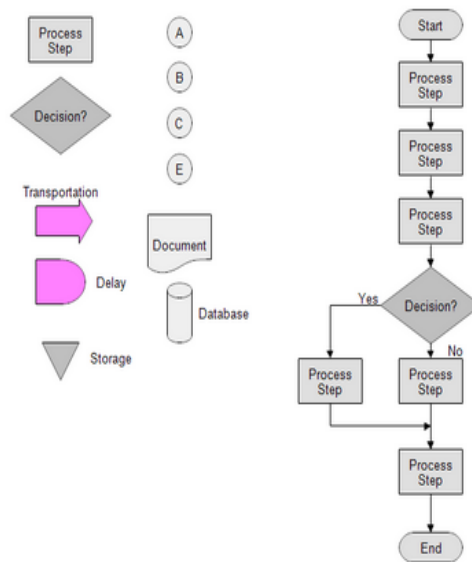
In X-axis, we plot the different categories of defects and in their Y-axis, the percentage of their total (Ref 4). The data classification can be field failures, problems, causes and non-conformities. The aim of this diagram is to highlight the problem which should be examined first. The use of pareto analysis is a endless process since it is used to measure the progress of corrective action (Ref 2). It also helps to improve the safety, reduce wastage, preserve energy, reduce cost etc by analyzing problems by different groupings of data and by analyzing before and after impact of changes (Ref 1).

PROCESS FLOW CHART

A process chart records the sequence of operations connected with the process graphically or diagrammatically. As a prerequisite for ISO 9000 certification, process flow charts are insisted upon and the organisations are asked to document the process. The changes should be regularly updated and the chart should made available in the shop floor. This is mainly done to let the employees know the complete process which will ensure increased productivity (Ref 1). The steps involved in forming this chart are as follows:

1. Define the process.
2. List the steps involved.
3. Draw the steps with different shapes and arrows.
4. Analyse the chart.

FIG2. OUTLINE OF A PROCESS FLOW CHART



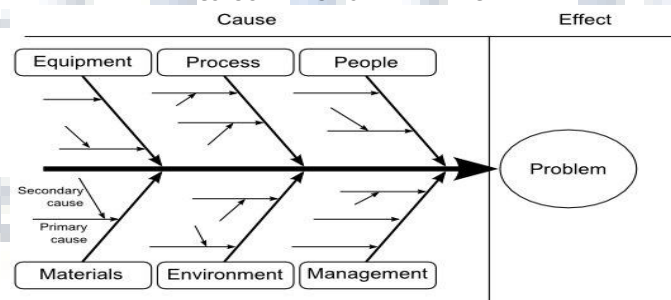
The chart helps in easy understanding of the process. The main process of an organization interlinks all the sub process being carried out. This helps not only the employees but also the quality system auditors (Ref 4). The undesirable expenses like backtracking, traffic congestion can be minimized by this recording technique. This is the simplest of all the available tools (Ref 2). It helps to identify quality problem as well as productivity improvement. This improves the communication between departments. It motivates the employees and helps to develop the internal supplier-customer relationship.

CAUSE AND EFFECT DIAGRAM

The "Ishikawa or Fishbone diagram" is a systematic way of listing down all the possible causes of a quality effect. It assists the generation of ideas for problem caused and serves as a basis for solution finding. The effect is represented in a box with a horizontal line. The main causes are presented by slanting arrows towards the horizontal line and the sub causes are represented by horizontal lines touching the relevant main cause arrow (Ref 3). The steps for constructing this diagram are:

1. Specify the effect and list the causes.
2. Construct the diagram frame work.
3. Write the principle and sub causes.

FIG3. OUTLINE OF ISHIKAWA DIAGRAM



This diagram is a picture of brain storming session that organizes free flowing ideas in a logical manner. It is used analyse any quality problem (Ref 2). It can eliminate undesirable conditions in a process and standardizes the existing operations. It is also useful to educate and train the personnel in right way (Ref 5).

CHECK SHEET

Check sheets are systematic way of collecting data. It helps in getting quick review of the process (Ref 4). It gives the user a place to start and provides the steps to be followed in collecting the data. The form of check sheet is individual for each situation and is designed by project team. Creativity plays a major role and should be user friendly and should include information on date and time (Ref 4). The construction of check sheets involves the following steps:

1. Identify the problem area and different types of defects.
2. Design the form and schedule for collecting data.

3. Collect and summarize the data
4. Analyse the check sheet.

FIG4. CHECK SHEET OF REWORKED JOBS

Deptt	Weeks								Total
	No.1	No.2	No.3	No.4	No.5	No.6	No.7	No.8	
11									4
66									7
55									20
22									10
Others									4

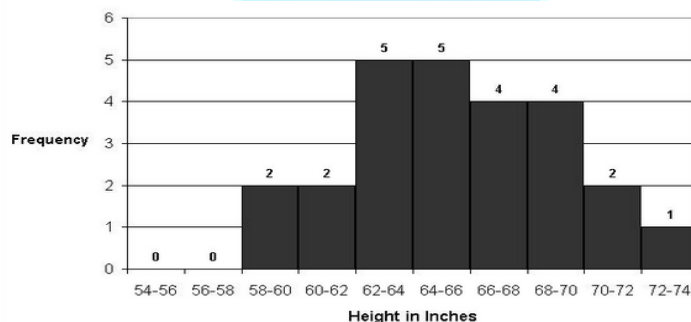
Check sheets can be formulated at all stages of production. This helps to collect data at all situations. They can be used to picture the location of product, frequency of defect occurrences, to find the cause of problem. This method gives visible results, immediate inference and corrective actions (Ref 4).

HISTOGRAM

The first statistical SPC technique is the histogram. These are powerful tools that used for elementary analysis of data with variation (Ref 2). It is a bar graph with the range of resistance values measured to be plotted in X-axis and the frequency of occurrence of the range in Y-axis (Ref 4). The aim is to keep up a minimum variation with maximum net value and minimum tolerance limit. The construction of histogram is very easy but the interpretation is very difficult. The steps involved in construction of histogram include:

1. Measure and record data pertaining to a process.
2. Arrange the values in ascending order.
3. Divide the range into intervals.
4. Plot the X and Y axes and the column graph

FIG 5: FREQUENCY DISTRIBUTION OF HEIGHT OF 25 STUDENTS



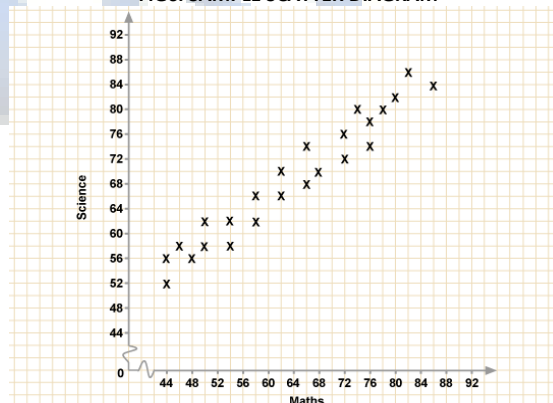
Histograms can give sufficient information about a quality problem to provide a basis for decision making without further analysis. They can determine the process capability, compare with specifications, suggest the shape of population and indicate gap in the data (Ref 5). Different shapes of histograms can be obtained which helps in determining the distribution of data observed (Ref 1).

SCATTER DIAGRAM

The scatter diagram helps to find out the relationship between two factors. With the help of independent variable, the dependent variables can be controlled. It is used in explaining the behavior of process and the means of controlling it (Ref 2). This basically shows the pattern of relationship between two variables. In X-axis, we plot the variable and in Y-axis, the effect of the variable. They can be used for real time applications. The steps to construct the scatter diagram involve:

1. Identify the dependent and independent variable.
2. Set up a appropriate recording sheet and collect the required data.
3. Plot the points on scatter diagram.

FIG6. SAMPLE SCATTER DIAGRAM



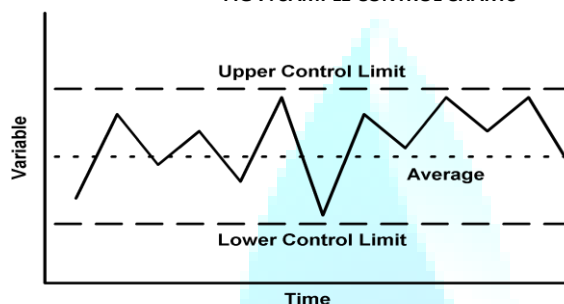
It helps to easily extrapolate the results mathematically for any situation. It is useful to find relationship between data which cannot be represented in graphs or bars. Despite being a useful tool, it can be easily misrepresented (Ref 4). When all plotted points lie on a straight line, we have a perfect correlation which rarely occurs.

CONTROL CHARTS

The control chart is used to graphically compare the process performance data with control limits. The control chart has three limits. The central line is the target line while the other two lines represent the upper and the lower limits. The main purpose is to find out whether the plotted points are normal or abnormal (Ref 3). The control lines are not the specification limits but the previous stable performance of the process. The main objectives of control chart are:

1. To detect the earliest causes for process shifts.
2. To investigate the process being adopted for manufacturing.
3. To determine whether a process can meet certain specifications.
4. To reduce the inspection costs.

FIG 7: SAMPLE CONTROL CHARTS



The process is monitored at regular intervals and the desired characteristics are measured and plotted in the graph. This chart increases the productivity, gives quality assurance, shows pattern variability, reduces rework, improves co-operation. They can only detect assignable causes and cannot judge random process patterns.

With all these tools, the benefits will only come when it is used correctly and when the information it produces is acted upon. These seven techniques are mainly aimed to increase the quality along with productivity. They are applicable to any type of organization. These tools are mainly based on statistics which has been widely used by the Japanese quality gurus to run a qualified nation.

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MICRO FINANCE THROUGH SHG-BANK LINKAGE PROGRAMME: A STUDY OF SELECT COMMERCIAL BANKS IN YSR DISTRICT, ANDHRAPRADESH

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ABSTRACT

Government of India select micro finance is powerful tool to reduce poverty and improve the women empowerment. Micro finance is a very small amount, but it helps the poor people meet their needs and to raise their income levels and improve their living standards. Social and economical backward women have formed in to a group on the bases of "self-help" members voluntarily coming together to save small amount regularly, establishing linkage with banks for the delivery of financial services their members, delivery of credit to the needy members. SHGs-banks linkage programme, aimed at providing a cost effective mechanism for providing financial services to "self-help groups". It impacted the lives of millions of poor women's positively; SHG-Bank linkage programme (SBLP) started as pilot project 1992 on the basis of the recommendation of S K Kalia Committee. National Bank for Agriculture and Rural Development (NABARD) sponsored SHG-Bank linkage programme is the fastly growing micro finance programme in the world covering 98 million poor households. The present study is an attempt to analyze micro finance through shg-bank linkage programme, a study of select commercial banks (syndicate bank, state bank of India) in YSR kadapa district, Andhra Pradesh. The study includes broad objectives are to analyses the operating system of SHGs for mobilization of saving, delivery of credit to the needy, management of group funds, repayment of loans, in building up leadership, establishing linkage with banks and examines the social benefits derived by the members. In order to collect and gather primary data, field observation and structured questionnaire survey methods were employed.

KEYWORDS

Microfinance, women empowerment, self-help groups, shg-bank linkage programme, YSRkadapa district.

INTRODUCTION

Microfinance is an effective intervention for poverty alleviation in early seventies for developing countries. Micro finance define as efforts to improve poor people's access to loans and saving services may be the fastest growing and most widely recognized anti poverty too. The great visionary and Nobel Prize winner Prof. Md. Yunus has conceptualized this intervention to eradicate poverty. Credit is one of the most crucial inputs in the process of economic development. SHGs have also emerged as a powerful device and an effective medium for delivering credit to the poor in the rural economy. It helps in poverty alleviation and women empowerment. Self-help groups (SHGs) movement has triggered off a silent revolution in the rural credit delivery system in India.

SHG MOVEMENT IN INDIA

The origin of SHGs is from the brain child of Grameen Bank of Bangladesh, which was founded by Mohammed Yunus. SHGs were started and formed in 1975. Indian Government introduced Integrated Rural Development program (IRDP) in 1978 and designed to be "a direct instrument for attacking India's rural poverty"

Development of women and children in rural areas (DWCRA) program (a sub-component of the centrally-sponsored integrated rural development program) is introduced Andhra Pradesh Government in 1982. SHG-Bank linkage program (SBLP) started as pilot project 1992. through under the program of National Bank for Agriculture and Rural Development (NABARD) . Government of India merged all the development programs in to one program i.e. "swarn gayanti gram swaraj yojana "in April 1999.

In 2000 SHG promotion in A.P. was massively expanded with the launch Andhra Pradesh district poverty initiatives project (APDP/IP). The program known locally as "VELUGU" meaning "light" in Telugu. In 2004 Indira kranthi patham (ikp, formerly velugu) IKP is implemented by society for Elimination of Rural poverty of Andhra Pradesh.

REVIEW OF LITERATURE

Several researches have been conducted A Study on the SHG Bank Linkage Program. A brief review of few significant works is done in this section.

Jessica Schick's., (2013), states that although there is ample indication that microfinance can be highly beneficial for the poor, there is no consistent and robust proof to date that microfinance effectively promotes micro enterprise development, that it increases the asset ownership of micro borrowers or that it positively affects borrowers' income.

Dr. M. Aruna and Ms. Rema Jyothirmayi., (May, 2011), made a study on "The Role of Microfinance in Women Empowerment: A Study on the SHG Bank Linkage Program in Hyderabad (Andhra Pradesh), in their article they found that Micro finance programs are treated as a key strategy in addressing development issues across nations since the last three decades. This study attempts to explore on the much debated question of the role of microfinance as a financial intermediary for enhancing women empowerment A primary survey has been carried out to capture the realistic experiences and observation from the beneficiaries of Micro sate branch of Hyderabad, a unique initiative of Indian Bank for microfinance operations intended to improve the status of women.

B. Venkatappa and G. Sivaiah., (2011) , In their paper "Self Help groups through DWCRA in Andhra Pradesh" review that rural development implies both the economic betterment of people as well as greater social transformation. In order to provide the rural people with better prospects for economic development.

Arjun Y Pangannavar., (2010), in his paper women SHG programme and rural poverty A micro study reviews incidence of poverty is efforts through rural development programme to overcome the problem of poverty incidence of poverty is more in rural India. Governments made their efforts. Through rural development programme to overcome the problem of poverty.

According to Jaysheela. (2009), there is positive correlation between credit availability and the level of women's empowerment. Indian Banking sector has been handicapped by high incidence of overdue. Microfinance institutions provide credit to poor who have no access to institutional credit. MFIs use innovative and unconventional methods to reduce lending costs. She suggested that the SHGs have to take up economically viable projects. There is need to include more NGO's for proper working of SHGs

Anand. (2008), states that MFIs can serve as a good vehicle for penetrating rural population, the commercial banks flushed them with funds in order to push their agenda of acquiring hold of rural market, diversifying risk, and serving rural economy.

E.A. Parmeshwara., (2006), opined that there is need for combined efforts of both Commercial banks and specialized MFIs. Both can supplement in increasing the outreach. NABARD should show interest to motivate the bank people to co-operate and supply microfinance to the SHGs. According to him there is need to check subsidy oriented SHGs particularly in SGSY.

Thomas. (1998), described SHG as a homogenous group of rural poor voluntarily formed to save small amount out of their earnings which is convenient to all the members and agreed upon by all to form a common fund corpus for the group and to its members for meeting their productive and emergent credit needs. From the above definitions, it is clear that basically SHG is a small group of people gathered on voluntary basis with the objective to save money and utilize it to meet out their requirements and/or take up small Income Generating Activities in order to empower themselves

IMPORTANCE OF THE STUDY

- To study the impact of SHG bank linkage programme on women SHGs empowerment in YSR kadapa district
- To analyze the economic gains derived by the members after joining the SHGs.
- To study the economic development of women through Self Help Groups in YSR kadapa district
- To study the profile of the members of Self Help Groups in YSR Kadapa district

DATA COLLECTION SOURCES

The study is based on both the secondary and primary sources of data. In order to collect and gather primary data, field observation and structured Questionnaire survey methods were employed. In addition, information was also collected through discussions and interviews with local NGOs and government's grass roots level workers. Secondary data gathered from the records of SHGs and Society for Elimination of Rural Poverty (SERP), district rural development agency, District Statistical Hand Book, director census operation, Govt. of AP Hyderabad and websites.

SAMPLE DESIGN

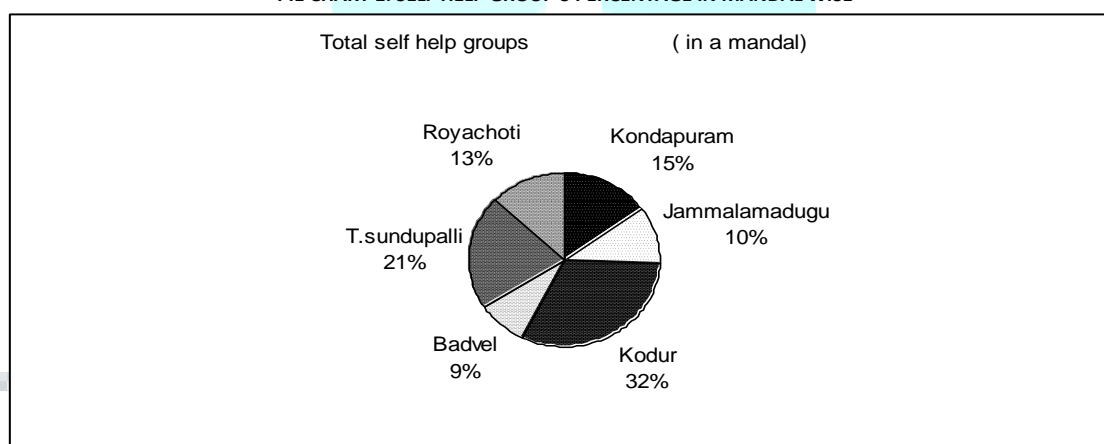
YSR Kadapa district in Andhra Pradesh was purposefully selected for the study. The district is one of the pioneering districts for the implementation of Development of Women and Children in Rural Areas (DWCRA) as pilot project in the Andhra Pradesh state along with Srikakulam and Adilabad. Multi-stage stratified random sampling technique used in the study. Mandal is the sampling unit in the first stage, SHG bank branch in the second stage, and SHG in the final stage. Dr YSR kadapa district is broadly divided in to three revenue divisions, namely Jammalamadugu, Rajampeta and kadapa. Two mandals from each revenue division are purposely selected. There are nearly 3182 groups promoted by (SBI—1295groups, Syndicate bank—1887groups) from six branches. The researcher has chosen 3SHGs from each 6bank branches are selected; giving a sample of 18 SHGs are drawn as member sampling units, resulting on SHG member sample of 202.

TABLE 1: SAMPLING FRAME OF THE STUDY

Mandal names	Total self help groups (in a mandal)	Sample self help groups (in a mandal)	Total self help members (in a mandal)	Sample self help members (in a mandal)
Kondapuram	735	3	7458	34
Jammalamadugu	506	3	5104	31
Kodur	1550	3	15627	35
Badvel	415	3	4159	32
T.sundupalli	1044	3	11623	37
Royachoti	622	3	6315	33
total	4872	18	50286	202

Source: Field survey

PIE CHART 1: SELF HELP GROUP'S PERCENTAGE IN MANDAL WISE



PROFILE OF SHG MEMBERS

The average age of SHG members in the study area is presented in Table 2. It is observed that the average age of SHG members was 37 years, minimum is 24 years and maximum is 55 years. Regarding the caste profile of SHG members, the table shows that majority of members belong to backward castes. The occupation of the members are concerned, majority of them are engaged in agricultural activities.

TABLE 2: PROFILE OF SHG MEMBERS

S.NO	Particulars	Kondapuram		Jammalamadugu		Kodur		Badvel		T.sundupalli		Royachoti	
		No. of respondents	%ge	No. of respondents	%ge	No. of respondents	%ge	No. of respondents	%ge	No. of respondents	%ge	No. of respondents	%ge
1	Age group(in years)												
a	Upto30	12	40	09	30	08	27	13	43	11	37	06	20
b	30to40	10	33	14	47	06	20	07	23	09	30	12	40
c	40to50	05	17	06	20	12	40	05	17	07	23	09	30
d	Above50	03	10	01	3	04	13	05	17	03	10	03	10
	Subtotal(a to d)	30	100	30	100	30	100	30	100	30	100	30	100
2	community												
a	ST	03	10	02	7	05	17	03	10	02	7	05	17
b	SC	08	27	06	20	03	10	09	30	4	13	03	10
c	BC	12	40	13	43	12	40	13	43	15	50	11	37
d	OC	06	20	06	20	07	23	04	14	06	20	04	13
e	Minority	01	3	03	10	03	10	01	3	03	10	07	23
	Subtotal (a to e)	30	100	30	100	30	100	30	100	30	100	30	100
3	occupation												
a	Farmers	08	27	09	30	07	23	06	20	12	40	07	23
b	Agriculture labour	12	40	11	37	09	30	10	33	08	27	11	37
c	Nonagricultural labour	04	13	07	23	06	20	09	30	04	13	09	30
d	Others	06	20	03	10	08	27	05	17	06	20	03	10
	Subtotal (a to d)	30	100	30	100	30	100	30	100	30	100	30	100

Source: Field survey

BANK WISE SHGs GROUPS

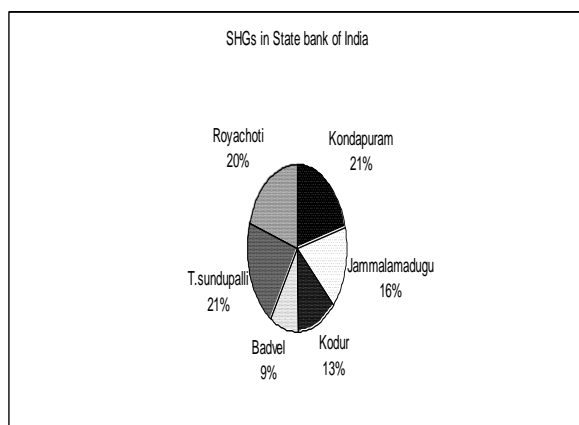
Table 3 shows taken sample 175 villages and in the study are a total number of 4872 self help groups were functioning with 50286 members. Highest SHGs in kodur mandal 1550shgs and lowest SHGs in badvel mandal 415shgs. All three revenue division total shgs in state bank of India is 1295. Highest SHGs in kondapuram mandal 275shgs and lowest SHGs in badvel mandal 120shgs. All three revenue division total shgs in syndicate bank is 1887. Highest SHGs in kodur mandal 446shgs and lowest SHGs in badvel mandal 139shgs. from these membes 202 respondents were selected for the study as sample.

TABLE 3: SHGS LINK WITH STATE BANK OF INDIA AND SYNDICATE BANK

JAMMALAMADUGU				
Mandal name	Total NO. Of. village	Total NO. Of. SHGs	SHGs in State bank of India	SHGs in Syndicate bank
Kondapuram	36	735	275	345
Jammalamadugu	26	506	202	219
Subtotal	62	1241	477	564
RAJAMPETA				
Kodur	45	1550	166	446
Badvel	15	415	120	139
Subtotal	60	1965	286	585
KADAPA				
T.sundupalli	30	1044	269	409
Royachoti	23	622	263	329
Subtotal	53	1666	532	738

Source: Field survey

PIE CHART 2: SHGS LINK WITH STATE BANK OF INDIA IN PERCENTAGE



PIE CHART 3: SHGS LINK WITH SYNDICATE BANK IN PERCENTAGE

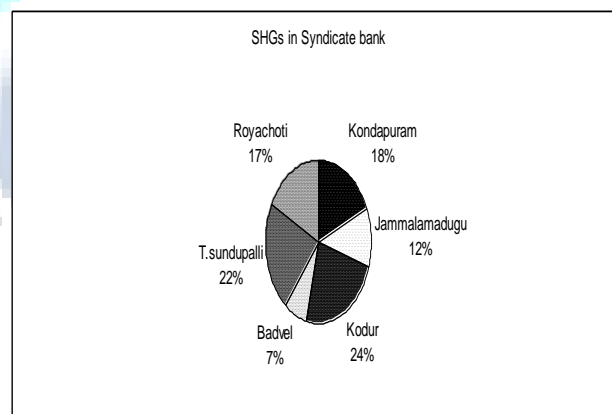
**BANK WISE RENEWAL OF LOAN**

Table 4 shows bank wise and year wise renewal of loan. In YSR kadapa district state bank of India in the year 2012 renewal of loan to total 3416 SHGs amount in RS128.10 corers, in the year 2013 renewal of loan to total 2791 SHGs amount in RS68.89 corers and in the year 2014 renewal of loan to total 2931 SHGs amount in RS90.43 corers. Syndicate bank India in the year 2012 renewal of loan to total 1094 SHGs amount in RS38.82 corers, in the year 2013 renewal of loan to total 1895 SHGs amount in RS58.76 corers and in the year 2014 renewal of loan to total 3104 SHGs amount in RS116.41 corers.

TABLE 4: LOAN SUPPORT TO SHGS FROM STATE BANK OF INDIA AND SYNDICATE BANK IN YEAR WISE TOTAL KADAPA DISTRICT

Name of the bank	Total no.of.SHGs (renewal of loan)	Renewal of loan amount (in corers)
2012		
State bank of India	3416	128.10
Syndicate bank	1094	38.82
2013		
State bank of India	2791	68.89
Syndicate bank	1895	58.76
2014		
State bank of India	2931	90.43
Syndicate bank	3104	116.41

Source: <http://ikp.serp.ap.gov.in>**LOAN SUPPORT BY BANKS TO SHGS**

Table 5 shows there is a bank linkage programme established to SHGs. The SHG members opened their accounts in various nationalized banks such as State Bank of India, Syndicate bank, Andhra Bank, and union bank etc. and also local bank like andhrapragathi Grameena Bank. SHG members are getting both internal loans and external loans under the security of NGO. They are also maintaining cashbook, membership register, loan register, individual passbook register, etc. They are taking loans for both production and consumption purposes.

TABLE 5: LOAN SUPPORT TO SHGS FROM STATE BANK OF INDIA AND SYNDICATE BANK

Name of the mandal	Sample of SHGs (renewal of loan)	State bank of India (renewal of loan)			Syndicate bank (renewal of loan)		
		2012	2013	2014	2012	2013	2014
		Loan availed (lakhs)	Loan availed (lakhs)	Loan availed (lakhs)	Loan availed (lakhs)	Loan availed (lakhs)	Loan availed (lakhs)
Jammalamadugu							
Kondapuram	10	2550000	2610000	1650000	1880000	2670000	3220000
Jammalamadugu	10	3200000	3310000	200000	2970000	4220000	4370000
Rajampeta							
Kodur	10	3590000	3240000	2880000	2850000	3045000	3895000
Badvel	10	3250000	2090000	300000	3600000	4590000	1500000
Kadapa							
T.sundupalli	10	4350000	3150000	3850000	3230000	3993000	4300000
Royachoti	10	1790000	3520000	2750000	2540000	2740000	4110000

Source: Field survey

State bank of India provide highest loan renewal in the year 2012 in T.sundupalli mandal 43.5 lakhs and lowest loan renewal in the year 2014 in Jammalamadugu mandal 2.0 lakhs Syndicate bank provide highest loan renewal in the year 2013 in badvelmandal 45.9 lakhs and lowest loan renewal in the year 2014 in badvel mandal 15.0 lakhs

PURPOSES OF RAISING LOANS

Generally, after six months operation of savings account, the saving is pooled and used for internal lending among the members. The amount of loan and Number of loans is decided by the members themselves depending on their need and urgency.

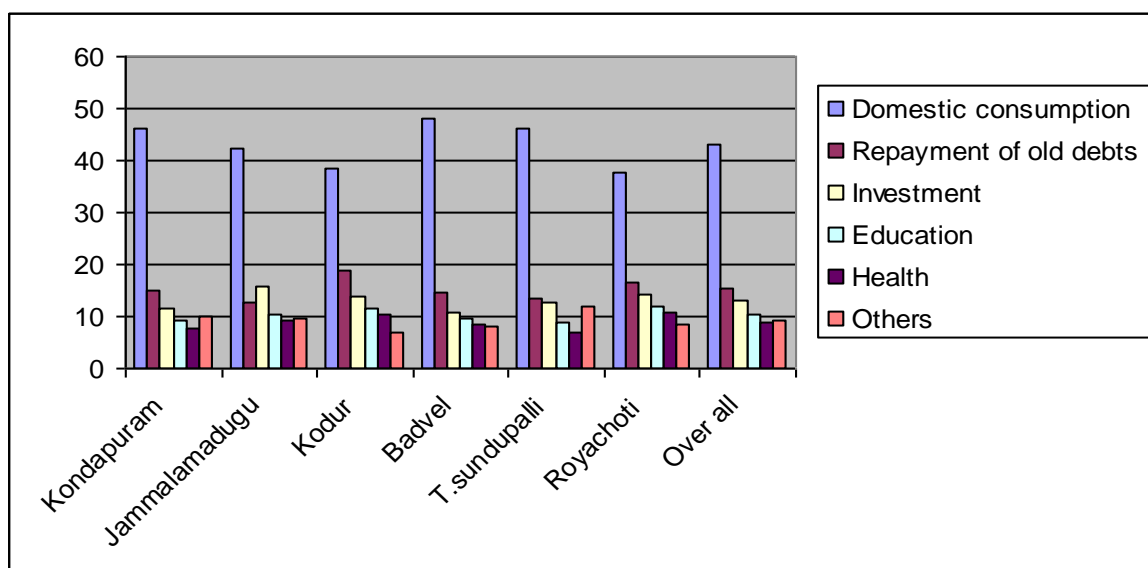
The purpose-wise credit demanded by the SHG members is given in Table 6. It is observed that most of the members have demanded credit for domestic consumption purposes. It is highest in Badel mandal (48.12) followed by T.sundupalli mandal (46.25). Reasonable proportions of SHG members have demanded credit for repayment of old debts. This percentage is highest in kodur mandal (18.6) and lowest in Jammalamadugu mandal (12.84). About 13.18 percentage of credit is demanded for investment purposes. A proportion of credit was demanded by the SHG members for education purpose. A rest proportion of loan is availed for health and other purposes. It is clear that a larger share of credit demanded by SHG members is being utilized for domestic consumption purposes, more than the repayment of debts and investment.

TABLE 6: PURPOSES OF RAISING LOANS BY SHG MEMBERS (in percentages)

Purpose	Kondapuram	Jammalamadugu	Kodur	Badvel	T.sundupalli	Royachoti	Over all
Domestic consumption	45.98	42.37	38.54	48.12	46.25	37.86	43.19
Repayment of old debts	15.13	12.84	18.67	14.72	13.56	16.41	15.22
Investment	11.64	15.61	13.82	10.95	12.68	14.39	13.18
Education	09.42	10.22	11.70	09.68	08.92	12.10	10.34
Health	07.80	09.38	10.51	08.37	06.84	10.67	08.93
Others	10.03	09.58	06.76	08.16	11.75	08.57	09.14
Total	100	100	100	100	100	100	100

Source: Field survey

COLUMN CHART 1: PURPOSES OF RAISING LOANS BY SHG MEMBERS IN PERCENTAGE



OBSERVATIONS AND DISCUSSION

NGOs appoint animators who work in the village for formation of groups, providing basic training and skill, banking function like opening of saving bank A/c of SHGs and get the loan sanction from bank manager for the group to undertake economic activity

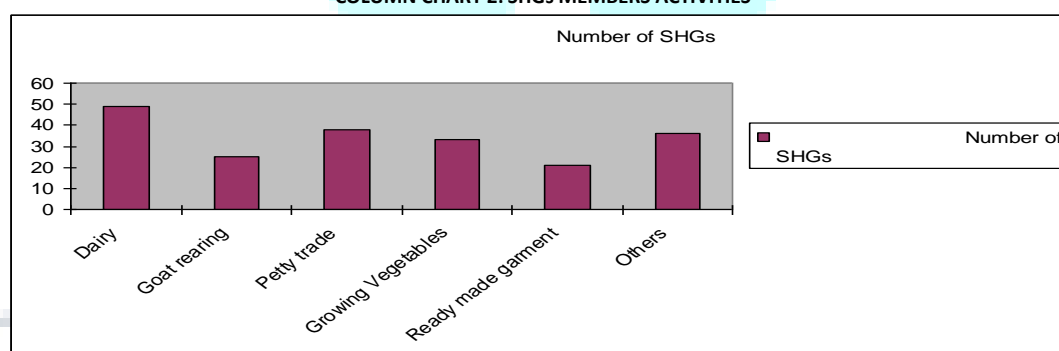
1. After formation of group each group member has to pay premium monthly Rs 50 to 100 to build corpus fund initially.
2. Group has to save for six month, after that it is eligible for revolving fund Rs. 5000 to 10000 under SGSY. If they repay the loan in time then they are eligible to get higher amount of loan with 50 % subsidy of the cost of the project or Rs. 1.25 lakh which ever is lower.
3. Once the group gets the loan then next stage is to choose the income generating activities which is suitable for them. SHG member's activities undertaken by following table.

TABLE 7: SHGs MEMBERS ACTIVITIES

SHG activities	Number of SHGs	percentage
Dairy	49	24.26
Goat rearing	25	12.37
Petty trade	38	18.81
Growing Vegetables	33	16.34
Ready made garment	21	10.40
Others	36	17.82
Total	202	100

Source: Primary Data

COLUMN CHART 2: SHGs MEMBERS ACTIVITIES



4. The business activities taken up by members on their own interest and they prefer traditional activities in which they are well –versed than new activities.
5. The improvement in standard of living of poor people through generation of women employment is an ultimate goal of SGSY. It therefore becomes necessary to assess the share of income earned by women through SHG activities. Following table shows monthly income of women working in different SHGs that supports their family.

ECONOMIC ACTIVITIES COVERED BY SHG MEMBERS

Table 7 reveals that most of the SHG members are engaged in dairy goatery, and poultry business. Some of the members are engaged in individual businesses Like preparing pickle, bodi, papad, ready made garments, making bags, vegetable business, tailoring, pan shop etc.. Some are engaged in other activities. As there is a good demand for milk products, they are preparing sweets with milk, ghee, etc. and are getting good price. They earn about Rs. 1500 to Rs.1800per month through these activities

TABLE 8: IMPACT OF SGSY ON AVERAGE INCOME OF BORROWERS PER ANNUM

per Month Income Rs.	Before joining the group		After joining the group	
	Frequency	Percentage	Frequency	Percentage
Nil	129	63.86	13	6.44
0-1500	36	17.82	41	20.29
1500-2500	22	10.89	96	47.52
2500-3500	15	7.43	47	23.27
Above 3500	Nil	Nil	05	2.48
	202	100	202	100

Source: Primary Data

Around 63.86% of the women respondent contributes nothing before joining the group as against 6.44% after joining SHG. Moreover, it has been observed that more than 73 % of the women are earning more than Rs.1500 per month after joining the group. This clearly depicts that SGSY is improving income level of the family. Few women might use financial support from SHGs to clear their debts, as a result of which they could not use fund for any productive purpose.

REPAYMENT OF LOAN

Table 9 illustrates the repayment of loans by the self help group members in the sample study. It was confirmed that 75% of the sample respondents repaid the loan in time, 10% of the sample respondents repaid in advance and 15% had not repaid in time .moreover, and banks instruct the members to save minimum RS.200 per month. So repayment is very easy to self help groups. The loans can be used individual group members for their personal needs. Sometimes the group may invest in some economic activities; thus; most of the self help group members are repaid in time.

TABLE 9: REPAYMENT OF LOAN BY MEMBERS OF SELF HELP GROUPS

S.NO	Particulars	No. of Respondents	Percentage
1	Repayment in time	148	73.27
2	Repayment in advance	23	11.39
3	Repayment not in time	31	15.34
Total		202	100.00

Source: Primary Data

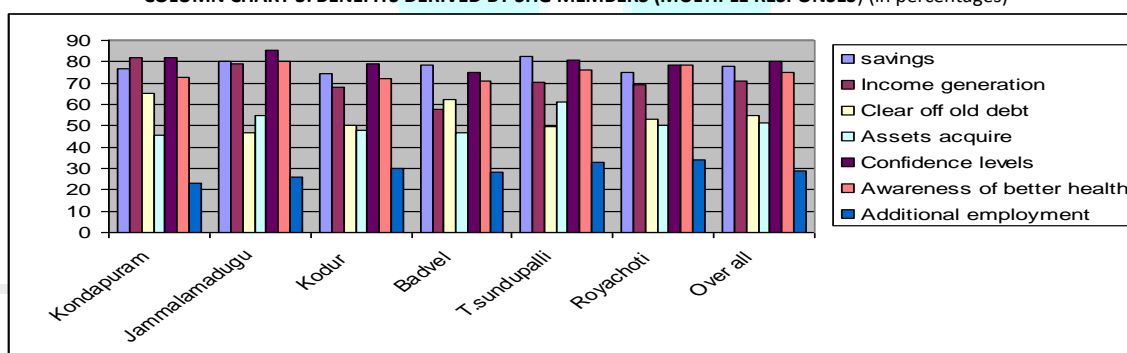
BENEFITS DERIVED BY SHG MEMBERS

Table 10 shows variety of benefits is derived by the members of SHGs as presented One of the outstanding benefits reported by all the members is the development of self-confidence (80.41%) ranked first, followed by savings habit (76.01%), economic independence (69.34%), social cohesion (74.94%), freedom from debt (54.31%), asset ownership (47.13%), additional employment (25.06%).

TABLE 10: BENEFITS DERIVED BY SHG MEMBERS (MULTIPLE RESPONSES) (in percentages)

Benefits	Kondapuram	Jammalamadugu	Kodur	Badvel	T.sundupalli	Royachoti	Over all
savings	76.94	80.12	74.36	78.62	82.23	75.27	77.92
Income generation	82.14	78.96	68.21	57.59	70.28	69.16	71.06
Clear off old debt	65.27	46.91	50.28	62.34	49.63	52.82	54.54
Assets acquire	45.63	55.01	48.14	46.98	61.29	50.14	51.20
Confidence levels	82.00	85.64	79.24	75.16	80.72	78.29	80.18
Awareness of better health	72.56	80.16	72.39	70.98	76.12	78.68	75.15
Additional employment	22.81	25.96	30.16	28.13	32.81	34.10	28.99

Source: Field survey

COLUMN CHART 3: BENEFITS DERIVED BY SHG MEMBERS (MULTIPLE RESPONSES) (in percentages)

EVALUATION OF THE LINKAGE PROGRAM

1. Dependency on money lenders reduced
2. Savings habit enhanced / increased
3. Self sufficiency for consumption requirements attained.
4. 90% of the total SHGs have accessed financial assistance from banks.
5. Repayment of SHG loans is above 97%.
6. Diversification and value addition to the existing activities.
7. SHG women are engaged in 250 varieties of income generating activities.
8. SHG women are producing qualitative products with high standards in packing, etc.
9. SHG women earning additional monthly incomes ranges from Rs.3000/- to 4000/-
10. SHG women actively participating in several government welfare programs such as family welfare, literacy etc.,
11. SHG women under taking government works such as stitching & supply of Uniforms, bags, Caps etc.
12. SHG women are able to supply SHG products to national and international markets.
13. Has developed self confidence and leadership qualities

The issue of extending loans to SHGs under SHG Bank-Linkage program since 1998-99 created a path for their economic empowerment. The income generating activities taken up by the SHGs and access to the banks and financial institutions attracted the attention of not only other States but at international level also. Many dignitaries from other states and other countries visited Andhra Pradesh and praised the SHG movement and implementation of SHG-Bank Linkage program in Andhra Pradesh. The other State governments are also taking the practice as a model and are sending teams to study the implementation of the program with an aim to implement in the same way in their states.

BENEFITS OF SHG- BANK LINKAGE PROGRAMME

1. An effective rural credit deliver system
2. Reduction in transaction cost
3. Improvement in recovery performance
4. Ensuring better end – use of the loan
5. Profitable proposition as 100% refinance is available from NABARD at cheaper rate.
6. Simple loaning procedure and documentation.
7. Pool of savings mobilized from rural poor.
8. Fostering rural publicity that builds/improves bank linkage
9. Above all, the rural poor reposing confidence on banks.

CONCLUSION

Based on the interviews and discussions with the group members, field workers of the local NGO and group questionnaire survey results, it is found that the Operational efficiency and group dynamics of the SHG is not same in all branches. This could be attributed to several factors like background of SHG formation, internal problem, support provided by the promoters, effective leadership. The members opined that they have joined the group in order to earn more income, promote savings habits and to develop collective economic and social activities. The SHG disbursed loans both for consumption and production purposes. Purpose-wise disbursement of credit by SHG indicates that, domestic consumption received maximum share. The members have invested the loan in different economic activities like Ready made garment, khali stitching (leaf-plates), preparing eatables like bodi, papad, etc. They are also engaged in poultry, dairy and goatery business. In Royachoti mandal, the members are preparing milk products like sweets, ghee, khoa, etc. and getting good price. Members perceived several benefits through their membership in SHGs such as economic independence and self-confidence, promotion of savings habits, social cohesion and freedom from debt. The study also reveals that SHGs had set a new agenda for financial intermediation by banks in the form of micro-credit. It has infused dynamism among its members to climb up socio-economic ladder in the development process. Thus, SHGs have served the cause of women empowerment, social solidarity and socio-economic betterment of the poor for their consolidation. Linkage programme reduces dependency on money lenders and also increase savings habit. Repayment of SHG loans is above 97 %. SHG women are producing qualitative products with high standards in packing, etc. SHG women earning additional monthly incomes ranges from Rs.3000/- to 4000/- . SHG women actively participating in several government welfare programs such as family welfare, literacy etc. SHG women under taking government works such as stitching & supply of Uniforms, bags, Caps etc. SHG women are able to supply SHG products to national and international markets.

SUGGESTIONS

The following suggestions are made for women empowerment and effective implementation of Self Help Groups in YSR district in particular and in India in general.

- As the poor can and do save in a variety of ways, the banks should work towards creative harnessing of such savings.
- Banks need to have flexibility in terms of working hours, documentation, mode of interactions and transactions.
- Banks also need to explore ways to generate and utilize local knowledge and information for effective loan monitoring and risk mitigation.
- Bank needs to insist on micro-credit plans for the SHGs for proper appraisal of the SHG Loans.
- The bankers should ensure that the loans that they provide should be put to right use.
- Care should be taken to see that the credit is used for the purposes mentioned in the actual plan submitted in bank.
- The Government should implement all micro finance schemes effectively and systematically.
- Women should educate towards their opportunities and upgrade their knowledge according to the social and technological changes.
- Women should keep interest on empowering themselves and prepare themselves to face any problems in their businesses.

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ASSESSMENT OF ECONOMIC VALUE CREATION OF SELECT INDIAN PUBLIC SECTOR BANKS: A COMPARATIVE STUDY

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ABSTRACT

Economic Value Added (EVA) has received a lot of recognition as a measure of shareholder value creation. While the measure has been widely used for the purpose all over the world, many research studies have appeared to examine variety of issues related to EVA. An attempt is made in this paper to determine shareholders value (in terms of economic value added) of selected public sector banks during the last ten years. I.e. since 2004-05 to 2013-2014, and in our study equity approach has been followed to compute EVA. During the analysis the values of EVA and their rankings, we found that economic value added which a bank must earn to maintain its viable existence, has been lost by many banks while earned by many others in different periods.

KEYWORDS

EVA (Economic Value Added), Share Holder Value Creation.

INTRODUCTION

The financial sector in India, as well as over the world, continues to be one of the primary engines of economic growth. One of the key constituents of the financial sector in India is the banking system. Since the early 1990s, structure of the banking sector has significantly changed due to deregulation, liberalization and divestment of public banks. The economic liberalization has changed the business environment in the country. During the pre-liberalization period, the industry was merely focusing on deposit mobilization and branch expansion. Based on the recommendation of the Narasimhan Committee, the Government of India started diluting its stake in public sector banks. These developments are expected to have important implications for operating performance and profitability of the banking system. From the point of view of the shareholders, it is especially important to know the efficiency level of banking firms. Whether banks have created enough value is an important point for the shareholders to focus for an organization. The shareholders' value depends on the performance of the banks.

Economic Value Added (EVA), have also appeared on the scene to measure the corporate financial performance. Of these new performance measures, EVA has gained popularity as a performance measure and a yardstick of shareholder value creation. The concept of Economic Value Added (EVA) helps investors to measure the return over and above minimum return (i.e. cost of equity) as expected by investors before making investments. Banks and financial institutions have some characteristics that are peculiar to their business. Due to this, the ratios and other measures of performance when applied to banks need to be modified in order to obtain the relevant information. Same is true for calculation of EVA also.

The standard and widely accepted method for calculating EVA is, $EVA = NOPAT - (\text{invested capital} \times WACC)$. This method is known as 'entity method'. Another method is equity approach. Thampy and Baheti (2001) followed the method proposed by Tom Copeland, Tim Koller and Jack Murrain in 1996. Parsuraman (2000) also proposes equity approach for valuation of banks. He mentions that the equity approach is more suited to banks compared to the entity approach. In this paper we have also followed equity approach to compute EVA. In the case of banks, the equity approach is recommended:

The formula for EVA is: $EVA = \text{Net Profit after Taxes} - (\text{Equity} \times \text{cost of Equity})$

REVIEW OF LITERATURE

During the last two decades, several researchers, corporate professionals, and consultant firms engaged in the field of accounting & finance have been paying their close attention on the EVA, and admitting the limitations of 'traditional' measures of performance. But majority of them have drawn inferences about the theoretical discussion of it and a few of them have concentrated to make the EVA concept as a legitimate tool of corporate (or banks) financial performance measurement. The present section briefly thrashes out the notable research works carried out so far by the leading scholars in the field.

Padgett (1996) comments on a study conducted by Stern Stewart & Company among top 100 US banks. The result of the study was not satisfactory since the average EVA made by these banks is only 97 basis points over their cost of capital.

Uyemura (1997)²² observed that over the last 20 years, bankers have toiled with a variety of risk management and profit concepts, such as matched-maturity funds transfer pricing, duration analysis and activity based costing accounting. Today, the interest has developed in Value-at-Risk (VAR) capital allocations and risk adjusted return on capital. Such tools are important to understand and implement when analyzing specific transitions; however, a top down approach be the best choice for portfolios or lines of business. The article describes a 'top-down' approach to risk management, easily understood and simpler to implement and lower in cost than traditional approaches by using economic value added (EVA) concept.

Banerjee (1999) concluded that EVA is an important explanatory variable of the shareholder value. The study also found the companies, which have started disclosing EVA results in their annual reports, to face a direct impact on the stock price.

Bennett (2000), a senior partner of Stern Stewart & Co., suggested that compared with EPS, EVA is a far better way to keep score, a more challenging and meaningful goal, a more useful decision guide and a truly superior metric for determining incentive compensation.

Parasuraman (2000) in India found that 18 banks out of 28 banks considered for study were not creating any economic value. But, he found that EVA only for one year (1998-99) and samples include foreign banks too.

Ashok Thampy and et al. (2001) has analyzed the performance of 12 Indian banks for a period of three years, starting 1995-96 and ending 1997-98. The result of their study also showed that Indian banks did not create economic value.

Fernandez (2003), comments that a company destroys the wealth of the organization when EVA is negative. So, can it be concluded that Indian banks are not creators but destroyers of wealth? But, at the same time they are making profits. So, what will be the present EVA structure? Further, they attributed two reasons for not creating economic value: (1) Overcapitalization and (2) Lower returns from the banking business. The former can be rejected since Indian banks have been maintaining healthy capital adequacy ratios since the Reserve Bank of India started initiating the same. The above study too concluded on similar line.

The second attribute is supported by stating that high NPAs and low employee productivity in banks can be the reasons for not creating economic value. The present study examines the validity of these conclusions, apart from computing EVA of banks.

STATEMENT OF THE PROBLEM

After reviewing the above studies we have been unable to find any exhaustive academic research in the area of Economic value added (EVA), further No concrete proof is available on the assessment of performance applying value adding measures in PSBs. Hence, there is research gap exist in measuring the performance of PSBs in India applying value addition metric.

OBJECTIVES OF THE STUDY

The present study aims to achieve the following objectives:

1. To assess the performance in terms of Economic Value Added (EVA) of select Indian public sector banks.
2. To identify top banks who generate value for its shareholders.
3. To offer suggestions on the basis of findings for the improvement of Indian nationalized banks

RESEARCH METHODOLOGY

The following methodology has been adopted to conduct our study;

We have computed EVA as per the equity approach with the following formula:

EVA=Net Profit after Taxes- (Equity* cost of Equity)

In order to calculate EVA as per equity approach, we need profit after tax, book value of equity and cost of equity. Profit after Tax (PAT) has been taken from Prowess (CMIE database). As regards to the value of equity (invested capital). It has been calculated from the financial data collected from the PROWESS with minor adjustments.

In paid-up equity capital of the banking company, free as well as specific reserves were added while accumulated losses were reduced. However, revaluation reserves were not included as these are not surplus coming out of the routine operations of banks and are not part of equity capital. And Cost of equity has been calculated as per Capital Asset Pricing Model (CAPM).

To compute cost of equity, we need risk-free rate, beta coefficient of banks, market risk premium. We have collected risk-free rate (being average auction rate on 364- days Govt. of India treasury bills) from the website of Reserve Bank of India. As regards to the beta coefficient of banks, beta for each stock has been obtained from prowess, the databases of Centre for Monitoring Indian Economy. And as far as Market risk premium is concerned it has been taken as 9% by some of the leading firms like Hindustan Lever, Infosys etc, for calculating EVA for their firm. As 9% is quite a reasonable premium for upholding market risk.

Therefore we have also picked-up as same with the assumption that investors expect this much as minimum excess return (over risk-free return) by investing in banking stocks.

SOURCES OF INFORMATION

The present study is based on secondary source of information. To speak specifically; this study covers a period of 10 years starting from 2004-05 and ending 2013-14. Among 27 nationalized banks 7 Banks were excluded due to non-availability of data.

We could get the required data for 20 nationalized banks which are listed on Bombay stock exchange (BSE). The data has been collected from Prowess, the database of Centre for Monitoring Indian Economy (CMIE). The financial statements (i.e. income and expenditure statement and the balance sheet) of all the selected banks have been picked-up-from the above database. And we have also gathered required data from RBI websites.

STRUCTURE OF THE STUDY

The paper is divided into five different sections. Section I covers a brief introduction to the topic. Section II reviews the existing related literature on the study. Section III gives methodology used in the study. Section IV presents the results and discussion of the study. Last but not the least, Section V concludes the paper.

RESULTS AND DISCUSSION

The Indian Banking Industry has been in the rapid state of metamorphosis. Post reforms, a lot of changes have taken place in the banking landscape. Still. A lot seems to be done. The development of economy put thrust on the banking system in the country. Only a competitive and efficient banking system in the country can provide momentum for the real growth in the economy. Indian banks can no longer rely on the old benchmarks of deposits and advances. Now, they have to focus on the value creation in the banking enterprise.

The banks which can create value can only survive and remain; others have to close down their shops. It is in the context, it becomes imperative to measure the extent of value creation in the banking companies. Economic value Added (EVA) is a metric which not only measure the extent of value creation rather tell how value creation can be done and sustained at each and every level of the organization.

TABLE 1: ECONOMIC VALUE ADDED: COMPUTED VALUE AND RANKINGS OF BANKS (Rs. In Crore)

NAME OF THE BANK	2004-05	RANK	2005-06	RANK	2006-07	RANK	2007-08	RANK	2008-09	RANK
Allahabad Bank	265.23	4	194.68	3	109.81	3	180.01	6	-125.06	17
Andhra Bank	244.18	6	28.84	9	-56.12	15	13.12	14	34.52	15
Bank Of Baroda	-117.62	16	-340.1	19	-351.27	18	-376.58	19	158.92	7
Bank Of India	-375.22	19	-138.25	13	63.19	8	338.72	2	817.9	2
Bank Of Maharashtra	-36.57	15	-179.03	16	-1.46	13	38.69	12	43.53	13
Canara Bank	225.67	7	254.59	2	77.61	6	151.43	8	396.81	5
Central Bank Of India	NA	NA	-255.79	18	33.77	11	-40.24	16	-79.62	16
Corporation Bank	-12.16	14	-12.86	10	98.17	4	172.49	7	481.31	4
Dena Bank	-122.01	17	-38.43	11	49.15	9	43.01	11	111.61	9
Indian Overseas Bank	257.27	5	300.94	1	311.33	1	232.57	3	-284.75	19
Oriental Bank Of Commerce	-272.75	18	-376.84	20	-662.18	19	-221.32	18	76.86	10
Punjab National Bank	266.55	3	48.27	7	-121.12	17	230.81	4	921.48	1
State Bank Of Bikaner & Jaipur	8.4	13	-79.31	12	24.5	12	15.36	13	52.69	12
State Bank Of India	472.24	1	-204.36	17	-1007.9	20	-2199.7	20	-1228.2	20
State Bank Of Mysore	102.26	10	81.19	5	72.01	7	97.92	9	75.01	11
State Bank Of Travancore	71.3	11	41.35	8	48.46	10	79.43	10	214.11	6
Syndicate Bank	106.12	9	125.03	4	185.17	2	185.97	5	141.77	8
Uco Bank	49.68	12	-147.32	14	-89.89	16	-55.93	17	40.91	14
Union Bank Of India	272.95	2	62.54	6	87.12	5	459.18	1	587.27	3
Vijaya Bank	129.1	8	-150.65	15	-5.23	14	-31.78	15	-161.96	18

ECONOMIC VALUE ADDED: COMPUTED VALUE AND RANKINGS OF BANKS-contd

NAME OF THE BANK	2009-10	RANK	2010-11	RANK	2011-12	RANK	2012-13	RANK	2013-14	RANK
Allahabad Bank	313.68	9	96.26	9	19.46	3	-793.39	12	-956.39	12
Andhra Bank	420.51	6	204.26	6	-13.59	4	-218.47	7	-1176.48	13
Bank Of Baroda	1052.37	3	1178.65	2	467.25	1	-753.8	10	-1589.45	15
Bank Of India	-281.43	18	-384.38	17	-1224.12	17	-1679.48	18	-2525.09	17
Bank Of Maharashtra	120.35	12	-124.33	16	-218.08	13	-35.68	2	-616.94	10
Canara Bank	1277.24	2	1137.31	3	-407.07	14	-1146.26	15	-1947.16	16
Central Bank Of India	364.91	8	293.76	5	-1242.86	18	-1299.83	17	-4011.7	19
Corporation Bank	405.41	7	189.34	7	-58.53	5	-1072.07	14	-402.5	6
Dena Bank	-41.81	16	-84.34	15	-190.16	10	-775.86	11	-44.17	2
Indian Overseas Bank	-381.64	19	-1064	19	-1808.49	19	-2253.72	19	-104.36	3
Oriental Bank Of Commerce	-196.2	17	-901.41	18	-865.58	16	-1252.89	16	60.15	1
Punjab National Bank	1676.85	1	1243.48	1	222.68	2	-689.55	9	-2862.25	18
State Bank Of Bikaner & Jaipur	108.02	13	79.07	10	-111.81	6	-129.21	3	-266.12	4
State Bank Of India	-779.09	20	-2958.57	20	-4293.81	20	-4445.6	20	-11996.5	20
State Bank Of Mysore	178.25	11	33.58	11	-206.03	11	-206.96	6	-409.35	7
State Bank Of Travancore	266.14	10	142.04	8	-212.51	12	-188.12	4	-564.42	8
Syndicate Bank	82.12	15	-29.81	13	-131.44	8	313.22	1	-279.54	5
Uco Bank	444.83	5	-14.49	12	-131.08	7	-800.12	13	-615.11	9
Union Bank Of India	897.31	4	357.95	4	-465.54	15	-517.12	8	-1285.8	14
Vijaya Bank	93.66	14	-65.05	14	-155.44	9	-201.24	5	-700.6	11

Source: Compiled and Calculated data presented in CMIE Prowess data base.

While looking the values of EVA and their rankings, we get an early impression that economic value added which a bank must earn to maintain its viable existence, has been lost by many banks while earned by many others in different periods. To get a feel of the trend in economic value addition, I have enlisted the top five banks in terms of EVA (Table 1.2) a possible trend which comes out is that performance of Punjab national bank, bank of Baroda, bank of India and Indian overseas bank in terms of economic value creation.

TABLE 2: YEAR WISE TOP FIVE BANKS IN TERMS OF EVA

Year	Name of the Bank	Rank
2004-05	State Bank Of India	I
	Union Bank Of India	II
	Punjab National Bank	III
	Allahabad Bank	IV
	Indian Overseas Bank	V
2005-06	Indian Overseas Bank	I
	Canara Bank	II
	Allahabad Bank	III
	Syndicate Bank	IV
	State Bank Of Mysore	V
2006-07	Indian Overseas Bank	I
	Syndicate Bank	II
	Allahabad Bank	III
	Corporation Bank	IV
	Union Bank Of India	V
2007-08	Union Bank Of India	I
	Bank Of India	II
	Indian Overseas Bank	III
	Punjab National Bank	IV
	Syndicate Bank	V
2008-09	Punjab National Bank	I
	Bank Of India	II
	Union Bank Of India	III
	Corporation Bank	IV
	Canara Bank	V
2009-10	Punjab National Bank	I
	Canara Bank	II
	Bank Of Baroda	III
	Union Bank Of India	IV
	Uco Bank	V

Year	Name of the Bank	Rank
2010-11	Punjab National Bank	I
	Bank Of Baroda	II
	Canara Bank	III
	Union Bank Of India	IV
	Central Bank Of India	V

Year	Name of the Bank	Rank
2011-12	Bank Of Baroda	I
	Punjab National Bank	II
	Allahabad Bank	III
	Andhra Bank	IV
	Corporation Bank	V

Year	Name of the Bank	Rank
2012-13	Syndicate Bank	I
	Bank Of Maharashtra	II
	State Bank Of Bikaner & Jaipur	III
	State Bank Of Travancore	IV
	Vijaya Bank	V

Year	Name of the Bank	Rank
2013-14	Oriental Bank Of Commerce	I
	Dena Bank	II
	Indian Overseas Bank	III
	State Bank Of Bikaner & Jaipur	IV
	Syndicate Bank	V

TABLE 3: EVA.DESRIPTIVE STATISTICS

year	N	range	minimum	maximum	mean	Standard deviation
2004-05	19	847.46	-375.22	472.24	80.7695	208.5789
2005-06	20	677.78	-376.84	300.94	-39.2755	186.63231
2006-07	20	1319.25	-1007.92	311.33	-56.745	301.00807
2007-08	20	2658.91	-2199.73	459.18	-34.3435	542.12249
2008-09	20	2149.71	-1228.23	921.48	113.754	444.49003
2009-10	20	2455.94	-779.09	1676.85	301.074	577.19222
2010-11	20	4202.05	-2958.57	1243.48	-33.534	900.54602
2011-12	20	4761.06	-4293.81	467.25	-551.3375	1034.08136
2012-13	20	4758.82	-4445.6	313.22	-907.3075	1035.85495
2013-14	20	12056.65	-11996.5	60.15	-1614.691	2663.26965

Source: Computed through spss 20.0

The descriptive statistics for EVA Values has also been calculated through SPSS. (Table 1.3) This shows the range, minimum EVA Value, maximum EVA Value, mean EVA Value and standard deviation. If we look at the mean EVA Values, we find a very fluctuating trend with in some year, EVA values, EVA lost and some other years, EVA gained. Of course, degree of variability in terms of standard deviation has gone up every year.

FINDINGS AND CONCLUSION

After the detailed analysis of financial data of the selected banks, it may be concluded that during the analysis the values of EVA and their rankings, we get an early impression that economic value added which a bank must earn to maintain its viable existence, has been lost by many banks while earned by many others in different periods. Further an overview of select banks' EVA for selected period (10 years) under study reflects that in many years banks have failed to add value to shareholder despite being in profits. It denotes that none of the banks are actually value generators. Therefore this demands an urgent attention and some solution to overcome this gap in competitiveness state of select of Indian banks.

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DR. AMBEDKAR'S VISION ON INDIAN FARMING

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AMRITSAR

ABSTRACT

Dr. Ambedkar had an in depth study of the plight of the poor masses living in rural India who were having dependence on agriculture for their livelihood. Dr. Ambedkar was very much concerned about the problems of Indian farmers well as the Indian agriculture. His views on the state of Indian agriculture are very logical and seem to have relevance even in the present context of our economy. One is small and fragmented holdings over which scientific cultivation is not possible and the other is lack of capital and other inputs which are not available in the desired amount to the poor farmers due to which they are not able to cultivate the land effectively. Dr. Ambedkar suggests the consolidation of holdings and collective farming to tackle this problem. Dr. Ambedkar showed his deep concern about the increasing concentration of land in the hands of a few big farmers leading to inequality among farmers and exploitation of small farmers and agricultural labourers. In this respect he suggested state should be the owner of the land and it should take a lead to distribute the land to the farmers. Dr. Ambedkar suggested imposition of income tax in farm sector also on the pattern of business sector i.e. on the basis of capacity to pay.

KEYWORDS

Collective Farming, Consolidation, Fragmentation, Inequality.

INTRODUCTION

Dr. B. R. Ambedkar has done a lot of work on Indian economy. He has given his views on almost each area having utmost importance for the economy, in his various articles, papers, and publications from time to time. He was of the opinion that development strategy of India should focus on reducing inequalities and eliminating exploitation of masses in the economy. Dr. Ambedkar believed that if he succeeded in struggle- struggle for a just social order- it will prove a blessing for all Indians, not merely any group (Sirswal, 2010). He had an in depth study of the plight of the poor masses living in rural India who were having dependence on agriculture for their livelihood. Dr. Ambedkar was very much concerned about the problems of Indian farmers well as the Indian agriculture. His views on the state of Indian agriculture are very logical and seem to have relevance even in the present context of our economy. The present paper aims to analyse Dr. Ambedkar's outlook on Indian agriculture and its significance in the current scenario of our economy.

OBJECTIVES OF THE PAPER

The paper aims to study Dr. Ambedkar's views pertaining to various aspects of the Indian agriculture specifically with the following objectives:

- To discuss Dr. Ambedkar's thought on the backwardness of Indian agriculture
- To study the causes of the poor condition of the agriculture and solutions as suggested by Dr Ambedkar.
- To discuss Dr. Ambedkar's views on agriculture taxation.
- To analyse the relevance of Dr. Ambedkar's views in the present context of Indian economy.

DATA BASE AND METHODOLOGY

The present paper is based on secondary data collected from various issues of Economic Survey published by Ministry of Finance, Government of India and information collected from various journals, research papers and books. The paper is divided into three sections. Section I concentrates on Dr. Ambedkar's views on Indian Agriculture. Section II discusses his views on agriculture taxation. Section III summarizes the discussion and brings out important conclusions of the study.

SECTION I

Dr. Ambedkar had a vast study on Indian agriculture. His views on agriculture were published in his article "Small Holdings in India and Their Remedies" published in 1918. He was of the opinion that small size of holdings was the major cause behind some of the vital problems of Indian agriculture which included high cost of farming, low productivity, low income of farmers and correspondingly their low levels of living. He criticized the traditional definition of economic holdings and refined that economic land holding is not depending the size of land holdings but proportion of factor inputs to the production (Jamma and Damji, 2012). It means that agricultural productivity not only depends upon the size of holdings but also on the availability of some of the key factors like capital, labour and other inputs. So agricultural productivity was low due to small size of holding on the one hand and non-availability of these inputs on the other. He, therefore, suggested that state should make provision for these inputs for the peasants to be used for cultivation as the later are not in a position for this due to their inability to do so. This becomes clear when Dr. Ambedkar (1918) says that state should supply capital which is essential for farm activities. For the solution, he also advocated the practice of co operative or collective farming in farm sector as according to him poor peasants are not in a position to use costly inputs individually. Moreover, the collective farming can solve the problem of small size of holdings. Dr. Ambedkar was also concerned about the increasing concentration of economic power in the form of land in the hands of a few big farmers and landlords. He opined that this concentration was the prime cause of the exploitation of small farmers and agricultural labourers. Hence he suggested collective ownership of land as a fundamental right (Sarode, 2013). Presently, we are observing acute poverty on the one hand and large and growing economic inequalities on the other in the field of agriculture. We see a gap between big and small farmers which has widened a lot in the past five decades. Data given in Tables below shows the number and percentage of poor i.e. below poverty line in India at three points of time which obviously puts light on the pitiable conditions of the small farmers in our country.

TABLE I: NUMBER AND PERCENTAGE OF POOR

Year	Number of Poor(in millions)			Poverty Ratio(%)		
	Rural	Urban	Total	Rural	Urban	Total
1993-94	328.6	74.5	403.7	50.1	31.8	45.3
2004-05	326.3	80.8	407.1	41.8	25.7	37.2
2009-10	278.2	76.5	354.7	33.8	20.9	29.8

Source: Economic Survey-2012-13

Table I shows the data of numbers of poor and their percentage in rural as well as in urban areas and in India as a whole in different years. Table makes it clear that extent of poverty in India is a matter of concern for India as the number of poor in rural areas in India was 278.2 million in 2009-10 which although declined from 328.6 million in 1993-94 but still it is a very big figure and amounts to one-third (33.8%) of the rural population. It is also clear that the extent of poverty in

rural areas is even more than that found in urban areas. The problem of poverty is more acute in some of the major states of India which is shown in the Table II.

TABLE II: STATE OF POVERTY IN MAJOR STATES

State	2004-05		2009-10	
	Rural	Urban	Rural	Urban
AP	32.3	23.4	22.8	17.7
Assam	36.4	21.8	39.9	26.1
Bihar	55.7	43.7	55.3	39.4
Gujarat	39.1	20.1	26.7	17.9
MP	53.6	35.1	42.0	22.*9
Oddisa	60.8	37.6	39.2	25.9
UP	42.7	34.1	39.4	31.7
WB	38.2	24.4	28.8	22.0
India	41.8	25.7	33.8	20.8

Source: Economic Survey-2012-12

Table II presents a very gloomy picture of some big states of India as far as the extent of poverty is concerned. Bihar leads the rest of the states where 55.3 percent population is below poverty line in 2009-10 which virtually didn't show any tendency to come down since 2004-05. Similarly in MP(42%), Assam(39.9%),UP(39.4%) and Orrisa(39.2%) in 2009-10 present the similar picture. Moreover, it is also evident that in these states, poverty in rural areas is far more than poverty in urban areas. The poor standard of living of the farmers can be known from their expenditure on consumption. Table III puts some light on the low standard of living of farmers in terms of their low consumption levels.

Tables III: AVERAGE MONTHLY PER CAPITA EXPENDITURE ON CONSUMPTION (IN RUPEES)

YEAR	CONSTANT PRICES(2004-05)		CURRENT PRICES(2011-12)	
	RURAL	URBAN	RURAL	URBAN
2004-05	558	1052	558	1052
2009-10	599	1200	927	1785
2011-12	707	1359	1281	2401

SOURCE: ECONOMIC SURVEY-2012-12

Table III shows that rural people were just spending rupees 558 on monthly consumption at constant prices(2004-05) which rose to just 707 rupees in 2011-12. At current prices too, the same picture is exhibited as not much difference is found. Rural people spent on an average rupees 558 in 2004-05 which although increased to 1281 in 2011-12 but still indicates the low level of living of farmers. But the average consumption level of people in urban sector is much higher i.e. almost double at rupees 1052 in 2004-05 and 1359 in 2011-12 at constant prices. In such a scenario, views given by Dr. Ambedkar pertaining to collective ownership of land and collective farming seem to have relevance even in present circumstances. Dr. Ambedkar stated that the collective farming must be introduced with the abolition of intermediaries, the State must be the owner of the land and it should take a lead to distribute the land to the farmers (Saharila,2012). Another very important aspect of Indian agriculture is the huge amount of manpower engaged in farm activities. Dr. Ambedkar(1918) was very much clear about this problem when he said that a large agricultural population with the lowest proportion of land in actual cultivation means that a large part of the population is superfluous and idle and even if the lands are consolidated, and cultivated through capitalistic enterprise, it will not solve the problem as it will only aggravate the evils by adding to our stock of idle workers. However, Dr. Ambedkar gives a solution to this problem. He says that only way to tackle this problem is to take the people away from the land and therefore he suggested that industrialization of the economy is the best solution for the agricultural problems in India which means a shift from agriculture to secondary sector. Keeping in view the huge unemployment found in the rural areas of the economy, specially the disguised unemployment which is contributing nothing to the total output, a shift from agricultural to industrial sector as suggested by Dr. Ambedkar is really noteworthy as well as praiseworthy. What is more important is that such a suggestion was made by him around one hundred years ago although the same was implemented by the government after independence in the pursuit of development.

SECTION II

Dr. Ambedkar's views on taxation are of utmost importance for the Indian economy. According to him, taxation has a vital role to play in a country like India where it has to mobilize required amount of resources so that development plans are carried out. Role of taxation becomes more important in a situation when the tax paying capacity of the masses is very low. The reason is obviously the low level of income. He further says that taxation has a unique responsibility of curbing the consumption levels of people specially of high income group so that the capital thus generated is mobilized for productive investment. So taxation is the major fiscal tool in the hands of the government. But the same has not been implemented in an effective manner. According to Dr. Ambedkar, the socio-economic development of the economy depends primarily upon the availability of adequate finances and their proper utilization (Ingole, 2010). In general, in the context of taxation, he gave a number of suggestions like the practice of progressive taxation putting less burden on poor and more on richer section. He was in favour of a system of taxation based on the tax paying capacity of the people. He was also of the opinion that taxes should not lower the living standards of people in the economy. However, Dr. Ambedkar's views about taxation on farm sector needs to be studied specifically in the present context of agriculture. In agriculture sector, he was not convinced with the system of land revenue followed by the British Government. In his opinion, the prevalent system was unjust and against the interest of poor masses. The system was not based on the principle of equity and had more burden on have nots. In his views, there should not be discrimination in the methods of levying tax on the income from agriculture and business. But in case of land revenue, every farmer, irrespective of his income is brought under tax net.(Saharila, 2012).

So here, we come to know two very important aspects of his philosophy regarding tax structure to be used in the farm sector.

- He was against levying land revenue tax on all farmers by the government without paying attention to their paying capacity.
- He was in favour of agriculture income tax but the method of levying it should be same as used in the business sector.

Above views of Dr. Ambedkar is of much significance in the present scenario of Indian agriculture as well as for economy as a whole. There are wide disparities in the income levels among the people in the rural India. According to an estimate of RBI, the top 10 percent of the people in rural areas get 25 percent of the national income while the bottom 20 percent of the people get only 9 percent share in national income of the country. A similar study conducted by NCAER also showed the presence of wide disparities in the income of rich and poor in the rural area. Even after the six decades of independence, government has not been able to levy income tax on farm sector. A large group of farmers who are big landlords and have huge agricultural income do have the capacity to pay tax. An income tax can be imposed on this class. The tax thus collected can be used for the wellbeing of the poor farmers and development of rural areas thereby reducing the income inequalities in villages. However, there seems lack of political will on the part of the government to do so as there is a strong lobby of influential people in the government and in the political sphere who are against any such move.

SECTION III

Dr. B. R. Ambedkar considers two basic factors behind the backwardness of Indian agriculture. One is small and fragmented holdings over which scientific cultivation is not possible and the other is lack of capital and other inputs which are not available in the desired amount to the poor farmers due to which they

are not able to cultivate the land effectively. Dr. Ambedkar suggests the consolidation of holdings and collective farming to tackle this problem. He also suggested entrusting the job of supplying tools and capital to the government.

In the present scenario, these views given by him carry much weight age in the sense that 79% of the total land holdings in India are small and 70% of the farmers are not under cooperative cover. Therefore consolidation and collective farming do have importance for the farming community.

Secondly, Dr. Ambedkar showed his deep concern about the increasing concentration of land in the hands of a few big farmers leading to inequality among farmers and exploitation of small farmers and agricultural labourers. In this respect he suggested state should be the owner of the land and it should take a lead to distribute the land to the farmers. In this connection, we observe that that inequalities among farmers have grown to a large extent. The land ceiling act and distribution of surplus land have not been so effective so under such circumstances we should rethink about these reforms from Dr. Ambedkar's perspective. Dr. Ambedkar suggested imposition of income tax in farm sector also on the pattern of business sector i.e. on the basis of capacity to pay. This suggestion by Dr. Ambedkar is the need of the hour because keeping in views the growing inequalities in this sector it would be better to go in for such a move in case of farmers who reach beyond a certain income limit and more importantly the amount thus collected should be spent on the wellbeing of small farmers in the very agricultural sector only.

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MARKETING OF INSURANCE PRODUCTS IN RURAL INDIA: A BIG CHALLENGE

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ABSTRACT

A large population of India lives in the rural areas. The impact of risks associated with life, health and property are far more severe on this population as compared to the urban population with higher levels of income. The Indian insurance market is opened to private players to reach all sections of the society in both rural and urban areas. The rural area is most untapped by any insurance company. The government is trying hard to protect the rural people from risks. It has introduced many insurance schemes to cover the rural mass in to insurance sector. The insurance companies are also making efforts to improve the rural business. Still they have not achieved the objective to a fuller extent. Therefore, there is a vast opportunity for insurance companies to reach the rural area with innovative products which suits the needs of rural mass. Reaching out to the rural mass is not easy. Lack of financial literacy, low per capita income, lacklustre attitude of the people, apathy of intermediaries to visit far off places etc are the major challenges faced by the insurance companies. To unleash this potential, insurance companies will need to show long-term commitment to the sector, design products that are suitable for the rural population and utilise appropriate distribution mechanisms. Insurance companies will have to pay special attention to the characteristics of the rural population and their life styles and pattern of earnings before they can successfully penetrate the rural sector.

KEYWORDS

Financial Literacy, Risk, Rural insurance, Property, Organised sector.

INTRODUCTION

As per 2011 census 68.8% of Indian population lives in rural area and also many living in urban area works under unorganised sector. Most of them are uneducated. Some are educated but they do not know anything about the social security measures. Risk is inevitable in everyone's life. Risk may be in the form of loss of life, loss of property, High cost of health etc. A human being cannot avoid all these risks. But we are having a mechanism through which loss can be mitigated or compensated in one or the other form. Insurance is the one way which helps us to get protection against various types of losses. Protecting our most important assets is an important step in creating a solid personal financial plan. The right insurance policies will go a long way in safeguarding earning power and possessions. The soaring cost of medical care is reason enough to make health insurance a necessity. Even a simple visit to the family doctor can result in a hefty medical bill. More serious injuries that result in a hospital stay can generate a bill that tops the price of a one month consumption expenses. Injuries that require surgery can quickly rack up five-figure costs. Although the ever-increasing cost of health insurance is a financial burden, for just about everyone, the potential cost of not having coverage is much higher. Indian agricultural sector is full of uncertainties. All efforts made in a year may disappear at the end with so many natural calamities. Drought or floods are the two epics which normally follows Indian agriculture. If the crops damaged due to rain or storm or some pests even after proper care, farmer will lose everything. It can be compensated with the help of insurance. The population of India is not serious about the insurance. Indian population is not inching towards purchasing insurance products. It is because of financial problem and in some cases lack of knowledge and improper planning of financial asset. Population working in the organised sector, more or less, covered under life insurance and to some extent other insurances. Unfortunately, the persons working in agriculture and in unorganised sector have not been covered by any insurance. Agricultural labourers, Hawkers, street vendors, construction workers etc are outside the purview of insurance. Government is doing all out efforts to include them under social security network by providing them cover of insurance. At the same time IRDA has made it mandatory for insurance companies operating in the life insurance to do certain percentage of business in rural areas. Insurers who begins to transact life insurance business in the year 2000 or later, are required do business in the rural area is as under:

Financial Year	Percentage of total policies
First Financial Year	5%
Second Financial year	9%
Third Financial Year	12%
Fourth Financial Year	14%
Fifth Financial year	16%

The government has introduced many schemes to cover the variety of persons. The following are the schemes introduced by the government:

AAM ADAMI BIMA YOJANA

Aam Admi Bima Yojana, a Social Security Scheme for rural landless household was launched on 2nd October, 2007. The head of the family or one earning member in the family of such a household is covered under the scheme. The premium of Rs.200/- per person per annum is shared equally by the Central Government and the State Government. The member to be covered should be aged between 18 and 59 years. The benefit available under this scheme is Rs 30,000 on natural death, Rs 75,000 on death due to accident/on permanent disability or Rs 37,500 on partial disability. A separate fund called "Aam Admi Bima Yojana Premium Fund" has been set up by Central Govt. to pay the Govt. contribution. Fund is maintained by LIC. A free add-on benefit in the form of scholarship to children is also available under the Scheme.

JANASHREE BIMA YOJANA

Janashree Bima Yojana was launched on 10th August 2000. The Scheme has replaced Social Security Group Insurance Scheme (SSGIS) and Rural Group Life Insurance Scheme (RGLIS). 45 occupational groups have been covered under this scheme It provides life insurance protection to people who are below poverty line or marginally above poverty line. Persons between aged 18 years and 59 years and who are the members of the identified 45 occupational groups are eligible to be covered under the Scheme. The benefit available under this scheme is Rs 30,000 on natural death, Rs 75,000 on death due to accident/on permanent disability or Rs 37,500 on partial disability. The premium for the scheme is Rs. 200/- per member, 50 % premium under the scheme is met out of Social Security fund set up in the year 1988-89 which is maintained by LIC. The balance 50% premium is borne by the member and/ or Nodal Agency.

SHIKSHA SAHAYOG YOJANA AS ADD-ON BENEFIT

The scheme was launched on 31st December, 2001. Scholarship as a free add-on benefit is provided under both Janashree Bima Yojana and Aam Admi Bima Yojana to maximum of two children of the beneficiary studying between 9th to 12th standard (including ITI courses) @ Rs. 100 per month for each child payable half yearly on 1st July and 1st January, every year. The benefit is without any additional premium. For meeting the expenditure on Scholarship benefit under

Aam Admi Bima Yojana a separate fund has been set up by Govt. of India called "Aam Admi Bima Yojana Scholarship Fund. Fund is maintained by LIC of India. For Jana Shree Bima Yojana scholarship expenditure is paid out of Social Security Fund. Apart from above two schemes, the earlier old Social Security Schemes namely Social Security Group Scheme, Integrated Rural Development Programme (IRDP), Swarnjayanti Gram Swarozgar Yojana (SGSY) for the existing lives continued to be administered by LIC. These schemes are closed for the new lives from the year 2000 onwards.

MICRO-INSURANCE PRODUCTS

"Jeevan Madhur" a simple savings related life insurance plan for low income persons was launched in 2006. On surviving to the date of maturity, sum assured is paid alongwith vested bonus if any. On death of the policy holder, death benefit amount equal to the total premiums payable during the entire term of the policy will be paid alongwith vested bonus if any.

"Jeevan Mangal", LIC's second Micro Insurance product, was launched in 2009. It is a term insurance plan with return of premiums paid on maturity, provided the policy is in force. On death during the term of the policy, the sum assured under the basic plan is payable, provided the policy is in force.

Varishtha Pension Bima Yojana

VPBY meant for senior citizens aged 55 years and above was launched on 14.7.2003. Under the scheme the pensioner gets an effective yield of 9% per annum on the investment. The difference between the effective yield of 9% paid to the pensioner and that earned by LIC is compensated as subsidy to LIC by the Government of India.

Universal Health Insurance Scheme

The four public sector general insurance companies have been implementing Universal Health Insurance Scheme for improving the access of health care to poor families. The scheme provides for reimbursement of medical expenses upto Rs.30,000/- towards hospitalization floated amongst the entire family, death cover due to an accident @ Rs.25,000/- to the earning head of the family and compensation due to loss of earning of the earning member @ Rs.50/- per day upto maximum of 15 days. The Universal Health Insurance Scheme (UHS) has been redesigned targeting only the BPL families. The premium subsidy has been enhanced from Rs.100 to Rs.200 for an individual, Rs.300 for a family of five and Rs.400 for a family of seven, without any reduction in benefits.

National Agricultural Insurance Scheme

The Government of India introduced the scheme from Rabi 1999-2000 season to protect the farmers against losses suffered by them due to crop failure on account of natural calamities. The scheme is currently implemented by Agriculture Insurance Company of India (AICIL). The scheme is available to all the farmers irrespective of size of their holding. The scheme covers all food crops and oil seeds and Annual commercial/ horticultural crops. At present, 10% subsidy on premium is available to small & marginal farmers. NAIS is presently being implemented in 24 States and 2 Union Territories except in States of Punjab & Arunachal Pradesh. Nagaland has given consent to implement the scheme and Rajasthan has decided to implement WBCIS in place of NAIS. Claims are automatically calculated based on shortfall in the current season yield obtained from crop cutting experiments conducted by State Governments under General Crops Estimation Survey (GCES) as compared to threshold yield and settled through the rural banking network. The Company is making efforts to bring the remaining States/ UTs into the fold of NAIS.

Pilot Modified National Agricultural Insurance Scheme

Pilot MNAIS was launched for implementation in 50 districts during Rabi 2010-11 season. Modified NAIS has many improvements over NAIS like the insurance unit for major crops has been lowered down to village / village Panchayat, minimum indemnity level has been raised to 70%, threshold yield is based on past seven years' yield excluding a maximum of two calamity years, pre-sowing and post-harvest loss are covered. Besides these, On-account payment of claims during the season and payment of claims for sowing failure have also been included. The benefit of individual assessment of claims due to localized calamities has been extended to all the notified areas.

Pilot Weather based Crop Insurance Scheme

Weather Based Crop Insurance Scheme (WBCIS) aims to mitigate the hardship of the insured farmers against the likelihood of loss on account of anticipated crop loss resulting from incidence of adverse conditions of weather parameters like rainfall, temperature, frost, humidity etc. While crop insurance specifically indemnifies the cultivator against shortfall in crop yield, WBCIS is built upon the fact that weather conditions affect crop production even when a cultivator has taken all the care to ensure good harvest. Payout structures are developed to compensate cultivators to the extent of losses deemed to have been suffered by them using the weather triggers. It has been introduced from the 2008-09 in some states and gradually many states have taken interest participated in the scheme.

It is true that majority of the schemes are introduced to cover against the various losses. But one thing is notable here that in the entire cases premium is shared either by the central government or the state government. In practical amount of compensation received by the farmers is not to the extent of loss. They received only meagre amount. Still majority of the population is not covered by the insurance. Therefore the insurance in India needs a new look to cover the untapped market. The insurance industry in India has come a long way since the time when businesses were tightly regulated and concentrated in the hands of a few public sector insurers. Following the passage of the Insurance Regulatory and Development Authority Act in 1999, India opened its gates to private players. This shift has brought about major changes to the industry. The inauguration of a new era of insurance development has seen the entry of international insurers, the proliferation of innovative products and distribution channels, and the raising of supervisory standards.

By the end of 2013, the number of insurers in India had been augmented by the entry of new private sector players to a total of 52 insurance companies, of which 24 are in life insurance business and 28 in non-life. A range of new products had been launched to cater to different segments of the market, while traditional agents were supplemented by other channels including the Internet and bank branches. These developments were instrumental in propelling business growth. All insurance companies have opened their branches only in urban areas and not concentrated much in rural areas. Though vast population lives in rural areas, insurance companies have not yet diverted their required attention towards rural insurance. Hence, penetration of rural insurance market in India is quite essential.

OBJECTIVES

The following are the objectives set for the present study

- 1) To know the necessity of rural insurance
- 2) To explore the opportunities available for development of India's insurance in rural area
- 3) To enumerate the challenges faced by the existing market.
- 4) To offer suggestions based on the challenges of the study

METHODOLOGY

The present study is purely based on the secondary source of information. Books, published materials in journals, material available in the internet are the major source of information.

CHALLENGES

As we know the tapping of Indian rural insurance market is not so easy and it includes number of hurdles. The Life insurance Corporation of India only has shown its presence in rural area. The following are the big challenges needs to be addressed by insurers.

LACK OF FINANCIAL LITERACY

To know development in a society, Literacy is another proper indicator of economic development. For purpose of census, a person in age limit of seven and above, who can both write and read with understanding in any of the language is considered as a literate in India. The literacy level in India as per 2011 census is 74.04%. Though it looks a good education record, but it includes the persons who are able to read and write something. The insurance market needs not only

literacy in terms of read and write but also in terms of understanding the concepts of financial literacy. Financial literacy means the possession of knowledge and understanding of financial matters. Financial literacy is mainly used in connection with personal finance matters. Financial literacy often entails the knowledge of properly making decisions pertaining to certain personal finance areas like real estate, insurance, investing, saving, tax planning and retirement. It also involves intimate knowledge of financial concepts like compound interest, financial planning, the mechanics of a credit card, advantageous savings methods, consumer rights, time value of money, etc. This literacy is very low in India. In order to improve the insurance business in India one has to improve the financial literacy among rural as well as urban population.

LOWER PER CAPITA INCOME

The average per capita income of an Indian is only Rs. 60972 as per 2011-12 estimation. According to the latest figures released by government Goa leads the country with per capita income of Rs. 1,92,652/-, while Bihar has the lowest with a per capita income of only Rs. 24,681/-. An average Goan earns 6 times more than an average Bihari. As per latest 2012 figures, Delhi comes in second after Goa with Per capita income of Rs. 1,75,812 followed by Chandigarh 1,28,634 & Haryana 1,09,227. If we compare this figure with per capita income of other countries India stands in 140 place. Insurance is not free. People have to contribute certain sum of money in the form of premium to get the benefits of insurance. It needs per capita income. As we narrated PCI of an Indian is very less. They have to sacrifice some amount to get the benefit. Indians are ready to save in the form of deposits but not in the form of insurance. Convincing them is also a daunting task.

UNCERTAINTIES IN AGRICULTURE

Agriculture is the main occupation of millions of people in India. Agriculture always depends upon the monsoon and climatic conditions. Natural Fire, Lightning Storm, Hailstorm, Cyclone, Typhoon, Tempest, Hurricane, Flood, Inundation and Landslide, Drought, Dry spells etc are the major risks for agriculture. They need protection against these kind of risks. If the proper insurance cover is made available to Indian agriculture, more people involve in agriculture and allied activities. It creates huge employment to rural masses. It reduces farmers' suicides.

LACKLUSTRE ATTITUDE

The attitude of persons living in rural area is somewhat different from urban area. The urban people are ready to get insurance cover by sacrificing their savings. But the rural people are not ready to purchase the insurance thinking that the life and death are the creations of God. Human being has nothing to do with these matters. The social disasters are also the acts of God, hence insurance is not necessary. At the same time they are not fully understood the concept of insurance. In the minds of rural people government is the party to pay the insurance premium.

UNHEALTHY PRACTICES

One major problem in case of insurance particularly in non life insurance is the dishonesty among the people. Many persons will purchase the insurance products by giving false information about their health. Many cases are pending in the insurance companies which need the attention of regulators and the same time many claims being rejected for pre existing diseases which needs standardisation. It also happens that all most all the proposers will not fill up the form. It is filled by agents who use their own route to fill up the form. Proposer simply signs the form.

NO REGULATORY BODY FOR HOSPITALS

Growing demand for health insurance requires a regulatory body to monitor the practices of hospitals. Many companies have offered a cashless facility for their policyholders. But the hospitals were charging arbitrarily to their patients keeping in the mind that the amount will be paid by insurance companies. The one of the government strategies in its XII plan period is effective regulation of medical practice, public health, food and drugs is essential to safeguard people against risks and unethical practices.

VAST AREA

There are more than 5 lakh villages in India. Around 75% of the people lives in rural areas. They live in scattered areas which are too long and not well connected by rail and roads. The use of internet service is only a dream of rural population. There may not be convenient places for visitors to stay or to eat food. Contacting these persons often and often for persuasion and providing service is a very daunting task for the agents. Agents may find it more profitable to spend their efforts in urban areas. That is why there are tendencies to avoid the rural market. Though IRDA has made it mandatory for every insurance company operating in life insurance has to do certain percentage of business in rural areas depending upon the years of operation. Still it is an uphill task for the insurance companies to operate in the rural areas. Strong and committed workforce is essential to tap the rural market especially in non life business.

OPPORTUNITIES

The size of the population living in rural area is big. Nobody has so far made big impact in rural insurance. The income level is also increasing over the years. All these factors provide vast opportunities for insurance companies to establish their presence in the rural area. The following are the some of the opportunities available for penetration:

HUGE UNTAPPED MARKET

Indian insurance market is untapped to a greater extent. As per one estimate the coverage ratio of India is only about 16.5% of the population. It gives a big opportunity to the insurance companies to encash the market with right approach. Though there is entry of so many players in the insurance market, they are concentrating more only in urban areas. They have to change their attitude and move in the rural areas with variety of products which suits to the need of rural population. Health insurance is not at all a subject matter in the rural areas. Agricultural labourers, street vendors, hawkers, construction workers, house maids etc are not at all touched by any insurance companies in a big way. Design suitable products which fulfil the needs of these persons and bring them in the fold of social security net in the form of insurance. The design of rural insurance products should have the specific needs and capacity of the rural population in mind. The income earning pattern in rural areas is different from in urban areas. Specifically, income of rural people follows crop cycles. There are two main crops during a calendar year. Thus, in many parts of rural India, a semi-annual payment of premiums is preferred. However, this pattern of income is not universal across all regions. Therefore, policies have to be region-specific. The other factor is that general buying capacity is lower in the rural areas. Consumer goods have been marketed very successfully in the rural markets by lowering the unit size. It is advisable to the insurance companies to design such products which can be offered at low sum assured with least premiums.

PROPERTY INSURANCE

No rural person is ready to insure his properties. But the valuables own by farmers and other persons are not small and negligible. They also carry considerable value. Properties may include farmers' houses, sheds, lawn property, fences, machinery and agricultural equipment. Property insurance can protect all of these things from fire, flood, high winds, theft, vandalism, earthquake and other causes of loss. This is the area where insurance companies needs to work out strategies to tackle the business.

CROP AND LIVESTOCK INSURANCE

Agricultural insurance can only deal with the remaining part of production risks that cannot be managed using cost-effective mitigation measures—Underdeveloped agriculture cannot be developed or restored purely by the introduction of an insurance program. Agricultural insurance has no purpose without viable agriculture and conversely, viable agriculture could not exist without adequate insurance. The existence of farmers quite often depends upon the successful growth of crops and maintenance of live stock in good condition. A flood that destroys an entire fully grown crop or a disease that kills large numbers of cattle or a hailstorm can destroy variety of fruits grown, which are financially devastating on the health of farmers. For this reason, insurance companies provide protection for people in the agricultural industry by offering them crop and livestock insurance. If such a disaster occurs, insurance companies will help policy holders to recover by compensating them for their losses.

ESSENTIALITY OF INSURANCE

One of the main objectives of promoting financial inclusion packages is to economically empower those sections of society who are otherwise denied access to financial services, by providing banking and credit services thereby focusing on bridging the rural credit gap. The banking sector is focusing on financial inclusion on a priority basis. Vulnerability to various risk factors is one of the fundamental attributes of these sections of the society. Lack of protective elements may,

thus, not serve the objective of promoting financial inclusion packages as the targeted sections may fall back into the clutches of poverty in the event of unforeseen contingencies. Hence, to provide a hedge against these unforeseen risks, micro insurance is widely accepted as one of the essential ingredients of financial inclusion packages. The population is always living with one or the other uncertainties. Every individual wants safety against uncertainties. Many of us do not have any idea of getting protection against such losses. Many persons believe that uncertainties are bound to occur and which have no solutions. It is not true. As professionals in the area of insurance, it is our bonded duty to provide necessary knowledge about the uncertainties and ways to compensate such uncertainties. The insurance should become a necessary commodity to every Indian. If insurance companies succeed in convincing the population about the necessity of insurance products, growth will automatically take up.

COVERAGE OF VAST AREA

Despite the long distances and the inconvenient infrastructure for travel and staying, the efforts may be rewarding. The rural people are simple and winning the heart of them is half won battle. If an agent can win their trust, selling insurance would be an easy task. Policies may not be of big amounts but the number would be large. There are many powerful influential centres in the rural areas. Post offices, cooperative societies, Self Help Groups, Gram panchayats etc are the best distribution channels for insurance products. Make use of these influencing centres to penetrate the rural market.

REACHING OUT THE MASSES

India is a vast country with remote areas. Reaching out to these people is a daunting task. However, there are set of institutions which are very close to the rural people. Post offices, Co-operative societies, Self Help Groups etc are the some of the examples. These are various rural forums that meet regularly at the village, block and district levels and can be used for promoting group insurance. Once the group leadership approves the insurance company, members will be more inclined to accept its insurance products. Producers' co-operative societies are rural forums for interaction/information and finance for farmers. Regular meetings are held and can be used as a group platform to sell policies (specifically accident/ crop/health policies) to members. NGOs working in micro-finance with grass-root reach, trust and credibility can be used to access members of Self Help Groups who would then be more inclined to purchase from the private player

CONCLUSION

The growth of economy in the future will be faster in the rural areas than in the urban areas. The income levels and lifestyles are changing very fast. Tapping of rural insurance not only increase the insurance business but also increases the standard of living of rural people. Though the amount of insurance by an individual is small in size but the number would be very large. Small amount from large crowd is as big as urban collection. There are areas like property insurance, crop insurance, live stock insurance etc are the avenues for growth of insurance business in India. To unleash this potential, insurance companies will need to show long-term commitment to the sector. Design products that are suitable for the rural population and utilise appropriate distribution mechanisms. Insurance companies will have to pay special attention to the characteristics of the rural population and their life styles and pattern of earnings before they can successfully penetrate the rural sector.

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BUYER BEHAVIOUR TOWARDS COSTUME JEWELLERY IN RAMANATHAPURAM DISTRICT, TAMIL NADU

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ABSTRACT

This article is an outline of the study conducted on the topic "Buyer behaviour towards costume jewellery in Ramanathapuram District, Tamil Nadu" The main objectives of the study is to find the awareness level of the buyers towards Costume jewellery, to analyse the attitude of the buyer towards Costume jewellery and to trace out the impact while buying and using Costume jewellery. This study mainly focuses the preferences, attitude and behaviour of the Buyer towards Costume jewellery in Ramanathapuram district only. The present study is an empirical research based on survey method. The researchers have collected primary data by comprehensive questionnaire and Secondary data have been collected from websites, books and journals. This study was carried out for a period of two months. The data which were collected from the respondents were analysed by using percentage analysis. Five point scales that are Likert's scale analysis, weighted average ranking, Garattee Ranking Technique and chi-square tests are used.

KEYWORDS

Jewellery, Costume jewellery, buyer, buyer behaviour.

INTRODUCTION

Costume jewellery has been part of culture for almost 300 years. During the 18th century, jewellers began making pieces with inexpensive glass. In the 19th century, Costume jewellery made of semi-precious material came into the market. Jewels made of semi-precious material were more affordable, and this affordability gave common people the chance to own Costume jewellery. But the real golden era for the Costume jewellery began in the middle of the 20th century. The new middle class wanted beautiful, but affordable, jewellery. The demand for jewellery of this type coincided with the machine-age and the industrial revolution. The revolution made the production of carefully executed replicas of admired heirloom pieces possible. Costume jewellery was also made popular by various designers in the mid-20th century. Some of the most remembered names in Costume jewellery include both the high and low priced brands like Crown Trifari, Dior, Chanel, Miriam Haskell, Monet, Napier, Coro craft, Coventry, and Kim Craftsmen.

A significant factor in the popularization of Costume jewellery was the Hollywood movies. The leading female stars of the 1940s and 1950s often wore and then endorsed the pieces produced by a range of designers. Costume jewellery is considered a discrete category of fashion accessory, and displays many characteristics of a self-contained industry. Costume jewellery manufacturers are located throughout the world, with a particular concentration in parts of China and India, where entire city-wide and region-wide economies are dominated by the trade of these goods. There has been considerable controversy in the United States and elsewhere about the lack of regulations in the manufacture of Costume jewellery.

The use of Costume jewellery has been prevalent much before in the West but its acceptance is finally catching up in India since the past decade or so. Some of the sellers entered the Costume jewellery market 10 years back seeing the huge demand and necessity for semi precious jewellery. "In India, the trend is recent as compared to western countries especially in affluent families. They wear it as a fashion statement but now due to increasing prices of precious metal, more and more people are settling for Costume jewellery". At present Costume Jewellery has varieties of designs and models and are available easily rather than gold ornaments. This attracted the researchers to study the consumer buying behaviour of Costume or Costume jewellery. Hence the study titled "Buyer Behaviour towards Costume Jewellery in Ramanathapuram District, Tamil Nadu" has been undertaken for the purpose of current research.

STATEMENT OF THE PROBLEM

During II world war Costume jewellery was incorporated but there is no demand for the products because there is no awareness among the consumers. Now-a-days increase in the demand for Costume jewellery include volatile gold prices which have jumped four times in the past one decade, easy to carry, Costume jewellery being comparatively cheaper, to worry in case lost or stolen. Rising of gold prices is not the only reason for the rise in demand for fashion jewellery. Considering the high disposable incomes in cities like Gurgaon, Mumbai, Chennai, everyone can afford to buy gold or diamond if they want to. The rise in Costume jewellery demand is all about fashion. Accessories have become an important part of dressing up and looking good in India. Women's passion for jewellery can never die and when it comes to Indian women, the craze is quite known. India lost the top position in consumption of gold jewellery in the first half of 2012. None of the researchers has done this study. In particular, the study mainly focuses on the behaviour and attitude of buyer towards Costume jewellery. Hence the study titled "Buyer Behaviour towards Costume Jewellery in Ramanathapuram District, Tamil Nadu" has been undertaken for the purpose of current research.

OBJECTIVES OF THE STUDY

The objectives of the study are as per following:

1. To find the awareness level of the buyers towards Costume jewellery.
2. To analyse the attitude of the buyer towards Costume jewellery.
3. To trace out the impact while buying and using Costume jewellery.
4. To offer suitable suggestions based on the findings of the study

SCOPE OF THE STUDY

The present work has been confined to study the availability of the designs in Costume jewellery and services offered by the seller. This study mainly focuses the preferences, attitude and behaviour of the Buyer towards Costume jewellery in Ramanathapuram district only.

OPERATIONAL DEFINITIONS OF CONCEPTS

Some of the concepts used in this study are,

BUYER

A Buyer is an individual who buys goods and services for his or her own use, for the use of the household, for just one member of the household, or as a gift for a friend. Consumer, customer and buyer is used interchangeably in this research study.

BUYER BEHAVIOR

The study of buyer behaviour is the study of how individuals make decisions to spend their available resources (money, time, effort) on consumption related items. It included the study of what they buy, why they buy it, how they buy it, when they buy it, where they buy it, and how often they buy it. Buyer behaviour and consumer behaviour is used interchangeably in this research study.

JEWELLERY

It is an adornment made of precious metals and set with gems or Costume gems.

COSTUME JEWELLERY

Costume Jewellery is also called as fancy jewellery or trinkets or fashion jewellery or junk jewellery or fake jewellery or imitation jewellery. It is manufactured as ornamentation to complement a particular fashionable costume or garment.

REVIEW OF PREVIOUS STUDIES

Numerous studies have been undertaken in areas related to this topic. The following studies have been reviewed.

Aparna Ramalingam¹ in an article "Sale of fashion jewellery Soar" discusses the costume jewellery is all set to have a dazzling future of demand for imitation jewellery has gone up by over 85% due to drastic hike in gold and silver prices and an increased in germs and stomes.

Osja² (2009) concluded in his paper "Branding-success" that branding is "an irreversible trend". It gives clients a certain degree of confidence that they're buying a genuine product. Branded jewellery has arrived and earned its place on world jewellery retail shelves. Indeed the consumer must pay more attention, which brand they should buy, instead of thinking "branded or non branded".

According to S.L.Gupta and Sumitra Paul, although Tamil Nadu is a hot place people are very fond of rich silk sarees in deep colours. They are also fond of wearing Jewellery³.

Wells in his articles "Measuring Readiness to Buy" States that the desire to purchase new and moderately new products was greater among consumers in their desire to buy new and moderately new products then conventional products⁴.

But however none of the studies has made any attempt to probe into the Buyer behaviour towards Costume jewellery. Hence, the researchers have undertaken the present study titled "Buyer Behaviour towards Costume Jewellery in Ramanathapuram District, Tamil Nadu" as a pioneering approach to find out the various influencing factors and level of attitude towards Costume jewellery.

GEOGRAPHICAL AREA OF COVERAGE

The study has been conducted in Ramanathapuram district. Ramanathapuram District is an administrative district of Tamil Nadu state in southern India. Total Population of Ramanathapuram district in 2011 census was 1,337,560. The behaviour of buyer towards Costume jewellery will be analysed in Ramanathapuram district only.

METHODOLOGY

The present study is empirical research based on survey method. The researchers will administer a questionnaire for collecting primary data and Secondary data will be collected from relevant books on Marketing Management and consumer behaviour, magazines, newspapers, websites and journals.

PRE-TESTING

The questionnaire prepared for the respondents have been pre-tested by the researchers in person. Comments on the question were noted and after careful analysis necessary modification have been made in the questionnaire. Pre-testing was conducted on 20 respondents. In the course of the interview, the researchers had experienced some difficulties in getting answers to some of the questions raised and suitable changes have been incorporated before finalizing the questionnaire

SAMPLE DESIGN

A sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure, the researchers will adopt in selecting items for the sample. The study area covers Ramanathapuram District, based on demographic, economic and other conditions as centre for the study in order to measure and evaluate the overall satisfaction and level of attitude towards Costume jewellery. The non-probability method of convenience sampling was followed to choose the sample respondents. As many as 200 sample respondents from Ramanathapuram District were chosen for this purpose. The researcher himself met the sample respondents to elicit the necessary data from them.

PERIOD OF THE STUDY

The survey for collection of primary data was conducted during the month of August and September 2014.

FRAMEWORK OF ANALYSIS

With reference to the objectives of the study, various factors are taken into consideration such as age of the respondents, educational qualification of the respondents, Occupation of the respondents, marital status of the respondents, monthly income of the respondents and region of survival of the respondents. The data which were collected from the respondents were analysed by using percentage analysis, five point scales that are Likert's scale analysis, Garattee Ranking Technique, Weighted Average Ranking Technique and chi-square test are used.

ANALYSIS AND INTERPRETATION**FACTORS INFLUENCING BUYING OF COSTUME JEWELLERY**

The factors influenced the buyer to purchase the Costume jewellery are analysed by adopting Garattee Ranking Technique. The respondents are asked to rank their influencing factors in the purchase of Costume jewellery and the results are shown in table no-1.

¹ <http://articles.timesofindia.indiatimes.com>

² Osja , S. (2009), Gold Ornaments world, *Bangkok Gems & Jewellery Magazine*, Vol 22/1, 14-15.

³ S.L.Gupta and Sumitra Paul, consumer Behaviour An Indian Perspective Text and Cases, sultan Chand and sons, New Delhi 2005,P-406

⁴ W.D.Wells, "Measuring Readiness to Buy". Harvard Business Review, Vol.39, No.4.1961.PP.61-69.

TABLE NO. 1: FACTORS INFLUENCING BUYING OF COSTUME JEWELLERY

Products	Total Score	Garattee Score	Rank
Quality of the product	130	4.3	V
Attractive and Colourful	75	2.5	VII
Product used at all times	126	4.2	VI
Design of the product	75	2.5	VII
Prestige of the product	149	5.0	III
Price of the product	141	4.7	IV
Availability of the product	180	6.0	II
Particular shop	204	6.8	I

Source: primary data

From the above table no- 1, it is inferred that the buyers are loyal to a particular Costume jewellery shop in which they buy all their requirements, is the main factor influencing the respondents to buy the product regularly which ranks first among all the factors followed by Availability of the product, Prestige of the product, Price of the product, Quality of the product, Product used at all times, Attractive and Colourful, Design of the product respectively.

ATTITUDE OF BUYER TOWARDS COSTUME JEWELLERY

In this study the respondents are asked to give their opinion on the basis of five levels to agreeing the statements namely strongly agree, agree, neutral, disagree and strongly disagree. The response observed for each of the statement in the schedule have been scored and tabulated on a master sheet. The scoring of factor is based on Likert's method. To secure the total score five points are given. Five for strongly agree, four for agree, three for neutral, two for disagree and one for strongly disagree. Thus the total score were obtained.

The levels of attitude has been classified into three categories namely, high level, medium level and low level for analytical purpose, while the score value

$\geq \bar{X} + \sigma$ and score value $\geq \bar{X} - \sigma$ have been classified as high level and low level of attitude respectively, the score value between $\bar{X} - \sigma$ and $\bar{X} + \sigma$

are classified as medium level of attitude. \bar{X} and σ are the arithmetic mean and standard deviation calculated from the score value of 200 respondents. The mean value obtained was 26.5 and the value of standard deviation is 13.938 based on the mean and standard deviation the levels were classified as below.

$\bar{X} + \sigma$ – Above 40 – high level, $\bar{X} - \sigma$ – Below 12 – Low level, ($\bar{X} - \sigma$) to ($\bar{X} + \sigma$) – 13 to 39 – Medium level The researchers have made an attempt to study the level of attitude of the customers. This factor is classified as high level, medium level and low level. This factor has been cross tabulated with Demographic factors like age, occupation, marital status and region of survival. Following are the factors to find out the level of attitude of customers towards Costume jewellery like product, price, packaging, varieties of the products, promotion, physical distribution, service, and quality respectively.

TABLE NO. 2: LEVEL OF ATTITUDE AND DEMOGRAPHIC FACTORS

Demographic Factors		Level of Attitude			
		High	Medium	Low	Total
Age	Less than 25 years	5(6%)	56(58%)	35(36%)	96(100%)
	25-50 years	7(10%)	42(60%)	21(30%)	70(100%)
	Above 50 years	2(6%)	17(50%)	15(44%)	34(100%)
	Total	14	115	71	200
Marital Status	Married	1(1%)	41(57%)	30(42%)	72(100%)
	Unmarried	13(10%)	74(58%)	41(32%)	128(100%)
	Total	14	115	71	200
Occupation	Students	3(6%)	1(2%)	46(92%)	50(100%)
	Home makers	-	11(92%)	1(8%)	12(100%)
	Employees	10(9%)	87(74%)	20(17%)	117(100%)
	Professionals	-	6(100%)	-	6(100%)
	Business	1(7%)	10(66%)	4(27%)	15(100%)
	Total	14	115	71	200
Region of survival	Urban	14(10%)	61(43%)	67(47%)	142(100%)
	Rural	-	54(93%)	4(7%)	58(100%)
	Total	14	115	71	200

Source: Primary Data

The above table no- 2 shows a clear picture of an analysis of the level of attitude with the help of various factors like age, marital status, occupation, income and region of survival of the respondents. Out of the total 200 respondents, the majority of the respondents opined in the category of medium level of attitude. Of all the determinant factors, Age is considered to be one of the powerful determinant factors to buy Costume jewellery among the women. In the age group less than 25 years of age and 25-50 years of age have opined medium level of attitude towards costume jewellery. Of the marital status both of unmarried and married respondents, most of them also opined medium level of attitude towards Costume jewellery. Occupation is one of the determinant factors regarding buying and using of costume jewellery. From the above table 117 respondents are private and public sector employees out of which majority 87 (74%) of the respondents has medium level of attitude towards Costume jewellery. In this study the urban respondents are comparatively more than the rural respondents. Most of them opined medium level of attitude in the both sectors of urban and rural.

CHI-SQUARE TEST RESULTS- ATTITUDE TOWARDS COSTUME JEWELLERY

Following are the results for chi-square test between demographic factors of the respondents and level of attitude towards Costume jewellery.

To find out whether there is a significant relationship between these two factors, the following null hypothesis is framed. The frequency of cell value is less than 5. Hence Yates Correction is applied in chi-square test.

Ho: there is no significant relationship between the Demographic factors of the respondents and their level of attitude towards Costume jewellery.

The table value of χ^2 for degree of freedom 4 at 5% level of significance is 9.488. The calculated value of χ^2 is less than the table value, therefore the null hypothesis is accepted that there is no significant relationship exist between the **age and the level of attitude regarding Costume jewellery.**

The table value of χ^2 for degree of freedom 2 at 5% level of significance is 5.991. The calculated value of χ^2 is more than the table value, therefore the null hypothesis is rejected that there is a significant relationship exist between the **marital status and the level of attitude regarding Costume jewellery.**

The table value of χ^2 for degree of freedom 8 at 5% level of significance is 15.507. The calculated value of χ^2 is more than the table value, therefore the null hypothesis is rejected that there is a significant relationship exist between the **occupation and the level of attitude regarding Costume jewellery.**

The table value of χ^2 for degree of freedom 2 at 5% level of significance is 5.991. The calculated value of χ^2 is more than the table value, therefore the null hypothesis is rejected that there is a significant relationship exist between the **region of survival and the level of attitude regarding Costume jewellery.**

PROBLEMS IN BUYING AND USING COSTUME JEWELLERY

The problems faced by the buyer in buying and wearing of Costume jewellery are analysed by adopting Weighted Mean Score ranking technique. The respondents are asked to rank their problems in the purchase of Costume jewellery and the results are shown in table no-3.

TABLE NO-3: PROBLEMS IN BUYING AND USING COSTUME JEWELLERY

Products	Total Score	Mean Score	Rank
Less durability	102	3.4	VIII
Non-availability of spares	150	5	IV
Breakage	110	3.7	VII
Inconvenient location of the store	124	4.1	V
Cumbersome formalities	164	5.5	I
Poor quality of service	154	5.1	III
Poor resale value	158	5.3	II
Colour fade	118	3.9	VI

Source: primary data

It is evident from the above table no- 3 that the ranks assigned by the respondents with regard to the problems faced/encountered by the respondents from one to six ranks are given with the weights 8, 7, 6, 5, 4, 3, 2, 1 respectively. Most of the respondents have opined Cumbersome formalities are ranked first followed by Poor resale value, Poor quality of service, Non-availability of spares, Inconvenient location of the store, Colour fade, Breakage, Less durability.

FINDINGS AND RECOMMENDATIONS

1. Majority of the respondents are students and employees under the age group of 25 years preferred Costume jewellery rather than gold jewellery due to the price of the product which is comparatively low, free from theft and availability of designs in Costume jewellery.
2. In Ramanathapuram district, rural area respondents have low level of awareness than the urban area respondents. So, the marketers have to advertise the Costume jewellery products effectively in print media, audio-visual media and internet based communication in order to increase the awareness thereby increase their turnover with greater profit. Probably this will be an effective tool to increase the level of awareness among all the consumers towards Costume jewellery.
3. Of the marital status of the respondents, 64% of them are unmarried and most of them have opined medium level of attitude towards costume jewellery. In the Income category, 71% of the respondents are less than Rs.25,000 and majority of the respondents have opined medium level of attitude towards costume jewellery.
4. Majority of the respondents are highly dissatisfied with the varieties of the Costume jewellery due to no resale value in Costume jewellery, poor quality, fade in colour, lifetime of the Costume jewellery is too short.
5. Most of the buyers are loyal to a particular Costume jewellery shop which ranks first among all the factors such as like Availability of the product, Prestige of the product, Price of the product, Quality of the product, Product used at all times, Attractive and Colourful, Design of the product respectively.

CONCLUSION

Although gold, silver and diamond remain to be the most expensive and beautiful jewellery, many of women and girls are opting to try different less expensive materials like costume, imitation or fashion jewellery. The beauty remains the same as more expensive jewellery making it easy to find many pieces of jewellery in different price range. Costume jewellery is used at time of parties, functions, festivals respectively. In the study area, majority of the respondents have medium level of attitude towards costume jewellery and few of the sample respondent have high level of attitude towards costume jewellery because this district is rural based. They prefer traditional jewellery to wear frequently because of prestige, image, and so on.

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CONSUMER SWITCHING BEHAVIOR IN CELLULAR SERVICE PROVIDER IN NORTH GUJARAT REGION

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ABSTRACT

It's been very tough competition among the various mobile service providers in all over the world. The Indian mobile market continues to be dominated by prepaid subscribers. There has been a massive growth rate of subscribers. Indian mobile market is one of the fastest growing markets and is forecasted to reach 868.47 million users by 2013. The availability of a number of subscriber options for consumers and varied tariff rates of each player, lead the consumers to switch between service providers. Everyday number competitors come with new and attractive promotional schemes and or services that has made possible to reduce the tariff rates at all time low, which directly or indirectly affect the consumers and it encourages customers to change the mobile service providers. With this reference the proposed study is designed to know the existing subscribers, their switching behaviour and most important factors contributing to their switching behaviour with the sample size of 400 customers in the region of north Gujarat.

KEYWORDS

Switching Behaviour, Cellular service provider.

INTRODUCTION

The growing competition in the global market is showing that it is becoming increasingly important for companies to retain their existing customers. Gaining knowledge about customers' switching behavior is substantively important which can only be examined by analyzing the role of various factors affecting switching processes. The mobile communication plays a major role in telecommunication industry. Indian telecommunication sector is prosperous as Indian economies are considerably good. Mobile network comes under the service sector, which is experiencing a rapid development which in turn is supporting the growth in Indian economy, provides ample chances employment and self employment generation. The telecom industry is one of the fastest growing industries in India. India has about 960.9 million (May 2012) telephone subscribers making it the third largest network in the world after China and USA, and 929.37 million mobile phone users. With a growth rate of 45 per cent, Indian telecom industry has the highest growth rate in the world (www.telecommunications.com). "The Indian telecom sector, seen as providing the most affordable services in the world, has grown by leaps and bounds in the last decade. This remarkable journey to 100 million consumers is a testament to the vision and commitment of a company that benchmarks itself with the best in the world," Sunil Bharti Mittal, chairman and group chief executive officer of Bharti Enterprises said. (Times of India May 2009).

Switching behaviour is a consumer behaviour where the behaviour of the consumers differs based on the satisfactory level of the consumers with the service providers or companies. Switching behaviour can be articulated as the process of switching from one service provider to another service provider, due to dissatisfaction or any other problems. Service switching is defined as the act of replacing and exchanging the current service provider with another that is available to the consumer in the market (Bansal, 1997). Normally customer satisfaction is found to be the most common factor impinging upon switching intentions (Fernandes and Santos, 2007). Even if a consumer is loyal to a particular brand, if the brand does not satisfy his/her needs, the consumers switch to a competitor brand. There are different factors and determinants which affect the consumers in switching their service from one service to another. The cost which is incurred during the switching process is called switching cost. Consumer loyalty can be defined as "the degree to which a Consumer exhibits repeat purchasing behaviour from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises" (Gremler and Brown, 1996, p. 173). Losing a consumer is a serious issue for the firm in terms of its present and future earnings. In addition to losing the benefits discussed above, the firm needs to invest resources in attracting new consumers to replace the ones it has lost (advertising, promotion, initial discounts). Peters (1987) shows that it can cost five times more to acquire a new consumer than to retain an old one. Consequently, retaining the current consumer base is much more attractive and viable than searching for new consumers.

LITERATURE REVIEW

Mohammed Sohel Islam (2008), in his study examined the relationship between switching cost, corporate image, trust and Customer loyalty. The research finds that although all the independent variables, switching cost, corporate image, and trust have certain degree of relationship with the dependent variable, Customer loyalty, only trust has the strongest relationship with Customer loyalty.

Jeong and Park (2003) examined the difference of subscribers' switching intention before and after the introduction of MNP in Korea. He reported that brand image, price and service were major factors of MNP. This research focused on price, perceived commitment, and outcome quality and anger incident as predicting variable to explain switching intentions. Previously, Anto'n et al., (2007) analyzed the predicting qualities of these variables in Spanish environment and found that poor quality, a perception of low organization commitment or interest, perceived unfair price and an anger incident can help in explaining the consumers' intention to switch. To retain customers, organizations have to satisfy them particularly in service industry (Oyeniyi and Abiodun, 2010). If customers are satisfied with the service, this not only enhances repurchase intentions (Hellier et al., 2003) but also addresses the switching intentions (Fernandes and Santos, 2007). Switching and switching intentions are considered as the most important variable in service sector. Affordability is a measure of cost related to the amount that a purchaser is able to pay. Kollmann (2000) states that Price plays a vital role in telecommunication market especially for the mobile telecommunication service providers.

OBJECTIVES

- To find the most preferred service provider.
- To identify responsible factor for the preferred service provider.
- To find the likeliness of switching the service provider with demographic variables
- To identify the factors that affects most to the consumers into switching the service provider.

SCOPE

- The present study can be extended to other geographical areas.
- It can be extended to study the usage of mobile services of different age groups and accordingly new plans can be formulated.
- This study can be extended to understand the switching behaviour of a particular cellular service provider.

RESEARCH METHODOLOGY

For the purpose of the study descriptive research design was used. The tool used was structured questionnaire. The method of obtaining responses was personal interview with convenience sampling of non-probability sampling method. The responses obtained were then further analyzed using statistical software.

ANALYSIS

Ho: There is no significance relationship between likeliness to switch mobile service provider and gender of the respondents

H1: There is significance relationship between likeliness to switch mobile service provider and gender of the respondents

To test the hypothesis likeliness to switch mobile service provider and gender of the respondents have been cross tabulated as follow.

TABLE – 1: CROSS TABULATION OF GENDER AND LIKELINESS TO SWITCH

		Likeliness to switch					Total
		Very likely	Likely	Neutral	Unlikely	Very unlikely	
Gender	Male	74	122	38	6	2	242
	Female	22	52	40	22	22	158
Total		96	174	78	28	24	400

From the table we can say that more of male are likely or very likely to switch mobile service provider and female are more unlikely and very unlikely to switch the mobile service provider. To test the same Chi-Square test was used and following results were obtained.

TABLE – 2: CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	67.526 ^a	4	.000
Likelihood Ratio	70.213	4	.000
Linear-by-Linear Association	63.252	1	.000
N of Valid Cases	400		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 9.48.

From the above table we can say that the null hypothesis is rejected as the Asymp. Sig. is 0.000 which is less than 0.05. It indicates that gender is an influencing factor in understanding the mobile switching behavior of the respondents.

Ho: There is no significance relationship between likeliness to switch mobile service provider and age of the respondents

H1: There is significance relationship between likeliness to switch mobile service provider and age of the respondents

The above mentioned hypothesis is again tested using cross tabulation between age and likeliness to switch, shown in the following table.

TABLE – 3: CROSS TABULATION OF AGE AND LIKELINESS TO SWITCH

		Likeliness to switch					Total
		Very likely	Likely	Neutral	Unlikely	Very unlikely	
Age	15 to 24 years	58	86	2	6	8	160
	25 to 34 years	22	44	32	2	4	104
	35 to 44 years	16	30	30	2	2	80
	Above 45 years	0	14	14	18	10	56
Total		96	174	78	28	24	400

From Table -3 we see that the respondents having age between 15 years to 24 years and 25 years to 34 years are very likely and likely to switch other service provider. Whereas respondents having age between 35 years to 44 years and more are interested in same mobile service provider or don't like to change the mobile service provider. So we can say that as the age increases likeliness to switch the service provider is decreases. To test this Chi-Square test was used and following results were obtained.

TABLE – 4: CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.565E2 ^a	12	.000
Likelihood Ratio	160.309	12	.000
Linear-by-Linear Association	69.840	1	.000
N of Valid Cases	400		

a. 3 cells (15.0%) have expected count less than 5. The minimum expected count is 3.36.

From the above table we see that the null hypothesis is rejected as the Asymp. Sig. is 0.000 which is less than 0.05. It indicates that age is an influencing factor in understanding the mobile switching behavior of the respondents.

Ho: There is no significance relationship between likeliness to switch mobile service provider and Education of the respondents

H1: There is significance relationship between likeliness to switch mobile service provider and Education of the respondents

The above mentioned hypothesis is tested using cross tabulation between education and likeliness to switch, shown in the following table.

TABLE- 5: CROSS TABULATION OF EDUCATION AND LIKELINESS TO SWITCH

		Likeliness to switch					Total
		Very likely	Likely	Neutral	Unlikely	Very unlikely	
Education	High school	24	30	0	16	6	76
	Undergraduate	36	46	2	0	10	94
	Graduate	12	20	10	2	6	50
	Post graduate	18	58	22	2	0	100
	Doctorate	2	16	26	2	2	48
	others	4	4	18	6	0	32
Total		96	174	78	28	24	400

According to Table – 5 respondents having higher the education they are more unlikely, very unlikely and neutral to switch the service provider, where as the respondents having less education they are more very likely and likely to switch the service provider. To test this Chi-Square test was used and following results were obtained.

TABLE- 6: CHI-SQUARE TESTS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.706E2 ^a	20	.000
Likelihood Ratio	188.327	20	.000
Linear-by-Linear Association	7.577	1	.006
N of Valid Cases	400		

a. 7 cells (23.3%) have expected count less than 5. The minimum expected count is 1.92.

Using Chi-square test we found the Asymp. Sig. value is .000 which is less than .05, so the null hypothesis will be rejected and it can be concluded that there is a significance relationship between education and likeliness to switch mobile service provider.

H₀: There is no significance relationship between likeliness to switch mobile service provider and occupation of the respondents

H₁: There is significance relationship between likeliness to switch mobile service provider and occupation of the respondents

The above mentioned hypothesis is tested using cross tabulation between occupation and likeliness to switch, shown in the following table.

TABLE- 7: CROSS TABULATION BETWEEN OCCUPATION AND LIKELINESS TO SWITCH

		Likeliness to switch					Total
		Very likely	Likely	Neutral	Unlikely	Very unlikely	
Occupation	Student	44	54	4	2	0	104
	Businessman	12	48	26	4	8	98
	Salaried	12	28	24	2	2	68
	Professional	12	32	22	8	0	74
	Retired	4	6	2	12	14	38
	Housewife	12	6	0	0	0	18
Total		96	174	78	28	24	400

From the table we can say that more of students are likely or very likely to switch mobile service provider and Businessman and salaried are more likely and neutral to switch the mobile service provider. Whereas retired respondents are more unlikely and very unlikely to switch the mobile service provider. To test the same Chi-Square test was used and following results were obtained.

TABLE- 8: CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.010E2 ^a	20	.000
Likelihood Ratio	174.444	20	.000
Linear-by-Linear Association	28.581	1	.000
N of Valid Cases	400		

a. 9 cells (30.0%) have expected count less than 5. The minimum expected count is 1.08.

Using Chi-square test we found the Asymp. Sig. value is again .000 which is less than .05, so the null hypothesis will be rejected and it can be concluded that there is a significance relationship between occupation and likeliness to switch mobile service provider.

H₀: There is no significance relationship between likeliness to switch mobile service provider and income of the respondents

H₁: There is significance relationship between likeliness to switch mobile service provider and income of the respondents

The above mentioned hypothesis is tested using cross tabulation between income and likeliness to switch, shown in the following table.

TABLE- 9: CROSS TABULATION BETWEEN INCOME AND LIKELINESS TO SWITCH

		Likeliness to switch					Total
		Very likely	Likely	Neutral	Unlikely	Very unlikely	
Income	Less than Rs.1,00,000	50	68	8	2	4	132
	Rs.1,00,000 - 3,00,000	20	56	24	2	2	104
	Rs.3,00,001 - 6,00,000	6	20	22	2	0	50
	Rs.6,00,001 - 9,00,000	8	10	20	2	0	40
	Rs.9,00,001 - 11,00,000	0	12	0	20	8	40
	Above Rs.11,00,001	12	8	4	0	10	34
Total		96	174	78	28	24	400

From the table we can say that more of respondents having income < Rs. 100000 and Rs. 100000 to Rs. 300000 are very likely or likely to switch mobile service provider and Rs. 300001 to Rs. 600000 and Rs. 600001 to Rs. 900000 are more likely or neutral to switch mobile service provider. The respondents having income more than Rs. 900000 are more unlikely and very unlikely to switch the mobile service provider. To test the same Chi-Square test was used and following results were obtained.

TABLE- 10: CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.678E ² ^a	20	.000
Likelihood Ratio	212.133	20	.000
Linear-by-Linear Association	64.742	1	.000
N of Valid Cases	400		

a. 8 cells (26.7%) have expected count less than 5. The minimum expected count is 2.04.

Using Chi-square test we found the Asymp. Sig. value is .000 which is less than .05, so the null hypothesis will be rejected and it indicates that there is a significance relationship between income level of the respondents and likeliness to switch mobile service provider.

CONCLUSION

From the above analysis we came to know that males are more likely to switch service provider as compared to females. Respondents having age between 15 years to 24 years and 25 years to 34 years are very likely and likely to switch other service provider as compared to others. Respondents having higher education are more likely to switch the service providers as compared to others. Even respondents having less income are also more likely to switch the service provides as compared to higher income level.

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IMPACT OF RURAL DEVELOPMENT SCHEMES ON HUMAN CAPITAL

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ABSTRACT

Development scenario in the rural India has undergone significant changes but still a lot needs to be done to eradicate the chronic poverty in rural hinterland. Right policy interventions supplemented with people's involvement in our villages can harvest better returns from the schemes initiated from time to time. Only then our march towards global power in the 21st century would become a reality. In the recent past a plethora of schemes aiming for the human development under various banners have been launched with big bang in the country. A huge sum of financial investment has been incurred to achieve the sole aim of poverty eradication. As these schemes were based on top down approach, most of them went bust. The aim of the paper was not only to study the basic family structure, the status of beneficiaries holding under different developmental schemes and the infrastructure available in the study area and but also the evaluation of some of the major rural development schemes in the state of Jammu & Kashmir. The study reveals, among other reasons the primary flaw with these schemes has been the non existence of an effective monitoring and evaluating regime.

KEYWORDS

Rural Development Schemes, Human Capital, Monitoring, Evaluation.

INTRODUCTION

Human Resource Development is a multi-dimensional process which emphasizes on creating an environment in which people can develop their full potential and brings a positive change in the overall quality of people. This positive change includes not only the physical and mental well-being but also the socio-economic aspects. Besides economic development, human development also calls for social equity and social responsibility hence development is not only about human capital but also the social capital development, moreover, social capital has gained a wide currency in the 21st century (Cohen & Prusak, 2001). The developed or under-developed character of a nation can be determined on the well-being of their human resources. The dream of India becoming global economic power can fructify only if its nearly one third population living in rural areas become the key-driver for pushing the overall economic growth (Srinivasan, 2005). Numerically speaking, the 743 million people seeking out their earning and existence in rural India constitute a predominant 72 percent of the country's population (census, 2001). Unfortunately, the poverty and unemployment in the rural India remain shameful blot on the country's esteem. Taking full cognizance of such gigantic problem and the urgent need to meet upfront, the National Common Minimum Programme (NCMP) of government has laid due emphasis on rejuvenation of rural India to bridge the increasing rural-urban divide and overcome the "development deficit", the country is suffering from "malignantly".

Further the government in last two decades has introduced several employment generating schemes and programmes over the years but in the absence of proper implementation and monitoring have failed to achieve the required targets. In fact the Government has introduced Mahatma Gandhi National Rural Employment Guarantee scheme (MGNREGA) which aims to provide minimum days of employment to people living in the rural areas. Still its proper implementation is a laudable programme because it provides employment to people during natural calamities like drought, floods etc. The remedial measures for reducing unemployment may lay greater emphasis on creation of opportunities for self-employment, in various productivity sectors, increase in income levels of the working poor, emphasis for creation of durable productive assets in the rural areas and the pace of privatization may be accelerated.

The initiation of Economic Reforms in early 90's by Government of India, the planners and the policy makers assumed that the state would provide the lead role in formulating and implementing policies for poverty alleviation (Prasad, 2003). Contemporary research insights reveal that the earlier five year plans were influenced by Harrod-Domar's growth model (2000), the basic philosophy of which was to give a "Big" push to the economy, so that it enters the Rostow's (1960) "take off" stage. All these classical development models necessitated the establishment of such industries which produce capital goods. Thus top priority was given for rapid expansion of iron and steel, non-ferrous metals, coal, cement, heavy chemicals and other industries of basic importance. This, in brief, was the strategy of planning which was adopted during the initial three consecutive five-year plans. Later on, the emphasis was shifted to achieve self-sufficiency in food grains and establish greater equality of opportunity (Sahota, 2002).

Viewed against this perspective, the General Budget (2010-11) the Finance Minister unveiled a slew of measures to mount a direct assault on poverty and unemployment. The central plan outlay for the Ministry Of Rural Development has been pegged at a very big amount (Table 1.1), and the key elements include the following schemes.

TABLE 1.1: SHOWING THE ALLOTMENT OF BUDGET TO DIFFERENT SECTORS IN INDIA (HAVING A SPECIAL EFFECT ON RURAL INDIA)

Central Plan 2010-2011	Rupees in (Crores)
• Mahatma Gandhi National Rural Employment Guarantee Scheme	4000
• SRGSY	2914
• Drinking water supply	9350
• Agricultural co-operation	14891
• Land Resources	2549
• Rural Housing	10,000
• Rashtriya Gram Swaraj Yojna	84

Source: Budget 2010-2011, Ministry of Finance, Government of India.

Majority of people in India live in villages but development in past has been restricted, to a large extent, to urban pockets only. After more than six decades of independence, much cannot be claimed about rural India's development. Ironically the collective strength of rural areas has come down after independence. There are many reasons for their decline and major factor responsible was centripetal development which forced migration of human resources from rural to

urban India, putting both in disarray (Joshi, 2004). Any development activity –be it economic, political or social-has its remote control in the urban areas. Rural India which bears strength in resources still lives on the mercy of others (Sahota, 2002).

In the matters of various challenges for rural re-construction, one has to consider the fact that a significant proportion of rural populace suffers from morbidity and stagnation. These, in the first instance, will have to be removed and then a faith, of developing both as an individual and successful community needs to be developed in them. (Vaidya, 2003). It will have to be backed by necessary inputs which could be utilised for development. Thus a planned strategy of social change in a direction desired by the members, as the various stakeholders participate in different capacities to draw the painting of development of society (Riethberger et al., 1998). Here the primary stakeholders –the rural poor, along with secondary stakeholders-both the government and non government developmental agencies–have to be jointly involved in the management and development processes at grass root level (Seth 2003). Since independence, the secondary stakeholders have attempted to see a positive change among the rural poor but have miserably failed, so the interests of development agencies are also at stake. The rural human development schemes need to improve the quality of living by promoting the accessibility of the rural masses to basic education, primary health care, safe drinking water, housing and sanitation. Even though, the Government has done a lot by introducing all kinds of up-liftment schemes, but still the top down approach of programme implementation is poor. Further they also require the reinforcement of social and community level revolution for which they can derive help from the community level organizations such as panchayat, youth club, Mahila Mandals, etc (Vaidya, 2003). Beside good governance in particular the transparency, accountability and lack of corruption, conflict prevention and resolution, sound public administration and respect of human rights, is of critical importance to achieve a qualitative livelihood to marginalized people of rural areas.

The state of Jammu and Kashmir (J&K) comprises of 22 districts, out of which 10 districts belong to Jammu province, 10 districts to Kashmir province, and two, Leh & Kargil of Ladakh region (Table 1.2). The J&K, unique with regard to its geographic location, contributes about 0.98% to the country's population where the density of population (per square km) has increased by 22% in the last decade. Kashmir is more congested region in the state of Jammu and Kashmir. Moreover, the disappointing fact is that it has low level of health, education and socio-economic indicators including abject poverty, lower literacy rate, infant mortality rate and alarmingly low level of sex ratio (Census, 2010). The development cannot be achieved, until and unless these socio-economic indicators are brought to required level.

TABLE 1.2 :DISTRICT WISE BREAKUP OF J&K STATE (CENSUS 2001)

S.No	Province	Districts	Tehsils	Towns	Villages
01.	Kashmir	10	29	36	3088
02	Jammu	10	30	39	3564
03	Ladakh	02	6	10	112
Total	J&K state	22	65	85	6764

OBJECTIVES

- To evaluate the basic developmental indicators of human capital in the study area.
- To study the family and developmental structure available in the study area.
- To study the actual status of benefit-holders under different human development schemes of the study area.
- To evaluate the efficacy of the mass awareness programmes among the respondents of the study area.

METHODOLOGY

For the research purpose, two districts were selected from each province. i.e. Budgam and Srinagar districts from Kashmir province whereas Jammu and Kathua district from Jammu Province. The study was conclusive in nature and Simple Random Sampling (SRS) technique was used for collection of data from the study area. One block / halqa / panchayat was selected from each district. In each halqa approximately 65 households were selected comprising of 54% household in general category (Non beneficiaries holders) and 46 % households were specific (beneficiary holder) category were used for collection of primary data (Table 1.3). In order to maintain the representative characteristic character of sample size and because of scarcity of specific category (beneficiary holders) households in some villages, Booster Sampling Technique (BST) was used. Moreover, In addition to support the primary data efforts were made to elicit the opinion of almost all key personnel in the districts through personal interviews, questionnaire schedule, and observation technique. Primary variables of the questionnaire were related to different schemes of education, health and hygienic conditions of the families in the study area and also about the knowledge about mass awareness programmes of various developmental schemes.

TABLE 1.3: SAMPLE UNIT DISTRIBUTION

S.No	District	General category	Specific category	Total no. of households
1.	Budgam	33	32	65
2.	Jammu	32	30	62
3.	Kathua	32	33	65
4.	Srinagar	33	31	64
Total	J&K	130	126	256

ANALYSIS

International context, Human Resource Development (HRD) aims at ensuring that people in the country live longer, live happily, free of diseases and hunger. Moreover they should have sufficient skill base to earn their own livelihood and have a sense of belongingness and pride through participation in determining their own destinies. Hence, the development initiatives should be guided with human dimensions; therefore all development policies and plans should not only be concentrated on economic push but should also promote community work-culture and self reliance.

FAMILY PLANNING

The family planning programme comes under the Millennium Development Goals (MDG) as this is one of the major means through which both maternal and child mortality can be reduced. Increasing marriage age and spacing between births are major interventions for achieving both these objectives (Anonymous, 08). So far as family composition in the study area is concerned, it has been found that in the sample unit of Budgam and Srinagar districts, Mostly families composition mean is five members i.e. former 29.26 and later 29.68 percentage score and also Jammu (23.07 & 21.53) and Kathua (30.64) is following the same trend which depicts that in the rural areas of J&K State also, people prefer nuclear families which can be attributed a success of mass awareness programmes conducted from time to time by the Ministry of Health and Family Welfare and National Rural Health Mission (NRHM). Also (table 1.4) on the comparative scale of Jammu versus Kashmir province, the efficacy of programmes was very much high in Jammu province which is due to less turmoil in the last two decades whereas in Kashmir province the promotion is limited to print and electronic media (Basu, et al., 2003).

HEALTH AND HYGIENIC CONDITIONS

The penetration of health infrastructure in the two regions of Jammu and Kashmir State is almost similar; as it been reported that in every halqa of the sample unit is having one Allopathic dispensary unit represented by one doctor and one compounder. Further it has been found that mostly miseries of pregnancy deaths or complications are taking place due to non availability of lady doctor in the villages. It is ironic that women are expected to take care of the community while their own health needs are neglected. Socio-cultural attitudes and taboos normally inhibit women from expressing doubts and problems associated with reproduction and sexuality. The government health programmes also do not address these issues effectively (Mir Parvez et al., 2007). The dominance of male doctor in many of the primary health centres often acts as a barrier to rural women to express their health concerns. As it has been found that, social norms and customs prevent women to be checked by male doctors. Health promotion with a focus on diseases prevention has not received the desired input in the state.

The exodus of healthcare professionals coupled with lack of good governance has led to collapse of systems including health care delivery in general and rural health infrastructure in particular. The overall health scenario of the state is crying for proper planning and management.

The hygienic conditions in these villages are very acute as there are not proper arrangement for toilets and drainage system. Though the government has initiated subsidy based toilet system in the rural areas but still it has been found that the proper implementation is a distant dream. Further due to lack of information as people are not aware of the consequences of the pollution and hence they do not have good hygienic conditions

DRINKING WATER FACILITY

Water supply and sanitation is a critical determinant of public health outcome, particularly in low and lower income countries (Anonymous, 2008). Drinking water facility is somewhat better in some villages of Jammu province as compared to Kashmir province of the study area (Basu et al, 2003). Mostly the villages selected for the study area in Kashmir province are using non boiled water from canals and wells for drinking purposes which is a major cause for communicable and non communicable diseases which is further supplemented by the lack of chlorine tablets in these villages. Recently there has been a worst case of Cholera effecting a large population in Budgam district of Kashmir province, in the year 2010, which in itself depicts the degraded standard of the drinking water facilities provided to the people in 21st century.

EDUCATIONAL SETUP

Though every village is having at least one primary school, the government has been grappling with the educational reforms, the system has not moved out of the rut and still way behind the developmental needs. The quality of education has widened between the disadvantaged and the well off sections. Hence there is an urgent need to revolutionize the process of education in the Jammu and Kashmir State right from primary stage. The challenges of achieving universal primary education and improve the quality of education are important tasks.

It was found in the sample unit that child labour has been identified as one of the major important factors associated with the un-accomplishment of Universalization of education. The current scenario of primary education clearly reveals that Universalization of primary education by 2010 is a complex process. Though the recent Census-2011 revealed that the literacy scenario has increased from 64 per cent (Anonymous, 2009) to 74 percent (Mehra, 2011) but still it needs considerable and tremendous efforts to achieve the desired goal. While making it compulsory under the constitution, the government should also take into account the inter related aspects, which may hinder the progress of growing population, child labour, feasibility and relevance of primary education to the unprivileged, the community involvement as it envisaged under the programme and last but not the least the proper implementation of the programmes. The programme implementation also needs certain degree of flexibility and greater involvement of the NGO's. The Sarva Shiksha Abhiyan (SSA) is no doubt a step forward towards the Universalization of educational goal, but needs proper machinery for implementation and evaluation of the programme.

TRAINING FOR RURAL YOUTH UNDER SELF EMPLOYMENT (TRYSEM)

The Scheme is a facilitating component of Integrated Rural Development Programme (IRDP), aims at providing basic technical and entrepreneurial skills to the rural poor in the age group of 18 to 35 years to enable them to take up income generating activities. However it has been found that in the study area mostly the youth are not aware about the scheme. Further many respondents claimed that they were not able to start their enterprises because the lack of confidence and of course, lack of required skills to face the competitive world (Mir Parvez & Mir Aijaz, 2011).

GENDER EQUALITY

Gender equality is an important issue of human rights and social justice. Women represent half the resources and half the potential in all societies –efforts to promote greater equality between men and women, can also contribute to the overall development of human society. The empowerment, autonomy of women, improvement of women's social, economic and political status is essential for the achievement of sustainable development in all areas of life (Usha, 2003; Inkpen & Tsang, 2005). It has been clear for decades that women in many parts of the world make key contributions in areas of development such as agricultural, health, education and water resource management. One of the chief factors dragging India back in terms of its human development performance is its failure to address gender inequality. The Gender Inequality Index in the Report shows that Indian women face greater gender inequality than their sisters in many of its less prosperous and more backward neighbours including Pakistan. In the overall Human Development Index, India ranks 134 and Pakistan-145. But in the Gender Inequality Index, Pakistan is ahead of India at 112, while India lags behind at 122. Even Bangladesh (at 116) and Nepal (at 110) are ahead of India when it comes to women's welfare and rights. According to ministry of HRD statistics, out of 475 Zillah Parishads in the country 158 are chaired by women, which is very much essential for the nation building. Although there is no obvious discrimination on paper against women in plans and programmes but the poor women have been largely left outside the pole of development (Mir Parvez et al, 2010). They are getting lower income and lower status. Economic empowerment is a *sin qua non* for elevating the status of women in our society. One possible approach towards achieving this end could be through entrepreneurship development (Chattopadhyay, 2005) and career counselling sessions (Joshua, 2011). There is a greater need for attitudinal change in the society towards women (Anand, 2003).

OTHER SOCIAL WELFARE SCHEMES

In the study area, it has been found that the majority of the beneficiaries of rural areas, who have received some benefits from various quarters, through Block Development Officers (BDOs) and social welfare department are the blue eyed persons. It has been found that under Indra Awas Yojna (IAY) scheme in the research area, mostly households were enjoying a very good status in the villages and are having not only a good source of income but also having good political links. It has been found that mostly the amount released by the concerned authorities was utilized for construction of Kitchens and other ancillary uses which was, totally against the purpose of IAY-meant for building the houses for those who are without their own houses. The principle has been mostly violated to large extent. Many deserving rural people who are lying below poverty line have applied for such schemes, their files are moving from one table to another table because of various bureaucratic bottlenecks and lack of transparency in the hierarchy of administration (Ansari, 2005). Again the biggest hurdle to the development is the bureaucracy influenced by political workers.

CONCLUSIONS

The contemporary trends and challenges in the business environment necessitate that greater attention needs to be given to human capital. The most significant trend is the increasing globalization of the economy and a growing competitive work environment which has direct impact on the Indian rural class. India has to respond to the global forces by investing more on the rural human capital, as it is the back bone of Indian economy. Friedman Thomas (2005) has rightly said that "India can have the smartest high tech vanguard in the world, but if it does not find a way to bring more of those who are unable, disabled, under educated, and underserved, it will be like a rocket that takes off but quickly falls back to earth for lack of sustained thrust".

The ultimate objective of Human Resource Development (HRD) is to develop competencies in individuals, groups, communities etc. (Rao, 1996). Hence developing competencies is a continuous and never-ending process. Moreover, the objective of any development scheme is to make individual beneficiaries more reticent and productive. Individuals who opt for benefits under such schemes should be highly receptive, productive and efficient. The Government, both at Central and State, has been constantly redesigning their role in the implementation of plans. In this direction, right earnestness and greater participation of the people can go a long way in ensuring the success of any programme. Prof Amartya Sen (2005) has aptly stated that the Indian economy has suffered from chronic Government under activity in areas like basic education and elementary health care, and over activity in areas like "Licence Raj"-under which the corruption has flourished. He further underlines that the latter problem was taken care in liberalization process during 90's, but the former was unattended to. The decentralized setup and accountability are crucial for carrying the fruits of development to the grass root level; moreover hardly any reformation took place in basic sectors of Indian economy like agriculture. This is important area which needs to be given a new thrust. Hence forth, India should take utmost care that in the process of achieving higher growth rate, the rural areas are not neglected. Besides this, because of the less attention paid to the rural development, the migration rate of the people from rural to urban, India has reached an alarming state, which again is a major cause of the living conditions of people, becoming so worse day by day. There has been a big gap between the rural India and its thriving economical and technological hubs. Matter of the fact is that lot needs to be done in the context of human development vis-a-vis education, health, sanitation, eradication of poverty, employment generation and reduction in regional disparities are some of the areas which need to receive priority attention.

The problem of J&K is complex one, as the restoration of peace and stepping up of pace of development can be complementary to each other. Therefore, Human development programmes from various agencies can have significant role in the region. In this respect, the social mobilization can be effective strategy to create the kind of supportive environment necessary to create sustained behavioural change that will bring about community participation, sustainability and self reliance. Essentially, social mobilization is intended to provide a suitable framework for holism in development, first by catering to the needs and aspiration of the poor and second, by seeking to engineer the social change on the basis of self reliance. A reliable system of implementing and monitoring machinery for all programmes should be in place for health, education, gender equity, and sanitation. Attempts should be made towards these thrust areas which require concentrated effort for replicating them on a very large scale. Once on the right path, all these will definitely give a boost to rural reconstruction with a human face (Kulkarni, 2003; Joshua, 2011). As awareness is also critical for successful implementation of any programme, particularly in the rural areas, the social marketing along with social networking (Burt, 1992, 2007; Cohen & Prusak, 2001; Lin, 2001; Welter, Lechner, & Kellermanns, 2007) can be effectively used to disseminate the information on the well being of the rural society. Development in the rural areas is possible by Devolution of decision-making and accountability to panchayati raj institutions (PRIs) which will act as bottom-up model for development.

Even though right to education has been enacted in India, but again its weak implementation has led to all the above given problems. The rural masses in India hardly knows their rights and are not even aware of the facilities given to them by the Government, which leads the rural India to a darker side. The Right to Information Act is an important new initiative which empowers civil society and individual stakeholders to hold government at all levels accountable. Here non-governmental organizations (NGO's) can play important role as change agent in the developing countries subjected to if they work in sync with government and private sector.

In conclusion, India's growth rate at present situation is likely to reach an "elixir" but this will reflect a great divide between empowered dynamic elite on one side and a huge underprivileged and impoverished rural masses on the other side. The biggest reason for such a big gap is the hierarchy structure existing in the administrative setup, which needs to be eradicated in order to be efficient and effective (Mattoo & Mir, 2006). In addition, an integrative approach is must moreover; accountability, transparency and good governance is needed for proper implementation of these schemes. Unless and until India's largely rural, poor are provided equal space in the journey of development; all schemes are unlikely to be bringing any national success. In order to achieve success, there has to be a political will, not only to sanction funds and schemes but to see that these are implemented correctly and fully distributed irrespective of racial, caste and religion discrimination. Further at the macro perspective we truly develop 'humans'-not necessarily only 'resources' who will be productive members of society

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RECENT TRENDS IN ON-LINE MARKETING ISSUES AND CHALLENGES**J.RAVI****HEAD****DEPARTMENT IN B. COM. (CS)****INDO-AMERICAN COLLEGE****CHEYAR****U.ELANGOVAN****ASST. PROFESSOR****DEPARTMENT OF COMMERCE****INDO-AMERICAN COLLEGE****CHEYAR****ABSTRACT**

With the development in information technology, the marketers will overcome the above challenges. Online marketing is vital in even changing market. In Indian context online marketing is in the beginning stage, for its development, great amount of computer literacy & internet acquaintance is required. To solve the problems of existing physical marketing virtual (sky) marketing is required and e-marketing will fulfill this requirement. Indian customers are more habited and find of to see & physically verify the products, while they are purchasing the product. In view of the rapidly changing competitive global market, enterprises are striving to achieve improvement in performance, customer satisfaction, quality service, security and profitability. This is possible only with the passage of time. Marketing would change with changing situations. It will secure its important position let it be change its nature. It is everlasting, ever-changing & always given new direction for research.

KEYWORDS

online marketing, global marketing.

1. INTRODUCTION

In the rapidly changing social economical, political, environmental and technological situations, the world-over companies are under tremendous pressure to respond to the changes. The changes are more accelerated with the onset of Liberalization, Privatization & Globalization. Today is not like yesterday and tomorrow will be different from today. Traditional nature of Trade, Commerce & Industry is going to replace by new one and information technology (IT) is playing a predominant role in it. Competitive economies produce more wealth then highly regulated and planned economies. So, many countries are privatizing state owned companies for the benefit of competition. A whole world people became the customer of business. The no hold barred competition had given rise to marketing challenges before business. The market with choice and ready availability as its crucial feature forced the companies of India to resort to the best marketing practices as adopted in the highly advanced countries. If we want economic development in freedom and responsibility, we have to build it on the foundation of marketing. Without marketing, production & development of any business is not possible. Marketing is backbone of business. Due to changes in information technology, use of Internet has become common feature of economy. The new competitive situation has changed the situation leading to new global life style. Computer based information, use of internet and intranet services, web wisdom, ERP; thus widening the increasing nature & scope of e-marketing. The market place is not what it used to be. Marketing is typically seen as the task of creating, promoting & delivering goods & services to consumer and businesses. This marketing is now done electronically. E-commerce is now doing the exchange of products, services, information & payments through the medium of computers or electronic networks.

The term Electronic Commerce describes a wide variety of electronic platform such as sending of purchase orders to supplier through Electronic Data Interchange (EDI), the use of FAX and e-mail to conduct transaction, the use of ATM, EFTPOS (Electronic Funds Transfer at Point Of Sale). Smart Cards to facilitate payment & obtains digital cash & use of Internet & online services. Firms know, how to market over the Internet & new multimedia with a tremendous potential to achieve competitive edge. On-line marketing is now playing important role in this competition. E-commerce, Retail Management, Wholesaling, Brand loyalty, changing buyers behaviors' are some of the recent trends in marketing. But in this paper only 'On-line Marketing' is taken into consideration.

1.1 MEANINGS OF ONLINE MARKETING

Company efforts to market products and services and build customer relationships over the internet. A vast public web of computer networks that connects users of all types all around the world to each other and to an amazingly large "information repository". The web has fundamentally changed customer's notions of convenience, speed, price, product information, and service. As a result, it has given marketers a whole new way to create value for customers and build relationships with them.



1.2 DEFINITION OF ONLINE MARKETING

In its simplest form, the term online marketing refers to using the power of Internet advertising to generate a response from your audience. Also known as Internet marketing or web marketing, online marketing is used by companies selling goods and services directly to consumers as well as those who operate on a business-to-business model.

2. WAYS TO CONDUCT ONLINE MARKETING**2.1 WEBSITE**

Website help customers to compare prices and services of particular products offered online to choose the best quality product at competitive price. Companies can open their own website to give information about products and services given by the firm.

2.2 E-MAIL

A Company can encourage prospects and customers to send the questions, suggestions and even complaints to be company via e-mail. The company may also develop Internet based electronic mailing list. Using the lists online marketers can send out customers; newsletters, special products and promotion offers based on purchasing histories reminders of service requirements or warranty renewals or announcement of special events.

2.3 FORUMS, NEWS GROUP & BULLETIN BOARDS

Business may participate in or sponsor Internet forums, news groups and bulletin boards that appeal to special interest groups.

2.4 WEB-COMMUNITIES

These are commercially sponsored web-sites where members engage themselves on line & exchange views on issues of common interest. On-line buyers join interest groups to share product related information having an important buying influence.

Marketers can do on-line marketing by creating an electronic presence on the internet; placing ads online, participating in forums, news groups, bulletin boards and web communities and using e-mail and web-casting.

3. ONLINE MARKETING DOMAINS

The four major online marketing domains are

Targeted to consumer

Online marketing can be classified by who initiates if an to whom its targeted. As consumers, were most familiar with B2C is also flourishing.

Initiated by business

Initiated by Consumer

Targeted to Businesses

B2C Business-to Consumer	B2B Business-to Business
C2C Consumer- to –Consumer	C2B Consumer –to-Business

3.1 BUSINESS-TO-CONSUMER (B2C) ONLINE MARKETING

Business selling goods and services online to final consumer. The popular press has paid the most attention to business-to-consumer (B2C) online marketing—businesses selling goods and services online to final consumers. Today's consumers can buy almost anything online—from clothing, kitchen gadgets, and airline and railway tickets to computers and cars. Online consumer buying continues to grow at a healthy rate. More than half of all U.S. households now regularly shop online. Last year, US. Consumers generated \$175 billion in online retail sales, up 22 percent from the previous year.'

By 2010, the Internet will influence a staggering 50 percent of total retail sales. • Thus, smart marketers are employing integrated multichannel strategies that use the Web to drive sales shier marketing channels. The Web site also offers several tour packages for tourists and runs special trains for foreign tourists, taking them through various heritage sights and familiarizing them to the glorious past of India. A number of other theme-based packages are available, such as "adventure," "wildlife," "hills," and "spiritual.")

3.2 BUSINESS-TO-BUSINESS (B2B) ONLINE MARKETING

Businesses using business –to- business websites, e-mail, online catalogs, online trading networks and other online resources to reach new business customers, serve current customers more effectively, and obtained buying efficiencies and better prices. Most major business-to-business marketers now offer product information, customer purchasing, and customer-support services online. For example, corporate buyers can visit Sun Microsystems' Web site, select detailed descriptions of Sun's products and solutions, request sales and service information, and interact with staff members. Some major companies conduct almost all of their business on the Web. Networking equitant and software maker Cisco Systems takes more than 80 percent of its orders over the Internet.

3.3 CONSUMER-TO-CONSUMER (C2C) ONLINE MARKETING

Online exchanges of goods and information's between final consumer, and communication occur on the web between interested parties over a wide range of products and subjects. In some cases, the internet provides an *excellent* means by which consumers can buy or exchange goods or information directly with one another. For example, eBay, Amazon.com Auctions, Overstock.com, and other action sites offer popular market spaces for displaying and selling almost anything, from art and antiques, coins and stamps, and jewelry to computers and consumer electronics.

3.4 CONSUMER-TO-BUSINESS (C2B) ONLINE MARKETING

Online exchanges in which consumers search out sellers, learn about their offers, and initiate purchases, sometimes even driving transaction terms. The final online marketing domain is consumer-to-business (C2B) online marketing. Thanks to the Internet, today's consumers are finding it easier to communicate with companies. Most companies now invite prospects and customers to send in suggestions and questions via company Web sites. Beyond this, rather than waiting for an invitation, consumers can search out sellers on the Web, learn about their offers, initiate purchases, and give feedback. Using the Web, consumers can even drive transactions with businesses, rather than the other way around. For example, using priceline.com, would-be buyers can bid for airline tickets, hotel rooms, rental cars, cruises, and vacation packages, leaving the sellers to decide whether to accept their offers.

4. BENEFITS OF ONLINE MARKETING

- ❖ The buyers can get the information about product and services at any time, at any place without wasting time, money and efforts in visiting stores.
- ❖ Customers can get the information about companies, products, competitors and prices without leaving their office.
- ❖ Absence of intermediaries develops faith of the buyers on the sellers.
- ❖ Customers don't have to face salespersons and they also don't have to wait in line.
- ❖ Marketers can know how many persons have visited online site and help them to improve their offers & ads.
- ❖ Marketer can reach customers all over the world at a very low cost & in a very short period of time.
- ❖ Communication on one to one basis at a very low cost & data collection is possible.
- ❖ Marketer can develop close relation with customers who assure repeated orders clearly. Marketers are adding online channels to find, reach, communicate & sell. There is no limit on advertising space. Every firm can afford it. Information access & retrieval are fast compared to overnight mail & even FAX. Shopping can be done privately & swiftly.

5. LIMITATIONS OF ONLINE MARKETING

- Customers can not physically examine the product before purchasing which is need of customer.
- A good customer does not want to buy online with their debit & credit cards because they feel that hackers may misuse theirs cards.

- In India customer don't trust online marketing.
- In several countries including India, there are problems of delivery. This may be due to poor infrastructure in terms of roadways and airways so there are often delays in getting products ordered online.
- In India there is low density of PC's & Internet. Internet log on is of poor quality.
- Online marketing is neither for every company nor for every product.
- Internet offers millions of web sites. Many sites go unnoticed and even visited sites must capture visitors' attention within eight seconds or lose them for another site.
- Consumers' worry about privacy, companies might make unauthorized use of their names and other information, such as selling it to others.

6. PROBLEMS FACED BY SMALL BUSINESS ON ONLINE MARKETING

Marketing effectively online is a challenge. As technology evolves at a rapid pace and new tools are introduced to the market on a daily basis, it's hard for constantly wired millennial to keep up, let alone small brick and mortar business owners who spend little time on the web. It's easy for small businesses to take the crucial first step and design a website with Base Kit. However, challenges still exist in spreading awareness of their online presence and attracting customers to their store on the virtual streets. Here are the 11 biggest problems faced by small businesses marketing online.

6.1. Failing to recognize the opportunities and the benefits that can be derived from exploiting them. For an online marketing plan to be effective, it is important to thoroughly assess the market and know what tools are available. For many small businesses, the powers of Face book and Twitter are not apparent without digging deeper with some research.

6.2. Lacking technical knowledge. For a small business owner who is not web savvy, playing with new technologies can be daunting. It is often easier to avoid the unfamiliar but the best advice is for small businesses to dive in head first and get their hands dirty. Many online marketing tools are easy to learn to use, with a steady learning curve allowing for more advanced use of the tool as small business owners become more technically literate.

6.3. Lacking time. It does take time to learn how to use different tools and to explore the world of online marketing. However, it is time well spent for small businesses investing in the future of their business. Once online accounts have been setup, maintenance takes far less time.

6.4. Lacking money. Like most things, online marketing is easier when there is plenty of money available to use on it. Lack of funds is an easy excuse for small businesses wanting to avoid dipping their toes into the world of online marketing. Fortunately, there are many tools and services online that are completely free. The lack of funds is a potential opportunity to get creative with what is available.

6.5. Seeing marketing as a quick fix. Online marketing takes time to see results. It is a relatively slow process to begin with. However, momentum can pick up quickly once the metaphorical ball is rolling. It is the same situation with content marketing which involves creating, curating and sharing high quality content.

6.6. Failing to clearly establish goals. Goals need to be specific, measurable, attainable, relevant and timely. It is common for small businesses to be too vague when defining what they want their return on investment to be.

6.7. Failing to identify what is unique. For small businesses, knowing their unique selling point and using it to differentiate themselves in the marketplace is crucial. Avoiding the temptation of being too general can be the difference between success and failure when marketing online.

6.8. Misunderstanding the art of two-way conversation. The nature of online marketing is very different to traditional offline marketing. It involves creating conversation and engaging with customers. This shifted paradigm is often difficult for small businesses to comprehend at first. The online community is receptive to people, not robots.

6.9. Failing to establish consistency. Setting up social networking accounts and then leaving them inactive is a recipe for doom. All the efforts that small business may put in will be lost if they are not regularly updating. Keeping customers engaged is key.

6.10. Not finding the killer marketing combo straight away. Online marketing requires some trial and error. Sometimes small businesses find that a certain tool is not useful for their business needs. At other times, they may need to adjust and tweak how they are using an online marketing tool. Many small businesses lose heart when they see their social media campaigns not giving them the results that they initially expected. The key is in experimenting and discovering what works best.

6.11. Selling before offering any value. Online marketing requires providing value to customers, not just bombarding them with sales pitches. Small businesses often make the mistake of using their Twitter Feed solely for sales and promotions. It is important for small businesses to create valuable content on their blog, share interesting articles on Face book, create conversation on Twitter and so forth. The human element of online conversations should never be overlooked.

7. PROMISE AND CHALLENGES OF ONLINE MARKETING

Online marketing continues to offer both great promise and many challenges for the future. Its most ardent apostles still envision a time when the Internet and online marketing will replace magazines, news-papers and even stores as sources for information and buying, most marketers, however, hold a more realistic view. To be sure, online marketing will become a successful business model for some company's internet firms such as Amazon.com, eBay, and Google; and direct marketing companies such as Dell. However, for most companies, online marketing will remain just one important approach to the market place that works alongside other approaches in a fully integrated marketing mix.

Despite the many challenges, companies large and small are quickly integrating online marketing into their marketing strategies and mixes. As it continues to grow, online marketing will prove to be a powerful direct marketing tool for improving sales, communicating company and product information, delivering products and services, and building deeper customer relationships.

8. CONCLUSION

With the development in information technology, the marketers will overcome the above challenges. Online marketing is vital in even changing market. In Indian context online marketing is in the beginning stage, for its development, great amount of computer literacy & internet acquaintance is required. To solve the problems of existing physical marketing virtual (sky) marketing is required and e-marketing will fulfill this requirement. Indian customers are more habited and find of to see & physically verify the products, while they are purchasing the product. In view of the rapidly changing competitive global market, enterprises are striving to achieve improvement in performance, customer satisfaction, quality service, security and profitability. This is possible only with the passage of time. Marketing would change with changing situations. It will secure its important position let it be change its nature. It is everlasting, ever-changing & always given new direction for research.

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A STUDY ON THE STATUS OF CORPORATE SOCIAL RESPONSIBILITY INITIATIVES BY INFORMATION TECHNOLOGY COMPANIES IN INDIA

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ABSTRACT

The paper studies the contribution by the Information Technology (IT) and Information Technology Enabled Services (ITES) sector towards corporate social responsibility (CSR) in India. The IT sector has been a champion in CSR initiatives and reporting. The status of their initiatives is compiled here. The data is collected from the annual reports for the financial year 2013-14 being the first year of compulsory CSR contribution and reporting as per Companies Act 2013.

KEYWORDS

Corporate Social Responsibility (CSR), Ministry of Corporate Affairs (MCA), Information Technology companies (IT), Information Technology enabled services (ITES).

INTRODUCTION

Business is basically a socio-economic entity. Although business is fundamentally an economic activity, it cannot be carried out in isolation of society. It is a group endeavour and therefore has a number of responsibilities towards different stakeholders – management, workers, customers, shareholders, government and the society. Realisation and fulfilment of responsibilities towards these stakeholders is termed as corporate social responsibilities. Further, business cannot function independently and depends on the society for supply of raw materials, capital, labour and other requirements. Business is a part of the society and has to follow and operate within the limits of the rules and regulations prescribed by the society. It is the responsibility of the business to produce and supply goods at fair prices, provide fair wages and facilities to its employees, provide a fair return on shareholders' funds, pay taxes and duties regularly and contribute to social development in which it is prospering.

In India, a surging rise in the growth of the economy has been seen over the past decade and a half and a lot of it is attributed to the boom in the Information and Technology (IT) and Information and Technology Enabled Services (ITES) sectors. The country has witnessed this since the government opened the doors of the economy to the forces of globalization, after lowering government regulations in the country and downsizing barriers to foreign investment in the early 1990s. The government deliberately targeted the export-oriented IT services sector for growth, giving it special subsidies. India therefore became a hub of IT services, when a few major Indian companies like Wipro, Infosys, TCS, HCL, Satyam, etc., established themselves on the global stage as key players in the ITES segment offering the best match to what the other companies in developed nations of the world had to offer. Therefore, the IT sector in India has been spearheading the economic development process. Within the span of about two decades, the Indian IT industry has emerged as one of the key drivers of the Indian economy. Several multinational giants like Hewlett-Packard, Dell, IBM, and Accenture are operating with their bases in India. The Indian IT companies have operations overseas. The IT and ITES industry represents not only global traffic in goods and services but also ideas. It has been a champion in heralding activities directed towards a social cause which in business understanding is corporate social responsibility (CSR).

REVIEW OF LITERATURE

The following definition by Lord Holme and Richard Watts, is most widely accepted and suits the context of our study most appropriately: "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large", in 'Making Good Business Sense' report at the World Business Council for Sustainable Development website.

Ruchi Tewari in her paper⁵ studies the contribution of corporate social responsibility (CSR) of the IT sector in India. The IT sector has grown at a high pace in the Indian business environment but it has also been blamed for affecting the environment and the lives of many citizens. The CSR activities in the modern corporate affairs have been identified as a very important practice for Indian companies due to the impact of increased revenue, thanks to the globalization. This study has taken five sectors into consideration - cement, steel, oil and banking along with IT. A comparative analysis was used to find the sector that is involved the most in the CSR initiative and the dimensions, and where companies need to re-assess their CSR strategies. Hence, the researcher taking the clue from it, feels that there is a research gap to find out what are the initiatives IT sector has taken towards CSR in India.

OBJECTIVES AND METHODOLOGY

This paper aims to achieve the following objectives through exploratory research:

1. To understand the rules regarding CSR given in the Companies Act, 2013.
2. To analyse the CSR communication in the website and annual reports of the company's listed in BSEIT sector Index.
3. To draw conclusions with respect to the CSR initiatives by the IT sector as a whole.

For the purpose of the study the IT companies listed in the Bombay Stock Exchange in IT index as on 31st mar 2014 are included for the analysis.

WHAT DOES THE COMPANIES ACT, 2013 SAY?

Under the Companies Act, 2013, any company having a net worth of rupees 500 crore or more or a turnover of rupees 1,000 crore or more or a net profit of rupees 5 crore or more should mandatorily spend 2% of their net profits per fiscal on CSR activities. The rules came into effect from 1 April 2014.

OVERVIEW⁶

- As per Section 135 of the Act, companies with a specified net worth or turnover or net profit are required to mandatorily spend 2 percent of its average net profit towards specified CSR activities.

⁵ Information and Technology Sector – A Champion in Corporate Social Responsibility (CSR): Myth or Reality by Ruchi Tewari IBS, Ahmedabad.

⁶ New Companies Act, 2013 – Insight Series – Volume IV Corporate Social Responsibility, KPMG Flash news, KPMG India.

- Recently, the rule making committee of Ministry of Corporate Affairs (MCA) has published the draft CSR rules and uploaded the same on MCA website for public discussion and debate.
- Our comments in this bulletin are based on the CSR provisions as laid down under the Act and the draft CSR rules. Our comments are subject to final CSR rules that may be notified by the Government after considering the public discussion and debate.
- While the Government is soon expected to notify the effective date of applicability of CSR provisions, the draft CSR rules suggest that CSR provisions will be made effective from financial year 2014-15.
- The analysis on the CSR provisions and salient features of the draft CSR rules are provided as under.

APPLICABILITY

- Every company having net worth of INR 5000 million or more, or turnover of INR 10000 million or more or net profit of INR 50 million or more during any financial year will have to comply with the CSR provisions as laid down under the Act.
- If any of the above financial strength criteria is met, the qualifying company is mandatorily required to spend at least 2 percent of the average net profit⁷ of past three financial years on specified CSR activities.
- While the threshold limit of net worth criteria and the turnover criteria are kept higher, the net profit threshold limit of mere INR. 50 million will bring majority of companies under the CSR net.
- Under the draft CSR rules, net profit is defined to mean 'net profit before tax' as per books of accounts and shall not include profits arising from branches outside India.
- While the reporting framework under the draft CSR rules suggest that the unspent amount of the specified CSR spend to be rolled over to the succeeding financial years, it does not clarify whether the excess spend of over and above 2 percent mandatory CSR spend in any particular financial year can be carried forward in succeeding financial year or not.

WHAT CONSTITUTES ELIGIBLE CSR SPEND?

Activities which may be considered as eligible CSR spend are provided in Schedule VII of the Act. The specified activities are as under:

- Environment sustainability
- Empowering women and promoting gender equality
- Education
- Poverty reduction and eradicating hunger
- Social business projects
- Reducing child mortality & improving maternal health
- Improvement of health
- Imparting of vocational skills
- Contribution towards Central & State Government funds for socio-economic development and relief
- Such other matters as may be prescribed

DATA FOR ANALYSIS

Companies in IT Index are selected for the purpose of the study to analyse the annual reports with respect to CSR communication.

S&P BSE IT INDEX CONSTITUENTS⁸

Scrip Code	Company
532281	HCL Technologies Ltd
500209	Infosys Ltd
532400	KPIT Technologies Ltd
532819	MindTree Ltd
526299	Mphasis Ltd
532466	Oracle Financial Services Software Ltd
533179	Persistent Systems Ltd
532540	Tata Consultancy Services Ltd
532755	Tech Mahindra Ltd
507685	Wipro Ltd

WHAT DO THE IT COMPANIES COMMUNICATE ABOUT CSR IN THEIR COMPANY WEBSITE?**HCL TECHNOLOGIES LTD.**

At HCL, we believe in developing our ecosystem which includes both environment and community, engaging with diverse communities enables us to collaborate with them to 'Rebalance' resources for the future. Globally, governments have been the largest "philanthropists". However, individuals and enterprise have a huge social responsibility and need to step in to complement the role of the Government. I believe that education can be the single largest tool for large scale high impact transformation. Education empowers individuals and is vital to reap our demographic dividend. Inclusive education has the power to create leaders from across the cross-section of the society who would become change agents for the community at large and lead us into a brighter future⁹.

INFOSYS LTD.

Corporate social responsibility committee: As per the Companies Act, 2013, all companies having a net worth of `500 crore or more, or turnover of `1,000 crore or more or a net profit of `5 crore or more during any financial year will be required to constitute a corporate social responsibility (CSR) committee of the Board consisting of three or more directors, at least one of whom will be an independent director. Accordingly, the Board on April 15, 2014, constituted the CSR committee ('the committee') comprising:

- K. V. Kamath, Chairperson
- R. Seshasayee
- Kiran Mazumdar-Shaw
- S. D. Shibulal

The purpose of the committee is to formulate and monitor the CSR policy of the Company. The CSR committee has adopted a policy that intends to:

- Strive for economic development that positively impacts the society at large with a minimal resource footprint

⁷ As per the provision of the Act, the average net profit shall be computed in accordance with the provision of section 198 of the Act after considering the additions / deletions specified in the said section.

⁸ www.bse.com

⁹ www.hcltech.com

- Be responsible for the corporation's actions and encourage a positive impact through its activities on the environment, communities and stakeholders.

The committee will be overseeing the activities / functioning of Infosys Foundation in identifying the areas of CSR activities, programs and execution of initiatives as per predefined guidelines. The committee will also be assisted by the Infosys Foundation in reporting the progress of deployed initiatives, and making appropriate disclosures (internal / external) on a periodic basis.¹⁰

KPIT TECHNOLOGIES LTD.

Corporate Social Responsibility (CSR) has been an intrinsic part of KPIT's philosophy since its inception. Being a socially responsible business organization, we continue to push the bar higher through technology and innovation driven CSR activities. We believe it is our moral responsibility to give back to the community, which in so many ways has contributed to our success and helped our business grow.

Community Contribution is one of the seven core values at KPIT. It has a significant mention in our Mission and Vision to reflect our commitment towards it. We have always been involved in community contribution initiatives in some way or the other and have developed the structure for our CSR initiatives over a period of time. We have worked on several CSR activities so far. Considering our capabilities and the needs of the communities that we serve, we reassessed the focus of our CSR initiatives¹¹, and based on the results, we have chosen the following focus areas in order to deliver maximum benefit to society:

- 2) Environment: As a company we run our business such that we create and retain a sustainable world. We also enable our clients to run their operations efficiently and create products that are environment friendly.
- 3) Education: We aim to transform lives of people in our community through science and technology education. We firmly believe that education has the ability to transform lives.
- 4) Energy: We use our technology expertise to develop innovative solutions that enable efficient energy generation and consumption and create renewable supply. We serve our customers with the intent of delivering energy efficient products, services and processes that contribute towards making this world more sustainable and a better place to live in.
- 5) Employee Engagement: We plan initiatives that engage our employees, thereby providing them an opportunity to do their bit for the society. We regularly organize various events such as blood donation drives, Annadan (food donation drive) and others that always receive an enthusiastic response and participation from all our employees.

MIND TREE LTD.¹²

Mindtree recognizes social responsibility as an integral part of its corporate citizenship. Driven by our value system, we commit to support and nurture societies through innovative solutions to satisfy evolving needs of the society. We strive to foster a socially responsible corporate culture by introducing a balanced approach to business by addressing social and environmental challenges through required investments, necessary resource allocation and stakeholder engagements.

Mindtree Foundation plays a catalyst role in bringing this change, step by step. Our social transformation initiatives are led by Mindtree Foundation and are now nearly six years old. Over the years, our approach has been to engage in social issues with sensitivity, rigor and responsibility. Mindtree Foundation lays the platform for Mindtree's value system.

The Foundation's charter is to:

- Promote education to underprivileged children with a special emphasis on people with disability
- Provide relief to poverty by way of assistance to food, shelter and clothing
- Provide relief to distress caused by calamities of nature

Mindtree Foundation strives to achieve these charters through its outreach programs, voluntary programs, enterprise development programs and technical consultancy programs.

Mindtree Foundation is proud to be associated with:

- Missionaries of Charity (M.O.C.)
- Gandhiji Shanti Nivas Leprosy Rehabilitation Centre
- Sparsh Foundation
- Spastics Society of Karnataka (SSK)
- Sikshana Educational Development program for Rural Government School Children
- AMBA Centers for Economic Empowerment of the Intellectually Challenged (AMBA-CEEIC)
- Goonj

MPHASIS LTD.

VISION

Ensure measurable social change through self-sustenance models in locations where Mphasis has a presence, creating brand distinction and visibility for our efforts globally.

MISSION

F1 Foundation, a registered charity of Mphasis was created with the mission of building bridges between the employees and myriad social issues affecting the society, for utilizing skills and knowledge of the employees for the welfare of the less fortunate and supporting organizations working for development of the disadvantaged including persons with disability.

Mphasis Ltd has defined two areas of focus for its CSR activities¹³ with specific Projects within each.

- 1) Creating opportunities for the disadvantaged with emphasis on persons with disabilities
- 2) Technology driven community development

Aligned with definition given by the Indian government the disadvantaged are defined as individuals with family income of less than INR 100,000 per annum. Disabilities are defined as physical or learning disabilities specifically in the target demographic of youth (18 to 30 years) and women (30 years and above).

Towards creating opportunities for the disadvantaged, Mphasis will specifically focus on the following:

- Inclusive vocational training and skill development relevant to ITes
- Job training of the target segment for employment in ITes
- Wealth and income generation for the disadvantaged through training and incubating social enterprises
- Equal opportunity in education for disadvantaged children including children with disabilities through grant making of programs that validate proof of concept

Mphasis will also support ventures that will:

- Provide products, services or support to people with disabilities or generate mass employment for people with disabilities

¹⁰ www.infosys.com

¹¹ www.kpit.com

¹² <http://www.mindtree.com/about-us/sustainability>

¹³ <http://csr.mphasis.com/program-focus>

- Undertake research and publicly promote effective policies or innovative models to further the cause of the target demographic segments
- Drive sensitivity and awareness about disability among key stakeholders such as social organizations, industry groups, government entities and general population
- Improve accessibility of services for people with disabilities (universal design in buildings, public transport, government services, internet, banking etc.)

ORACLE FINANCIAL SERVICES SOFTWARE LTD.

An initiative¹⁴ to support children, originally rolled out as “i-flex for children”, is in its tenth successful year. Our Corporate Social Responsibilities are managed by a committee of senior company officials and volunteers from divisions and locations in India. Our endeavour is to support activities which do not have any religious or political affiliation. Your Company encourages employees to actively participate in and lead, where possible, such programs. We actively fund educational institutions in rural India which are non-profit oriented and secular and all inclusive in approach. The initiative is funded each year to support activities proposed to the committee by employees. In May 2014, the Board has constituted the Corporate Social Responsibility Committee (“CSR Committee”) comprising Directors Mr. Chaitanya Kamat (Chairman of the Committee), Mr. S Venkatachalam and Ms. Samantha Wellington, as its members.

The CSR Committee shall prepare and recommend to the Board the Corporate Social Responsibility Policy (“CSR Policy”), recommend CSR activities and the amount the Company should spend on CSR activities, monitor the implementation of CSR Policy and activities from time to time, ensure compliance with all matters relating to CSR and provide regular updates to the Board.

PERSISTENT SYSTEMS LTD.¹⁵

Persistent Systems has been contributing to local and regional Health and Education institutions since 1995. The Persistent Foundation was formed in 2008 to institutionalize Corporate Social Responsibility within Persistent and to develop a systematic approach to administer the process of grant of donations. Persistent earmarks 1.25% of net profit for Persistent Foundation programs annually.

AT BROAD LEVEL, THE FOUNDATION'S COMPRISES OF THE FOLLOWING:

- Designing, planning and implementing its own social projects with the help of Persistent Systems' employees or partners from the respective domain
- Supporting & facilitating social projects initiated and driven by Persistent Systems' employees
- Providing monetary support to a number of social initiatives of Associate NGOs by generating funds through cause-specific donation drives among Persistent Systems' employees
- Capacity-building of Associate NGOs by providing them donations on annual basis
- Organizing social events for networking, social cause awareness and knowledge-sharing

Today, the Persistent Foundation works in following 9 social domains of three major focus areas - Health, Education & Community Development in Pune, Nagpur, Hyderabad & Goa.

In Healthcare, the Persistent Foundation focuses on Children's Health, Women's Health & Healthcare for differently-abled & elderly people. In association with like-minded NGO's & implementation partners the foundation undertakes various programs. Hallmark Projects in Healthcare are:

- **Children's Health:** 20 point clinical health check-up and weekly doctor facility at slum & rural schools in Pune, Nagpur and Goa
- **Women's Health:** Breast cancer screening program, health check-ups & health education of urban slum women in Pune
- **Healthcare for Elderly & Differently Abled:** Cataract operation projects across all locations, facial cleft operation project, weekly healthcare facility for elderly care centers and special schools in Pune

In Education, the Persistent Foundation focuses on Computer Education, Education for the poor, and Girls' Education. Hallmark projects in Education are:

- **Computer Education:** Persistent Foundation E-school lab project, Cyber Champs, National ICT quiz programs and SCRATCH training program run by Persistent employees
- **Education for the Poor:** Student sponsorship program, School upliftment project, Mobile Science Lab, Study centers at slums project
- **Girls Education:** Girls scholarship program and 10th std. Reward program

In Community Development, the Persistent Foundation focuses on Village Upliftment, Water Conservation projects and Welfare activities for differently-abled & elderly people Hallmark projects in Community Development are:

- **Village & Urban upliftment:** 4 village upliftment projects in Pune region and 1 in Nagpur. Village upliftment means providing all top prioritized health, education & other developmental facilities
- **Pune Cyber & Forensic Labs:** Persistent Foundation has availed cyber lab & forensic lab for Pune Police.
- **Water Conservation Projects:** Help resolve water scarcity situations in Velhe Bhor cluster, Hiware village in Purander Taluka, and Vegare village near Mulashi
- **Welfare for Elderly:** 2 elderly care centers upliftment involving provision of health and other developmental facilities and monetary support to various differently abled schools.

TATA CONSULTANCY SERVICES LTD.

At TCS, sustainability is seen as a state of being in balance between Corporate Economic Responsibility (CER) and Corporate Social Responsibility (CSR).

The guiding principle of TCS' Corporate Social Responsibility¹⁶ programs is “Impact through Empowerment,” where empowerment is a process of strengthening the future today, so that risks are minimized, value created and certainty is experienced. We strive to ensure that the communities engaged through our CSR initiatives also experience certainty in their lives.

The core areas for TCS' CSR programs are education, health and environment. The choice of education as a theme flows from TCS being in the knowledge domain. Similarly, attention to the cause of health acknowledges that health is a vital precondition for promoting social good. Concern for the environment is in line with our belief that this global cause demands our attention to ensure a sustainable and productive planet. These themes are established centrally for adoption or adaptation across all geographies.

TCS' Approach

TCS has chosen the following channels to drive its CSR initiatives:

1. Developing innovative solutions to address large-scale societal problems by utilizing our IT core competence.
2. Volunteering for projects that address the felt need of communities in which TCS operates, while aligning with the core themes of TCS' CSR.
3. Participating in community development program championed by our clients.
4. Partnering with select non-government and civil society organizations and other government bodies.
5. Supporting large-scale causes such as disaster relief or any other cause as determined by the Corporate CSR Council.

TECH MAHINDRA LTD.

In compliance with Section 135 Clause 1 of the Companies Act 2013, Tech Mahindra Limited has set up a CSR Committee that meets quarterly to review the work. The CSR Committee comprises of the following:

Vineet Nayyar – Chairman
Ulhas Yargop – Member
Rajyalakshmi Rao – Member

¹⁴ <http://www.bseindia.com/bseplus/AnnualReport/532466/5324660314.pdf>

¹⁵ <http://www.persistent.com/about-persistent/social-responsibility>

¹⁶ http://www.tcs.com/about/corp_responsibility/corporate-social-responsibility/Pages/default.aspx

In compliance with Section 135 Clause 5 of the Companies Act 2013, Tech Mahindra Limited now contributes 2% of its net profits (before taxes) to CSR. For the year 2014-15, Rs. 50 crores have been allocated to be spent on CSR initiatives, of which Rs. 35 crores will be spent through programmes undertaken by TMF and Rs. 15 crores through Mahindra Educational Institutions (MEI) that focuses on higher technical education.

Tech Mahindra Foundation¹⁷ commits itself to a vision of a more equitable and inclusive India and the values of good corporate governance, ethical practices, and dignity of the individual. In order to achieve sustainable transformation, TMF supports and creates opportunities that nurture talent and enable the socially disadvantaged to utilize their potential.

Educated, skilled and able men and women are a country's true strength. We aspire to see youth that is constructively employed, children who are purposefully engaged and a society that provides equal opportunities to people with different abilities. Through its CSR initiatives, the Mahindra Group commits itself to this vision.

WIPRO LTD.

Wipro believes it must try to, and can make (some) lasting impact, towards creating a just, equitable, humane & sustainable society. This is reason enough to act.

PURPOSE

- Provide leadership in thought & action on key societal issues
- Need to respond to immediate issues of current generation
- Need to work towards building a good society for future generations

Wipro cares¹⁸ with communities in our proximate locations. The primary objectives of Wipro cares are to support the developmental needs of marginalized communities in cities and towns where the company has a large presence.

PRIMARY HEALTH CARE

Reach out to more than 75000 people in 53 villages through seven of its primary health care projects, with specific focus on infant and maternal healthcare.

EDUCATION

Provide access to education to more than 47000 underprivileged children through five projects in five cities.

ENVIRONMENT

Assist the livelihood of about 80 subsistence farmers and have planted more than a lakh trees.

DISASTER REHABILITATION

Have helped rebuild the lives of people affected by Karnataka Floods, Bihar Floods, Japan Tsunami, Hurricane Sandy, Philippines Cyclone, Uttarakhand Floods, Odisha Floods and many more.

CONCLUSION

From the study, it reveals that all the companies included in the study focussed on four core CSR areas—education, healthcare, community livelihood, and infrastructure development.

For education, the focus was on improving access to as well as the quality of education. Companies did this by sponsoring or running schools and also by providing scholarships. Most of the healthcare CSR initiatives were driven by foundations. The initiatives themselves included blood donation drives, eye check-up camps, maternal healthcare, building hospitals, and so on.

For community livelihood, the focus was on providing training and other livelihood opportunities. For infrastructure development, rural infrastructure and upliftment were the main focus areas. Also, IT Companies driven by their focus on CSR as an employee engagement strategy. Other CSR initiatives included a focus on environment conservation (mostly through tree planting), disaster relief programs, cultural conservation, and employee volunteering. An area for improvement for these companies is increased transparency in CSR finances and donations, which could help drive more efficient CSR programs.

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MARKETING CHALLENGES IN SMALL TOURISM ENTERPRISES

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ABSTRACT

This study identifies the specific key factors associated with successful marketing of micro, small & medium tourism enterprises and highlights the gaps in knowledge available through the literature. It forms the basis for the development of guidelines for use by those seeking to develop an effective marketing strategy or improve existing operations. Further funding is required to develop material in this report into an industry friendly manual. This would provide a detailed guide for development of tourism marketing operations, currently not available to would-be operators.

KEYWORDS

Marketing challenges, small tourism enterprises.

INTRODUCTION

This research sought to identify marketing challenges in micro, small & medium Tourism Enterprises. Tourism businesses are predominantly focused on running their business and providing a quality service to their customers. "Tourism is usually described as a highly decentralized industry consisting of enterprises different in size, location, functions, type of organization, range of services provided and methods used to market and sell them" (Bjork Peter). "Tourism denotes temporary short-term movements of people to destinations outside the places they normally live and work" (Meidan Arthur). A list of factors creating challenges in marketing of MSMTEs in an entirely different dimension. The traditional marketing with its marketing mix have for long been the dominating marketing strategy, where focus have been on placing the product at the best place with the best possible price. Information was gathered from site visits and interviews with operators and enterprise managers. The outcomes will be of interest to micro, small & medium tourism enterprises, tourism operators and enterprise managers.

MAIN OBJECTIVES OF THIS STUDY IS TO

- ❖ Identify critical factors creating challenge in marketing of micro, small & medium tourism enterprises, based on published literature and case studies.
- ❖ Examine case studies of management practices that have contributed to identify the success of marketing practices for tourism attractions.
- ❖ Identify a set of factors that contribute to success in achieving viable marketing goals.

Information was gathered from site visits and interviews with operators and enterprise managers. The outcomes will be of interest to MSMTEs and tourism operators in the tourism sector for marketing purposes. The project aims focus on the operational side of marketing tourism. However, these two factors manifest throughout the description of what makes a successful marketing tourism enterprise.

METHODOLOGY

Success factors were identified based on a review of published research and observations during site visits by in the project and ranking and refinement discussions with operators and tourism enterprise managers. For sampling we use a convenience sample results when the more convenient elementary units are chosen from a population for observation. A range of factors were identified in the literature and subsequently were expanded as a result of site visits and interviews. More than half the success factors identified were marketing operation related. This perhaps reflects that generic information relating to tourism business operations has not catered to the specific requirements of micro, small & medium tourism enterprise's marketing.

DEVELOPMENT OF CRITICAL SUCCESS FACTORS LIST

An initial list of factors was devised by the help of academic literature and the expertise of some operators' tourism. The list derived from the literature was used as the basis for interviews with tourism enterprise managers and other operators. To ascertain the character and breadth of existing published knowledge relating to marketing of MSMTEs and how this related to the issues identified in the critical success factors devised, large number of tourism marketing related references was analysed for themed content. A text search using key words enabled us to conduct successful & comfortable interviews with all selected operators and tourism enterprise managers. This provided an indication of the proportion of publications represented by each success factor.

SITE VISITS AND INTERVIEWS

A series of site visits and interviews with operators and tourism enterprise managers was conducted over a five to six month period in 2008 across three famous tourist places of Rajasthan (Ajmer, Jaipur and Udaipur). Specific sites included a range of heritage places from the chosen cities. Interviews were used to develop and refine the key success factor list based on the practical experience of a range of managers and tourism operators. An element of validation was inherent in this process where the most recent version of the developing list was used in successive interviews with operators and enterprise managers. The success factor list was further validated by circulating the revised list back to the managers previously interviewed, requesting further comment.

KEY FINDINGS**CRITICAL SUCCESS FACTORS**

Key success factors identified from the literature and in discussion with operators and managers of micro, small & medium tourism enterprises were as follows. They are in no specific order of importance but reflect a logical approach to the sequence of steps required for setting up a successful tourism marketing operation for Micro Small & Medium tourism enterprises.

RESPONSIBLE TOURISM

Responsible tourism is treating others the way they wish to be treated. The trick lies in listening to the locals, listening to visitors and creating the opportunities that connect top-down and grassroots efforts. Travel agents, travel providers and travellers are the principal players. Travellers and locals are seeking ways of building constituencies with the shared goal of making tourism more responsible. Says noted author and activist Deborah McLaren: "Responsible tourism is

based on ethics and human rights. It also means support for community-based travellers' programs, including home stays, guest cottages, ethno-museums, and educational programs that bring tourist dollars directly into communities." In responsible tourism basically stakeholders take responsibility in destinations to make a better form or forms of tourism. It is more like an ethical movement that calls on the conscience of tourism stakeholders to assume their responsibilities of taking the right choices and steps towards making destinations better places to visit and live. (Goodwin 2002).

CONSUMER BEHAVIOUR

"The success of a tourism destination is often measured in terms of growth in the visitor numbers and their expenditures" (Lew Alan). "When firms have tried to do similar things, they realize that there is a shortage of customers" (Bjork Peter) .

VALUE BASED STRATEGIC APPROACH

To bring about lasting and substantial growth, all elements of the tourism industry need to work effectively, together. The method of value-based strategy approach includes three main aspects like-

- Value retention

Keeping tourism earnings in the country, minimizing leakages

- Value addition

Maximizing linkages within the national value chain, providing information at the Welcome Meetings about the fruit pressers, fruit sellers, local guides and craft markets,

- Value Creation

Generating new value within the sector, Encouraging tourists to encounter and engage with local people in the markets.

BUSINESS PLANNING & FEASIBILITY STUDY

"Planning can help to sustain the destination, support the local community and at the same time contribute to the achievement of customer satisfaction" (Stephen).

- Planning Templates & Resources

This publication provides links to programs and resources that can assist with business planning.

- Tourism Businesses & developing Toolbox

Toolbox includes market analysis, industry trends and financial analysis information for different types of tourism businesses.

- Cost Benefit Analysis of local Tourism Development

Development of cost-benefit analysis for local tourism development.

AGREED OBJECTIVES AND CLEAR CONCEPTS

It relates to the need for clear objectives for the micro, small & medium tourism enterprises.

For tourism enterprises to be effective and successful in marketing a series of objectives are met. The objectives include:

* Gaining public and private support through a multi-stakeholder process

* Building a critical mass of certified businesses

* Realizing marketing and other certification benefits

* Developing revenue models that ensure sufficient long-term funding

* Building consumer demand

* Reducing competition

FINANCIAL PLANNING FOR MARKETING

Financial planning is a centre to the viability of the marketing tourism product. Requirements for adequate capital, access to grants and other sources of funding and the need for careful budgeting and financial planning are essential for continued success of a marketing operation. Some important factors are-

* Developing credibility through on-site audits

* Realizing marketing and other certification benefits

* Maintaining revenue models that ensure sufficient long-term funding

* Building consumer demand

EFFECTIVE MARKETING STRATEGIES BASED ON SOUND MARKET RESEARCH

An effective marketing strategy is necessary for tourism success and is highly dependent on market research and other key success factors, including objectives and clear concepts and financial planning. "The development of long-term, proactive strategies which are designed to develop the local area positively has to be the goal of marketing" (Stephen J). New, strategic marketing framework will directly affect public investment in the tourism sector. A significant amount of economic and social benefit, public intervention is essential, particularly when it comes to better market intelligence, image promotion and infrastructure development.

* Understanding of customer behaviour and expectation

* Cost effectiveness in reaching target markets

* A good understanding of our target regional products

* Clear understanding and agreement on the roles of the local tourism partnerships

* Evidence of understanding and interpretation of the tourism concepts

* Active implementation of programmes like Regional Gems, Winning Themes and Excellent Events, as set out in the Strategy for Tourism

* Totally flexible approach

* Development of reliable performance indicators

DESTINATION AND PROXIMITY TO MAJOR MARKETS AND VISITOR FLOWS

Several aspects were considered important including: suitable relationship to destination image and branding; adequate accessibility, visitor flows, market proximity and transport access; and proximity of other nearby businesses (clustering). Human resource management, including paid staff and volunteers

Marketing approached typically relied heavily on volunteers and part-time staff. Many may have expertise in (or passion for) the tourism in question rather than experience in tourism services and the management of commercial ventures. A range of skills including business skills was considered ideal for success. There are specific issues associated with volunteers including training, coordination, rewards, recruitment and succession.

PLANNING FOR PRODUCT DIFFERENTIATION, LIFE CYCLES

Life cycle planning is a key asset management tool that takes into account the whole-of-life implications of acquiring, operating, maintaining and disposing of an asset. It is an integral part of strategic asset management, and enables investment and operational decisions to be made using appropriate evaluation tools and decision-making criteria. A primary technique in undertaking life cycle planning is life cycle costing – a widely used method of financial evaluation of any asset, including buildings and their components.

OBJECTIVES

❖ Establish the total costs of an asset over its useful life

❖ Establish a sound basis on which decisions are made (i.e. evaluating the total cost of any investment or operational decision, rather than just looking at the short-term impact, or initial capital costs)

❖ Plan for the impact of refurbishment and maintenance

❖ Increase the service delivery capacity or income generating power of the asset.

QUALITY AND AUTHENTICITY OF PRODUCTS AND EXPERIENCES

In this tourism product development context, quality referred primarily to the quality of the experience. Quality of experience relates to the appeal, intellectual challenge and raised level of visitor interest. Experienced quality is relative to price, the expectations of visitors and comparisons with similar ventures. It therefore combines the need for quality heritage presentation with provision of quality services. Authenticity is a core value in heritage conservation and the tourist experience. It may be defined by the relationship between the practitioner and visitor conceptions of historical accuracy combined with visitor perceived entertainment value and how they make sense of the past.

ENGAGE CULTURAL HERITAGE AND TOURISM EXPERTISE IN CONSERVATION AND PROMOTION

Successful cultural heritage tourism requires a balance between commercial imperatives and the conservation of a suite of heritage values including historic, archaeological, architectural and aesthetic significance and the significance of the sites to associated communities.

DESIGN INTERPRETATION AS AN INTEGRAL PART OF THE HERITAGE TOURISM EXPERIENCE

Interpretation provides meaning and understanding for the visitor. It is a central part of the visitor experience of cultural heritage and has significant ramifications on the quality and authenticity of a cultural heritage product. Effective interpretation requires knowledge about the heritage being presented, expertise in communication and interpretive design and the ability to create an effective interpretation plan.

RECOMMENDATIONS

- * A greater focus on financial planning and value based strategic approach within the specific context of tourism marketing is required to address some more practical aspects.
- * Develop a manual Business Planning & Feasibility Study and a guide for developing and improving effective marketing strategies based on sound market research for further development of the concepts and information gathering.
- * The high rate of marketing operation failure, the manual could include an initial preliminary assessment tool including the factors identified for locations seeking to develop or commercialize micro, small & medium tourism enterprises.

FUTURE ACTIONS

This report identifies the specific key factors associated with successful marketing of micro, small & medium tourism enterprises and highlights the gaps in knowledge available through the literature. It forms the basis for the development of guidelines for use by those seeking to develop an effective marketing strategy or improve existing operations. Further funding is required to develop material in this report into an industry friendly manual. This would provide a detailed guide for development of tourism marketing operations, currently not available to would-be operators.

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CONSUMER PROTECTION STATUS IN TIGRAI: A SURVEY STUDY ON SELECTED FOOD ITEMS

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ABSTRACT

Currently there is growth in population and income of the people of Ethiopia; on the other hand, due to market oriented economy, there is more involvement of the private sector in the economy. As a result, it is expected more business transactions; may be because of such business transactions, reports show that there are more unfair trade practices in Ethiopia. Therefore, the paper investigates the extent of consumers are protected from unfair trade practices and assesses the involvement of government bodies in protecting the consumers in Tigray-Ethiopia. To do that, cross-sectional data was collected from 391 consumers and analysed using descriptive statistics. The research shows that more than half of the consumers do not know whether or not they buy reduced and adulterated food item; about 40% do not know whether or not they buy expired food item. This indicates that majority of the consumers are vulnerable to unfair trade practice. Based on the experience of the consumers, while sugar and coffee are more vulnerable to weight reduction, honey, butter, red pepper and edible oil are more exposed to adulteration. Against the proclamation 661/2009, there are food items in the market without stated shelving periods. Hence, to protect the consumers from possible unfair trade practice, there is need of: (a) increasing awareness level and participation of consumers, (b) strict implementation of the laws and regulations of the Country, (c) acquiring testing equipment and/or forming integration with other organizations, and (d) developing integration between consumers associations and marketing cooperatives.

KEYWORDS

Consumer protection, unfair trade practice, Tigray, Ethiopia.

LIST OF ABBREVIATIONS

CSA	Central Statistical Authority
BoFED	Tigray Bureau of Finance and Economic Development
ERTA	Ethiopian Radio and Television Agency
EPRDF	Ethiopian peoples' Revolutionary Democratic Front
GDP	Gross Domestic Product
MoFED	Ministry of Finance and Economic development
MSE	Micro and Small Enterprises

1. INTRODUCTION

The Derg regime, which ruled Ethiopia 1974-1991, followed command economy policy. The policy was bottleneck for private investment. However, in contrast to the command economy of Derg regime, the current ruling party, Ethiopian People's Revolutionary Democratic Front (EPRDF) pursues a market-driven economy, which encourages privatization.

Due the new economic policy of the country, more local and foreign private investors are encouraged and participated in different sectors of the economy except in some areas like telecommunication, electric power and water supply, which are monopolized by the government. As a result, the number of private firms in Ethiopia is increasing from time to time. For example, in 2008/09 budget year, the Tigray Bureau of Trade and Industry conducted a census and found about 85000 Micro and Small Enterprises (MSEs). This shows the private investment is booming. Because of the increased investment, at constant price, the Ethiopian Gross Domestic Product (GDP) [in Ethiopian Birr] in 2008/9, 2009/10 and 2010/11 were 129.35 billion, 142.97 billion and 159.24 billion respectively; the GDP growth rates for the years 2008/9, 2009/10 and 2010/11 were 10.1%, 10.5% and 11.4% respectively (Ministry of Finance and Economic Development-MoFED, 2011). This indicates that the economy of the country is growing. On the other hand, in 1984, 1994 and 2007, the Ethiopian populations were 39.87 million, 53.48 million and 73.92 million respectively (Central Statistical Authority-CSA, 2008). This shows that the population of the country is increasing from time to time. Because of the three reasons, (a) population growth, (b) private investment, and (c) economic growth, it is expected the business transaction to become complex; in such complex business transaction, reports of the government shows that there are unfair trade practices.

To protect such unfair trade practices and to safeguard consumers, the government of Ethiopia has enacted different laws and regulations. For example, in 2003 the Ethiopian government enacted trade practice proclamation 329/2003. The proclamation prohibited traders the following issues: (1) price discrimination; (2) enforcing customers to buy a material they do not want to buy in combination to the material they need; (3) falsification of customers about quantity, quality, composition of materials, etc of the product. Moreover, the proclamation ordered traders to display selling prices of their goods and services and to label their products in the way that could show weight, country of origin, quality, quantity, composition, technical instruction, etc of the goods. In August 2010, the 329/2003 proclamation was replaced by proclamation 685/2010. In the new proclamation, duties of traders and rights of consumers are stated in detail; the duties of rights are rights of consumers. These rights and duties are about detailed on articles 22-24, 28, 30, 45 & 46. The articles (1) prohibit about misleading information on type, quality and quantity of items; (2) enforces traders to display selling prices of goods and to label about the goods they sell; (3) warns traders that hoarding and/or diverting of goods as well as selling higher than stated one are not allowed; (4) tells consumer to report to trade bureau or trade minister when they face problems. In addition, the government has enacted proclamation [661/2009] on food, medicine and health care.

Furthermore, the criminal code 414/2004 has indicated that breaching the above stated regulations is punishable. For example, article 414/367 shows that falsification of weight and measures are punishable. Article 414/391 and 414/392 indicate that adulteration or altering of goods is illegal. Article 414/439 also shows that breaking of seals and misappropriation of goods are punishable. As stated on article 414(527(1) manufacturing, distributing, storing and selling of products that are damaged and unfit for human consumption are punishable. Though there are such laws and regulations, there are literatures and reports [or news] those indicate that there were unfair trade practices in Ethiopia.

The researchers understand that this area is less researched in the region in particular and in Ethiopia in general. Hence, investigating the consumer protection status in Tigray is important; this project is prepared with the intention of investigating the extent of unfair trade practices on some selected food items. Moreover, the reason that the researchers preferred to conduct study on food items is that because literatures indicate that, in developing countries, majority of total expenditure goes to food consumption. For example, according to his study in Maichew-Tigray-Ethiopia, Menasbo (2010) indicate that about 70% of the total expenditure was spent on food consumption. This indicates that the unfair trade practices on food items needs more attention though non-food items are also important.

Accordingly, a cross sectional data was collected from four towns of Tigray in 2011; this research was conducted to check the consumer protection status in Tigray by taking a sample of 400 consumers. The research finding indicates that consumers are more vulnerable to unfair trade practices though there are government efforts to control the unfair trade practices.

2. REVIEW OF LITERATURE

2.1 AN OVERVIEW OF CONSUMER PROTECTION

The United Nations (UN) (2003) stated that consumers should be protected from hazardous products; they should be protected from abusive practices. Therefore, firms are required to produce and distribute goods and services ethically in the way that can promote sustainable consumption. The general principle of the UN guideline indicates that governments are responsible to protect consumers by designing strong policies in line with economic, social and environmental situations of the country and interests of the people (ibid).

Governments should adopt or encourage the adoption of appropriate measures, including legal systems, safety regulations, national or international standards, voluntary standards and the maintenance of safety records to ensure that products are safe for either intended or normally foreseeable use Appropriate policies should ensure that if manufacturers or distributors become aware of unforeseen hazards after products are placed on the market, they should notify the relevant authorities and, as appropriate, the public without delay. Governments should also consider ways of ensuring that consumers are properly informed of such hazards. ...Governments should, where appropriate, adopt policies under which, if a product is found to be seriously defective and/or to constitute a substantial and severe hazard even when properly used, manufacturers and/or distributors should recall it and replace or modify it, or substitute another product for it; if it is not possible to do this within a reasonable period of time, the consumer should be adequately compensated (UN, 2003).

All the above quotations indicate that there is need of applying different rules and regulations in the way that can protect the sovereignty of consumers by providing optimum economic benefits; if producers and distributors are found distributing unforeseen hazardous materials, they should substitute by right products and the consumers should be compensations timely. Therefore, government policies should seek to enable consumers to obtain optimum benefit from their economic resources.

To fulfill the above requirements, governments should protect the interest of consumers by having proper rules and regulations. And therefore, associations should be encouraged to monitor adverse practices, such as the adulteration of foods, false or misleading claims in marketing and service frauds (ibid).

Generally, the UN (2003) consumer protection guideline revolves around (a) Physical safety, (b) Promotion and protection of consumers' economic interests, (c) Standards for the safety and quality of consumer goods and services, (d) Distribution facilities for essential consumer goods and services, (e) Measures enabling consumers to obtain redress, and (f) Education and information programmes.

2.2 TYPES OF DECEPTIVE ACTS

"Trader" in relation to any goods means a person who sells or distributes any goods for sale and includes the manufacturer thereof, and where such goods are sold or distributed in package form, (Consumer Protection Act, 1986).

"unfair trade practice" means a trade practice which, for the purpose of promoting the sale, use or supply of any goods or for the provision of any service, adopts any unfair method or unfair or deceptive practice (Consumer Protection Act, 1986).

The deceptive practice includes falsely representation of goods and services in standard, quality, quantity, composition, usefulness of any goods or services, etc (ibid). If there are such practices, there are unfair trade practices. Those who do such false representations are violators of laws and regulations of government. And therefore, they are subject to punishments.

2.3 CONSUMER PROTECTION LAWS AND THE PRACTICES OF TRADERS IN ETHIOPIA

To protect such unfair trade practices and to safeguard consumers, the government of Ethiopia has enacted different laws and regulations. For example, in 2003 the Ethiopian government enacted trade practice proclamation 329/2003. The proclamation prohibited traders the following issues: (1) selling price discrimination; (2) enforcing customers to buy a material they do not want to buy in combination to the material they need; (3) falsification of customers about quantity, quality, composition of materials, etc of the product. Moreover, the proclamation ordered traders to display selling prices of their goods and services and to label their products in the way that could show weight, country of origin, quality, quantity, composition, technical instruction, etc of the goods. In August 2010, the 329/2003 proclamation was replaced by proclamation 685/2010. In the new proclamation, duties of traders and rights of consumers are stated in detail; the duties of rights are rights of consumers. These rights and duties are about detailed on articles 22-24, 28, 30, 45 & 46. the articles (1) prohibit about misleading information on type, quality and quantity of items; (2) enforces traders to display selling prices of goods and to label about the goods they sell; (3) warns traders that hoarding and/or diverting of goods as well as selling higher than stated one are not allowed; (4) tells consumer to report to trade bureau or trade minister when they face problems. In addition, the government as enacted proclamation [661/2009] on food, medicine and health care.

Furthermore, the criminal code 414/2004 has indicated that breaching the above stated regulations is punishable. For example, article 414/367 shows that falsification of weight and measures are punishable. Article 414/391 and 414/392 indicate that adulteration or altering of goods is illegal. Article 414/439 also shows that breaking of seals and misappropriation of goods are punishable. As stated on article 414(527(1) manufacturing, distributing, storing and selling of products that are damaged and unfit for human consumption are punishable.

However, against the laws and regulations of the country, there are instances of unfair trade practices by falsification of weights; for example, there are business firms which sell reduced quantity than of the labeled quantity. For example, Demeke (2003:7) indicated that "a good part of the margin that goes to traders comes from the inappropriate measuring instruments (under-weighting), not just price differentials."

3. NEED/IMPORTANCE OF THE STUDY

- ✓ Based on the analysis result, concerned government and non-government organizations:
 - will have better understanding about the status of consumer protection in Tigray and take corrective action to safeguard the consumers when desirable;
 - can establish ways that can increase the awareness level of consumer rights as well as obligations of merchandisers;
- ✓ The finding can promote fair trade, which can improve the economic and health condition of the consumers in particular and the public in general.
- ✓ Moreover, the research result can be used as a base for further research in this area in Tigray in particular and Ethiopia in general.

4. STATEMENT OF THE PROBLEM

Currently the population and economy of Ethiopia are growing; due to market driven economy, there is also more involvement of the private sector in the economy. As a result, the business transaction becomes more and complex. In such economic system, there are possibilities of unfair trade practices.

To protect and safeguard consumers from possible unfair trade practices, the government of Ethiopia enacted different laws and regulations. For example, in 2003 the Ethiopian government enacted trade practice proclamation 329/2003. The proclamation covered different issues; among them were prohibiting falsification of customers about quantity, quality, composition of materials, etc. In August 2010, the 329/2003 proclamation was replaced by proclamation 685/2010. In the new proclamation, duties of traders and rights of consumers were stated in detail. The proclamation prohibits traders about misleading information on type, quality and quantity of items. The proclamation also tells consumer to report to trade bureau or trade minister when they face problems. In addition, the government as enacted proclamation on food, medicine and health care (661/2009). Furthermore, the criminal code 414/2004 has indicated that breaching the above stated regulations is punishable. For example, article 414/367 shows that falsification of weight and measures are punishable. Article 414/391 and 414/392 indicate that adulteration or altering of goods is illegal. Article 414/439 also shows that breaking of seals and misappropriation of goods are punishable. As stated on article 414(527(1) manufacturing, distributing, storing and selling of products that are damaged and unfit for human consumption are punishable.

Though there are such laws and regulations, there are literatures and reports [or news] which indicates that there are unfair trade practices. For example, you can see the following unfair trade practices about falsified weights as well as injurious and adulterated food products. For example, the "police and society" program of Ethiopian Television presented many times that there were many unfair trade practices. Some of them are listed below.

- **Falsification of weights:** - against the laws and regulations of the country, there were instances of unfair trade practices by falsification of weights; for example, there were business firms which sold reduced quantity than of the labeled quantity. For example, Demeke (2003:7) indicated that "a good part of the margin that goes to traders comes from the inappropriate measuring instruments (under-weighting), not just price differentials." Moreover, in Mekelle city, pilot study was conducted by the researchers and found unfair trade practices, like less weight than labeled one; for example two lentil packages labeled one kilogram each were actually with the weights of 800 and 900 grams.
- **Injurious, altered and adulterated products:** - similarly, there were instances of violations of the consumer protection laws. That is, there were occasions that business firms sell expired and adulterated products to their customers. The Ethiopian Radio and Television Agency (ERTA) broadcasted many times about unfair trade practices, such as adulteration of food items through its news as well as "police and society" program. For example, according to the news of the agency broadcasted on Nov. 02/2010 at 1:00PM local time, some merchants were caught while selling adulterated and expired food items in Addis Ababa. Moreover, the researchers observed that merchants were selling broken seal white horse whisky; it was only packed by the plastic-upper cover. This was happened to mix up some external material to the genuine whisky. The researchers also observed in their pilot study that there were some packed food items without manufacturing and expiry dates; even the production and expiry dates of some products were done using stamps on the packages that can be easily replaced, tempting traders to cheat.

The above situations led the researchers to raise the following research questions: (1) what is the awareness level and checking habit of consumers about unfair trade practices? (2) What is the extent of unfair trade practices on food items by merchandisers? (3) What are the most common food items that are vulnerable to unfair trade practices? (4) What are the roles of governments and non-government institutions in protecting the consumers from unfair trade practices?

The researchers understand that this area is less researched in the region in particular and in Ethiopia in general. Hence, investigating the consumer protection status in Tigray is important; this project is prepared with the intention of investigating the extent of unfair trade practices on some selected food items. Moreover, the reason that the researchers preferred to conduct study on food items is that because literatures indicate that, in developing countries, majority of total expenditure goes to food consumption. For example, according to his study in Maichew, Menasbo (2010) indicate that about 70% of the total expenditure was spent on food consumption. This indicates that the unfair trade practices on food items needs more attention though non-food items are also important.

4. RESEARCH OBJECTIVES

4.1 GENERAL OBJECTIVE

To investigate the extent consumers are protected from unfair trade practices and the involvement of concerned governmental and non-governmental organizations to protect the consumers.

4.2 SPECIFIC OBJECTIVES

- To check the awareness level and checking habit of consumers about unfair trade practices
- To identify the extent of unfair trade practices on food items
- To identify the most common food items which are vulnerable to unfair trade practices.
- To investigate the role of governments organizations in protecting the consumers from unfair trade practices

5. RESEARCH METHODOLOGY

5.1 DATA TYPE, DATA SOURCE AND RESEARCH STRATEGY

Qualitative and quantitative data were collected from consumers of four towns of Tigray: Mekelle, Wukro, Axum, and Shire-EndaSilassie. That is, to reduce bias and to increase credibility of the research, the researchers used the mixed research method. Only primary data was collected. Moreover, the researchers used cross sectional data type.

5.2 TARGET POPULATION

The target population of the study included two major elements: (1) consumers of food items, and (2) governmental organizations like trade and industry and health bureau. Of the consumers, both sexes were targeted. Moreover, concerned bodies from the trade and industry as well as health bureau were targeted. One hundred merchandisers were also our targets.

5.3 SAMPLE SIZE AND SAMPLING TECHNIQUE

In case of this project, there was heterogeneity of the samples: consumers from both sexes from different places and backgrounds as well as different organizations, like trade and health bureaus. In the census of 2007, the population size of Mekelle, Wukro, Axum and Shire-Enda sellasie were 215546, 30208, 44629 and 46382 respectively (CSA, 2008); this indicates that, of the study towns, Mekelle, Wukro, Axum and Shire-Enda-sellassie represented 64%, 9%, 13% and 13% respectively. Hence, by considering the business transaction from the rural areas surrounding the towns and for simplicity purposes, the researchers took samples of about 55% from Mekelle and 15% from the other towns.

Before starting gathering data, each town was sub-grouped in to three: (1) high business transaction area; (2) medium transaction area; and (3) low business transaction area. This was done to incorporate all types of information.

In each study area, 100 firms were selected purposively; this was happened because the researchers couldn't find list of the merchandisers. But, in selecting the merchandisers, the researchers considered the traffic of the buyers; shops with more traffic of consumers were incorporated in the sample. From each merchandiser, four respondents were selected; totally 400 respondents were selected purposively; this was happened because it was impossible to get the list of consumers.

To reduce biasedness and increase reliability of the data, the researchers selected the sample respondents systematically: (1) two males and two female buyers of food item from each shop were selected; (2) but each gender should buy food items that can be checked their weights and shelving periods. In effect, of the four consumers that selected from each shop, half of them were those who bought at least food items that could be measured their weight, and half of them those who bought food items that could be checked their expiry dates. This was happened because there was a need of checkup of weight and expiry of food items that were already bought by the buyers. This was done to compare the perception and actual practice of buyers about the possibility of buying of reduced and expired food item. Moreover, the respondents from bureaus were selected purposively: authorized personnel from trade and health bureaus.

5.4 DATA COLLECTION METHOD AND INSTRUMENTS

With the help of enumerators, the researchers collected data from consumers of all study towns using semi-structured questionnaire. The males and female buyers of food items were selected using purposive methods: the enumerators stand around selected shops and were waiting until the needed type of

consumer comes. The weights of the food items, which were bought by the consumers, were checked using measuring scales. In addition, the manufacturing and expiry dates of the food items were checked by observing the package of the food item. Accordingly, the required data was gathered from 400 representative consumers; of those consumers, about 57% were females;

Moreover, to know (1) whether or not the food items with or without stated shelving period, (2) whether or not the food items were with longer shelving period, (3) whether or not the shelving period were written, etc, the researchers checked the manufacturing and expiry dates of the processed food items. Furthermore, based on the result of the primary data of the consumers and observation, the researchers proceeded to conduct in-depth interview with concerned personnel of trade and health bureaus using semi-structured questionnaire.

5.5 DATA ANALYSIS METHODS

After the required data was gathered, the researchers edited the filled questionnaires. Accordingly, 9 out of 400 questionnaires were discarded; as a result, 391 questionnaires were used for the analysis. Because the research method was mixed, the data was analyzed using statistical descriptive method. Moreover, major points of the qualitative data were summarized.

6. RESULTS AND DISCUSSION

6.1 INTRODUCTION

This chapter comprises four major points: (1) the awareness level and checking habit of consumers about unfair trade, (2) Experience of consumers in unfair trade practices (3) the most common food items vulnerable to unfair trade practice; (4) the role of governmental and non-governmental institutions in protecting the consumers from unfair trade practice.

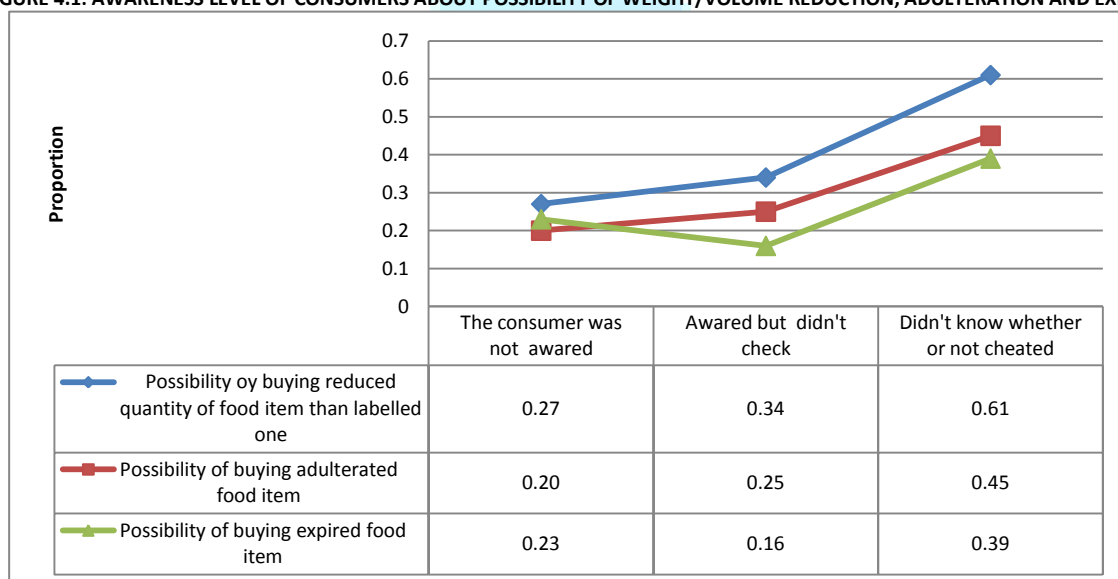
In checking the awareness level, checking habit and extent of unfair trade practice, the researchers used descriptive statistics

6.2 THE AWARENESS LEVEL AND CHECKING HABIT OF CONSUMERS ABOUT UNFAIR TRADE PRACTICES: (OBJECTIVE-1)

Analysis was done for both the awareness level and checking habit of consumers about whether or not they could buy reduced weight than its label, adulterated and expired food items.

About quarter of the respondents were not aware that traders could sell them reduced food item than of labeled one; moreover, though they were aware about one-third of them didn't have the habit of checking whether or not the food item they bought was reduced than of labeled one. As a result, majority of the respondents didn't know whether or not they buy reduced food item than of labeled one. This implies that majority of the consumers are more vulnerable to buy reduced food item than of labeled one. You can refer table 4.1.

FIGURE 4.1: AWARENESS LEVEL OF CONSUMERS ABOUT POSSIBILITY OF WEIGHT/VOLUME REDUCTION, ADULTERATION AND EXPIRY



Source: Survey data of 2011

Second, next to weight/volume reduction, significant proportion of respondents were not aware that traders could sell them adulterated food item; of those who were aware, quarter of them didn't have the habit of checking whether or not they buy adulterated food item. In effect, about half of the consumers were vulnerable to adulterated food item. This implies that, next to quantity or weight reduction, more consumers are vulnerable to possibility of buying adulterated food item.

Thirdly, about quarter of the respondents were not aware that traders could sell them expired food items; of those who were aware, about 16% didn't have the habit of checking. Compared to possibility of purchase of reduced weight or adulterated food items, consumers didn't know whether or not buy expired food items. This implies that, compared to possibility of purchase of reduced weight and adulterated, consumers are less vulnerable for the purchase of expired food items.

Generally, based on the awareness level and checking habit of consumers, rank wise, more consumers are vulnerable to buy reduced, adulterated and expired food items respectively.

6.3 EXPERIENCE OF CONSUMERS IN UNFAIR TRADE PRACTICES [OBJECTIVE-2]

Experience of respondents showed that more number of consumers bought adulterated food item than of reduced and expired; the proportion of consumers who bought reduced and expired food items were similar. Refer table 4.1.

TABLE 4.1: PROPORTION OF CONSUMERS WHO BOUGHT REDUCED, ADULTERATED AND EXPIRED FOOD ITEMS

Description	Proportion of consumers who experienced unfair Trade practice
Proportion of consumers bought reduced weight food item	0.20
Proportion of consumers bought adulterated food item	0.27
Proportion of consumers bought expired food item	0.19

Source: Survey data of 2011

The experience of the respondents shows that more consumers are exposed to adulterated food item than of to buy expired and weight reduced food item. This is happened because it is difficult to detect adulterated food items easily. Only well experienced consumers identify adulterated food items; the detecting mechanisms are listed on table 4.3.

6.4. MOST COMMON FOOD ITEMS VULNERABLE TO UNFAIR TRADE PRACTICES [OBJECTIVE-3]**6.4.1 EXPERIENCE OF CONSUMERS ABOUT MOST COMMON FOOD ITEMS VULNERABLE TO WEIGHT REDUCTION, ADULTERATION AND EXPIRY**

Sugar and coffee were the common food items vulnerable to quantity reduction. On the other hand, honey, butter, red pepper and edible oil were more exposed to adulteration. Moreover, Juices, powdered milk, edible oil and biscuits were more vulnerable to expiry; hence, edible oil was exposed to both adulteration and expiry. [Refer table 4.2]

TABLE 4.2: MOST COMMON FOOD ITEMS VULNERABLE TO WEIGHT REDUCTION, ADULTERATION AND EXPIRY

Common food items vulnerable to quantity reduction	Most common food items exposed to adulteration	Most common food items sold while expired
1. Sugar 2. Coffee	1. Honey 2. Butter 3. Red pepper 4. Edible oil	1. Juices 2. Powdered milk 3. Edible oil 4. Biscuits

Source: Survey data of 2011

The weight reduction practices were done by adjusting the weighing scale and weighing lesser than of the actual weight though the weighing scale is right.

6.4.2 EXPERIENCE OF CONSUMERS ABOUT MOST COMMON EXTERNAL AGENTS ADDED TO FOOD ITEMS**TABLE 4.3: MOST COMMON EXTERNAL AGENTS ADDED TO FOOD ITEMS**

Description	Main food item exposed to adulteration			
	Honey	Butter	Red pepper	Edible oil
External agent added to the main food item	<ul style="list-style-type: none"> Sugar potato 	<ul style="list-style-type: none"> Banana Edible oil 	<ul style="list-style-type: none"> Red soil Chopped carrot Salt Water 	<ul style="list-style-type: none"> Expired edible oil Artificial butter

Source: Survey data of 2011

The most common item added to honey was sugar; but the research result indicated that potato was also added to honey. Banana was the most external agent added to butter; but sometimes, edible oil was also added to butter. The most common external agent added to red pepper was red soil; but note that salt, chopped carrot and 'shiro'- roasted powdered chickpea- were also added to red powdered red pepper. Moreover, to increase the weight, the raw red pepper was also wet by water. Mostly, expired edible oil was added to the unexpired food items. The expired food items were like USA oil which was provided to people on gift or food for work basis. As per the information of the respondents, the USAID edible oils was held by the farmers and until they expired [without their knowledge]. Moreover, concerned NGOs didn't distribute the edible oil ahead of time before the expiry date approached; but they distributed when the expiry date approached. Because of the above stated reasons, the USAID edible oil was found more exposed to expiry.

6.3.3 EXPERIENCE OF CONSUMERS ABOUT DETECTION MECHANISM OF ADULTERATED FOOD ITEMS

The consumers use different mechanisms to detect whether or not the some food items are adulterated. For example, sugar added to honey could be detected using heat; the colour of the adulterated honey also changes to black. Moreover, the smell of the burned adulterated honey is bad. In addition, significant portion of the consumers stated that Coca Cola soft drink could be used as detecting tool; if the honey has sugar and inserted to coca-cola soft drink, the soft drink buffers. Most of the time, banana is added as external agent to butter. And sometimes, edible oil is added to butter; this happens because butter is expensive than of edible oil. The added banana to butter can be detected through heat process; the banana doesn't melt using heat. Moreover, some consumers stated that they could detect the adulterated butter by their tongues and noses. Adulterated red pepper could be detected by tasting and observing the red pepper. For example, the added extra salt can be detected by tasting the powdered red pepper; the raw pepper is wet if water is added, etc. The adulterated edible oil could be detected by smelling the oil; the adulterated edible oil smells bad. But, except the smelling, observing and tasting methods, detecting mechanisms are not as such practical in the market place; consumers mostly check the food items when they back home-which cannot save them from deceptive. Compared to adulterated food items, checking of reduced weight/quantity than label and expired food items are simple. You may refer table 4.4.

TABLE 4.4: DETECTION MECHANISM OF ADULTERATED FOOD ITEMS

S/N	Most common food items vulnerable to adulteration	Detection mechanism
1	Honey	1. Burning on fire; the adulterated food item turns to black and smells bad. 2. Inserting to coca cola; if the honey has sugar, it buffers when it is inserted to coca cola. 3. by checking the color of the honey
2	Butter	1. Heating; if banana is added, it doesn't melt in heat. 2. smelling; 3. tasting; 4. observation; if it is adulterated, the color changes from its natural status
3	Red pepper	1. Tasting and observing for the powdered one 2. observing and weighing for the raw red pepper
4	Edible oil	1. Smelling; it smells bad 2. tasting; the taste of the oil is not good

Source: Survey data of 2011

6.4.4 OBSERVATION ON MANUFACTURING AND EXPIRY OF FOOD ITEMS

The researchers gathered information on shelving period of some food items; these food items are grouped in two: (1) Processed food items but whose manufacturing and expiry dates are unknown (2) Processed food items and whose manufacturing and expiry dates are known, but had some limitations.

a. Processed food items but whose manufacturing and expiry dates are unknown

Article 9 (3) of the proclamation on food, medicine and health care administration (661/2009), states that the "The type and content of nutrition, usage guide and shelf-life of nutritionally produced food shall be stated in an unfading and clearly mark on its package." However, though they are susceptible for expiry, the following listed food items were found being sold in the market without manufacturing and expiry dates.

- Wheat flour-Fino**: - The wheat flour/ processed in agro industries/ found in the market was produced in Ethiopia. The research team checked whether or not the products had manufacturing and expiry date; but though the product is highly vulnerable to expiry, none of the flour was with manufacturing and expiry date.
- Cooking food items**: - The researchers found different types of locally processed cooking food items- like products of Selam baltina, Zeineb Baltina, etc. all of them didn't have manufacturing and expiry dates. But it is known that the 'baltina' products are exposed to expiry.
- Peanut butter**: - there were different brands of peanut butter, whose shelving period varies from one to three years. The manufacturing and expiry period was written on piece of paper and stuck to the container. Even some of the peanut butter manufacturing and expiry dates were without month, only the year was stated. The stated shelving periods seem false dates. Hence, the researchers hesitated that the written dates may not be checked by concerned government body like, Ministry of health and Ethiopian quality and standards authority.
- Biscuits**: - there were some biscuits made of Ethiopia which were without manufacturing and expiry dates.

5. **Packed spring water:** - the researchers found about ten types of packed spring water. But none of them was with manufacturing and expiry date. In fact, based on the information gathered from health bureaus, some of the packed spring water was found with algae. Note that, at this time [when the report is presented] few of the packed spring water are being distributed with expiry date; this seems improvement.
 6. **Beer and alcoholic Liquors:-** There were different locally manufactured alcohols in the market. But none of them was with expiry and manufacturing dates. There are also different brands of beers in the market; all of them are products of Ethiopia. But, none of them are found with manufacturing and expiry dates.
 7. **Soft drinks packed in bottles:-** Of the locally manufactured soft drinks, the soft drinks produced by Moha and packed in plastic bottles had only expiry date; because the manufacturing date was unknown, it was not possible to calculate the shelving period of the soft drinks.
- b. Processed food items and whose manufacturing and expiry dates are known, but had some limitations**
- i. **Pasta:** - The pasta imported from Italy as well as produced in Ethiopia had only expiry date; they didn't have manufacturing date. As a result, the researchers couldn't know the shelving period of the pastas.
 - ii. **Honey:** - The researchers found packed honey in the market whose shelving period varies from two to five years; the manufacturing and expiry dates of these honeys were written on piece of paper and stuck to the container, which can be replaced easily. It contradicts to the article 9 (3) of the proclamation [661/2009] on food, medicine and health care administration, which states that the "The type and content of nutrition, usage guide and shelf-life of nutritionally produced food shall be stated in an unfading and clearly mark on its package." The researchers hesitate that whether or not the gap in shelving period is right for the same type of product; concerned bodies need to check this situation.
 - iii. **Juices and sliced pineapples:** - Manufacturing and expiry dates of some of the locally produced juices were written on piece of paper and stuck to the container, which can be replaced easily. This contradicts to the article 9 (3) of the proclamation [661/2009] on food, medicine and health care administration, which states that the "The type and content of nutrition, usage guide and shelf-life of nutritionally produced food shall be stated in an unfading and clearly mark on its package."
 - iv. **Edible oil:** - In fact, edible oil marked by USAID was found in the market; the researchers couldn't know the shelving period of the oil because only expiry date was written in the container. But the consumers indicated that this type of edible oil was circulated in the market even after expired; it was also mixed up with unexpired ones and sold to consumers.
 - v. **Soft drinks packed in bottles:-** Soft drinks which are produced locally and packed in glass bottles do not have manufacturing and expiry dates.

6.5 THE ROLE OF GOVERNMENT ORGANIZATIONS IN PROTECTING THE CONSUMERS FROM UNFAIR TRADE PRACTICES [OBJECTIVE-4]

The bureau of trade and industry of Tigray region checks the weighing scales always and irregularly. As a result, significant portion of the traders were found using unstandardized grams, like piece of iron bar, coins, bolts and nuts, etc to measure weights of items; some traders also use magnets and very thin rope to pull down the scale. However, there are problems in administering the controlling activity of the weighing scales; some of them are: (1) When the workers of the bureau start checking the correctness of the weighing scales in some traders, the information was disseminated immediately and other traders take precautions; as a result, it was difficult to know whether or not the remaining traders were participating in the unfair trade practice. On the other hand, as compare to the number of traders, especially in large towns like Mekelle, the number of workers was few, which cannot help to check many traders at the same time. (2) Moreover, the already checked scales can be readjusted easily by the traders; there was no prevention mechanism to control readjustments by the traders. Because of the stated reasons and others, controlling the possibility of quantity reduction seems difficult.

Checking of the expiry of food items was the responsibility of health bureau. The bureau randomly checked to know whether or not the traders stock and sell expired food items. When it got expired food items, it collected and disposed them. But similar to that of weight control, information was easily disseminated to traders when check up was started in some areas. Moreover, as per the response of the health bureau, there were some food items, like candy and juices, which were imported from countries like Sudan with exaggerated shelving period. This seems that there was no strict control and check up on the shelving periods of some imported food items.

Control of the adulteration was the responsibility of health bureau; in fact it was done in collaboration with agriculture bureau. It was less controlled area. This was happened because the workers didn't have a testing tool to detect whether or not the food item were adulterated. Sometimes, there were instances of sending samples to Addis Ababa for check up purpose; but timely response was less likely.

However, currently an agent is established under the health bureau which is responsible to check such problems; this is good start to protect the public.

7. FINDINGS

About quarter of the respondents were not aware that traders could sell them reduced food item than of labeled one; moreover, though they were aware about one-third of the consumers didn't have the habit of checking whether or not the food item they bought was reduced than of labeled one. As a result, majority of the respondents didn't not know whether or not they buy reduced food item than of labeled one. Significant proportion of respondents were not aware that traders could sell them adulterated food item; although aware, quarter of the respondents didn't have the habit of checking whether or not they buy adulterated food item. Moreover, about quarter of the respondents were not aware that traders could sell them expired food items; even about 16% didn't have the habit of checking. In effect, about half of the consumers were vulnerable to adulterated food item. Generally, based on the awareness level and checking habit of consumers, rank wise, more consumers were vulnerable to buy reduced, adulterated and expired food items respectively. Moreover, the experience of the respondents shows that more consumers are exposed to adulterated food item than of to buy expired and weight reduced food item.

Sugar and coffee were the common food items vulnerable to quantity reduction. Moreover, honey, butter, red pepper and edible oil were more exposed to adulteration. Juices, powdered milk, edible oil and biscuits were also vulnerable to expiry; This indicates that edible oil was exposed to both adulteration and expiry.

The most common food item added to honey was sugar; but the research result indicated that potato was also added to honey. Banana was the most external agent added to butter; but sometimes, edible oil was also added to butter. The most common external agent added to red pepper was red soil; but note that salt, chopped carrot and 'shiro'- roasted powdered chickpea- were also added to red powdered red pepper. Moreover, to increase the weight, the raw red pepper was also wet by water. Mostly, expired edible oil was added to the unexpired food items. The expired food items were like USA oil which was provided to people on gift or food for work basis. As per the information of the respondents, the USAID edible oils was held by the farmers and until they expired [without their knowledge]. Moreover, concerned NGOs didn't distribute the edible oil ahead of time before the expiry date approached; but they distributed when the expiry date approached. Because of the above stated reasons, the USAID edible oil was found more exposed to expiry.

While wheat flour, processed cultural cooking food items, peanut butter, some biscuits, packed spring water, beer and alcoholic Liquors, Soft drinks packed in bottles where found being sold to consumers without manufacturing and expiry dates, products like pasta, honey: Juices and sliced pineapples, edible oil, soft drinks packed in bottles had expiry dates but did not have manufacturing date.

To sum up, though the governments of Ethiopia and Tigray exert efforts to protect the consumers by enacting and implementing rules and regulations, the consumers are unsafe from unfair trade practices.

8. CONCLUSION AND RECOMMENDATION

8.1 CONCLUSION

As already shown in the results and discussion, consumers were not aware about the possibility weight/quantity reduction, expiry and adulteration of the food items they buy for consumption. Even those who know about the possibilities of unfair trade practices, they lack the habit of checking. Both situations can expose the consumers to unfair trade practices. Experiences of the consumers also show that, compared to the possibility of buying reduced and expired food items, consumers are more exposed to the possibility of buying adulterated food item. Though the government is striving to protect the consumers from unfair trade practices using its organs, like trade and industry, health, standard and quality authority, police, etc., the unfair trade practices are still continuing.

Generally, there are factors that hinder the effectiveness of the controlling mechanisms; some of them are listed below.

- a. The fast communication system is contributing for the unfair trade practice; when the concerned government bodies start checking in one corner, the information reaches in the other corners. It is only the traders who are checked first can be known whether or not they are involved in unfair trade practice; finding the behaviour of the other traders is difficult.
- b. While there are proclamations about consumer protection, there are no as such specific rules and regulations for the violators of the law; for example, the proclamations 661/2009 and 685/2010 are not supported by the detailed rules/regulations which can state the punishment types and levels for each type of violations of the law. For example, the trade and industry bureau is using the proclamation as a rule. This can have a contribution for the delayed action of the concerned bodies on the violators of the law. Moreover, this can leave a room for unneeded type of relationship between the traders and executive /controlling body- like corruption.
- c. Though the proclamation 685/2010 states that mistreated consumers should report to trade and industry minister or bureaus, reporting mechanisms are not well stated. For example, if someone is mistreated by trader, (1) the customer do not know the location and telephone numbers of the concerned bodies; or (2) though the customers know, they may not have enough account balance to make telephone calls, etc.

8.2 RECOMMENDATION

To protect the possible cheatings by the traders:

- The government should increase the awareness level of the consumers, having programs on Mass Medias, like television and radio; the program can include information like the types of cheatings and their respective protection/detection mechanisms;
- There is need of integrity between the consumers and the controlling body; to do that, there is need of knowing the address and telephone numbers of the controlling bureaus. The address and telephone numbers of the concerned controlling bodies of the government are required to be written on bill boards and placed at different corners [of towns] where people can see them easily. The government can get more cooperation from the consumers when the government avail free charge telephone numbers to the public. There is need of stating rules and regulations in detail that can help to implement the law by the implementers; moreover there is need of strict implementation of the law.
- Similar to that of imported from China, there is need of pre-shipment inspection for food items. That is, before the food items are cleared for importation from the source, there is need of testing the quality and shelving periods of the food items.
- The health bureau either should acquire the necessary testing equipment (to test adulterated and exaggerated shelving periods) or should work in collaboration with other organizations that have the testing equipment, like the Ethiopian Quality and Standards Authority (EQSA)
- There is need of integration between the marketing and cooperatives of consumer. That is, the marketing cooperatives should have merchandising shops at fixed locations thereby consumer associations can get chance to buy quality products at fair price.

9. LIMITATION AND CHALLENGES OF THE STUDY

- The researchers tried to check the actual weight and expiry dates of the items bought by consumers; however, during that time, the government of Ethiopia was conducting market surveillance. Because of that surveillance, the traders were very conscious that they were under surveillance. Hence, at least for that time, the traders were in fear not to reduce weights, not to handle and sell expired food items, etc. As a result, the check-up didn't help the researchers to get the real behaviour of the traders. Hence, the data was gathered from the past experience of consumers; the finding of the research doesn't represent behaviour of merchandisers.
- The research was done on four towns of Tigray; moreover, the sample size [399] of the consumers was minimum, which may not represent the population size of the region. As a result, the findings of the research may not perfectly represent the consumer protection practice in Tigray level. It is exploratory research which can lead to further research.

10. SCOPE FOR FURTHER RESERACH

The research was done on four towns of Tigray; for better findings, further research can be conducted on more number of towns. Moreover, further research can be conducted, which investigates the real behavior of traders; this can be done in better way when traders are not aware that research is being conducted on them. The determinant factors of unfair trade practice can also be scope for further research.

11. ACKNOWLEDGMENTS

First of all, we appreciate for trade and industry bureaus of the region and zonal/district towns of Tigray which provided us necessary information in doing the research; we are also indebted for the employees of health bureau for their genuine cooperation. Moreover, we thank Mekelle University that provided us fund to do this research. Finally, but not least, we appreciate for the Tigray region agency for cooperative societies.

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INFORMAL INSTITUTIONS IN ETHIOPIA

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ABSTRACT

It has been argued that institutions and institutional mechanisms (governance structures) contribute a lot for development and explain differences in growth rates and development paths in developing countries. Using secondary data such as literature, International Food Policy Research Institute-Ethiopian Rural Household Survey (IFPRI-ERHS) data and the data from the Nile Basin Development Challenge (NBDC) farmer focus group discussion taken place in Diga, Jeldu and Fogera, the study presented some qualitative and statistical evidence on existing informal institutions/governance structures in Ethiopia. The study also examines the economic benefits of these institutions and how to map these institutions for sustainable economic development or social capital. The study obtained the possible informal governance structures in rural Ethiopia such as Iddir, Mahber, Eqqub, Elder's Group, Gadaa/Cheffe Kore, Debo/Wobera/Wonfel/Oxen sharing (labor sharing) and Women's Association. These informal institutions or governance structures engaged in different economic and social activities. The major benefits include risk coping, provision of credit, common property regulation, manpower and traction force, conflict resolution and information.

KEYWORDS

Collective action, Informal institutions, role of institutions.

BACKGROUND INFORMATION

The theoretical foundation for bringing institutions to economics may be tracked back to the writings of Coase (1937), with the theory of the firm. Assuming perfect markets, neoclassical economists argued that price mechanism plays a role in exchange while ignoring the fundamental importance of institutions. Later on, New Institutional Economics emerge to work on further by modifying the neoclassical orthodoxy. The fundamental argument of the NIE is that: "institutions matter and are susceptible to analysis" (Williamson, 2000). It was at this time that Coase (1937) in his title: "theory of the firm" becomes a base for the new institutional economics. Coase argued that, in the world of imperfect information, enforcement problem and uncertainties, the firm represents an alternative governance structure to the market by providing an environment in which the price mechanism replaced by the power and authority of an entrepreneur. He justified that the existence of the firm implies that there are costs to market transactions.

Transaction costs (information costs, risk costs, waiting costs, costs of retailing, negotiating costs, contracts and enforcement costs) (Hira and Hira, 2000), determine the economic performance of a certain country. In turn, institutions and the effectiveness of enforcement determine the cost of transactions. Institutions are formed to reduce uncertainty in human exchange (relations), reduce transaction and production costs per exchange by internalizing them and by setting up standard rules of action. Hence, institutions (formal or informal) are efficient solutions to problems of organization in a competitive market (North, 1991) by providing rules, constraints and incentives that are instrumental to the governance of exchanges.

Formal institutions (explicit incentives, contractual terms and firm boundaries are rules and procedures that are created, communicated, and enforced through channels widely accepted as official and government organizations (Helmke and Levitsky, 2004; Williamson, 1996; North, 1990), are observable through written documents or rules that are determined and executed through formal position, such as authority or ownership. However, the quality of formal institutions is affected by social trust (Bjornskov et al., 2009). Informal institutions are defined as socially shared and usually unwritten rules that are created, communicated and not enforced or necessarily sanctioned through formal position. These institutions include social norms, routines, and political processes that govern the behavior of the groups (Helmke and Levitsky, 2004). Together with this, Bratton (2007) argued that, Africa is the best starting point for exploring the role of informal institutions and that these derive from a social logic he calls "the economy of affection." As examples of informal institutions, he includes charisma (an authority relationship based on personal trust), clientelism (the expression of political loyalty to providers of patronage), pooling (horizontal exchanges within small groups) and collective self-defense (for example, the development of shared norms of sovereignty and noninterference). For this paper, the focus is on the governance system of the informal institutions. The definition of informal institutions, therefore, follows from the definition of Watson: "institutions that have emerged in a particular situation or that are practiced or constituted by people who have had a degree of continuity of living in and using the resources of an area. They are neither unchanged, nor unaffected by influences from other places or people, they are characterized by collection or group power which are run by or composed of local people" (Watson, 2003).

Different actors have different views about informal institutions in understanding the progress and its contribution to development outcomes. Due to their limited analytical and methodological tools that will be used, the NIEs theorists poorly recognized it. Others, for instance, policy actors perceived informal institutions negatively or considering them irrelevant for development (High & Pelling, 2005). In one hand, it is shown that informal institutions contribute a lot towards economic growth through collective action. Informal institutions have social reality in changing the history of human beings (e.g., the abolishment of slave trade). On the other hand, there is lack of analytical framework that helps to link informal institutions to development outcomes (Jütting, 2003). Especially in developing countries, a variety of informal institutions that enable transactions and are particular to the poor can be observed (Banerjee & Duflo, 2011). Informal institutions are argued to be adaptive, flexible and negotiable which help most to the vulnerable in the society. These institutions are seen as a ready-made set of power structures that enable a group of people to organize themselves, to take decisions, to enforce regulations and to resolve conflicts indigenously. Development projects also described informal institutions as: "a universe of experience that could provide many valuable lessons for mobilizing and sustaining collective action for self-help and self management in the modern world" (Watson, 2003) and through the formation of social networks, informal institutions reduce the incidence of opportunistic behavior and thus favoring non-hierarchical forms of governance.

Ethiopia is one of these developing countries endowed with informal institutions. Informal institutions through their self-help and being part of one of the development pillar, they get attention by the society. As a signal of their role, significant number of the people of Ethiopia is members of the informal institutions. Some of these institutions played a significant role in various activities mainly in natural resource management as a means to address the needs of people and the environment in a way that is also participatory (Degefa, 2010), in credit and saving (e.g., Eqqub), informal burial institutions (e.g., Iddir) and others which have greater contribution in development agenda. Moreover, these institutions help the poor in addressing the destructive effects of shocks and insuring them to cope with the high cost of funerals and health related issues (Mariam, 2003).

However, there is little understanding of what the potential existing informal institutions the community needed and what their economic benefits are. The informal institutions are not sufficiently investigated if so only from their functional point of view. There is little discussion about their goals, their ability to facilitate transactions and their arrangements (Pankhurst & Mariam, 2000). This study provides, hence, the descriptive assessment of the existing informal institutions in Ethiopia and their role played by collective action through informal net works.

STATEMENT OF THE PROBLEM

Poor households in developing countries face a variety of shocks that negatively affect their welfare. These shocks can be covariant (result from flood, draught) or idiosyncratic shocks that significantly influence the livelihood of the poor households. To cope with these shocks, household use different mechanisms (villagers grow a variety of crops, engaged in off-farm activities and share cropping). In addition households may also save own money, borrow money or obtain remittances to smooth consumption and accomplish their activities (Hoddinott *et al.*, 2005). Collective action of the community and net works is another important mechanism by which rural households smooth the adverse impacts of shocks. Informal institutions have been involved in several natural resources conservations including exclusion for community forest management, land and grazing areas (Pacheco *et al.*, 2008), enhance efficiency through operating procedures that ease decision making and coordination within bureaucracies (Helmke & Levitsky, 2004). When formal institutions are ineffective and/or failed to provide good governance, conflict resolution and effective property rights, informal institutions are commonly used solutions by the local society. So understanding the importance of informal institutions helps to develop effective social protection policy and will avoid in advance policy changes that will have adverse consequences on the functioning of these informal institutions that possibly damage the capacity of the poor society to cope with and mitigate the adverse shocks and to wisely use their resources and other common benefits.

Ethiopia is one of the African countries that depend on unreliable rain feed agriculture. The country is affected by adverse shocks from shortage of water for agriculture, flood and draught which causes majority of the people to get food starvation. Lack of peace and coordination of the available labor for common benefit is another problem of the country. So the development of informal institutions is an important strategy that the government of Ethiopia takes in to consideration in alleviating poverty and part of the development agenda. Rural Ethiopian communities have indigenous knowledge that has been shown to generate strong relational bondage. This bond results from culture, trust, norms while people are free to join or withdraw which allows them to share information and cooperate among themselves. This ultimately helps them to do collective actions and helping each other in critical times (adverse shocks) and enable them to spring back quickly into their previous condition (Tessera, 2006). Indigenous institutions such as Mahiber, Iddir, Iqqub, Debo and Elders' councils are flexible, dynamic and complex organizations providing socio religious, economic and quasi legal services" in rural Ethiopia (Adal, 2000, as cited by Tessera, 2006). There are different occasions the people meet for example in religious ceremonies like Tabot, Senbete, Mahber, Tsiwa, Tsebel, in social and financial such as Debo, Iddir and Equb. These institutions play a role in bringing the people together and create social cohesion and support among the people in the community.

International Water Management Institute (IWMI) is a nonprofit organization working in over 10 countries across Asia and Africa. Research is the core activity of IWMI. In conducting researches, however, IWMI does not study about the informal institutions existing in Ethiopia that contribute much for managing natural resources, e.g., water, land and environment through collective action. Though rural farmers are rich in informal institutions, they are not seen well recognized by formal institutions and they do not get attention from the government body as well. This needs further research to address and how to overcome the existing bottlenecks that constrain these institutions to work well (Woolcock, 1998). Furthermore, in Ethiopia, there are no researches conducted regarding these issues. Some researchers like (Pankhurst, 2003; Angassa & Beyene, 2003; Dercon *et al.*, 2005; Dessalegn and Aklilu, 1999), study only on some specific and very limited informal institutions. The aim of this paper is, therefore, to fill this knowledge gap and to have analytical frame work that can map informal institutions for sustainable economic development. In addition, it will help researchers to build in these informal institutions in future research.

OBJECTIVES OF THE STUDY

The general objective of this study is to investigate informal institutions. Based on this, the study tries to address two specific research questions: 1) what are the existing informal institutions in Ethiopia? 2) What are their roles and economic purposes?

REVIEW OF RELATED LITERATURE

WHY DOES SOCIAL CAPITAL MATTER?

Social capital refers to features of social organization such as trust, norms, and networks that lubricate cooperative action among both citizens and institutions. These stocks of social capital tend to be self-reinforcing and cumulative and voluntary cooperation is easier in a community that has inherited a substantial stock of social capital in the form of norms of reciprocity and networks of civic engagement (Putnam, 1995). Here, in Putnam's definition, social capital is a very influential thing in community development. According to Cooke (2007) social capital is "the application or exercise of social norms of reciprocity, trust and exchange for political or economic purposes", which is valuable for the development of the society ranging from ethnic communities to professional association. Social capital becomes a concern for many countries because of its contribution in alleviating poverty and rapid economic growth. Informal institutions are effective because social capital "permit us to carry on our daily lives with flexibility, a minimum of repetition and costly negotiation". By creating trust and norms of reciprocity, it facilitates cooperation in working together and hence reduces transaction cost (Williamson, 1989), build confidence on people to invest in collective activities and forced them not to be free-riders. Furthermore, (Pretty & Smith, 2004) identify three characteristics of social capital which make it important in economic growth: 1. relation of trust- helps people to be cooperative and thereby reduce transaction costs and frees resources and 2) reciprocity and exchange—continuous exchange of goods and knowledge of equal value contributes to the development of long term obligations between people and 3) common rules, norms and sanctions which exist in social capital give individuals the confidence to invest in collective good.

On top of that, social capital helps the society to lower crime rates, get better health, improved longevity, get better educational achievement, greater levels of income equality, improved child welfare and lower rates of child abuse, get less corrupted and more effective government and enhanced economic achievement (Ashebir, 2005) and acts to buffer the effects of social stress.

As having positive impacts on economic growth and productivity enhancement, social capital has also negative impacts since "strong relationships among small groups can lead to exclusionary tendencies, higher entry barriers for outsiders and rent seeking by insiders". In such cases, the gains for a small group can be at the cost of many others and can even lead to inefficiencies for the economy as a whole" (Stavern and Knorrninga, 2005). In addition, Pretty & Smith (2004) suggest that societies may be well organized and have strong institutions that add reciprocal mechanisms not based on trust but fear and differences in power. Not only this, informal rules and norms might possibly encourage people to the harmful way of treating others which results in conformity, perpetuate adversity and inequality and allow certain individuals to get others to act in ways that suit only themselves.

Social capital is generated by informal institutions. "the norms, the networks, relationships, attitudes and values in these institutions are the social networks that govern interactions among people and contribute to economic and social development". In informal institutions, the civil societies organize themselves for effective governance and management of themselves (Helmke & Levitsky, 2004), they trust each other and share values and participate in social networks which results in reciprocity norms. In societies with high level of trust, there is cooperation and feeling of reciprocity which makes the members more efficient than the distrustful society.

MATERIAL AND METHODS

STUDY AREA DESCRIPTION

Agriculture is the core of the Ethiopian economy contributing approximately 47 percent to Gross Domestic Product (GDP) (Fintrac Inc., 2010). The sector generates 90 percent export earnings and accounts for 85 percent of rural employment. Around 80 percent of the population derives its livelihood from agricultural production (Haile & Assefa, 2005). However, its potential remains unused and less than one fourth of the arable land is cultivated. Ethiopia has an area of 1,127,127 sq km with a population estimated at 88,013,491 in 2010 with an annual growth rate of 3.2 percent. Ethiopia is characterized by diverse climatic conditions ranging from warm and humid in Southeastern region to semi-arid in the low lying regions. Because of the proximity of the equator, the annual range of temperature is relatively small. The country has a wide range of agro-ecological zones which reflect the wide variation in rainfall, temperature, altitude, topography and soils (Bishaw, 2001).

CHOSEN APPROACH

The study is based on existing secondary data. It makes use of literature on informal governance structures in Ethiopia, as well as existing data from the International Food Policy Research Institute (IFPRI) - Ethiopian Rural Household Survey (ERHS) and NBDC farmers' focus group discussion.

THE IFPRI-ERHS DATASET

The Ethiopian Rural Household Survey is a longitudinal dataset covering households in a number of villages. Within each village, random sampling was used, stratified by female headed and non-female headed households in all rounds of study villages, via extra sampling from new entrants, splits and newly formed households (IWM, 2009). The data collection started in 1989 and in that year, IFPRI conducted a survey in various peasant associations - Tigray, Amhara, Oromia and Southern Nations and Nationalities peoples regions of the country. Next IFPRI continued its survey in seven rounds (in 1994a and 1994b, in 1995, in 1997, in 1999, in 2004, and in 2009). This dataset describes Ethiopian households, their characteristics, the agricultural practices, food consumption, asset and income data, health and women's activities and shocks, public works, drought, NGOs activities and migration. This dataset also looks at social networks and capture some of the informal institutions in Ethiopia. For matter of convenience, we worked on the most recent round only (2009) (corresponds to 2002 in Ethiopian calendar). For 2009, 1577 households have been surveyed in 21 Peasant Associations in the four regions of the country; Tigray, Amhara, Oromia and SNNP (Southern nations and nationalities peoples). The numbers of households in each region are 148 (9%) in Tigray, 420 (27%) in Amhara, 591 (37%) in Oromia and 418 (27%) in SNNP.

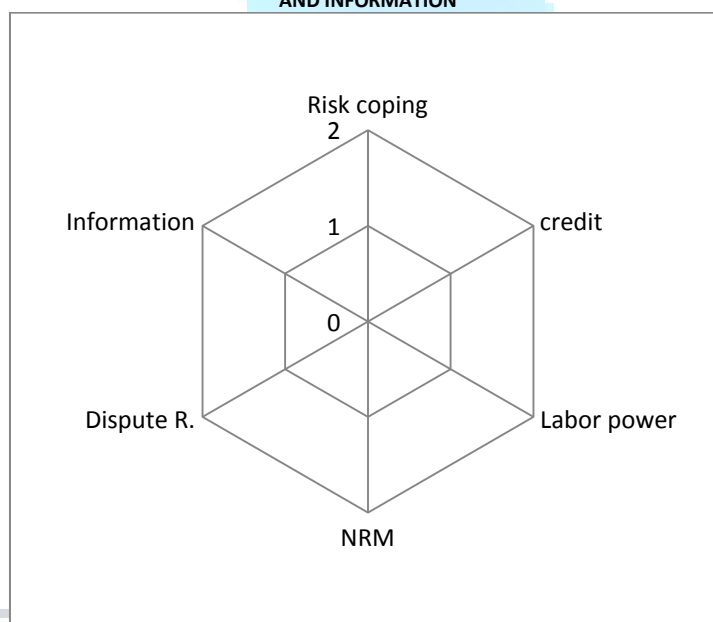
NBDC FARMER'S FOCUS GROUP DISCUSSION

In the frame of the Nile Basin Development Challenge program, in 2011, a focus group discussions in three sites: Diga, Jeldu and Fogera were conducted.. The aim of the focus group discussions was three folded: planning, implementation and innovation of rain water management . Discussions were held with two different groups. The first group addressed issues concerning the priorities of farmers, their experience of RWM, farmers' innovation, and their planning and implementation practices. The second group addressed issues linked to livelihoods of the farmers, sources of food and income, stresses and vulnerabilities, conflicts, markets and opportunities, agricultural practices and other livelihood activities.

A CONCEPTUAL FRAMEWORK TO IDENTIFY THE ROLE OF INFORMAL INSTITUTIONS

It is challenging to be poor: one lacks critical piece of information necessary for a rational decision and acquiring that information is costly as one does not have access to modern technologies. One cannot access formal insurance schemes or credit and therefore relies on very expensive alternative which makes transaction costs to be high. New institutional economics is recently developed theory that takes a new view on economics and focuses on transactions rather than on agents that take a decision (Williamson, 1989) . The transaction cost theory suggests that it is institutions other than markets that are most economical to allow transactions with specific characteristics to take place. In the perspective of the poor, there are various kinds of informal institutions all address particular challenges of the poor face in terms of transaction as well as allocation of production inputs.

FIGURE A: AXES ALONG WHICH INFORMAL INSTITUTIONS CAN PLAY A ROLE; RISK COPING, CREDIT, LABOR POWER, NRM, DISPUTE OR DISPUTE REDUCTION AND INFORMATION

**RISK COPING**

Being poor does not allow to accumulate sufficient assets to be able to overcome an unexpected shock, such as death of the income earning household member, the death of the oxen or drought. Insurance is therefore one of the most important financial institutions in the development process. Unfortunately, many developing countries experience difficulties providing formal financial protection (Outreville, 1990; Banerjee & Duflo, 2011). This is mainly due to asymmetric information and limited enforcement problem. Asymmetric information occurs when one party has more knowledge about the issue than the other (Akerlof, 1970). *Asymmetric information* is one of the moral hazard (Ray, 1998) that comes from the unobservable nature of the objective functions of the agent. Thus, transactions have to be carried out under the conditions of moral hazard which consequently needs the principal to deal with the hidden information and hidden action of the agent and uncertainty (Slangen et al, 2008). The other factor that causes failure of insurance is *enforcement problem*. To overcome the moral hazard problem, contracts have to be designed to provide appropriate incentives or agreements. But, in developing countries there are no strong institutions such as courts of law to enforce these agreements (Ray, 1998). Hence, to overcome the market failure for insurances, the poor have developed self-insuring schemes that materializes in the form of informal governance structure that enables to cope with certain number of risks.

CREDIT

In many developing countries, the poor rely on an informal credit sector that has outrageously high interest rates. This happened due to two critical problems: difficulty to monitor what is being done by the loan and voluntary or strategic default of borrowers. A loan may be taken for consumption purposes, or may be put in to risky investments which both can cause a failure for the repayment of the loan by borrowers. The borrower can also be careless in repaying the loan knowing that there is no legal system that can enforce the repayment. This fear of default at the end causes many lenders to ask collateral which the poor cannot afford (Ray, 1998, Berhane, 2009).

LABOR POWER

Human labors as well as oxen traction force are primary production factors in subsistence agricultural system. Often smallholders run short of agricultural labor for ploughing. In a subsistence agriculture setting, the poor often does not have cash in order to hire manpower/traction force (Alwang & Siegel, 1999). An informal institution has emerged in developing countries that allow transactions to happen with this situation.

NATURAL RESOURCE MANAGEMENT

Resources such as water, forests, grazing lands and fisheries are public goods and are often overexploited since property rights are ill-defined: a phenomenon referred to as the "tragedy of the commons". Ostrom (1990) has shown that common ownership of the commons can be the most efficient way to manage the resource. In developed world, the government can generally enforce laws and property rights to own the commons collectively.

INFORMATION

The poor very often lack crucial information about many issues (Rogers, 2005) and acquiring that information is costly as one does not have access to modern technologies (Goulding, 2001). Therefore, the poor cannot make decisions confidently. In order to access the right information at the right moment, the poor rely on their informal networks.

CONFLICT RESOLUTIONS

Maintenance of peace in a particular country is a key factor that steps up development and economic growth. That is why many developed countries seen to have strong informal institutions for legitimate use of violence, to hold territory and to have a smooth relationship among the society. In developing countries, however, the issue of having strong governance that addresses this particular issue seems nonexistent. This is due to lack of proper army, well committed police and strong and independent formal institutions (Hossain et al., 2007) that enforce contracts and rules. Thus, the development of informal institution by the poor community is an important element to solve the problems they face from different disagreements.

RESULTS AND DISCUSSIONS

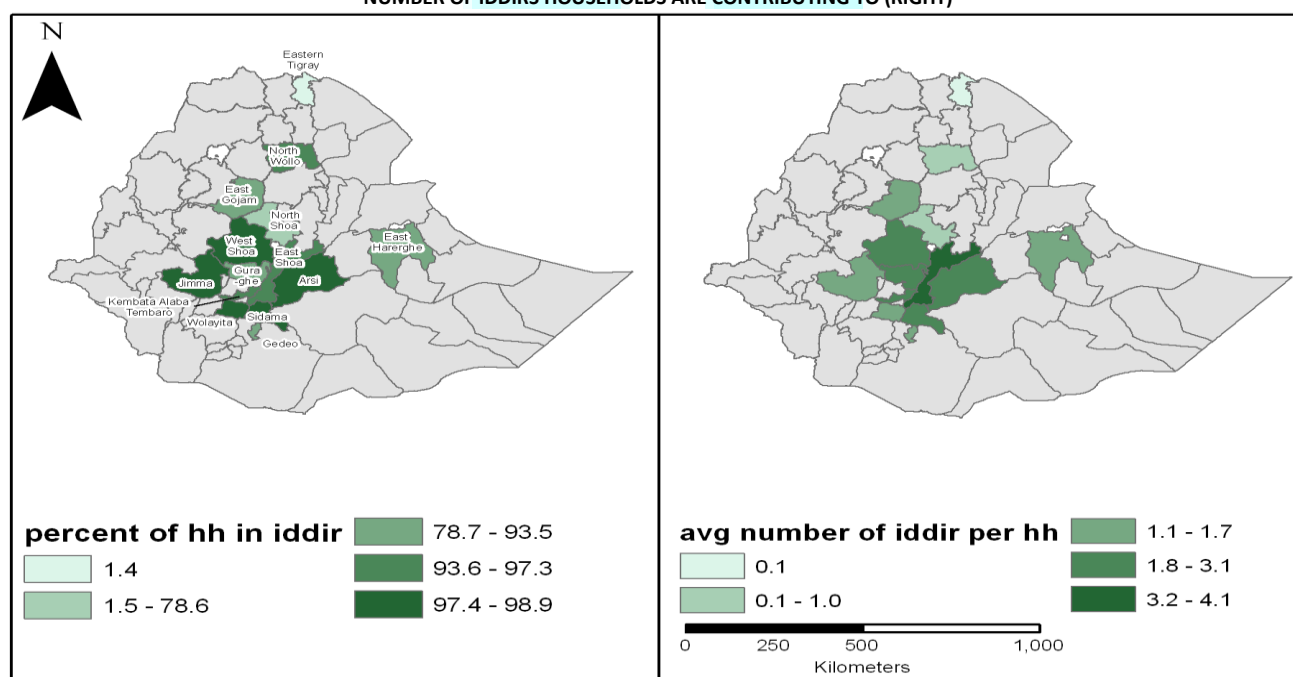
Based on the results from the NBDC farmers' focus group discussion as well as existing dataset from IFPRI-ERHS, we have identified seven informal institutions in Ethiopia: Iddir, Mahber, Eqqub, Debo/Wenfel/Jigie/oxen sharing/labor sharing, Gadaa system, Elder's group and Women's association, each of them are described in following topics.

IDDIR

Iddir is one of the local informal institutions in Ethiopia established voluntarily by the community and involved in self-help and other social activities. It is established primarily to provide mutual aid in burial matters but also to address other community concerns (Pankhurst & Mariam, 2000). It is an association with long history most widespread, mostly known with rural and urban Ethiopia such as Addis Ababa, South Wello, Wag Humera, Southern Gonder, Tiray and others, established by a group of persons united by ties in families, friendship, neighborhood, or belonging to the same job (Teshome, 2008). Furthermore, Iddir is a local association with long history, most widespread, commonly known in rural and urban settings of Ethiopia such as: Addis Ababa, South Wello, Wag Hemra, Sothorn Gonder, Sothorn Tigray, Siltie, and others. It organizes people according to gender, generation, wealth, education, religion, kinship, ethnicity and some other special relations. To mention some: *Iddirs* based on professions (like the teachers' *Iddirs*), gender (such as women's *Iddirs*), or on ethnicity or clanship (such as those formed by migrants from specific areas). However, with regard to membership structure, iddirs are the most democratic and egalitarian social organizations which people are free to become a member regardless of their differences in religion, sex, and ethnic affiliation (Pankhurst & Mariam, 2000).

Based on the IFPRI ERHS, 85% of the households in the data set are members of an Iddir and contribute on average 4.8 Birr per month for the iddirs. However, the membership varies greatly across Ethiopia. The left part of Figure 1 shows that in the central part of the country the number of the households who are members of the Iddir is higher. On the contrary, when we go far from the central part of Ethiopia, the membership gets less important. For instance in the East, West, and North Shoa, Arsi and East Gojam more than 93% the people are members of the Iddir. While in East Tigray, North Wello and Godio, the percentage of the people who are members of the Iddir are less than 79%. Interestingly enough those with membership have also involved in greater number of iddirs. In the central part of the country, the number of the Iddirs those members involved in is relatively higher than the far distant part of the country. For instance, in Tigray, North Wello, Eastern Harerge and others the number of Iddirs the members joined gets smaller. In Tigray (Eastern zone) on average a household is a member in 0.1 Iddir while in North Wello around 1 and in East Harerge and Jimma around 2. However, in North, East, and West Shoa, Arsi and East Gojam, members have up to 4 Iddirs on average. In general 15% of the households are not members at all, majority of them have 1 and 2 iddirs (35% and 27%) respectively. The next are households members with 3 iddirs which are represented by 10% of the respondents and the rest are households on having 4 up to 6 Iddirs on average which count 11% of the respondents. On average an Iddir has 179 members, which show that many people collected in group so that their unity will make a difference. This result was also supported by the focus group discussion that Iddirs (Afosha) have 5-100 individual members that cooperate during different activities. This is confirmed by the Dercon & Bold (2004) in their findings that 80% households in Ethiopia are members of at least one Iddir and join one or more Iddirs. On average, in regular basis they contribute 0.16 Birr per month.

FIGURE 1: SPATIAL DISTRIBUTION OF HOUSEHOLD PARTICIPATION IN IDDİR: THE PERCENT OF HOUSEHOLD IN AT LEAST ONE IDDİR (LEFT) AND AVERAGE NUMBER OF IDDİRS HOUSEHOLDS ARE CONTRIBUTING TO (RIGHT)

**RISK COPING**

Iddir helps people in funeral activities. When the death of the members occurs, the members in the Iddir will organize themselves to handle the burial and consolatory activities. Members contribute money on a regular basis to be used in case of emergency and to cover the necessary costs for burial activities.

(Desta, 1995). In addition, Iddirs assist the members in case of the adverse shocks such as asset losses (due to theft or fire) or the death of the crucial livestock like oxen, health problems or during weeding of the members and their families (Aredo, 1993), cover medical expenses during illness and when a household member dies, they make a payment to surviving family members, and contribute money during certain ceremonies. The amount of money the Iddirs cover can vary from place to place (Dercon et al., 2007). This explicitly implies that Iddirs serve the local community as an insurance mechanism (Mariam, 2003; Frankenberger et al., 2007; Tessera, 2006). Iddirs insure the poor by helping them during funerals, house construction and agricultural practices such as harvesting, labor helping during lost of livestock, and taking members to hospital if the member gets sick (NBDC focus group discussion, 2012)

CREDIT

Iddirs are remarkably working also in banking services. Iddirs play a crucial role in solving the financial problems of the members. For instance, they provide loans without interest to the members when they experience cash constraints. In this case Iddirs serve as a credit institution to raise the fund for different activities (Mariam, 2003; Dercon et al., 2005). Iddirs provide credit to members without interest and around 23% of households make use of this offer and have a credit throughout the iddirs as shown in Figure 3 and Figure 4 (IWMI, 2009, NBDC farmers' focus group discussions, 2012).

FIGURE 1: PERCENT OF IDDIRS THAT PROVIDE LOAN

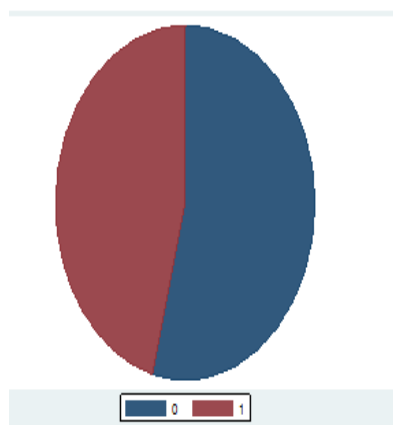
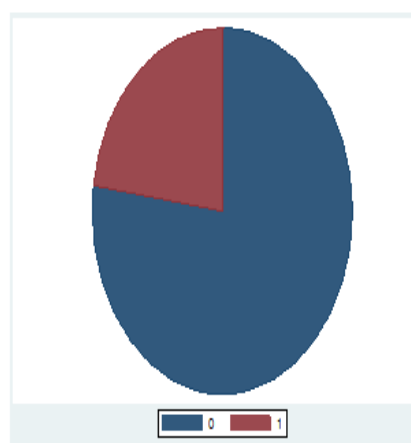


FIGURE 2: PERCENT OF HOUSEHOLDS WHO GET CREDIT



INFORMATION

Iddir is an excellent vehicle for transferring information to the community. During the funeral activities, messages are given regarding HIV AIDS, family planning and members are mobilized for various types of collective activities. In this case Iddir is one of the information transferring mechanisms to the society (Pankhurst & Mariam, 2000; Butcher, 2007). On top of that, Iddirs transmit information to members concerning gully rehabilitation, terrace construction, and others in funeral places and in the Iddir collecting areas (The NBDC focus group discussion, 2012)

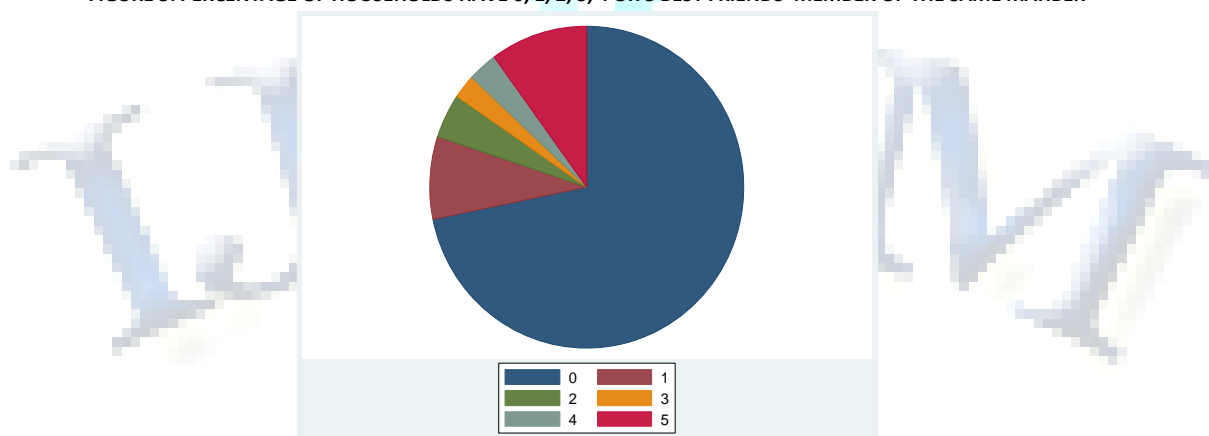
CONFLICT RESOLUTION

Last but not least, Iddirs also help the community in handling their work peacefully. It resolves the disputes among or between the individuals (Pankhurst & Mariam, 2000; Butcher, 2007; Moges, 2006).

MAHBER/SENBETE

Mahbers/senbetes- are voluntary and mutual aid community (religious) associations peculiar to Orthodox religion followers. The members gather together at church or in one of the member's house so as to pray together to get blessing from God and saint and discuss their problems and further share information. In doing so, the members bring food and drinks to church to feed the poor and themselves and discuss matters of common interest (Moges, 2006). Mahbers are also very crucial informal institutions involved in various community activities such as risk coping, addressing manpower and traction force and conflict resolution. People in the sample were also asked if there are 5 best friends in the same Mahber. Accordingly, the IFPRI ERHS data revealed that, 28% of the households are members of the same Mahber and the rest (72) are not. The number of the members looks smaller. One important reason could be the Mahber members are those who have 5 best friends. The other might be those members are those who are only orthodox religion followers.

FIGURE 5: PERCENTAGE OF HOUSEHOLDS HAVE 0, 1, 2, 3, 4 OR 5 BEST FRIENDS' MEMBER OF THE SAME MAHBER



RISK COPING

Members of the Mahber make a specific amount of money on regular basis that will be paid out to members in cases of the loss of the job, when an accident occurs and or illness or death happens. Thus, the institution guarantees the health insurance for the members by sharing risks among the members (Moges, 2006; Habtom & Ruys, 2007; Muir, 2004). Mahbers are used for religious purposes (to get spiritual relief) to support each other at time of hardship. Mahbers support burial/funeral ceremony and associated expenses, cover medical fees for a needy member and carrying out farming activity/planting for sick members (The NBDC farmers' focus group discussion, 2012). The numbers of the members in Mahber can be 15-30 individuals.

CREDIT

Mahber involved also in provision of financial services to the members to address the shortage of capital. During financial crisis, members are given interest-free loans so that they will be involve in different investment activities to improve their livelihoods (Habtom & Ruys, 2007).

LABOR POWER

Members join Mahber with the mentality of expecting benefits with reciprocity. So, when a member is in need of help for agricultural activities like weeding, ploughing, and others, the other members address the shortage of the labor (Frankenberger et al., 2007; Habtom & Ruys, 2007; Getachew, 1998).

INFORMATION

In Mahber, people get together and discuss on issues which are common interest of them. They share information, coordinate activities and foster their social ties. Therefore, Mahber is another form of social media for the community. Mahbers are used as good forums to disseminate NRM campaign programs such as tree planning and terracing. Every Sunday, information is disseminated at church and whenever members meet on Mahber, they discuss about common issues (The NBDC farmers' focus group discussion, 2012).

CONFLICT RESOLUTION

Mahbers resolve disputes or conflicts from land, property transfers, divorces, theft and vandalism using local aged people called *Shimagile*. The Mahbers select 5 or more people (*Shimagile*) who will be involved in dealing with murder or other difficult issues. The *Shimagile* bring the disputants face to face to state their problems and after listening each of them, the *Shimagile* make them agreed and solve their problems using *mehala* or other mechanisms (Getachew, 1998).

EQQUB

Eqqub- is an informal institutions established voluntarily to collect a specific amount of money from the members on a specific date to be paid on round and lottery basis to the members. The members know each other and thus trust each other to make the Eqqub function smoothly (Dessalegn and Aklilu, 1999; Desta, 1995). Interestingly enough, Eqqub also helps members in many aspects such as provision of credit and sharing important information. The IFPRI ERHS shows only 10% of the interviewed households were members of an Eqqub. This could be, the people in the Eqqub are gathered only for pooling of money but do not have well established group like other informal institutions such as Iddir, Mahber, etc and have no another purposes.

CREDIT

The primary objective of Eqqub is to pool a certain sum of money from individual members and give to the members on lottery basis. Eqqub solves the financial constraint of the members which are not accessible by formal institutions. Eqqub provides the sum amount of money for the members without interest and without any need of collateral. Hence, Eqqub, without exaggeration is replacing the function of banks (Frankenberger et al., 2007). Eqqub is serving as traditional saving institution for improved income and investment in productive assets (The NBDC focus group discussion, 2012). However, in these districts where the focus group discussion held, only women are involved in Eqqub. This shows that Eqqub covers only small activities.

INFORMATION

During the time of money collection, members in the Eqqub discuss different issues about the business and what is going on at hand, and those people from different discipline provide consultation services (Teshome, 2008).

DEBO/WEBERA /JIGIE/ WONFEL(LABOR SHARING)

Debo/Webera /Jigie/Wonfel/oxen or labor sharing- are arrangement of agricultural work groups in rural Ethiopia that create structures for "pooling the labor of a number of people from an area to assist one or more individuals through promises of future reciprocity (Getachew, 1998; Daniel, 2003). But in Debo or Wobera, a form of festive labor, where a person will provide food and drink for a large work party in order to carry out a time-sensitive agricultural task, there is no reciprocity. These informal institutions contribute a lot to the group like manpower and traction force and mobilizing to the community. The IFPRI ERHS confirmed this and showed that a significant percent of people (above 68%) are working in labor share arrangement.

LABOR POWER

In different areas of Ethiopia (South Wello and Oromia region in Weredas Legambo, Dessie Zuria, Jemma, and Bati), individuals gather to assist each other in accomplishing various activities like ploughing, weeding, harvesting and building of houses. Especially during the peak period, the crops become in danger by flood or unexpected rain. An individual whose crops are exposed to this shock request the neighbors to come and provide him group labor (Moges, 2006). This helps the agricultural activities to be carried out at the right time so that the productivity and farmers' efficiency increases (Frankenberger et al., 2007; Desta, 1995); Getachew, 1998 and Spielman et al., 2008). The IFPRI ERHS also confirms the above result from the literature review. It shows that there are various kinds of labor sharing arrangements such as Wonfel, Debo, Jiggi, Geaze, Webera and Kebbo. 58% of households are members of the labor sharing. In the year 2009, the members were asked if they call for a work party-Wonfel, Debo, Jiggi, Geaze, Webera, Kebbo to work together. It is shown that 44% of the members called for labor power arrangement in the form of group labor or oxen share. Furthermore, these labor shares are working on reciprocity basis. As the statistical result from this data showed, around 63.4% of the members in these labor shares work on reciprocity basis.

FIGURE 4: PERCENT OF HOUSEHOLDS WHO CALLED MEMBERS FOR WORK PARTY TO GET LABOR POWER

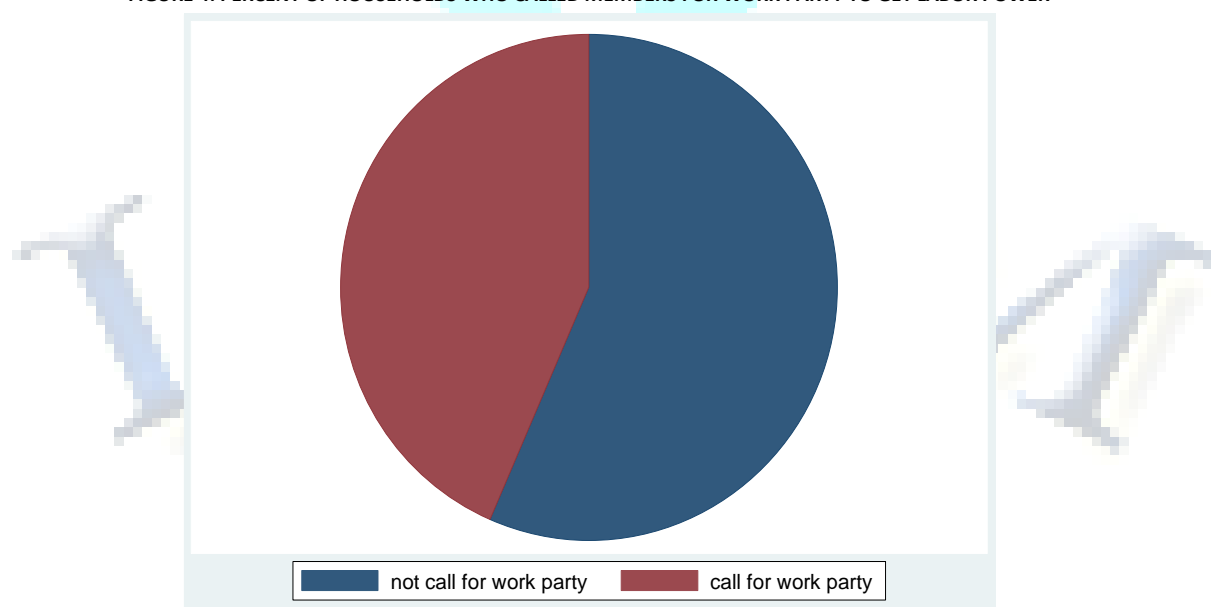
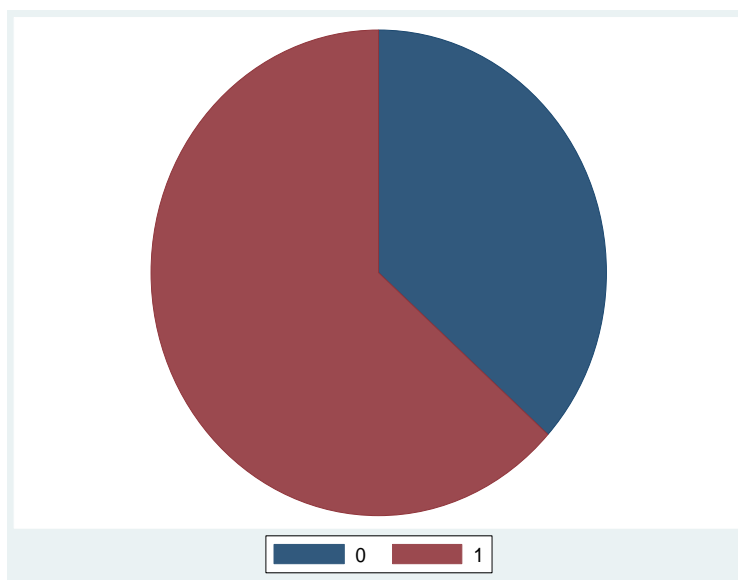


FIGURE 5: PERCENT OF HOUSEHOLDS WHO WORK IN RECIPROCITY



Interestingly enough, the NBDC farmers focus group discussion (2012) result revealed that most community members share labor arrangements for weeding, harvesting, threshing, ploughing-labor sharing during peak season or construction of house, Ergamuu (free labor service for sick, disabled and households encountered sudden death or seasonal shortage of labor) on the basis of neighborhood or personal relationship.

INFORMATION

During their activities, such as ploughing, weeding, and others, members share information concerning their common issues and what is going on outside.

GADAA /CHEFFE KORE/ KEDO ABA

Gadaa/Cheffe Kore/Kedo Aba/Seera - is one form of social organization based on the age-grade classes of males that succeed every 8 years to serve the community in economic, political, military and social issues. The system assigns right and obligations or responsibilities to all males in the society (Edossa et al., 2007).

NATURAL RESOURCE MANAGEMENT

One economic function of the Gadaa system, which is most popular in Oromia –Borena zone, is involvement in common property regulation such as water, land and forest. The Gadaa sets rules and regulations that people will be governed and based on these rules it distributes resources (like water) to the community in a sustainable and efficient manner. For instance, to manage water the Gadaa ordered individuals to use open water sources and to close wells in wet season, in dry season to shift herds to distant pond and re-open traditional wells to preserve water near to home and hand dug ponds are maintained timely (Edossa et al., 2007). The Cheffe committee involved in managing wetland by preparing drainage ditches and continuous maintenance of it through coordination and facilitating cooperation among men. Farmers are also involved in guarding crops, and drain water (irrigation), and building footpath bridges across wetlands when it happens (Dixon & Wood, 2007). Further Dala Aba institution is involved in rangeland regulation (making grazing land reserve for dry season and settlement patterns) and herd regulation (division of animals into species) (WIBD, 2005). The NBDC farmers' focus group discussion supported this idea. In these districts, people have a Water User Committee (a sub-committee in the Gadaa system which the members of the committee are governed by the Gadaa system). To manage water use from Reb River, for example, the committee first discuss on how to allocate water among the users. Then, WUC set the turn or water use schedule for irrigation users by lottery method. The timing of the water is based on crop type and the potential of water. For example maize growers access more water than vegetable growers. They make the people to coordinate and get maintenance to the canal. They established their own rules and regulation and they take appropriate measures up on wrong doers through their by-law -like those who fail to break the by-law- will pay 250.00 Birr and compensate for the amount lost because of lack of irrigation etc

CONFLICT RESOLUTION

Since resources are scarce, individuals conflict each other in using them. Conflicts within the community arise when some of them are marginalized, and unable to participate to use and monitor the common resource, when local traditional laws are no more respected if people thought that they are not legitimate and or when external parties tried to pursue their interests while ignoring the local people needs and requirements. The Gadaa sets rules and regulations which are respected by all people. In Borena zone for instance, the Gadaa perceived as the figurehead of the whole community and the people are loyal to the Gadaa. Then, when conflict arises among ethnic groups in using resources like water, land and forest, or community and external parties like government in expanding development projects on grazing lands, the Gadaa will be called and make peace among users (Edossa et al., 2007; Edossa et al., 2005; WIBD, 2005). In addition, on water use and water way related problems such as irrigation water, upper and lower stream users, (because of the less quantity and area coverage of the irrigation water), conflict can arise. WUC is responsible to solve this problem (The NBDC focus group discussion, 2012).

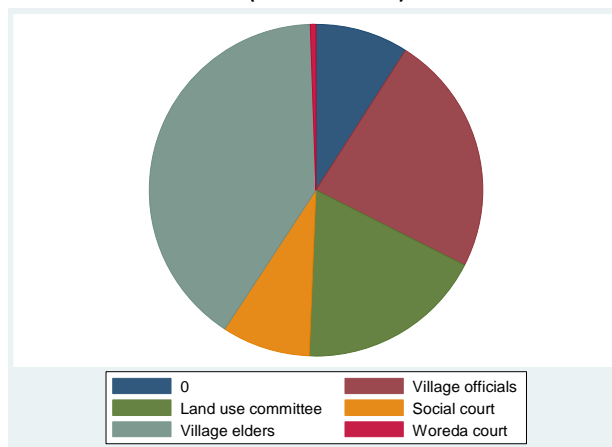
ELDER'S GROUP

Elder's group- commonly called Shimagelay is a traditional association of Elders people who are elected by the local community in order to serve the society in times of disagreements and coordinate them in common resource management like water and forest and disseminate information (Frankenberger et al., 2007; Spielman et al., 2008).

CONFLICT RESOLUTION

The Elders group are influential institutions in conflict resolution, mediation and negotiation among the neighbors, couples and between or among the community when conflict arises due to common resource use such as water, pasturelands and others (Frankenberger et al., 2007; Muir, 2004). For example in Afar, Borana and Somali in Dubti, Liben, Shinile and south Wello zones the role of Elder's group in solving such a problem is significant (Butcher, 2007; Pankhurst, 2003; IFPRI ERHS). Though there are different kinds of method of conflict resolution, the Elder's group takes the lion share (around 40%), which result from boundary disputes, divorce and others.

FIGURE 3: PERCENT OF ELDER'S GROUP (VILLAGE ELDERS) INVOLVED IN CONFLICT RESOLUTION



Furthermore, in Diga, Fogera and Jeldu district -Amhara region -a study was made using focus group discussion. In all the three districts, it was observed that any conflict from ethnic differences, families, crossing farm to someone's farm boundaries (land boundary) or any conflict pertinent to natural resource related such as grazing land or encroachment of communal grazing lands for farm expansion, conflict over water (failure to confirm to water use schedules; prohibiting irrigation water ways through their farm), crop damage by livestock, cutting trees from protected community forest areas for making charcoal, stealing cattle (mainly oxen), blocking community main paths/village routes, or failure to adhere to land contractual agreements, the Elder's group (through jarsumma or yegilgil shengo) will solve the conflict. However, some times the conflict cannot be solved using this traditional institution. Especially conflict from land transaction and others, it could even reach to the formal court.

NATURAL RESOURCE MANAGEMENT

Elders group is involved in the regulation of scarce natural resources such as in regulating grazing lands and water in various regions of Ethiopia. Villagers contribute cash for guard payment and contribute their labor for regulating the resource. If guard is not used for protection, village members take turns to protect the land or use fences (Gebremedhin et al., 2002; Muir, 2004). But from the focus group discussion result, none of the informal institutions including Elder's group are involved in common property regulation except the water users association.

WOMEN'S ASSOCIATION

Women's Association- is a voluntary association of women group who have explicit agreement to help each other in a specified way when well-defined events occur. These associations help the members in cash or in kind, in capacity building and by sharing of information (Dercon et al., 2005). As the IFPRI ERHS showed, rural women organized themselves in the women's association to accomplish different objectives. Among the surveyed households, around 25% are members of the Women's Association. The percentages of households who are members of this institution are not significant since the survey includes both women and men. Those women who are members of the Women Association are at the same time members in the Iddir (282 women). This may be one implication that women are involved in the Women's Association in addition to Iddir to fill the gap that Iddir fail. In addition, those who are members of the women's association but not Iddir members are 106 and are relatively smaller in number than those who belong to both institutions.

FIGURE 4: PERCENT OF HOUSEHOLDS WHO ARE MEMBERS OF WOMEN'S ASSOCIATION



CREDIT

The poor women households usually are constrained with finance since they could not fulfill the requirements of the formal institutions like collateral and they cannot afford the high interest rate. Hence, they take the loan from women associations that provide credit with zero interest rate to members (women only) who face cash shortages (Frankenberger et al., 2007; Dercon et al., 2005)

RISK COPING

The Women's Association helps the members by covering the expenses (for illness or hospitalization, funeral ceremonies, and other shocks) that is not covered by Iddir (Dercon et al., 2005).

INFORMATION

The Women's Association has been providing skills trainings and creating awareness in various community focused ceremonies and festivities in different parts of Ethiopia-Southern, Northern and Central zones of Tigray, Oromia and Amhara region (Frankenberger et al., 2007).

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The study presented some qualitative and statistical evidence using empirical literature on informal institutions in Ethiopia. Also we explore further the existing informal institutions using IFPRI-ERHS data and looked at the data from the NBDC farmer focus group discussion.

A number of the theoretical predictions were supported by our secondary data from the empirical literature, the IFPRI-ERHS data and the NBDC farmer focus group discussion. Accordingly, we obtained the possible informal institutions in rural Ethiopia such as Iddir, Mahber, Eqqub, Elder's Group, Gadaa/Cheffe Kore, Debo/Wobera/Wonfel/Oxen sharing (labor sharing) and Women's Association.

These informal institutions engaged in different economic and social activities. The major benefits these informal institutions provide include risk coping, provision of credit, common property regulation, manpower and traction force, conflict resolution and information.

RECOMMENDATIONS

The results of the study provide little evidence that participatory natural resource management is being implemented in all the existing informal institutions in Ethiopia. A paradigm shift in government views on community involvement through informal institutions would be required to give natural resource management such as water, land and environment better chances of success and wisely use. In addition, it is important for other development actors such as NGOs to encourage the informal institutions and to work with them so that the informal institutions' collective action will be efficient enough and contribute to development by generating strong social capital.

LIMITATIONS OF THE CHOSEN APPROACH

This study is based on a secondary data review only and therefore has a certain amount of limitations. Firstly, the existing data such as the IFPRI-ERHS data was not primarily conducted with aim of analyzing the informal institutions. Therefore, the information from this data set is limited and might miss out relevant for this study. And second, informal institutions are supposed to change from time to time and location dependent. And IFPRI-ERHS was done for seven rounds. But because of time and convenient purposes, we took only on one year data (2009).

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REGULATORY ISSUES IN PRACTICE OF CORPORATE GOVERNANCE IN NIGERIAN BANKING INDUSTRY

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ABSTRACT

The study has been carried out to investigate the inherent ambiguities in the provisions of the 2006 Central Bank of Nigeria (CBN) Code of Corporate Governance for the commercial banks in the country, which have made it easy to be circumvented by the commercial banks in the country. Evidently, the banking industry in Nigeria has witnessed some sharp practices bordering on breaches of corporate governance (CG) best practices, which were perpetuated despite the existence of such CBN Code on corporate governance. This leads to the distress of ten (10) out of the twenty five (25) existing commercial banks collapse of many banks in 2009. This study discovers that there are inherent loopholes in the provisions of the 2006 CBN CG Code for the banks in the country, which made the banks to subvert them with relative ease. The ineffectual regulatory framework of CG for the banks is due to some fundamental defects, which negate best practices of CG. The study therefore recommends, among others, that: the CBN Code for banks in Nigeria be revised to incorporate CG best practices such as: stiff penalty on banks against victimization of insider whistleblowers to encourage bank workers to speak up on any observed breaches against best practices of corporate governance; constant evaluation of the implementation of guidelines incorporated in the CBN Code; rigid control over the insider related lending to directors and the top management of banks; tenure of external auditors of banks be pegged at only five years without renewal option; tenure of the non-executive directors of bankers be pegged at five years of only one term; and adequate regulations on transparency and disclosure of information.

KEYWORDS

Practice of Corporate Governance; Regulatory Issues; Nigerian Banking Industry; Central Bank of Nigeria Code for Banks.

INTRODUCTION

The Nigerian banking industry is, without doubt, dominated by the commercial banks in terms of numerical strength, assets base, number of customers, and branch network which span the length and breadth of the country. The commercial banks (Jhingan, 2008) thrive on financial intermediation. On one hand, these banks source for funds through deposits from customers while on the other hand, they lend such funds out to members of the public which include corporate bodies, government at various levels, institutions, and individuals.

Therefore, monetary transactions constitute the stock in trade for the commercial banks. Effective management of the depositors' funds undoubtedly constitutes the fulcrum of their operations and business. This implies that commercial banks have the onerous responsibility of maintaining a delicate balance between lending of funds and ensuring adequate liquidity with which to meet the daily claims of the depositors. Hence, they are under operational obligations to determine appropriate avenues where deposit funds could be placed to generate reasonable returns while striving to maintain liquidity through pragmatic lending policies (Adedoyin and Sobodun, 1996).

Commercial banking by its nature is highly prone to volatility and fragility, arising from exogenous shocks in the economy, policy measures by regulatory authorities, and vagaries of economic phases, and fraudulent practices of their workers. This implies therefore, that more often than not, their operations are subjected to regulations and supervision. These guidelines embrace statutory regulations that are imposed externally by the regulatory authorities; such regulations are intended, by and large, to enhance their operational integrity which engenders public confidence in the banking industry generally. One of such guidelines is the provision of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks Post Consolidation (Olayiwola, 2010; Nworji, Adebayo, and Adeyanju, 2011).

In the same vein, the board of directors and management of the commercial banks are under obligations to formulate relevant internal policies to guide their efficient operations while ensuring effective implementation of the regulatory policies, on corporate governance and other operational guidelines, in respect of the banking operations. Hence they have strategic and mandatory role in ensuring best practices of corporate governance in the operations of the banks.

The banking industry in Nigeria witnessed some sharp practices such as pervasiveness in concealment of material issues such as high magnitude of frauds, mixing up of family and business interests, high magnitude of non-performing loans (toxic assets), and award of bogus allowances to board members, among others during the era preceding consolidation in 2004. This led to the formulation and imposition of the CBN Code of Corporate Governance for Banks in 2006 (Sadiq, Muthar, Oyebola and Abdurashheed, 2011).

Empirical evidence portrays that the consolidated banks turned around to be circumventing the corporate governance (CG) best practices guidelines, as incorporated in the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks Post Consolidation, not long after the Code was released by the apex bank. This also led to the reforms of the banking industry in Nigeria in 2009 (Sadiq, Muthar, Oyebola and Abdurashheed, 2011). Evidently, there are inherent loopholes in the provisions of such CG Code for the bank industry that need to be investigated.

OBJECTIVE OF THE STUDY

The basic objective of the study is to investigate the pitfalls that are inherent in the regulatory policies on CG, such as those incorporated in the CBN Code of Corporate Governance for Banks, which has precipitated their easy contravention by the commercial banks in Nigeria. In the process of the study, relevant policies on corporate governance for banks were examined, which formed the basis of the research. Furthermore, past research works that were considered relevant to the study were also reviewed.

METHODOLOGY OF THE STUDY

In terms of methodology of the study, content analysis of published materials has been carried out for the purpose of contextual investigation. The study made use of secondary data extracted from academic journals and other relevant publications in related areas. Such data have been used to review related literature and discuss the subject matter in relation to the objectives of the study.

CONCEPTUAL CLARIFICATION OF CORPORATE GOVERNANCE

Corporate governance is viewed as a term that refers to the rules, processes, or laws by which businesses are operated, regulated and controlled. This is in tandem with the 1992 Cadbury Report which describes CG as systems by which companies are directed and controlled. According to Sadiq, Muthar, Oyebola and Abdurashheed (2011), effective and efficient corporate governance that is put in place will assist the organization in achieving its corporate objectives easily while impacting positively on the market value of the company.

In the same vein, corporate governance (Jenson, 1993) is a system of laws, rules and factors that control operations of corporation, which in essence refers to the distribution of rights and responsibilities among different participants in the corporation such as the board of directors, managers, shareholders and other stakeholders. Relatedly, best practices of CG call for the formulation of and implementation of rules and procedures for making corporate decisions that ensure

the protection of all stakeholders. Hence corporate governance (Denis and McConnell, 2003) is aimed at reducing conflicts of interest, short-sightedness of writing costless perfect contracts and monitoring of controlling interest of the firm; the absence of which firm value is decreased.

Good corporate governance also involves the diligent way in which providers of corporate financial capital are guaranteed appropriate rewards in a legal and ethically moral way, which involves both internal and external ways of achieving this (Jensen, 1993). Firstly, it is through the structure of ownership (shareholding concentration and voting rights), and broad of directors or supervisory board in some regulatory regimes (who monitor firms and are supposed to work in the interest of shareholders). Secondly, it is through the market for corporate control (takeover threats), regulatory intervention, and product and factor markets. In order to ensure this, corporate governance codes have been formulated to serve as templates of achieving value to shareholders and stakeholders in several countries.

In general terms, corporate governance, as a concept, can be viewed from at least two perspectives. The narrow view is concerned with the structures within a corporate entity or enterprise receives its basic orientation and direction. The broad perspective is regarded as being the heart of both a market economy and a democratic society (Oyejide and Soyibo, 2001). On the other hand, the narrow view perceives corporate governance in terms of issues relating to shareholder protection, management control and the popular principal-agency problems of economic theory. Sullivan (2000), in support of the broader perspectives, uses the examples of the resultant problems of the privatization crusade to prove that issues of institutional, legal and capacity building as well as the rule of law are at the very heart of corporate governance.

Oyejide and Soyibo (2001) opine that corporate governance is the relationship of the enterprise to shareholders or, in the wider sense, as the relationship of the enterprise to the society as a whole. Nevertheless, Mayer (1999) contends that CG refers to the sum of the processes, structures and information used for directing and overseeing the management of an organization.

The Organization for Economic Corporate and Development (OECD) (1999) defines corporate governance as a system on the basis of which companies are directed and managed. Hence CG involves the mechanism through which shareholders are assured that managers will act in their best interest. In a broader approach, CG involves the methods by which suppliers of finance control managers in order to ensure that their capital cannot be expropriated and that they earn some returns on their investment.

In essence, there is general consensus that all said and done, is that the broader view of corporate governance should be adopted in the case of banking institutions because of the peculiar contractual form of banking which demands that corporate governance mechanisms for banks should encapsulate depositors as well as shareholders. Jensen (1993) in support of the consensus by positing that the special nature of banking requires not only a broader view of corporate governance, but also government intervention in order to restrain the behavior of bank management.

Macey and O'Hara (2001) further opine that the unique nature of the banking firm, whether in the developed or developing world, requires that a broad view of corporate governance, which encapsulates both shareholders and depositors, be adopted for banks. They contend that the nature of banking operations firm is such that regulation is necessary to protect depositors as well as the overall financial system.

The working definition in this paper, therefore, is that CG involves formulation and application of guidelines and regulations for supervising and regulating firms' operations to align as nearly as possible the interest of shareholders, corporations and society at large. This is necessary in order to ensure that enterprises survive and meet the expectations of the shareholders, creditors, stakeholders and the society while strengthening of investors' confidence in the economy.

PRINCIPLES OF BEST PRACTICES OF CORPORATE GOVERNANCE

The OECD Principles of Corporate Governance, published in 1999 and revised in 2004, are considered as one of the most influential guidelines, which serve as reference for countries in developing local codes or guidelines. Basically, based on these OECD principles other international organizations, private sector associations and numerous corporate entities produced corporate governance codes, under the aegis of the United Nations Intergovernmental Working Group of Experts on International Accounting and Reporting, which have become internationally agreed benchmarks in broad categories of such as; auditing; board and management structure and process; corporate responsibility and compliance in organization; financial transparency and information disclosure; and ownership structure and exercise of control rights.

Furthermore, there are principles which have been recommended in the Cadbury and OECD reports (Cadbury, 1992; OECD, 1999). These principles include the following:

- i) Rights and equitable treatment of shareholders: This provides that organizations should respect the rights of shareholders and help shareholders to exercise those rights by openly and effectively communicating information while encouraging them to participate in general meetings.
- ii) Interests of other stakeholders: This provides that organizations should recognize that they have legal, contractual, social, and market driven obligations to other stakeholders such as employees, investors, creditors, suppliers, local communities, customers, and policy makers.
- iii) Role and responsibilities of the board: This provides that the board needs adequate size and appropriate levels of independence and commitment coupled with sufficient relevant skills and understanding to appraise and challenge management performance.
- iv) Integrity and ethical behavior: This provides that integrity should be a fundamental requirement in choosing corporate officers and board members while appropriate code of conduct should be developed for their directors and executives that promotes ethical and responsible decision making.
- v) Disclosure and transparency: This provides that organizations should clarify and make publicly known on the roles and responsibilities of board and management with which to provide stakeholders with a level of accountability.
- vi) In addition, organizations should also implement procedures to independently verify and safeguard the integrity of the company's financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, factual information.

There are other relevant CG principles which have been recommended by some writers that are worthy of exposition. Such other corporate governance principles are identified and discussed below.

The corporate governance mechanisms and controls are essentially designed to reduce the inefficiencies that arise from moral hazards and adverse selection as inherent in banking operations particularly bank lending. There are both internal monitoring systems and external monitoring systems (Goergen, 2012).

Furthermore, the various board mechanisms provide for internal monitoring. External monitoring of managers' behaviour, occurs when an independent third party such as the external auditor attests the accuracy of information provided by management to investors. Stock analysts and debt holders may also conduct such external monitoring. An ideal monitoring and control system should regulate both motivation and ability, while providing incentive alignment (Douma & Schreuder, 2013).

1) INTERNAL CORPORATE GOVERNANCE CONTROLS

Internal corporate governance controls are usually established to monitor activities and then institute corrective measures to accomplish organisational goals. Such internal control measures (Bhagat & Black, 2010) include the following:

A) MONITORING BY THE BOARD OF DIRECTORS

The board of directors, with its legal authority to hire, fire and compensate top management, safeguards invested capital. Regular board meetings allow potential problems to be identified, discussed and avoided. Whilst non-executive directors are thought to be more independent, they may not always result in more effective corporate governance and may not increase performance. Different board structures are optimal for different firms. Nevertheless, the ability of the board to monitor the firm's executives is a function of its access to information, which must be supplied by the executive directors.

B) INTERNAL CONTROL PROCEDURES AND INTERNAL AUDITORS

Internal control procedures are policies implemented by an entity's board of directors, audit committee, management, and other personnel to provide reasonable assurance of the entity achieving its objectives related to reliable financial reporting, operating efficiency, and compliance with laws and regulations. Internal auditors are personnel within the organization who test the design and implementation of the entity's internal control procedures and the reliability of its financial reporting.

C) BALANCE OF POWER

The simplest balance of power requires that the chief executive officer be a different person from the financial controller or treasurer as the case in banks. This involves the separation of power as being practiced in most companies where separate divisions check and balance each other's actions. One group may propose company-wide administrative changes, another group review and can veto the changes, and a third group check that the interests of the stakeholders (such as customers, shareholders, employees) outside the three groups, are being met.

D) REMUNERATION

Performance-based remuneration is designed to relate some proportion of salary to individual performance. It may be in the form of cash or non-cash payments such as shares and share options, superannuation or other benefits. Such incentive schemes, however, are reactive in the sense that they provide no mechanism for preventing mistakes or opportunistic behavior, and can elicit myopic behavior.

E) MONITORING BY LARGE STAKEHOLDERS

Given their large investment in the firm, these stakeholders have the incentives, combined with the right degree of control and power, to monitor the management. For instance, in publicly quoted corporations in the US, boards of directors are largely *chosen* by the CEO and the CEO often takes the Chair of the Board position, which makes it much more difficult for the institutional owners to remove in event of sharp practices.

2) EXTERNAL CORPORATE GOVERNANCE CONTROLS

External corporate governance controls encompass the controls that external stakeholders exercise over the organization in areas such as: competition; debt covenants; demand for and assessment of performance information (especially financial statements); government regulations; managerial labour market; media pressure; and pressure groups in the society.

3) FINANCIAL REPORTING AND INDEPENDENT AUDITOR

The board of directors has primary responsibility for the corporation's external financial reporting functions. The chief executive officer and chief financial officer are crucial participants and boards usually have a high degree of reliance on them for the integrity and supply of accounting information. They oversee the internal accounting systems, and are dependent on the corporation's accountants and internal auditors.

Current accounting rules under International Accounting Standards allow managers some choice in determining the methods of measurement and criteria for recognition of various financial reporting elements. The potential exercise of this choice is to improve apparent performance. Financial reporting fraud, including non-disclosure and deliberate falsification of values also contributes to users' information risk. To reduce this risk and to enhance the perceived integrity of financial reports, corporation financial reports must be audited by an independent external auditor who issues a report that accompanies the financial statements.

THEORETICAL FRAMEWORK OF CORPORATE GOVERNANCE

The theory considered relevant for this study is the **Agency Theory or Simple Finance Model**, which holds that the central issue in corporate governance is to construct rules and incentives by the firm to effectively align the behaviour of managers (agents) with the desires of principals as owners, particularly in countries where firms are known for using unitary boards (Hawley & Williams, 1996). Institutional ownership of firms implies is that the investment managers are fiduciary agents of the beneficial owners, which compounds agency costs of monitoring management, bonding the managers to the shareholders, and residual losses. A basic assumption of the theory is that managers will act opportunistically to further their own interests before shareholders. Hence, the theory holds that the value of a firm cannot be maximised because managers possess discretions which allow them to appropriate value to themselves due to the fact that most future contingencies are too hard to describe and foresee, which makes complete contracts between managers and shareholders to be technically infeasible. Therefore, managers obtain the right to make decisions that are not defined or anticipated in the implied contract, which thus underscores the basic issue of how publicly traded firms with such incomplete contracts with their managers can be effective in representing the interest of the owners.

EMPIRICAL REVIEW

In a study on the practice and standard of corporate governance in the Nigerian Bank Industry, Olayiwola (2010) used baselining evaluation methodology, and survey of relevant banking sector regulatory agencies to investigate the standard of CG in the banking sector in the country's economy. The study reveals that: compliance appears to be weak or nonexistent; enforcement of CG regulations appears to be weak or nonexistent; the apex bank in Nigeria (CBN) has failed woefully to perform its oversight role; and the banking supervision department of CBN has compromised their roles. Above all, as the study revealed, banks in Nigeria negated the basic hallmarks of banking such as high degree of professionalism, transparency, and accountability.

In another study, Sadiq, Muthar, Oyebola, and Abdurashheed (2011) investigates the agency problem that surfaced in the Nigerian banking sector following the recapitalization exercise that took place in the industry, the breakdown in the corporate governance code, the various ways the regulatory authorities came out to curb the problem and also the measures that are being put in place to forestall a recurrence using secondary data. The study reveals that some factors that are responsible for failure of CG in the banking industry: include inadequate disclosure and transparency about financial position of the banks; the banks engaged in unethical and potentially fraudulent business practices; the boards did not carry out their responsibilities of monitoring and checking of management of the banks; overbearing influence of managing directors over the boards; manipulation of bank share prices; and conversion of non-performing loans to commercial papers and bankers acceptances and setting up of off balance sheet special purpose vehicles to hide bank losses.

Nworgi, Adebayo and Adeyanju (2011) investigate issues, challenges and opportunities associated with corporate governance and bank failure in Nigeria in relation to the relationship between corporate governance and bank failure based on a survey of some bank staff of eleven randomly selected commercial banks. The study which makes use of Pearson product coefficient of correlation to determine the relationship between breaches of corporate governance and bank failure reveals that CG breaches that were responsible for bank failure in Nigeria include: ownership of banks by family members; overexpansion of banks; and corruption of bank officials. There are other factors, as revealed by the study, which were responsible for bank failure in the country such as: inadequate risk management; non-compliance of prudential guidelines; and absence of qualified, experienced and skilled professionals in the operations of the commercial banks.

FINDINGS AND DISCUSSION

The discussion and analysis herein incorporate the exposition on the findings of the study in respect of lapses in practices of CG in Nigeria banking industry, the CBN Code of Corporate Governance for consolidated banks in the country, and the loopholes inherent in the provisions of this CBN code, which make it susceptible for easy breach and circumvention by the banks.

LAPSES IN PRACTICE OF CORPORATE GOVERNANCE IN NIGERIAN BANKS POST CONSOLIDATION

The study revealed that the 2006 consolidation exercise in the Nigerian bank industry, which required mergers and acquisition arising out of the mandatory N25 billion capital base for commercial banks, effectively reduced over 100 commercial banks in existence, before the exercise, to only 25 consolidated banks in the economy (see Table I below). However, as the study revealed, the breaches in CG practices which led to the consolidation exercise still became endemic even after the introduction of the CBN Code on CG for the banks in 2006. Hence this precipitated the recent reforms in the industry. Such CG breaches, as revealed by the study, include the following.

I) INCREASED LEVEL OF RISKS

There was the absence of a robust risk management system in place in most commercial banks as considered with the huge available quantum of funds from the new capital base of N25 billion from paltry N2 billion. This is besides significantly increased lending limits which precipitated financing more long-term mega projects in the real sectors of the economy compared to the hitherto working capital and trade financing. The tremendous increased level of operations made the commercial banks to become very vulnerable to various kinds of risks invariably manifested themselves in their operations after the consolidation.

II) INEFFECTIVE INTEGRATION OF BANKING ENTITIES

The integration process was cumbersome for some commercial banks to the extent that merged banks continued to operate independently rather than as a single entity, years after consolidation. For example, the COE, management team and staff of a commercial bank which operated mainly as investment bank continued to manage their own arm of the combined business in variance with the behavior of the personnel of purely commercial banks that constituted the other units of the new entity.

TABLE 1: LIST OF COMMERCIAL BANKS AFTER CONSOLIDATION (AS AT JANUARY 1ST 2006) IN NIGERIA

S/n	Name of Bank	S/n	Name of Bank
1.	Access Bank	14.	Oceanic Bank
2.	Afribank	15.	Platinum Bank
3.	Diamond Bank	16.	Skye Bank
4.	EcoBank	17.	Spring Bank
5.	Equitorial Trust Bank	18.	Stanbic Bank
6.	First City Monument Bank	19.	Standard Chartered Bank
7.	Fidelity Bank	20.	United Bank of Africa
8.	First Bank Plc	21.	Sterling Bank
9.	First Inland Bank	22.	Union Bank
10.	Guaranty Trust Bank	23.	Unity Bank
11.	IBTC-Chartered Bank	24.	Wema Bank
12.	Intercontinental Bank	25.	Zenith Bank Plc.
13.	Nigeria International Bank		

Source: Nairaland Forum (2013). The 25 Consolidated Commercial Banks in Nigeria (<http://www.nairaland.com/5117/25-consolidated-banks-nigeria>).

III) POOR RELATIONSHIP BETWEEN MANAGEMENT AND STAFF

The poor relationship between the management and the staff of consolidated harmonized banks arose from knowledge gaps, restructuring of roles and remuneration. These squabbles resulted in unhealthy relationships and indeed, competition among personnel from different and diverse backgrounds and orientation, which was counter-productive for the new banking entities.

IV) POOR RELATIONSHIPS AMONG DIRECTORS

There was unhealthy rivalry among the directors from different banks that were consolidated. The poor relationships among many directors arose from different business cultures and high ownership differentiation (some were of family ownership while others were of high breed ownership), which resulted in unbridled rivalry for the control of the new banking entities; with obvious attendant problems for their operations and survival.

V) MANAGEMENT AND BOARD SUPERVISORY PROBLEMS

There arose, from consolidation, some management and board supervisory problems as a result of incompetent technical and requisite managerial skills, which were needed to effectively redefine, re-strategize, restructure, expand and refocus the operational direction of the enlarged banking entities. Given such unhealthy scenario, it became difficult for the new banking entities to chart defined corporate identities, competitive leverage, branch consolidation, expansion, and product development.

VI) POOR INTEGRATION AND DEVELOPMENT OF INFORMATION TECHNOLOGY SYSTEMS, ACCOUNTING AND RECORDS SYSTEMS

Different banks that were consolidated together hitherto maintained distinct banking applications, database platforms, operating systems, human resource applications, hard-ware, and server configuration. Furthermore, they were having different network and telecommunication infrastructure, accounting systems and records as well as distinct personnel orientation on their operational modalities. The consolidation meant that such operational sub-systems were to be fused together but it could not be done seamlessly due to the obvious distinctions coupled with primordial interests to be protected by different directors. Hence diversity in operational sub-systems that would have constituted strength for enhance efficiency and quality service became impediments in the wheel of progress for the new banking entities.

VII) RESURGENCE OF HIGH LEVEL MALPRACTICES

The foregoing problems militated against the operational efficiency of the consolidated banks to the extent that they could not generate appropriate level of income. And in order to boost their income as result of increased competition and absence of viable projects, sharp malpractices by management teams and boards of the new banking entities resurfaced. Such malpractices were manifested in round-tripping in foreign exchange transactions, excessive customer charges, falsification of records, and adoption of unethical methods of poaching customers.

VIII) Pervasiveness of Insider Related Lending

There was pervasiveness of family and related party affiliations even after the consolidation exercise in the banking industry. Relatedly, the consolidation could not guarantee transparency through diversification in bank ownership as was envisaged, which invariably resulted in huge levels of insider-abuses and connected lending to members of management and their directors.

IX) FALSIFICATION OF OPERATIONAL RETURNS

There was also the pervasiveness in rendition of operational returns to the regulatory authorities (Central Bank of Nigeria and Securities and Exchange Commission) by the consolidated banks coupled with concealment of vital information from the Examiners. The detrimental practices were used to prevent timely detection of the unhealthy situations in the consolidated banks arising from lack of transparency and pressure to boost income.

X) CONCEALMENT OF MATERIAL OPERATIONAL ISSUES

There was pervasiveness in concealment of material issues such high magnitude of frauds, mixing up of family and business interests, high magnitude of non-performing loans (toxic assets), and award of bogus allowances to board members, among others, by the consolidated banks. Incidentally, these were among the detrimental practices that were found to be inherent in the operations of the commercial banks during the pre-consolidated era. All these unwholesome banking practices coupled with poor risk management strategies, ineffective board audit committees, and inadequate operational and financial controls combined to ruin the fortunes of the consolidated banks.

THE 2006 CBN REGULATORY CODE ON CORPORATE GOVERNANCE IN NIGERIA BANKING INDUSTRY

The regulatory policies that govern the practice of corporate governance in the Nigerian banking industry, as discovered by the study and discussed herein are essentially those regulatory guidelines as incorporated in the CBN Code of Corporate Governance of 2006, for the banks in the country. The review of the CBN Code is structured out in some distinct perspectives as identified and presented below.

I) OWNERSHIP STRUCTURE AND RIGHTS AND EXERCISE OF CONTROL RIGHTS

The CBN Code restricts government direct and indirect equity holding in any bank to only 10% by end of 2007 and in the same vein, the Code also provides that an equity holding of above 10% by any investment is subject to CBN's prior approval. According to the CBN Code, these restrictions are designed to encourage a private-sector led economy, whereby equity holdings by individual private investors and corporate bodies in ownership of banks should be more than that of government's equity interest. The restrictions are also stipulated by the CBN Code on the understanding that individuals who form part of management of banks in which they also have equity ownership would have a compelling business interest to run them well.

II) EXECUTIVE DUALITY AND BOARD STRUCTURE

The CBN Code stipulates that no one person should combine the post of Chairman and Chief Executive Officer (CEO) of any bank. And the responsibilities of Board Chairman must be clearly separated from those of the CEO such that no one individual or related party has unfettered powers of decision making by occupying the two positions at the same time. Relatedly, no two members of the same nuclear/extended family should occupy the position of the Chairman and that of CEO or Executive Director of a bank at the same time.

According to the CBN Code, banks should be headed by an effective Board composed of qualified individuals that are conversant with its oversight functions. Only people of proven integrity and who are knowledgeable in business and financial matters, as provided by the Code, should be on the Board of any bank. And regular training and education of board members on issues pertaining to their oversight functions is to be institutionalized and budgeted for annually by banks. The CBN code prescribes that non-executive directors' remuneration should be limited to sitting allowances, directors' fees and reimbursable travel and hotel expenses. And that in order to ensure both continuity and injection of fresh ideas, non-executive directors should not remain on the board of a bank continuously for more than 3 terms of 4 years each, making a maximum number of 12 years.

The board of a bank, according to the CBN Code, should have a minimum of three committees such as Risk Management Committee, Audit Committee, and Credit Committee. And that Board Chairman should not serve simultaneously as chairman/member of any of the board committees in tandem with the concept of independence and sound corporate governance practice, and should be discontinued.

III) INTEGRITY AND ETHICAL BEHAVIOR

The CBN Code stipulated that there should be due process in all the procedures of banks. And all insider credit applications pertaining to directors and top management staff (AGM and above) and parties related to them, irrespective of size, should be sent for consideration and approval to the Board Credit Committee. The Board Credit Committee, according to the CBN Code, should have neither the Chairman of the Board nor the CEO/MD as its chairman. And that any director whose facility or that of his/her related interests remain non-performing for more than one year should cease to be the board of the bank and could be blacklisted from sitting on the board of any other bank. The Board Credit Committee should be composed of members knowledgeable in credit analysis.

The CBN Code stipulated that practice of Anticipatory Approvals by Board Committees should be limited strictly to emergency cases only and ratified within one month at the next committee meeting. And the bank's Chief Compliance Officer should, in addition to monitoring compliance with money laundering requirements, monitor the implementation of the Code. According to the CBN Code, banks should also establish 'whistle blowing' procedures that encourage (including by assurance of confidentiality) all stakeholders (staff, customers, suppliers, applicants, etc.) to report any unethical activity/ breach of the Code using, among others, a special email or hotline to both the bank and the CBN.

IV) FINANCIAL TRANSPARENCY AND DUE PROCESS AND INFORMATION DISCLOSURE

According to the CBN, where board directors and companies/entities /persons related to them are engaged as service providers or suppliers to the bank, full disclosure of such interests should to the CBN. And that Chief Executive Officers and Chief Finance Officers (CFO) of banks should continue to certify in each statutory return submitted to the CBN that they (the signing officers) have reviewed the report. CEOs and CFOs should, based on their knowledge, as stipulated by the CBN Code, ensure that the report does not contain any untrue statement of a material fact, and the financial statement and other financial information in the report, fairly represent, in all of operation of the bank as of, and for the periods presented in the report.

In terms of penalty as prescribed by the CBN Code, false rendition to CBN shall attract very stiff sanction of fine plus suspension of the CEO for six months in the first instance and removal and blacklisting in the second. In addition, the erring staff would be referred to the relevant professional body for disciplinary action there should be due process in all the procedures of banks. Internal control system, according to the CBN Code, should be documented and designed to achieve efficiency and effectiveness of operations; reliability of financial reporting, compliance with applicable laws and regulations at all levels of the bank.

V) QUALITY OF MANAGEMENT

Appointments to the top management positions, according to the CBN Code, should be based on merit rather than some other considerations. And that track record of appointees should be an additional eligibility requirement; such records should cover both integrity (fit and proper) and past performance based on visible achievements in previous places of work. The CBN Code stipulates that management officials should be held accountable for duties and responsibilities attached to their respective offices. And that the structure of any bank should reflect clearly defined and acceptable lines of responsibility and hierarchy.

VI) RISK MANAGEMENT FRAMEWORK

The Board and Board Risk Management Committee a bank, according to the Code, should establish policies on risk oversight and management. And that bank should put in place a risk management framework including a risk management unit that should be headed by a Senior Executive, in line with the directive of the Board Risk Management Committee.

VII) ROLE OF INTERNAL AND EXTERNAL AUDITORS

According to the Code, internal auditors should be largely independent, highly competent and people of integrity. And that the head of Internal Audit should not be below the rank of AGM and should be a member of a relevant professional body. The Internal Auditor should report directly to the Board Audit Committee but forward a copy of the report to the MD/CEO of the bank. And that quarterly report of audit must be made to the Audit Committee, and made available to examiners on field visits.

Members of the Board Audit Committee, according to the Code, should be non-executive directors and ordinary shareholders appointed at AGM and some of them should be knowledgeable in internal control processes. And that one of such appointed ordinary shareholders should serve as the Chairman of the Audit Committee. The Audit Committee, as provided by the Code, will be responsible for the review of the integrity of the bank's financial reporting and oversee the independence and objectivity of the external auditors. And that the Audit Committee should have access to the external auditors to seek for explanations and additional information without management presence.

External auditors, as stipulated by the Code, should render reports to the CBN on business' risk management practices, internal controls and level of compliance with regulatory directives. External Auditors, whose appointment is to be approved by the CBN, are to maintain arms-length relationship with the banks which they audit. And their tenure, as stipulated by the Code, shall be for a maximum period of ten years after which the audit firm will not be reappointed in the bank after a period of another ten years. And that a bank's external auditors should not provide a bank, which they audit, services such as: bookkeeping or other services related to the financial records or statements of the bank; appraisal or valuation services, fairness opinion or contribution-in-kind reports; actuarial services; internal audit outsourcing services; and management.

VIII) CORPORATE RESPONSIBILITY AND COMPLIANCE IN ORGANIZATION

Compliance in terms of quality assurance auditing should be engaged whenever the CBN suspects a cover-up by auditors, and where proved, erring firms should be blacklisted from being auditors of banks and other financial institutions for a length of time to be determined by the CBN. Another area of compliance required of banks is ensuring that an audit firm would not provide audit services to a bank if one of bank's top officials (Directors, Chief Finance Officers, and Chief Accounting Officer) was employed by the firm and worked on the bank's audit during the previous year.

IX) BOARD PERFORMANCE APPRAISAL

The CBN Code stipulates that the board of a bank should identify and adopt, in the light of the company's future strategy, its critical success factors or key strategic objectives, and it should work effectively as a team towards those objectives. Furthermore, the Code requires that there should be annual Board and Directors' review/appraisal covering all aspects of the Board's structure and composition, responsibilities, processes and relationships, as well as individual members' competencies and respective roles in the Board's performance. The review should be carried out by an outside consultant while the review report be presented at the AGM and a copy be sent to the CBN.

LOOPHOLES IN 2006 CBN REGULATORY CODE ON CORPORATE GOVERNANCE FOR BANKS IN NIGERIA

The assessment of the provisions of the 2006 CBN Code of corporate governance for the banking industry in Nigeria revealed some inherent loopholes which make it susceptible to being circumvented by the consolidated banks. Such loopholes which characterized the provisions of the CBN Code, as discovered from the study, are identified and analyzed below.

1. INEFFECTUAL REGULATORY FRAMEWORK

The recent crisis in the Nigerian banking industry, which led to the distress of 10 commercial banks in 2009 (see Table 2 below), is precipitated by poor practices of corporate governance by their boards and top management officials. This arose from poor regulatory framework. Hence the industry has been plagued by weak regulatory framework due to the fact that the provisions of the CBN Code on corporate governance for banks were not strong and far-reaching enough to deter unethical practices and other forms of breaches in the operations of the commercial banks. The banking operations in the country were found to be characterised by poor corporate governance and recklessness on the part of the bank officials.

TABLE 2: NIGERIAN COMMERCIAL BANKS THAT BENEFITTED FROM CBN INTERVENTION FUND IN 2009

S/n	Name of Bank
1.	Intercontinental Bank Plc
2.	Oceanic Bank International Plc
3.	Union Bank of Nigeria Plc
4.	Afribank Plc.
5.	Finbank Plc
6.	Bank PHB
7.	Spring Bank Plc
8.	Equitorial Trust Bank
9.	Wema Bank Plc
10.	Unity Bank Plc

Source: Agbana, G. (2009, October 22). Shareholders oppose nationalization of rescued banks, The Punch newspaper, Lagos, Nigeria, p. 2.

2. LACK OF PROTECTION FOR INSIDER WHISTLE BLOWERS

The CBN code does not provide any form of protection for the insider whistle blowers against victimization in terms of assured tenure of their jobs, positions, and remuneration. The Code merely provides that banks should establish whistle blowing procedures that encourage all stakeholders to report any unethical activity or breach of the Code by the banks. For instance, an insider whistle blower (Executive Director, Finance and Risk) of ECObank Transnational Incorporated (ETI), who reported a CG breach bordering on debts been owned by the bank's chairman to be written off and manipulation of 2012 financial results, among others, was suspended by the bank (Ejembi, 2012). The staff was being victimized without prompt intervention by the CBN to save her job and status in the bank. At best, such staff of the bank would resort to court to press for her job and damages; a bitter lesson for her and deterrence for other prospective insider whistle blowers of banks in the country.

3. UNCONTROLLED INSIDER RELATED LENDING

The CBN Code of Corporate Governance for banks in this area is ineffective. Evidence abounds to indicate that reckless and uncontrolled insider related lending is still rampant in most banks in the country. This is corroborated by the findings of Olayiwola (2010) on defunct Intercontinental and Oceanic banks, in relation to his study on practice standard of corporate governance in the Nigerian banking industry. Relatedly, it also corroborate with a report on insider lending involving the Chairman of ECO Bank Translation Incorporated Nigeria whose non-performing debts was being written off instead of being compelling to repay it (Ejembi, 2013). Furthermore, this is one of the reasons adduced by the CBN for the recent reforms introduced in the country's banking industry which reduced the number of commercial banks from 25 consolidated ones to only 15 banks, while some other ones were acquired by the apex and renamed accordingly. There are three other commercial banks that were adjudged to be technically depressed and therefore, acquired by CBN. See Table 3 below.

4. LACK OF QUALIFICATION FOR MEMBERS OF BOARD CREDIT COMMITTEE

The CBN Code of Corporate Governance for banks merely provides that the Board Credit Committee should be composed of members knowledgeable in credit analysis. This is subject to abuses because the stipulations should have clearly defined the type of professionals such as Accountants and Financial experts that would have been very useful in analyzing credit requests in relation to the bank lending. The absence of such professionals in banks' clearly gives rise to poor and shoddy analysis of credit request from bank customers, which creates problems of adverse selection and borrower moral hazards (Chodechai, 2004) that leads to non-performing loans or the so-called toxic assets in the banks' books as corroborated by Olayiwola (2010).

TABLE 3: LIST OF COMMERCIAL BANKS AFTER 2009 REFORMS IN NIGERIA

S/n	Name of Bank	S/n	Name of Bank
1.	Access Bank – (acquired Intercontinental Bank)	16.	Enterprise Bank Limited* (formally Spring Bank)
2.	Diamond Bank	17.	Keystone Bank* (formally Bank PHB)
3.	ECO bank Nigeria – (acquired Oceanic Bank)	18.	Mainstreet Bank Limited* (formally Afribank)
4.	Fidelity Bank	19.	Standard Chartered Bank**
5.	First Bank Plc	20.	Citi Bank**
6.	First City Monument Bank – (acquired Fin Bank)	21.	Jaiz Bank (Islamic bank)***
7.	Guarantee Trust Bank	22.	Heritage Bank***
8.	IBTC-Chartered Bank		
9.	Standard Chartered Bank		
10.	Sterling Bank – (acquired Equatorial Trust Bank)		
11.	Union Bank		
12.	United Bank of Africa		
13.	Unity Bank		
14.	Wema Bank		
15.	Zenith Bank Plc		

Source: Wikipedia (2013). List of Commercial Banks in Nigeria (http://en.wikipedia.org/wiki/List_of_banks_in_Nigeria).

*Acquired by CBN after the Reforms in 2009; **Foreign banks in Nigeria; *** Banks established in 2013.

5. LACK OF CHECKS ON BANKS' INSIDER LENDING

The provision of the CBN Code of Corporate Governance for banks is not enough to deter or serve as effective check on reckless lending to directors and management staff by the commercial banks. The recent case of the Chairman of the ECOBank Transnational Incorporated whose non-performing debts was to be written off as blown open by the Executive Director, Finance and Risk (Ejembi, 2013) provided an abundant evidence that the reckless insider lending is still rife in the country's banking industry. And instead for the chairman of the bank to resign over the non-performing debts, as required by the CBN Code, the Director who reported the case to SEC has been suspended by the bank.

The stipulation of the CBN Code merely directs that all insider credit applications by directors and management staff and parties related to them should be sent for consideration and approval of the Board Credit Committee. This stipulation is devoid of needed directive that such credit applications be sent to the CBN for consideration and approval. And what about when such insider credits are not performing? The appropriate action to be taken by the banks such as reporting to the CBN is not required. This is the more reason insider credits to directors and top management staff of the banks are still being abused.

6. LONG RETAINERSHIP OF EXTERNAL AUDITORS

The tenure of 10 years for the external auditors of a bank is unnecessary long; a period within which the audit firm has the opportunity to connive with the bank to manipulate its financial records due to the fact that such can be compensated for in both cash and kind by the bank. This practice of long standing relationship between the banks and external auditors has led to unethical practices in the banking industry.

Bank shareholders alleged that the external auditors are part of the unethical practices of commercial banks in country (Agbana, 2009); this is because such external auditors never alerted the regulatory authorities that the banks which they audited were technically distressed and therefore, were almost collapsing as at the time they audited them prior to their being pronounced distressed through the audit test carried out by the CBN. The distressed commercial banks that benefitted from the intervention of N626billion as injected into their equity capital by the CBN in 2009 are presented on Table 2 above.

7. LONG TENURE FOR NON-EXECUTIVE DIRECTORS

The tenure for the banks' non-executive directors of 12 years as stipulated by the CBN Code of corporate governance is unnecessary long; a period of time that would make such directors to become so close to the management team to the extent that can easily connive to defraud the banks. This position is corroborated

by a cross section of the shareholders of the 8 banks that failed the rounds of stress tests by the CBN in 2009; as they succinctly observed that the apex bank failed to define the tenure of the managing directors and board members of such banks (Agbana, 2009).

8. REMUNERATION OF BANK DIRECTORS NOT FIXED

Another area of weakness of the CBN Code of corporate governance for banks is the fact that the remuneration of the board directors and bonus for the top management such as the CEO and their deputies were not explicitly determined. This unnecessary oversight on the part of the apex bank gives room for fraud sine these bank directors utilized such loophole to award fabulous amount of allowances, salaries and bonuses to themselves; instead of working for the fortunes of the banks they were busy enriching themselves, which contributed significantly to ruin the operations of such banks and ultimate failure.

9. UNDEFINED QUALIFICATIONS AND EXPERIENCE FOR BOARD MEMBERS

Another area of weakness of the CBN Code of corporate governance for banks is the fact that the requisite qualifications and length of experience for the board membership or directorship of commercial banks were not explicitly determined. The Code merely makes allusion to the fact that effective boards of banks should be composed of qualified individuals that are conversant with the necessary functions, and that only people of proven integrity and who are knowledgeable in business and their financial matters should be on the boards of the banks.

10. ABSENCE OF PUNITIVE SANCTIONS ON BANKS' MANAGEMENT AND DIRECTORS

The CBN Code of corporate governance does not provide necessary punitive measures for sanctioning the banks' management and directors in the event of committing unethical and sharp practices that can ruin the fortunes of the banks. This position is corroborated by a cross section of the shareholders of the 8 banks that failed the rounds of stress tests by the CBN in 2009; as they succinctly observed that the apex bank failed to impose adequate sanctions on the executive directors and their board members for committing frauds, which led to the downturn on the fortunes of such banks (Agbana, 2009).

11. LACK OF REQUIREMENTS FOR CHECKS AND BALANCES ON RISK MANAGEMENT POLICIES

The CBN Code of corporate governance does not provide necessary guidelines for the management of risks in the operations of the banks. The Code merely provides for the establishment of a risk management committee for risk oversight and management as well as a risk management unit to be headed by a senior executive but never required the banks to submit their risk management strategies to the apex bank for scrutiny and approval for their implementation. This gives rise to the possibility of shoddy management of risks in the operations of the banks.

Furthermore, there is no provision, in the code, for regular visitation by the apex bank to check and vet the internal control policies of the banks. Therefore, the perceived weakness in the banks' internal control systems ultimately resulted in weak performance and invariably collapse of some of the banks. This is evident, as corroborated by findings of Olayiwola (2010), in huge amount of non-performing loans which amounted to billions of naira in the balance sheet of most of the banks.

12. INADEQUATE REQUIREMENTS FOR TRANSPARENCY AND DISCLOSURE OF INFORMATION

Another serious oversight in the provisions of the CBN Code of corporate governance for the banks is lack of stringent measures, and punitive sanctions in case of breaches, for the management teams and boards of the banks. Insider sources in most banks alleged that three sets of financial reports are usually prepared for the banks; one set for the board, another one set for the regulatory authorities, publication and tax purposes, while the third one is for the use of the management team. This involves multiple financial reports being prepared and approved by both internal and external auditors of most of the banks.

This corroborates the findings of Olayiwola (2010) that nearly all commercial banks in the country engage in rendition of false returns to the regulatory authorities and concealment of information from examiners to prevent timely detection of unhealthy situations in the banks. The implication is that the Shareholders are being fed with false information, which they can use to judge the true performance of the banks. Therefore, the interest of majority of the shareholders, except those in the boards of the banks, is not being protected by the top management and boards of the banks. This in tandem with empirical evidence on agency problems in the banking industry (Sadiq, Muthar, Oyebola and Abdulrasheed, 2011).

CONCLUSION

The operations of commercial banks are highly prone to exogenous shocks in the economy and the fraudulent practices of their workers, which necessitate the need for corporate governance (CG) in terms of transparent practices by their top management and boards of directors for ensuring survival of the banks and the protection of all stakeholders. The Nigerian banking industry has witnessed some unethical practices, which border on blatant breaches of the best practices of (CG) over the years thus leading to the collapse of some banks. This has been the bane of the industry despite the existence of regulatory policy measures as formulated by the apex bank (CBN) in the country to guide the operations of the banks in ensuring best practices of CG in their operations. This study has discovered that there are inherent loopholes in the provisions of such CG Code for the banks in the country, which made the banks to subvert them with relative ease. The ineffectual regulatory framework of CG for the banks is due to its defects in areas such: lack of protection for insider whistle blowers; uncontrolled insider related lending; lack of qualification for members of board credit committee; lack of checks on banks' insider lending; long retainership of external auditors; long tenure for non-executive directors; undefined qualifications and experience for board members; absence of punitive sanctions on banks' management and directors; lack of requirements for checks and balances on risk management policies; and inadequate requirements for transparency and disclosure of information, among others.

RECOMMENDATIONS

Based on the findings of the study the following recommendations are proffered for strengthening the practices of corporate governance in the Nigerian Banking industry:

1. The CBN Code for banks in Nigeria should be revised to incorporate CG best practices, as identified in this work, towards removing the salient shortcomings inherent in the Code.
2. There should be stiff penalty on banks against victimization of insider whistleblowers to encourage bank workers to speak up on any observed breaches against best practices of corporate governance;
3. There should be constant evaluation of the implementation of the guidelines as incorporated in the CBN Code of Corporate governance for banks in the country;
4. There should be rigid control over the insider related lending to directors and the top management of banks to guide against toxic assets in the balance sheet of banks in the country;
5. The commercial and other banks in the country should be mandated to have only chartered accountants and financial experts as members for the board credit committees of banks;
6. The tenure or retainership of the external auditors of banks be pegged at only 5 years without renewal option in order to forestall collusion between them and members of the banks' top management and their boards;
7. The tenure of the non-executive directors of bankers should be pegged at five (5) years of only one term in order to forestall treating banks' business as family entities;
8. There should be adequate regulations or requirements for transparency and disclosure of information, which should be enforced by the regulatory authorities;
9. Banks in the country should be compelled to institute an integrated, corporate-wide risk management system such as the Enterprise Risk Management (ERM) framework in their operations.
10. Relatedly, banks should be required to be submitting their risk management strategies to the apex bank for scrutiny and approval before their implementation. This requirement can be used to forestall the possibility of shoddy management of risks in the operations of the banks.

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STUDY ON FOOD FRANCHISE IN INDIA: WITH SPECIAL REFERENCE TO BANGALORE**LAKSHMI PRIYA. S****LECTURER****FACULTY OF COMMERCE & MANAGEMENT
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JINDAL NAGAR****ABSTRACT**

International business is one of the sources of business opportunities for both domestic as well as to the foreign entrepreneurs. The introduction of globalisation in the earlier 90's has become boon for the conduct of trade and also surged the flexibility of commerce. THE GLOBALISATION of market with the globalisation of product reduced the trade and investment barriers. Also the philosophy of integrated Global market assists entrepreneurs to tap into the international business market. Managing and positioning of innovative business in different countries among different economic systems, diverse levels of economic developments, un-uniformed political system, opposite cultures and wide range of consumer became easy, with this the many forms of entering into the international business also came to limelight, they are: Licensing, franchising, acquisition & merger, turnkey projects, joint ventures, Exporting, Importing, MNCs.... etc. Franchising is one amongst international business tool. It's the well famous means of undertaking business internationally. The business of franchising is relatively a new concept to India though it's an old concept to foreign countries. Franchising is still an emerging cult in India.

KEYWORDS

Franchising; Food and beverages; comparison with other franchising business, Pros to entrepreneurs, Problems faced by fast food franchising business.

INTRODUCTION

Franchise business model was introduced in 1921 by A&W Root Beer, who franchised syrup for the first time. As fast foods arrived in restaurants and gained the maximum profits in the USA, it gave birth to the idea of Food and beverages franchising. Today fast food and beverages business has become progressively an international motion. We can find many food franchised stores in world-wide. There are enormous franchise business opportunities available in India. Fast food franchise will always have a good business; Fast food culture in India has predominantly developed over the years. Be it a pizza, burgers, chicken or coffee is always liked by every one. The fast food industry of India is one of the eternally-raising businesses. In India, even though there are thousands of fast food stores around, but they never seem to be adequate and thus there is always a lot of scope for expansion. The various education machinists and service providers for instance play schools, development & training intuitions, professional coaching institutions etc, started franchising their business by understanding its advantages.

Franchising is the contract between franchisor and franchisee who agrees either to buy or sell the business symbol, brand name, successes to set up same business in same country or at different countries. Franchisor is one who gives permission to others, to establish his business branch without any changes. He is also called as master franchisor. Franchisee is the person who buys business of franchising from franchisor.

LIMITATIONS OF STUDY

Franchising is a gigantic business model. Franchising is made approximately on one hundred and thirty (130) fields like automobiles, education, hospitals, cosmetics, parlours, home services, security, tax, training, mailing & shipping, sports, electronics goods, consumer- products, restaurants, fashion, retailing, DVD & video, coffee etc. But our study is confined to fast food franchising and sample size is limited to some food and beverages industries merely to Bangalore.

OBJECTIVES

Every study will have its own objectives. Likewise, this study also has some definite core objectives about which the research is conducted. This paper provides guidance to those individuals who are keen to buy a fast food franchise business. Some key objectives which are considered for this study are listed below.

1. To determine the advantages of fast food franchising business to entrepreneurs.
2. To analyse the obstacles faced by the entrepreneurs to establish the fast food franchising business.
3. To find out the customers retention for franchising business in food industry.

METHODOLOGY

The method used for collecting the data is an explorative way. for this research, both secondary data as well as primary information is used i.e. through internet, journals, questionnaires and direct interviews.

SOURCES OF DATA

The data is collected from the franchise branches of Yashawanthapura and Malleshwaram like Five- star chicken outlet by Baglunte. Managers of Domino's outlet near hesarghatta, pizza-hut outlet near T.dasarahalli, Mc Donald outlet in jalahalli, Cafe Coffee day outlet at hesaraghatta, KFC outlet in rock line mall...etc

ADVANTAGES OF FAST FOOD FRANCHISING

Franchising business is the way which helps many business people in various mode. This business model grown as international business because of its intrinsic values. Some of the merits of fast food franchising explained below.

1. BRAND IDENTIFICATION

The business in which the franchisee is going to be part is already a proven idea. The biggest merit of buying a franchise is brand identification. Franchisee is benefited from already established world-wide company since Most of all franchises are renowned companies with customary bases. Instead of starting up new businesses, buying a franchise from a well recognised franchisor saves the time and lessens the pressure of building a reputation and drawing customers.

2. CORPORATE SUPPORT

Franchisees gets assistance from corporate headquarters in a many areas comprise of training marketing and even in finance. Many franchisors help franchisees with loans to wrap a few starts up expenses, and some big franchisors even favours franchisee by means of providing technical and management training for employees. Also franchisor makes available of raw materials from known suppliers with whom they worked previously so that franchisee easily gets the supplies of raw materials which are essential to run fast food franchise business.

3. HIGHER SUCCESS RATE

The franchising business expansion is hastily growing business .The probability of failure in fast food franchise is relatively less when it compared with other types of franchising . Less than 5% of franchised businesses fail every year because of uncertainty which is slightly lesser than the percent of ordinary small business ventures that fail. On this basis we can say that, buying a franchised business is one of the most secure means of investments that one can make. Example: - Mc Donald's, KFC, Five star chicken, Domino's pizza, Cafe Coffee Day etc

4. MORE CUSTOMER RETENTION

Tendency of customers change in their taste and preferences is one of the root reasons for the growth of fast food franchising. Advertisement of fast food products and services at a national and local level by master franchisors helps franchisee in increasing as well as boosting up sales and as the corporate icon and brand gets recognition in globe attracts more Consumers in addition to these consumers generally feels more comfortable in purchasing items about which they are familiar with.

5. EMPLOYMENT OPPORTUNITY

Every individual likes to be an employer Instead of being an employee. Franchising business model is a way through which the dream of being entrepreneur or employer is fulfilled and helps the person to be their own boss. Example: -Pizza corner, Pizza-huts, Jumbo king etc.

PROBLEMS FACED BY FAST FOOD FRANCHISING BUSINESS

Problems to the business are just like soul mate. Every business undergoes with cultural, technological, communication, language problems which are common but there are many problems especially with that business which brings two different entities under one roof that are different in their nature, behaviour and in abilities.

1. EXCESS CONTROL OF MASTER FRANCHISOR

Master franchisor is a person who agrees to give his business trade-mark, logo, patent, success to other's (franchisee) to expand his business venture in other host country. The obligations of a master franchisor will be at full extent as he lays many restrictions .There will be no space for innovative ideas and even the franchisee cannot add or delete the product to be served as per his wish since Franchisor is extremely strict. Egg: - The uniforms worn by the employees of the franchisee have to be of a particular colour and design.

2. SETTING UP OF FRANCHISE BUSINESS IS RISKY

The franchisor must be very cautious before establishing his business as it includes high risk. It's quite difficult to set up the fast food franchise business because sometimes even the successful beverage have all the possibilities to fail in foreign markets, due to unfamiliarity about the product and even the taste and preferences of customers may un-match, with that of with other countries. As franchising is usually done for a preset time phase, requires a more capital in between for renewal which is unaffordable.

3. INITIAL CAPITAL INVESTMENT IS HIGH

Before taking up any business, determining about the product marketability and feasibility to be considered & even the cost payable to brokers to get appropriate franchisor also very high. The initial amount to set up the franchise business, launching, training the staff, is compensate by the franchisee itself. Franchisee as to make an initial payment for being a part of others business (Franchisors) and then he must continue to pay a part of profit to franchisor on percentage of revenue on sales.

4. FRANCHISE AGREEMENT

The connection between a franchisor and a franchisee is administered by an agreement called the Franchise Agreement. This agreement includes the rights, term and conditions which a franchisee compulsorily must follow up. A franchise agreement contents may diverge depending upon the type of franchise business. This agreement may restrict the franchisee, which adversely result in downfall of his interest towards business and its growth.

5. SITE SELECTION

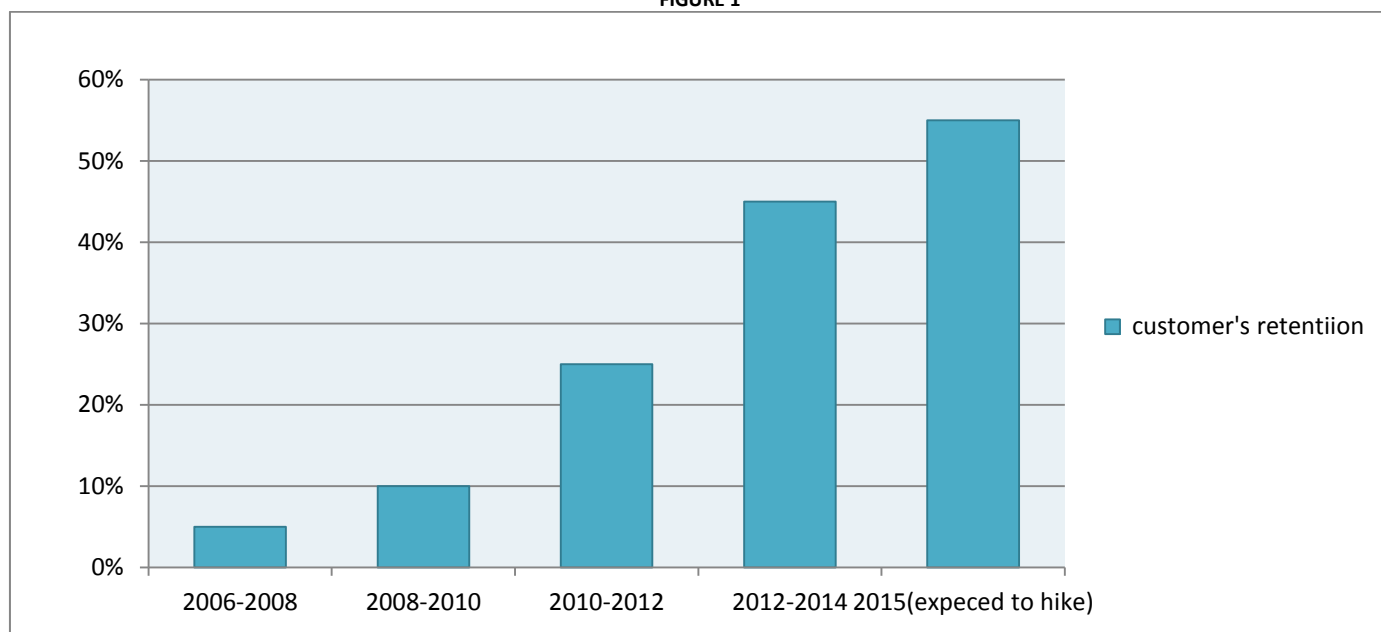
the place where franchisee wants to setup his Business Empire should be approved by master franchisor. Franchisee does not simply get the permission, he has to accomplish all the conditions of the owner. he has to search for the places where he easily avails of potential customers hence analysing the location by keeping future intensify business plans acquires vital position. .He has to take up many business researches before deciding where to build the industry as the retail space is extremely high in metropolitan cities of India

TABULAR REPRESENTATION OF CUSTOMERS RETENTION TO FAST FOOD FRANCHISE BUSINESS**TABLE 1**

YEAR	
2006-2008	5%
2008-2010	10%
2010-2012	25%
2012-2014	45%
Expected hike(2015)	55%

CHART SHOWING THE CUSTOMER'S RETENTION TO THE FAST FOOD INDUSTRIES

FIGURE 1



The estimated chart of fast food franchising (1) provides the information about the customer's attraction towards food and beverages industries in last previous years. this chart clearly says that fast food industries growing rapidly in india.

LIST OF FAMOUS FOOD FRANCHISE PRODUCTS

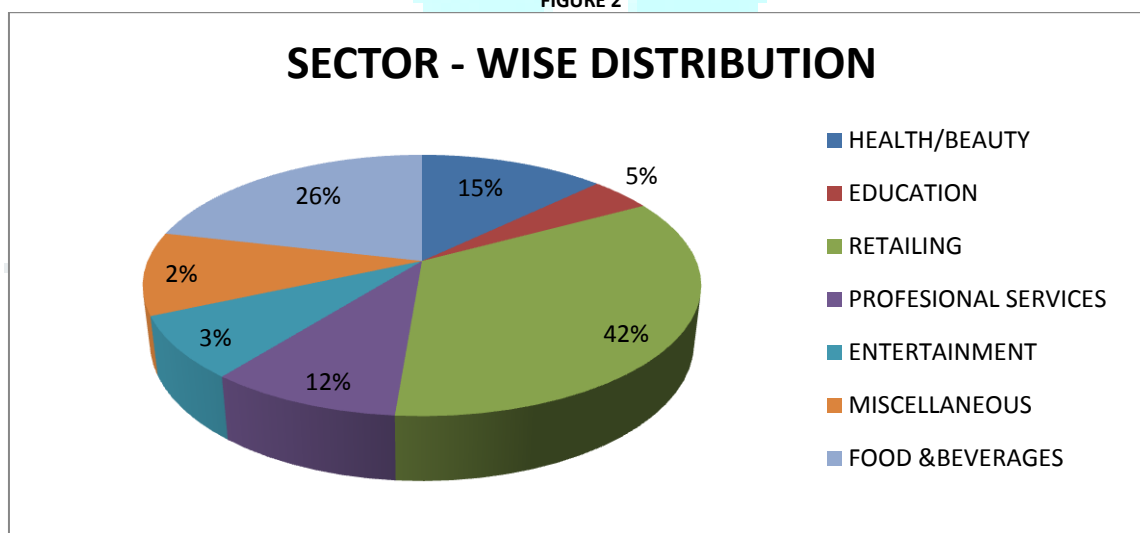
TABLE 2

products	founded	outlets	revenue	countries
KFC's	1930	18,875	\$23 billion	118
Mc Donald's	1940	35,000	\$28,1057(b)	119
Burger king	1953	13,000	\$1.97 billion	79
Pizza hut	1958	11,139	\$15 billion	94
Domino's pizza	1960	10,000	\$1.802 billion	17
Pizza corner	1996	100	\$1.35 billion	6
Cafe coffee day	1996	1640	\$4 billion	4
Goli vada pav	2004	500	15 crores	Only in India

ANALYSIS OF SECTOR WISE DISTRIBUTION OF FRANCHISING BUSINESS

Approximately we can find more than 2,000 franchisors and franchise and 135 kind of franchise business spread over the country which are successfully operating in different sectors including; Health/beauty (15%), Education (5%), Retailing (42%), Professional services (12%), Entertainment (3%), Miscellaneous (2%), Food & beverages (26%).

FIGURE 2



FINDINGS

the goal with which the research was conducted is achieved successfully. even though there are some disadvantages of franchising fast food, if once the business stars up it makes a huge profit. As India is the country where it has huge population and the busy citizens who are in need of quick meal options for those fast food restaurants offers with healthy choices .The life style of peoples helps in the successes of fast food franchising.

CONCLUSION

This exploratory research aimed at knowing merits and demerits for entrepreneurs to buy a fast food franchise business. It proceeded with open interviews with 55 franchisees who indulge themselves in fast food franchise business. According to franchising association of SA (Fasa) "The fast food franchising industries remains one of the fastest growing and most successful segments of retail sector". By these words we can conclude that Franchising is an eye catching business system from an economical point of view. The cause for this is that the entrepreneur's recognised that their entrepreneurial project may face numerous hazards if they with new business ideas on their own. For them, franchise offers the chance to set up a business. The long-term survival of a franchise system depends on the willingness of the franchisees to cope up with the franchiser.

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LUXURY HERITAGE AND SERVICECAPE MANAGEMENT IN HOSPITALITY SECTOR OF JAMMU AND KASHMIR REGION

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ABSTRACT

India embraces a particular place in the international hospitality world. Changing trends and demands have led to innovative approaches in hospitality sector. Moreover a blended or a contemporary approach can be seen even at the Luxury heritage hotels that are intend to serve on the traditional and cultural basis. Also the definition of servicescapes in terms of hospitality sector needs a thoughtful approach especially at Luxury heritage properties where the services are supposed to be more influenced by the modernized concepts. The study aims to explore the servicescapes in terms of Indian Luxury heritage hotels and also to study the impact of modernized or contemporary styles on Indian hospitality sector. The paper is based on data collected from various sources that address conceptual and methodological issues related to extant cultural services and modernized servicescapes in Luxury heritage hotels.

KEYWORDS

Luxury, heritage hotels, servicescapes, hospitality, services.

INTRODUCTION

India is renowned for its traditional hospitality services that encompass the whole process from welcoming to seeing off the visitor. Emerging trends in hospitality elaborate some of the traditional services that need to be served with zero defects since the guest experience cannot be undone. In today's scenario accommodation concept throughout India have become extremely assorted, from cozy stays and peculiar huts to astonishing Luxury heritage villas and maharaja palaces. Travelers are able to visit to Luxury heritage hotels as these properties continues to live out traditional ways, weaving the finer details of historical honor, service and cuisine embedded with the modern demands of comfort like Wi-Fi and air conditioning. Hotels are adapting to innovative operating models by developing contemporary styles of ambiances, décor, and service etiquettes that soothes the guests especially foreigners. Service setting plays a critical role in shaping expectations, differentiating service firms, facilitating customer and employee customer goals, and influencing the nature of customer experiences (Bitner, 1992). In short, service encounters in hotels are opportunities to up-sell hotel services create positive impression on customers and enhance the image of the property (Mohsin, 2006). The servicescape is the outward appearance of the organization and thus can be critical in forming initial impression or setting up customer expectations (Anand, 2008). For tourists seeking exposure to, and immersion in, the luxurious history, art, culture, tastes, traditions and sentiments of chapters of a nation's (or region's) history, Luxury heritage hotels, many of which are now UNESCO World heritage Sites, offer the opportunity (Anita Mendiratta, 2013). Moreover, Ingrid Y. Lin & Anna S. Mattila, (2010) in one of their studies has supported that in order to be successful, restaurant operators need to create a pleasant servicescape and provide excellent service to their customers. In order to maintain the ethnicity and traditional service concept each hotel has to maintain its own individuality. Also from the 1990s India is characterized among the most luxurious hospitality service provider. Even to maintain a pace in the emerging competition in the hospitality industry most of innovations in the servicescapes in the leading hotels especially in the Luxury heritage hotels has become a common scenario. While inseparability is a characteristic of all services which involves co-production, where customer is a part of the service production process, cross-cultural encounters pose greater challenge being impacted by different cultures (Mohsin, 2006). So, cultural vulnerability and fragility cannot be denied in the shadow of modernized servicescape at Luxury heritage hotels that are already starving for their age old identity and recognition.

PROBLEM STATEMENT

In India hospitality industry has made its significance in terms of economic benefits on the stake of its history and culture. Luxury heritage and history conjure up feelings and emotions that directly influence place identity by associating these feelings and emotions to a unique mental image. Emergence of new technology and changing trends in the industry has resulted in the various innovative approaches in the service implementation. In addition to this situation, it can be associated directly to the hotel industry which might affect the growth of tourism industry. In physical evidence, aesthetics of service environment is a major aspect of physical evidences compared to other physical evidences present in service delivery, especially when the services are facility driven. Even though we know the hotel especially the heritages that elegantly represents the Indian culture and traditions gives a huge contribution and tremendous importance towards the tourism growth, but it is surprising that 'there has been little research on customer satisfaction with the servicescape (Chadee and Mattsson, 1995) have been done to improve the rate for the future. Moreover it is also a point of consideration that in terms of hotels servicescape has its impact on customers' purchase decisions (Cronin, 2003; Foxall and Yani-de-Soriano, 2005) which could be termed as its re-patronage intention to the hotel provider. Considering the Luxury heritage perspectives especially maintaining the development pace need a careful strategy especially in the developing territories of India that are competing for their survival. The need for the contemporary approach to the servicescape management is a need of the hour. As Misiura (2006) points out, it is unusual for customers not to find products available that relate to the historical artifacts they have just seen. Leighton (2007) described that this type of live interpretation has emerged in recent times as an important way of marketing an attraction in an experiential fashion. Whereas the contemporary

hotel could be termed as an approach to a existing design or architectural development with the beginning of 21st century in order to meet the needs and demands of today's customers. Therefore, the essential part in the Indian hospitality business is to acclimatize the customers' demands and to implement innovations and products not only to improve the quality of the service environment or servicescape but also to consider the age old cultural perspectives related to the luxury heritage properties.

OBJECTIVES OF THE STUDY

1. To explore the concept servicescape in terms of Indian hospitality sector especially in luxury heritage hotels;
2. To study impact of modernized servicescapes on luxury heritage hospitality perspective.

LITERATURE REVIEW

The cultural background strongly influences consumer behavior (Mohsin, 2006). Hofstede (2012) has made a conclusion that Asian cultures are more collectivistic whereas Western cultures tend to be more individualistic. At the same time, humankind has always influenced and shaped its environment to enhance the availability of certain valued services (Rudolf de Groot, & P.S. Ramakrishnan, 2005). Moreover in terms of tourism, the visitor experience is an integral component of the 'tourism product' (Pernecky and Jamal, 2010). Whilst the importance of incorporating 'experiences' in products is not a new one, what is new is the appreciation that tourist experiences can be better managed and designed and the importance of this to the experience-seeking consumer (Scott et al, 2009). Furthermore heritage tourism is considered the most popular form of special interest tourism (McKercher and du Cros, 2006) and practitioners are keenly aware of the need to provide a memorable experience, particularly as much of the competition HVAs face is from the leisure and lifestyle markets for people's time and money (King, 2002). And in terms of heritage properties that are derived into hotels the experiences should be made as real, compelling and memorable as possible so as to engage each customer in an inherently personal way (Pine and Gilmore, 2004). In support of this Berry and Bendapudi (2003) adopted the term "evidence management" to emphasize the importance of offering appropriate tangible cues in servicescapes because customers look for evidence of desirable service qualities by processing what they can see and understand. The servicescape is important for consumer experiences because this environment gives customers and employees tangible and intangible signs and signals about potential service delivery (McDonnell & Hall, 2008). Bitner (1992) derived the components of servicescapes as: (i) ambient conditions: temperature, air quality, noise, music, and odor; (ii) space/function: layout, equipment, and furnishings; (iii) signs, symbols, and artifacts: signage, personal artifacts, and style of décor. Particularly in the hotel division of the hospitality industry, guests interact with the physical environment more than with the service agent (Ingrid Y. Lin, 2004). Newman (2007) recognized that helpful signage and pleasant spatial arrangements influence customers' behavior by inducing positive moods and positive images of the service organization. The socio-cultural context of the consumer is crucial because it frames possibilities for thought, beliefs, and actions and makes the emergence of certain meanings more likely than others (Arnould and Thompson, 2005; Thompson, 1997). On the other hand Rosenbaum, M.S. & Wong, I. A. (2007) has suggested that hospitality organizations can continue fashioning artificial servicescapes that generate long term profitability; however these organizations also have a social responsibility to their host nations and local cultures. Prior research into specific aspects of service environments has provided extensive evidence of enhanced performance by the service provider as a result of changes to the servicescape (Ezeh and Harris, 2007). In fact, service theorists have often underestimated this aspect in the service provision since they have tended to study commercial services (such as banks) whereby the physical surroundings were not as important as they might be in case of heritage services (Dewar, 2002).

SERVICESCAPE PERSPECTIVES IN INDIAN LUXURY HERITAGE HOTELS

Indian Luxury heritage hotels have always been known among travelers for their exceptional magnificence of experience, breathtakingly ethnicity and often times magical design, décor and detailing, unique directness of exposure to the lives and lifestyles of the royal elite in iconic times and places. To be a part of the most prestigious properties of the destination, guests are prepared to pay a premium for the opportunity to enter into such exclusive, majestic and often mysterious worlds. Some seemingly mundane details may trigger interpretation of messages, evoke customers' emotions, and make the service experience different (Kathy Pui Ying Lo, 2011). Considering the Indian heritage and cultural perspectives in hand in one of the article published by HotelNewsNow.com (2012) stated that *"The Indian heritage Hotels Association includes 170 hotels comprising approximately 8,000 rooms. And with the total number of heritage rooms in India counting fewer than 10% of the country's total hotel supply, there exists plenty of room to grow."* Moreover, bringing the palaces and Luxury heritage to verve for guests is not, however, only about preserving the structure of the property but also about the spirit associated with such structure and organization. Unique concept hotels are designed with a personal touch, which will enable them to brand themselves differently from those that look the same, act the same, and offer the same service (Sofie Forsgren & Carla Franchetti, 2004). Moreover considering the Luxury heritage perspectives especially maintaining the development pace need a careful strategy especially in the developing territories of India that are competing for their survival. This study approaches to broaden the concept of servicescape in Luxury heritage terminology and to refine the concept in sustenance with the maintaining the customer satisfaction as well. In terms of Jammu and Kashmir which itself is struggling for its survival on tourism front the derivation of servicescapes needs to be handled very carefully

RESEARCH METHODOLOGY

This Paper is based on primary as well as secondary data as in this paper, the literature includes all the secondary data, while as quantitative portion is a primary data collected from the Luxury heritage hotel guest travelling to Jammu and Kashmir region with a total sample size of N= 170. The data was collected in the month of August 2013.

RESEARCH INSTRUMENT

The self administered was designed to know the guest perspective about the effect of servicescape on Luxury heritage perspective. While as secondary data was collected from published journals, books and articles.

RESEARCH TECHNIQUES

In order to go for the descriptive analysis, the mean, standard deviation and regression was applied. The data collection for this research was done after applying tools like 5- point Likert scale.

ANALYSIS & INTERPRETATIONS

In table 1, the demographic profile of the respondents is given. It is found that approx. 52% of the respondents are males and the rest 48% are females. Almost 79% of the respondents were from the age group 20 – 40 years while 19 % were between 40-60. While 50% of the respondents were graduate where as 30% were post graduate and the same number were undergraduate. Out of the total population 54% respondents were married.

TABLE 1: DEMOGRAPHIC PROFILE OF RESPONDENTS (Sample size, N= 170)

S.No.	Demographic Variable	N	Percentage%
1	Gender		
	a) Male	89	52
	b) Female	81	48
2	Age		
	a) Below 20	3	2
	b) 20-40	134	79
	c) 40-60	33	19
	d) Above 60	0	0
3	Educational Status		
	a) Undergraduate	3	2
	b) Graduate	86	50
	c) Post Graduation	51	30
	d) Professionals	27	16
	e) Ph.d	0	0
	f) Others	3	2
4	Marital Status		
	a) Single	79	46
	b) Married	91	54
	c) Separated	0	0
	d) Windowed	0	0

Mean was calculated to know the highest mean value assigned and standard deviation was calculated to know how much the data is deviating from the mean value. In table 2., the statements regarding the servicescape were given, the highest mean value was given to the statement "The color of the furniture matches the overall theme of the hotel." followed by "The interior wall and floor scheme is attractive", "They play music at an appropriate volume" and "I like the music they play in hotel"

TABLE 2: SERVICESCAPE

S.No	Questions	Mean	Standard Deviation
1.	I like the music they play in hotel	2.02	0.85
2.	They play music at an appropriate volume	2.10	1.22
3.	The lighting is appropriate	1.71	0.84
4.	The temperature of hotel is comfortable	1.86	0.94
5.	The exterior of the hotel Gives it an attractive character	1.76	0.97
6.	The interior of the hotel is decorated in an attractive fashion	1.94	1.03
7.	The overall design of the hotel is interesting	2.06	0.92
8.	The layout of the hotel makes it easy to get around	2.01	1.28
9	The layout of the hotel makes it easy for employees to do their job.	1.94	0.98
10	The interior wall and floor scheme is attractive	2.10	0.90
11.	The interior wall and floor scheme matches the overall theme of the hotel	1.90	0.80
12.	The color of the furniture matches the overall theme of the hotel.	2.53	1.04

In table 3, the statements regarding the Luxury heritage perspective of the property visited is given, "the décor of the hotel reveals the cultural and historical aspects" was given the highest mean value followed by "The services show the preservation of historical pattern on which it is based" and "If I go to a hotel and I see a picture on the wall representing historical perspective of the hotel."

TABLE 3: LUXURY HERITAGE PERSPECTIVE

S.No	Questions	Mean	Standard Deviation
1.	The services show the preservation of historical pattern on which it is based	2.02	0.85
2.	The décor of the hotel reveals the cultural and historical aspects.	2.10	1.22
3.	The services offered are culturally intact	1.71	0.84
4.	The services and ambience reveals the royalty of the Luxury heritage	1.86	0.94
5.	Hotel is preserved with the Luxury heritage perspectives.	1.76	0.97
6.	If I go to a hotel and I see a picture on the wall representing historical perspective of the hotel.	1.94	1.03

Table 4 provides the average score of guest regarding their satisfaction in the hotel. It has been observed that consumer satisfaction was found highest with "I truly enjoy coming to this hotel"(Mean= 2.16), followed by (Mean= 2.10) is given to the statement. "I am happy with the experience I had in this hotel" and "I have been satisfied with my experience I perceived about this hotel" with (Mean= 2.06).

TABLE 4: CUSTOMER SATISFACTION

S.No	Questions	Mean	Standard Deviation
1.	I am happy with the experience I had in this hotel	2.10	0.69
2.	I have been satisfied with my experience I perceived about this hotel	2.06	0.83
3.	I truly enjoy coming to this hotel	2.16	0.90
4.	Coming to this hotel is delightful	1.51	0.79

Regression was applied to study the impact of modernized servicescapes on Luxury heritage hospitality perspective. In Table 5, Here the coefficient of determination, $R^2 = 0.505$. This implies that 50% of the variation in the servicescape is explained by the regression and the remaining 50% of the variation by error.

TABLE 5: REGRESSION OUTPUT FOR SERVICESCAPE AND LUXURY HERITAGE PERSPECTIVE

Multiple R	0.711
R – Square	0.505
Coefficient of Correlation;	$r = 0.711$

TABLE 6: COEFFICIENT OF OUTPUT

	Coefficient	Standard Error	t - stat	P – value
Intercept	0.477	0.221	2.157	0.036
X- variable	0.708	0.102	6.929	1.046

From Table 6, the regression equation as formed is:

$$0.477 + 0.708$$

The regression coefficient $B = 0.708$ shows that the Luxury heritage perspective/aspects changes by 0.7 units for each unit change in Servicescape. Thus, we find that Luxury heritage perspective is influenced by servicescape of the hotel and the value of $r^2 = 0.505$ indicate that about 50% changes in Luxury heritage perspective are due to servicescape of the hotel. Hence the findings shows the needful approach to the Luxury heritage dimensions along with the reliable approaches to fulfill the customer demands and comfort and hence the perception regarding the theme of the subject matter may not be affected and hence be preserved

CONCLUSION AND SUGGESTIONS

Today, hotels are well decorated and have added glamour portion into them, which ultimately become the choices of travelers and holiday makers (Riewoldt, D. 2006). Moreover, it is also a point of consideration that location of hotels is also an important aspect but such concept is not applicable to attain success. Heritage hotel properties must act as a catalyst to the culture and attractions of the surrounding destination. Talreja & Verma (2006) in one of their article published in Economic Times revealed the fact that old properties can yield rich, new returns, stating that: *"Having royalty and grandeur as their USP, Indian heritage hotels are now seeking new ways to earn big bucks"*. Services offered by most of the Luxury heritage hotels are substandard. Properties are good, but management standards needs to improve and require a thoughtful approach towards the thematic considerations related to hotels. Presence of the physical environment is not only sufficient to meet the customer satisfaction, but also the image of servicescapes contributes a lot in it.

In this paper, we posed some objectives to which the following brief discussion aimed to give analytical answers;

1. TO EXPLORE THE CONCEPT SERVICESCAPE IN TERMS OF INDIAN HOSPITALITY SECTOR ESPECIALLY IN LUXURY HERITAGE HOTELS

The most important point of consideration in terms of hotel servicescape is that, it has an impact on customers' purchase decisions which could be termed as is re-patronage intention to the hotel provider. So, bringing the palaces and Luxury heritage in India to vogue for guests is not only about preserving the structure of the property, but also about the spirit associated with such structure and organization. Unique concept hotels are designed with a personal touch, which will enable them to brand themselves differently from those that look the same, act the same, and offer the same service as well. Moreover, considering the Luxury heritage perspectives especially, maintaining the development pace needs a careful strategy in the developing territories of India that are competing for their survival.

2. TO STUDY IMPACT OF MODERNIZED SERVICESCAPES ON LUXURY HERITAGE HOSPITALITY PERSPECTIVE

This particular research collected data from various sources that finally explored conceptual and methodological issues related to extant cultural services and modernized servicescapes in Luxury heritage hotels. India is characterized among the most luxurious hospitality service provider. Even to maintain a pace in the emerging competition in the hospitality industry most of innovations in the servicescapes in the leading hotels especially in the Luxury heritage hotels has become a common scenario. While inseparability is a characteristic of all services which involves co-production, where customer is a part of the service production process, cross-cultural encounters pose greater challenge being impacted by different cultures. So, cultural vulnerability and fragility cannot be denied in the shadow of modernized servicescape at Luxury heritage hotels that are already starving for their age old identity and recognition.

Maintaining Cultural Aesthetics in Servicescapes

Culture is a key dimension in portraying a destination's essence and sense of place (Kevin Tavares, 2011). Unlike for products, owing to the intangibility (Lovelock and Gummesson, 2004), customers generally depends upon the perception created from physical evidences to evaluate the service quality. Aesthetic response has a broad range of meanings within a number of domains from art and architecture to psychology to marketing (O'Connor, 2008). Familiarity means that one has increased knowledge concerning elements, special features or locations in the servicescapes making it distinguishable and memorable, relative to unfamiliar ones (Prestopnik and Roskos-Ewoldsen, 2000). Bloch et al. (2003) suggest that consumers who are more sensitive to aesthetics weigh the aesthetic aspects of designs more heavily than consumers who are less sensitive to aesthetics. It is essential that designers achieve a balance between the aesthetic interior design and operational needs to avoid too much human traffic, noise, and an inhibited flow of circulation (Lawson 2007; Collins, 2001; Mundy, 2008). Heritage and history conjure up feelings and emotions that directly influence place identity by associating these feelings and emotions to a unique mental image (Royo-Vela, M., 2009). Kretschmar-Joehnk and Joehnk (2009) summarized that the success of contemporary design lies in the "credibility and authenticity of a product's story". So in physical evidence, aesthetics of service environment (henceforth servicescapes) is a major aspect of physical evidences compared to other physical evidences present in service delivery, especially when the services are facility driven (Turley and Fugate, 1992)

Tourist Experiences, Perception and Servicescape Setting

Individuals generally receive a variety of stimuli from a servicescape, organize them cognitively into groups, and form images from the stimuli as a whole (I.Y. Lin, 2004). In sum, visual and spatial processing of cultural meanings are necessary, but not sufficient components of spectacular consumption (Liza Penaloza, 1998). Authors MacKay & Fesenmaier (2000) explained that each culture portrays a unique image and each individual perceives a unique image, creating a plethora of interpretations. *"Guests don't just want a bed, they want an experience"* says Struan McKenzie director of development and asset management for Hard Rock Hotels & Casinos (Yesawich et al, 2004). These behavioral responses come about because the physical environment influences (1) peoples' beliefs or cognitions about the service organization, (2) their feelings or emotions in response to the place, and (3) their actual physiological reactions while in the physical facility (Joshi, J.V. & Kulkarni, V. R., 2012). It aims to ensure that service interfaces are useful, usable, and desirable from the client's point of view and effective, efficient, and distinctive from the supplier's point of view" (Mager, 2007).

Staging of the cultural servicescapes

Ethnic servicescapes can be ideal environments for observing desires, behaviors, and activities of consumers from ethnic communities (Esi Abbam Elliot et al, 2011). The culture that dominates its servicescape will clarify its target and this aspect is not easy to control or sometimes even understand as most of the time "those factors usually exist on a subconscious level and therefore customer awareness of them is low" (Lio & Roy, 2009). Hotel designs are encouraged to integrate with the cultural diversity and local styles and applying and personal touches to expand the upper market sectors (Riewoldt, D. 2006).

IMPLICATION OF THE STUDY

- Restoration of Luxury heritage property should be in sync with the cultural background of the region.
- The material used for the restoration should be durable, economical and should match with the overall façade and aesthetic of the hotel.
- The material used for the restoration should be environmental safe
- The servicescapes in Luxury heritage property should be in accordance with the era the property belongs to.

LIMITATIONS OF THE STUDY

This research study has few limitations like the study area is limited only to hotel industry and this research may not be generalised to customers in other industries thus for better results other industries should also be considered. Also sample size was small and the method used in the research in order to collect data is Questionnaire method. Other methods like group discussions, personal interview of hotel employees etc could have also been for better results.

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A STUDY OF EMPLOYEE REWARDING & SOCIAL SECURITY PRACTICES OF PAINT UNITS IN GUJARAT

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ABSTRACT

Amongst all resources required for an organization Human Resource is the most important resource. To retain efficient and experienced workforce in an organization is very crucial in overall performance of an organization. Rewarding and social security practices can help make an organization competitively more value added and profitable. Rewarding and social security are most important aspect for the employee in the company especially for paint companies. In paint companies many hazardous chemicals as well as highly inflammable chemicals are used and these may affect not only factory employees but also office staff, surrounding society, environment, animals, etc. This research study is conducted to know what the organizations are contributing towards their employees, society, environment, etc. The aim of this research paper is to analyse the rewarding and social security practices of selected paint units in Gujarat.

KEYWORDS

Employee, Rewarding, Social Security, Organization, human resources.

INTRODUCTION

Resource means, a source, which can be used when needed. Each and every resource has a last point of finish. But, while about human resources i.e. human skills, techniques, ideas, aptitudes, etc., it may not have a last point of finish. Compared to other resources it depreciates, while human resources appreciate with the passage of time.

Employee rewarding and social security are essential as well as important aspect for the employees in an organization. Employee rewarding and social security both are part of human resource management. In human resource management, rewarding and social security both are needed for an organization to make their employee more valuable as well as more efficient in the work. Rewarding that keeps an employee motivated as well as also gives better performance in the work and in social security that gives security to the employee's life and his/her family also. So an organization can achieve the goal by giving rewarding and social security benefits to the employees to make their performance better in the work.

Employee rewarding means an employee receives in exchange for their contribution to the organization. The main objective of reward is to duly compensate employees for the services rendered by them. Therefore, employers need to pay a fair and satisfactory remuneration to their employees. For an employee, rewarding towards his/her contribution is not enough for his/her job. The employee also needed social security for their future. Social Security, it protects not only the employee, but also his/her entire family by giving certain benefit packages in financial security and health care. So today employee rewarding and social security aspects have become so important that all organizations are trying their level best to treat human capital through HR practices.

RESEARCH METHODOLOGY**OBJECTIVES**

The main objective of the study is to analyse the employee rewarding and social security practices of the selected paint units of Gujarat and also to know the satisfaction level of employees of regarding rewarding and social security practices the paint units.

TYPE OF THE STUDY

This study is descriptive in nature.

SOURCE OF DATA

The study is based on primary data collected through questionnaire.

SAMPLE SELECTIONS

The study comprises of 241 responses collected from selected paint units using convenient sampling techniques.

EMPLOYEE REWARDING & SOCIAL SECURITY PRACTICES**TABLE NO.1: SATISFACTION LEVEL OF EMPLOYEE ON REWARDING BENEFITS**

Aspects	Very Dissatisfied	Dissatisfied	Neither	Satisfied	Very Satisfied	Total
Allowances[House Rent etc]	16 (6.6%)	48 (19.9%)	56 (23.2%)	108 (44.8%)	13 (5.4%)	241 (100%)
Salaries/Wages	1 (0.4%)	23 (9.5%)	58 (24.1%)	137 (56.8%)	22 (9.1%)	241 (100%)
Incentive payment	23 (9.5%)	48 (19.9%)	53 (22.0%)	106 (44.0%)	11 (4.6%)	241 (100%)
Bonuses	5 (2.1%)	11 (4.6%)	63 (26.1%)	138 (57.3%)	24 (10.0%)	241 (100%)
Profit Sharing	25 (10.4%)	38 (15.8%)	155 (64.3%)	15 (6.2%)	8 (3.3%)	241 (100%)
Performance based bonus	14 (5.8%)	29 (12.0%)	50 (20.7%)	132 (54.8%)	16 (6.6%)	241 (100%)
Promotion Policy	10 (4.1%)	22 (9.1%)	74 (30.7%)	121 (50.2%)	14 (5.8%)	241 (100%)

In the organization, financial and non-financial rewards are always depending upon employee's performance. It gives more motivation for the employees in the work. For human resource management have to take great care in providing the right financial and non-financial rewards for each person. From the above table it shows that nearly 57.3% i.e. 138 respondents of the selected paint units are satisfied with the bonus which the company is providing to the employees. 64.3% i.e. 155 respondents of the selected paint units are neither satisfied nor dissatisfied with the profit sharing benefits provided to the employees because many

small scale units don't provide such benefits to the employees in the paint companies. From the above table it shows that certain benefits have a moderate responses especially in allowance, incentive payment & performance based bonus because many paint companies are not providing such benefits to the employees. Here paint companies has to take more efforts to make effective reward structure that can motivate the employees and also gives better performance in the work.

TABLE NO. 2: SATISFACTION LEVEL OF SOCIAL SECURITY BENEFITS PROVIDED BY THE PAINT UNITS

Aspects	Not Aware	Aware but never used	Very Dissatisfied	Dissatisfied	Neither	Satisfied	Very Satisfied	Total
Retirement benefits [P.F., Gratuity, Superannuation, etc.]	9 (3.7%)	59 (24.5%)	2 (0.8%)	1 (0.4%)	21 (8.7%)	131 (54.4%)	18 (7.5%)	241 (100%)
Medical care	26 (10.8%)	44 (18.3%)	7 (2.9%)	9 (3.7%)	96 (39.8%)	52 (21.6%)	7 (2.9%)	241 (100%)
Disability benefits	2 (0.8%)	5 (2.1%)	17 (7.1%)	17 (7.1%)	53 (22.0%)	132 (54.8%)	15 (6.2%)	241 (100%)
Sickness benefits	54 (22.4%)	42 (17.4%)	10 (4.1%)	10 (4.1%)	115 (47.7%)	10 (4.1%)	-	241 (100%)
Unemployment benefits	12 (5.0%)	40 (16.6%)	11 (4.6%)	11 (4.6%)	42 (17.4%)	122 (50.6%)	3 (1.2%)	241 (100%)
Employment injury benefits	30 (12.4%)	26 (10.8%)	39 (16.2%)	17 (7.1%)	105 (43.6%)	22 (9.1%)	2 (0.8%)	241 (100%)
Family insurance benefits	112 (46.5%)	23 (9.5%)	4 (1.7%)	2 (0.8%)	91 (37.8%)	7 (2.9%)	2 (0.8%)	241 (100%)
Maternity benefits	38 (15.8%)	38 (15.8%)	17 (7.1%)	9 (3.7%)	122 (50.6%)	17 (7.1%)	-	241 (100%)
Survivor's benefits	58 (24.1%)	23 (9.5%)	17 (7.1%)	5 (2.1%)	122 (50.6%)	13 (5.4%)	3 (1.2%)	241 (100%)
Group insurance benefits	19 (7.9%)	34 (14.1%)	5 (2.1%)	8 (3.3%)	61 (25.3%)	110 (45.6%)	4 (1.7%)	241 (100%)
Accident benefits	1 (0.4%)	5 (2.1%)	23 (9.5%)	12 (5.0%)	76 (31.5%)	95 (39.4%)	29 (12.0%)	241 (100%)

The basic purpose of social security is to protect people of small means from risks, which impair a person's ability to support himself/herself and her/his family. It has more or less been accepted by organizations as a wise investment, which offers good dividends in the long run. Employee's social security is lacking in many selected paint companies especially in small scale industries. From the above table it shows that nearly 131 respondents i.e. 54.4% of them are satisfied with retirement benefits and 59 respondents (24.5%) of them are aware but never used. In small scale paint companies don't provide/ don't have proper medical care facility to the employees. Table itself shows that a moderate responses from the respondents in medical care facility from the selected paint companies in Gujarat. Many paint units doesn't provide group insurance, not a proper medical facility, family insurance etc. for an employee. From the selected paint companies in Gujarat, maternity facility is not provided because in most of the paint companies female employee is not seen at all. Therefore, today each and every organization has widely accepted the social security of employees, which is also a wise investment that offers good dividends in the long run. To enjoy security, one must have confidence that the benefits will be available, when required, and in order to afford security, the protection must be adequate in quality and quantity.

TABLE NO. 3: SATISFACTION LEVEL OF PHYSICAL ENVIRONMENT OF THE PAINT UNITS:

Aspects	Very Dissatisfied	Dissatisfied	Neither	Satisfied	Very Satisfied	Total
Cleanliness of the building	8 (3.3%)	16 (6.6%)	22 (9.1%)	148 (61.4%)	47 (19.5%)	241 (100%)
Air ventilation	14 (5.8%)	31 (12.9%)	22 (9.1%)	129 (53.5%)	45 (18.7%)	241 (100%)
Parking facility	9 (3.7%)	20 (8.3%)	55 (22.8%)	91 (37.8%)	66 (27.4%)	241 (100%)
Security	9 (3.7%)	27 (11.2%)	63 (26.1%)	85 (35.3%)	57 (23.7%)	241 (100%)
Proper maintenance services in the company campus. [Electrical, mechanical, plumbing, carpentry, etc.]	8 (3.3%)	15 (6.2%)	46 (19.1%)	129 (53.5%)	43 (17.8%)	241 (100%)

From the above table shows that satisfaction level of physical Environment from the respondents in the selected paint companies. Nearly 148 (61.4%) respondents are satisfied with cleanliness of the building which the company is providing to the employees. Some dissatisfaction is seen from the respondents in cleanliness of building because some companies has not taken due concern to maintain the cleanliness of building both inside and outside the organization. From the above table it shows that 129 (53.5%) of respondents are satisfied with air ventilation facility in the company. Some respondents are not satisfied with this facility which the company has provided to them. In selected paint companies especially in small scale companies, it has been seen that they don't have proper air ventilation facility in the company. Large scales and medium scales paint units of selected respondents are satisfied with this facility.

In paint companies, proper air ventilation facility is very important and it should be provided to the employees. Otherwise it affects the health of employees and also the performance in the work. In parking and security facility, it has been seen a moderate responses from the respondents. Most of the respondents are not thoroughly satisfied with this facility. In paint companies, Physical environment is so important for the employees in the organization. It directly affects both the employee as well as performance of the work. Therefore, a company should give due care/concern to maintain a good physical environment inside as well as outside the organization.

FINDINGS OF THE STUDY

- Most of the respondents in the selected paint companies are males. It has been observed that in the selected paint companies, most of the employees are males.
- From selected respondents, about 86% of the respondents from paint units said that recognition style adopted by organization is by giving more responsibilities on the job itself. 14% of respondents said it is giving through awards, social acknowledgement as well as by giving token. In this way organization is appraising their employees in the job for the better performance.
- 64.3% i.e. 155 respondents of the selected paint units are neither satisfied nor dissatisfied with the profit sharing benefits provided to the employees because many small scale units don't provide such benefits to the employees in the paint companies.
- Almost all the selected paint companies are not providing the shifts. Most of the paint companies are providing only one general shift.
- The respondents of selected paint units are satisfied with the allowances but some respondents are very much dissatisfied with this benefit especially for house rent. Most of the selected paint companies do not provide any house rent allowances to the employees. They provide other allowances like petrol allowances, telephone/mobile allowances, etc.
- Most of the selected paint companies don't have proper air ventilation facility especially in small scale companies. Large scales as well as medium scale paint units of selected respondents are satisfied with this facility. In paint companies, proper air ventilation facility is very important and it should be provided to the employees. Otherwise it affects the health of employees and also the performance in the work.

SUGGESTIONS

- Any organization that would like to be dynamic and growth oriented has to pay more attention to the development of human resources. Especially in small scale paint units, development of human resources is very unfortunately underprivileged.
- Employers need to examine employee training, communication, reward system, social security benefits, co-employee relationships and work environment for the better performance as well as development of employees.
- Management of the selected paint units should try to make the job more interesting and rewarding.
- Companies should provide enough scope for growth and development to employees. It should also provide opportunities for employees to pursue creative new ideas to improve performance.
- Management of all selected paint companies should have to be aware about the recent changes in social security schemes, which the Government has provided to the employees.
- Employees should be aware of the social security schemes and benefits of the companies.
- Paint companies should be concerned with not only employees, but also society as well as environment, when society and environment both are equally affected because of hazardous chemicals are used in paints. So paint companies should take necessary steps to protect the society and environment which is also part of the organization.

CONCLUSION

In short, employees are the biggest investment and should bring the greatest reward. Yet even today, in too many organizations, employees are viewed as an asset to be managed rather than as individuals who can create the next innovation for success. In paint companies, employee rewarding and social security is very important that helps to develop strong positive attitudes among employees towards their work and their organization, and this plays a major role in ensuring that they give their best even when times are tough, surely they need to improve it now more than ever. A company has to focus/care not only employee but also the surrounding society and hygiene as well as healthy environment.

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MICRO FINANCE FOR WOMEN EMPOWERMENT

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ABSTRACT

The present article tries to draw the attention on how microfinance had impact on women's empowerment through SHG's (Self Help Groups) and the work of NGO's such as SEWA. The government and NABARD have recognized this and have emphasized the SHG approach and working along with NGO's in the initiatives. Micro finance in India is still in nascent stage to create a massive impact in poverty alleviation. Considering the entrepreneurial environment women's activities are very interesting as they have great source of knowledge and innovation. Women are experienced in balancing and handling difficulties. The banks also play very important role by providing loans to SHG's at an amazingly low interest rate and Self help groups can access loans from banks. Banks play a major role in empowering poor women by providing them dignity, self esteem and economic independence. Banks are also benefitted as their loans get repaid in the process. The women grow enormously self confident as they get to handle money by themselves. Once women are involved with SHG there is no question of looking back. SHG provides some of basic facilities like providing finance stability, children's health, education; they strive to solve problems themselves. The focus on poor women in micro finance has a very positive impact especially in empowering them in decision making within the family and providing control and ownership to women entrepreneur.

KEYWORDS

Microfinance, SHG, NGO, Government, Banks.

INTRODUCTION

In order for a woman to be empowered, she needs access to the material, human, and social resources necessary to make strategic choices in her life. Not only have women been historically disadvantaged in access to material resources like credit, property, and money, but they have also been excluded from social resources like education or insider knowledge of some businesses. Access to resources alone does not automatically translate into empowerment or equality, however, because women must also have the ability to use the resources to meet their goals. In order for resources to empower women, they must be able to use them for a purpose that they choose. The basic theory is that microfinance empowers women by putting capital in their hands and allowing them to earn an independent income and contribute financially to their households and communities. This economic empowerment is expected to generate increased self-esteem, respect, and other forms of empowerment for women beneficiaries.

Women also face disadvantages in accessing information, social networks, and other resources they need to succeed in business and in life. Only by evaluating the needs of women will an MFI be able to maximize its empowerment potential. Women's ability to influence or make decisions that affect their lives and their futures is considered to be one of the principal components of empowerment by most scholars. Many microfinance institutions focus their attention on women's use of the loan and ability to make decisions about her business as the most direct impact of their program. Self-confidence is a complex concept relating to both women's perception of their capabilities and their actual level of skills and capabilities.

A BRIEF HISTORY OF MICROFINANCE IN INDIA

There were several objectives for the bank nationalization strategy including expanding the outreach of financial services to neglected sectors (Singh, 2005). As a result of this strategy, the banking network underwent an expansion phase without comparables in the world.

While the objectives were laudable and substantial progress was achieved, credit flow to the poor, and especially to poor women, remained low. This led to initiatives that were institution driven that attempted to converge the existing strengths of rural banking infrastructure and leverage this to better serve the poor. The pioneering efforts at this were made by National Bank for Agriculture and Rural Development (NABARD), which was given the tasks of framing appropriate policy for rural credit, provision of technical assistance backed liquidity support to banks, supervision of rural credit institutions and other development initiatives.

A leading non-governmental organization (NGO) from Southern India, which showed that despite having a wide network of rural bank branches servicing the rural poor, a very large number of the poorest of the poor continued to remain outside the fold of the formal banking system. The emphasis therefore was on improving the access of the poor to microfinance rather than just micro-credit.

Microfinance programs are promoted by the government and NGOs. Some of these programs have failed and the learning experiences from them have been used to develop more effective ways of providing financial services. In 1999, the GOI merged various credit programs together, refined them and launched a new programme called Swarnajayanti Gram Swarozgar Yojana (SGSY). The mandate of SGSY is to continue to provide subsidized credit to the poor through the banking sector to generate self-employment through a self-help group approach and the program has grown to an enormous size.

The rise of SHGs and more formal SHG Federations coupled now with SHG Bank Linkage have made this a dominant form of microfinance in addition to microfinance institutions (MFI). The policy environment in India has been extremely supportive for the growth of the microfinance sector in India. However, the state of SHGs identifies key areas of weakness which undermine the sustainability of SHG movement. Namely, areas such as financial management, governance and human resources range from weak to average quality for a majority of SHGs. The impact of SHGs on women's empowerment and social security has been invariably an improvement from the status quo but there is a need for support in several areas. The status of women has generally improved as they have developed stronger confidence which has changed gender dynamics and their role in the household. Women are able to fight for their rights and entitlements and have emerged as a force to be reckoned with. Further, SHGs are becoming more than just financial intermediaries, instead they have emerged into a more political and social unit of society.

More importantly, the penetration of microfinance to the poorest of the poor is still weak and needs a wider reach. The areas of support to further the SHG impact are varied and the report describes areas for NGO technical and government policy support. The need for a coordinated and comprehensive support strategy is imperative as the financial management issues of SHGs need to be addressed otherwise the benefits of the civil society impacts will be lost as SHGs will become overburdened and un-sustainable.

DEFINITION OF WOMEN EMPOWERMENT

The **World Bank** defines empowerment as "the expansion of assets and capabilities of poor people to participate in, negotiate with, influence control, and hold accountable institutions that affect their lives."

Lind Mayoux (1998) has defined "Empowerment is a term generally used to describe a process by which powerless people become conscious of their own situation and organize collectively to gain greater access to public services or to the benefits of economics growth."

Gurumurthy (1999) has defined microfinance as :

- Access to and control over private assets and resources
- Access to public resources

- Control over labour and income
- Control over physical mobility
- Access to and control over political spaces
- Access to and control over intangible resource (Information, influence, political clout)
- Position in law and access to legal structures and redress

Naila Kabeer defines women's empowerment as the process by which those who have been denied the ability to make strategic life choices acquire such ability. This ability to exercise choices incorporates three inter-related dimensions: resources which include access to and future claims to both material and social resources; agency which includes the process of decision-making, negotiation, deception and manipulation; and achievements that are the well-being outcomes.

MEASURING THE IMPACT OF MICROFINANCE ON WOMEN'S EMPOWERMENT

Research on microfinance's effect on women's empowerment has been conceptually ungrounded and tends to estimate an over-extended definition of empowerment or a truncated aspect of it. A number of these studies also suffer from methodological bias and flaws. In fact, only a few studies have successfully investigated this impact in a rigorous manner.

Most researchers, for instance, will agree that impact of a women's decision to buy cooking oil for the family is different in nature from her participation in a decision to buy a piece of land. Both these decisions have different implications and magnitude of impact on her empowerment. As such giving equal weight to both these decisions does not make sense. At the same time, suggesting an arbitrary weight for these decisions is also inappropriate, as it is not for the researchers to decide the factor by which the latter decision contributes more to women empowerment.

Other studies use Item Response Theory, where the element of analysis is the whole pattern of a set of binary indicators that proxy for woman's autonomy, decision-making power, and participation in household and societal decision making. These studies have found that credit programs allow women to take a greater role in household decision making; to have greater access to financial and economic resources; to have greater access to financial and economic resources; to have greater social networks and more bargaining power vis-à-vis their husbands; and to have greater freedom of mobility.

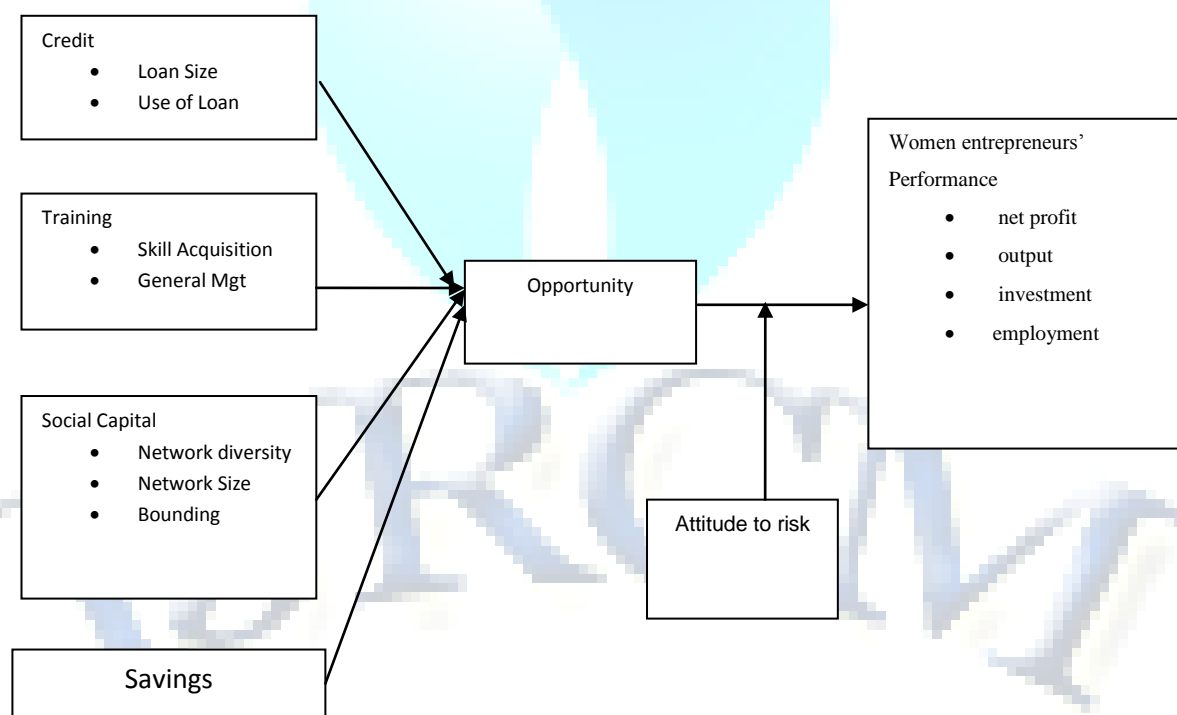
PROBLEM AND CHALLENGES

- Lack of knowledge of the market and potential profitability, thus making the choice of business difficult.
- Inadequate book-keeping.
- Employment of too many relatives which increases social pressure to share benefits.
- Setting prices arbitrarily.
- Lack of capital.
- High interest rates.
- Inventory and inflation accounting is never undertaken.
- Credit policies that can gradually ruin their business (many customers cannot pay cash; on the other hand, suppliers are very harsh towards women).

CONCEPTUAL FRAMEWORK

The focus of this study is to examine the relationship between credit, savings, training and social capital; and women entrepreneurs' performance. The conceptual framework for this study is as shown below.

FIG. 1: RESEARCH (CONCEPTUAL) FRAMEWORK



(Source: Authors' compilation)

SELF HELP GROUPS

Self Help Groups are a small co-operatives mostly credit co-operatives. This style of group functions initially instituted by Prof. Mohammed Yunus in Bangladesh and funded through Grameen Bank. Successful repayment of loans by poor people and meeting their varied and frequent credit needs are the pivotal of this scheme. Microfinance programmes like the Self-Help Bank Linkage Programme (SHG) in India have been increasingly hailed for their positive economic impact and the empowerment women. This is based on the view that women are more likely to be credit constrained, have restricted access to wage labour market and have limited decision-making and bargaining power within the household. In India, women are not the only marginalized section of the society. The scheduled castes and scheduled tribes are still largely under-privileged in terms of wealth, education and access to basic services, in particular health services.

For instance, activities like improvement in nutrition of children, lead to greater efficiency in the woman's role in the household but it also falls within the existing role of the women within the norms of the society. When a woman is better able to perform such activities, it leads to an increase in her self-confidence and feeling of well being. This might create conditions leading to woman empowerment, but are not empowering on their own. Similarly, Community Driven Development activities, undertaken under the initiative of the SHGs – for instance, solving drinking water problems in the village, reduces the demand on a woman's time while leading to better health of all household members, particularly children. However, most of these activities are for the welfare at the household (including women) or community but are not directly empowering. According to our definition, the truly empowering activities are those that reflect the changes that women have effectively made to better their lives by resisting the existing norms of the society.

COMMUNITY DRIVEN DEVELOPMENT ACTIVITIES COMMONLY TAKEN UP BY THE SHGS MEMBERS

1. Cleaning the road, pond and school.
2. To solve the drinking water problem, arrange a tube-well.
3. Helping to start a school for their own children and children of the village.
4. Building a bridge over a small rivulet, thereby connecting the village road to the outside world. They did this by taking a contract from the local authorities and using their own and other villagers free labour.
5. Build a small patch of the village road.
6. Starting a store with groceries, vegetables and other basic requirement within the village at reasonable prices, so that people do not have to travel to the nearest village market for shopping.
7. Starting an adult literacy programme.
8. Participating in the sanitation programme.
9. Help government in immunisation programmes.
10. Monitoring the school and primary health care centre.
11. Street light for the village and its maintenance.
12. Anti-alcohol campaign to stop consumption of alcohol by men in the community.

WOMEN EMPOWERING ACTIVITIES

1. Overcoming the resistance from husband and other members of the family to join the SHG.
2. Increased participation in decision-making within the household to issues that were usually considered outside the domain of woman.
3. Improved status and increase in respect within the household.
4. Feeling fearless, open and confident.
5. All group members learn to sign their names and some have joined adult literacy programmes.
6. Adopting family planning measures.
7. More mobile, can move out of the house and the village more frequently.
8. Talking to the male persons in their village, which they were not confident to do before because of cultural reasons.
9. They have more information about the government programmes due to their exposure and can apply them for their own betterment and the benefit of the community.
10. Actively participating in the decision to send their children to school.
11. Eradication of prostitution.
12. Some women can actively engage in the decision of their marriage with the elders in her household.
13. Awareness about politics and engaged in political participation by way of voting or directly, by standing as a candidate in the local elections.

MICRO FINANCE INSTITUTION

Quite simply, a microfinance institution is an organization that offers financial services to the very poor. Most MFIs are non-governmental organizations committed to assisting some sector of the low income population. It is important to note that MFIs are not the only entities serving the financial needs of micro entrepreneurs. Commercial banks, cooperatives and savings institutions all have important roles to play in serving this market

MICRO-FINANCE AND WOMEN EMPOWERMENT: ROLE OF NONGOVERNMENT ORGANISATIONS

Voluntary sector has focused on economic empowerment of rural and poor women. The potential of micro-enterprise development, as a strategy for poverty, alleviation is recognized, in many research studies. Many NGOs are instrumental in building a network of microenterprises in rural areas and are providing counseling services to women entrepreneurs. Micro-financing is another form of direct intervention, in enterprise development. Micro-credit activities by nature involve women, even the means by which micro-credit reaches the poor families are through women's groups. The Self-Help Groups help women network and a mass collective power. Self-Help Groups members save money every week and women empowerment through credit takes place as a result of the enterprise start using the credit. Thus Micro finance serves as a powerful tool in rural development. Savings and credit activities bind the group of women together into a cohesive unit and provide a forum for building people's capacities for both poverty-alleviation and empowerment. NGOs have their intervention on micro-economic development through micro-credit financing. The role of NGOs in promoting Self-Help Groups, micro-financing activities and thereby women empowerment especially in rural areas compared to other promoters like government and banks.

CONCLUSION

It is difficult to say which factors are more important for empowering women. The differences in pace of empowerment might be a result of various factors: household and village characteristics, cultural and religious norms within the society, behavioral differences between the respondents and their family members; and the kind of training and awareness programs that women have been exposed to. For SHG programs, the results seem to indicate that the minimalist microfinance approach is not sufficient. Additional services like training, awareness raising workshops and other activities over and above microfinance programs that merely focus on financial services are also an important determinant of the degree of its impact on the empowerment process of women. Future research needs to identify which factors in SHG programs have a greater impact on women's empowerment. Collective strategies beyond micro-credit to increase the endowments of the poor/women enhance their exchange outcomes vis-à-vis the family, markets, state and community, and socio-cultural and political spaces are required for both poverty reduction and women empowerment. Even though there were many benefits due to micro-finance towards women empowerment and poverty alleviation, there are some concerns. First, these are dependent on the programmatic and institutional strategies adopted by the intermediaries, second, there are limits to how far micro-credit interventions can SHGs, where a majority of groups are linked with the help of NGOs that provide support in financial services and specialised training, have a greater ability to make a positive impact on women empowerment. If women empowerment is to be pursued as a serious objective by SHG programmes in particular and the larger microfinance community in general, greater emphasis needs to be placed on training, education and creating awareness in order to achieve a larger and more lasting empowerment.

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