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- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19-23

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**A STUDY ON SELF HELP GROUPS IN KARNATAKA****DR. RASHMIRANI AGNIHOTRI H.R****POST DOCTORAL FELLOW****DEPARTMENT OF STUDIES & RESEARCH IN SOCIAL WORK****P.G. CENTRE OF GULBARGA UNIVERSITY****RAICHUR****DR. K.S MALIPATIL****CHAIRMAN****DEPARTMENT OF STUDIES & RESEARCH IN SOCIAL WORK****GULBARGA UNIVERSITY****KALBURGI****ABSTRACT**

*Self Help Group intervention is well organized all over the world as an effective tool for poverty alleviation and improving socio – economic status of the poor and marginalized. In India too Self Help Group is making head way in its effort for reducing poverty and empowering women. This concept is the brain child of Mohammad Yunus of Bangladesh and has brought a revolutionary change in the field of development. Further, this has become an important part of micro finance. Micro finance through the network of NABARD and NGOs have been largely supply driven and a recent approach (Action Aid, 1995). Micro finance other than banks, are engaged in the provision of financial services to the poor. The World Bank has suggested that empowerment of women should be the key aspect of Social Development Programmes (World Bank, 2001). India has also ratified various international convention committed to securing equal rights to women. The National Policy for the empowerment of women (2001) states that “The women’s movement and a wide spread network of NGOs which have strong grass roots presence and deep in right into women’s concerns have contributed in inspiring initiatives for the empowerment of women”. However, the policy also speaks of “a wide gap between the goals enunciated in the constitution, legislative policies, plans, programmes, and the related mechanisms on the one hand and the situational reality of the status of women in India, on the other words gender equality manifests itself in various forms, the most obvious being the trend of continuously declining female reaction in the population in the last few decades. Socio strangling and violence at the democratic and societal levels are some of the other manifestations”. The Government of India and Karnataka state have initiated so many programmes for women for empowerment. The paper shows that the detail text about self help groups in karnataka.India.*

**KEYWORDS**

SHG’s, poverty alleviation.

**INTRODUCTION**

 Poverty and unemployment are the major problems of any under developed countries, to which India is no exception. In India, at the end of ninth five year 26.1% of the population was living below poverty line. In the rural area 27.1% of the population was living under poverty. The overall unemployment rate is estimated to be 7.32%. The female unemployment rate is 8.5%. The rate of growth of women unemployment in the rural area is 9.8%. This is because of the low growth rate of new and productive employments. (Krishna, Vijaya R and Das Amaranath R. (2003)). At the end of IX plan various schemes were implemented to reduce poverty and to promote the gainful employment. But the most attractive scheme with less effort (finance) is ‘Self Help Group’. It is a tool to remove poverty and improve the rural development.’ The Micro credit-SHG’s model has got tremendous attention in recent years. Micro credit is an alternative source of credit for the poor who earlier were considered as non-bankable. This system not only provides credit, important input for development, to the poorer section of the society, but also aims to build their capacity. It has also been observed that group lending has distinct advantage in the form of excellent recovery rate and improvement in income level. The phenomenal growth of SHG’s indicates that the weaker sections of the society are also capable to sharpen their micro-entrepreneurial skills with the help of their own savings and additional bank credit, as needed. At this point, micro credit-SHG integration could be the way out for overall rural development vis-à-vis poverty alleviation. Hence, The paper covered the detail text about self help groups in Karnataka state.

**CONCEPT OF THE SHG’S**

Self-help groups (SHG) are a small voluntary association of poor people, preferably from the same socio-economic background. They come together for the purpose of solving their common problems through self-help and mutual help. The SHG promotes small savings among its members (Sharma, 2001). The savings are kept with a bank. This common fund is kept in the name of SHG. Usually, the number of members in one SHG does not exceed twenty. The concept of SHG is based on the following principles.

1. Self help supplemented with mutual help can be a powerful vehicle for the poor in their socio-economic development.
2. Participative financial services management is responsive and efficient.
3. The Poor need not only credit support, but also savings and other services.
4. The Poor can save the bankable and SHG’s as clients result in wider outreach, lower transaction cost and much lower risk costs for the banks.
5. Creation of a common fund by contributing small savings on a regular basis.
6. Flexible democratic system of working.
7. Loaning is done mainly on trust with a bare documentation and without any security.
8. Accounts loaned are small, frequent and for short duration.
9. Defaults are rare mainly due to group pressure and
10. Periodic meeting ensures non-traditional savings.

Micro finance programmes are currently being promoted as a key strategy for simultaneously addressing both poverty alleviation and women’s empowerment. Before 1990s credit schemes for women were almost negligible. There were certain misconceptions about the poor people that they need loan at subsidized rates of interest on soft terms, they lack skills, capacity to save, credit worthiness and therefore are not bankable. Nevertheless, the experience of several and SHG’s reveal that rural poor are actually efficient managers of credit and finance. Availability of timely and adequate credit is essential for them in their enterprises rather than subsidies. Earlier government efforts through various poverty alleviation schemes for self-employment by providing credit and subsidy received little success since most of them were target based involving various government agencies and banks.



**METHODOLOGY**

The study is based on the secondary data sources. The necessary information about the self help groups in Karnataka and its various components are collected from various books, journals, internet source of related topics.

**SELF HELP GROUPS IN KARNATAKA**

The Government of Karnataka has formulated and implemented various schemes for the furtherance of the social, economic and overall development of rural women, when the present position of women is taken into account these schemes do not appear effective in enhancing the confidence and capability of these women. The government, with the joint collaboration of various departments, has taken up the work of woman development of with only one aim and adherence to achieve the overall development women by rendering them financial support in the form of subsidy through different projects directly or through banks to eradicate poverty of these women. With a view to make women financially independent the State Government has established the State Women Development Corporation (Stree-Shakti: Women Empowerment, 2003). At present, though many projects are being implemented for the financial progress and self dependence of women, results show that it is not possible to achieve social, economic and all round development of women only by treating them as beneficiaries of the Government projects and giving them subsidy or loan. Instead of that, awareness should be created among various regarding the status and position they are entitled to in the society and they must be made financially, socially and politically fit and capable (Strcc-Shakti: Women Empowerment, 2003).

In achieving women empowerment, many government and non- government organizations have organized small groups since a decade at national as well as state levels and have inspired them for savings and also to manage their daily requirements and the financial commitments from out of the savings and to increase their financial resources, thereby eradicating poverty. Many rural poor women have proved that they can save money and if they take loans they are capable of repaying them. If awareness is created among them, they can also prove themselves capable in many more fields (Chetana Kalbagh 1991). Such successful attempts have been made in countries like Bangladesh, Philippines and some states in our country.

**THE DESIGN OF THE STREE SHAKTI PROGRAMME**

In this background, it is very meaningful that Hon'ble ex Chief Minister of Karnataka S.M. Krishna has called the project as "Stree Shakti" in which the main aim is to make rural women self dependent through organizing twenty lakh women into one lakh self help groups. This project has been launched on 2000-01. The State Government has taken a revolutionary step by setting up this project attempting to invest Rs. 72 crore at a time in the projects taken up for the development of women and organizing them in such huge number. (Vidya Maria Joseph and Uday Shankar Bhat, 2003).

**THE ROLE OF SELF HELP GROUPS**

A self-help group is a group where 15 to 20 like minded women coming from the lower strata of society having similar social and financial background with a feeling of oneness, organize themselves voluntarily into a group for their social and economic development (Pillai, J.K., 1995).

This group creates self-help among the members by codifying the rules essential for the all round development of the members as well as the village. This group, having 15 to 20 members, must adhere to the rules and regulations framed by them with mutual faith, common interest and self-awareness. The main features of such groups are regular savings, lending money on the principles of self-help, initiating common fund and in doing redressed to their problems through unanimous decisions thereby achieving development. It is left to the decision of the whole group to decide the rate of interest to be levied on the loan given to the members of the group. The leadership will be decentralized. Various records have to be maintained in the group and a savings account in the joint name has to be opened in a bank.

While joining the self-help group, the admission application of the member should be filled up and each member must possess a personal savings and loan book. During weekly meetings the minutes of the meeting should be entered in the 'minute book'. As regards savings and loan transactions, each group should maintain 'Savings Account Book', 'Receipt Book', 'Loan Account Book' and all these registers have to be maintained properly. If the members/representatives are not able to maintain the records, a person may be appointed for this purpose.

**IMPLEMENTATION AND MONITORING OF THE SCHEME**

Since self-help groups are organized by including rural women below poverty line, the women groups will be able to work powerfully. Woman literacy has to be given importance. While forming self-help groups, preference will be given to landless women agricultural labourers, SC/ST families, women having drunkards, drug addicts or disabled persons in the family.

**STATE-LEVEL COMMITTEE**

A Committee is constituted at the State level, in which the Honorable Chief Minister is the Chairman and Minister for Women and Child Development is the Deputy Chairperson and Chief Secretary and heads of the departments concerned are the members. The Secretary, Women and Child Welfare Department is the Member Secretary of this Committee. At the district level, Deputy Commissioner is the Chairperson and district-level officers of the departments concerned are the members of the committee and Deputy Director, Women and Child Development will be Member Secretary (Vidya Maria Joseph and Uday Shankar Bhat, 2003).

**TALUKA-LEVEL COMMITTEE**

At the taluka level, Executive officer of the Taluk Panchayat is the chairperson and the officers of the departments concerned at taluka level are members of the committee and the child development project officer is the member secretary to monitor this project. In order to monitor the project, the information network is framed in a computer.

**PROMOTION OF GROUPS**

The Anganwadi workers extend cooperation during the first six months to the groups to manage their activities. After six months, the Anganwadi workers supervise the work. If the groups are not able to manage the work themselves, they can appoint an outsider and give remuneration from out of the savings of the group. After six months, the groups have to take measures to initiate internal loans in a small scale and open savings accounts compulsorily in a bank. The supervisors of the department have to guide the Anganwadi workers from time to time and at the same time they have to supervise the work.

**REVOLVING FUND**

To a group, which has maintained savings for at least six months, a revolving fund of Rs.5, 000/- will be given by the Government. The members start loan activities by using the savings of the members and the revolving fund. The supervisors and assistant child development project officer regularly examine and ensure that the members are repaying the loans in time and that money is not misused in any manner.

**INCENTIVES TO STREE SHAKTHI GROUPS**

To encourage Stree Shakthi groups, which have shown exceptional performance in terms of saving, the Government has announced a novel scheme to give additional incentive to groups. Under the scheme groups which have saved more than P.s. 75,000, an incentive of Rs. 15,000 and Rs.20, 000 to those groups who have saved more than Rs.1 lakh will be given.

**FAIR PRICE SHOPS**

The Government has announced that from 2003-04, license for running fair price shops in rural areas will be given only to Stree Shakthi groups.

## LINKAGE WITH BANKS

Measures will be taken to acquaint the groups at the formation level with the banks in their respective areas. The groups have to keep their savings amount in the banks. If taking loans from the savings amount and repaying it is continued in the groups the same will be evaluated and arrangement will be made to procure loans from the banks. Normally, the system is that the banks give assistance directly to self-help groups. In turn the self-help group distributes the amount to its members.

National women cell and NABARD are providing loans and assistance to self-help groups and action will be taken to make use of this. Normally, the group must have actively worked for at least six months to get introduced to the bank. The groups must have regular savings and maintenance of loan accounts and must be functioning successfully. The groups have to maintain the accounts and records properly. The performance must reflect the purpose of its constitution, mutual help and coordination of the group.

## COORDINATION OF DIFFERENT SERVICES

Depending upon the successful functioning of the self-help groups, opportunity is given to the members to make use of the development services available in various departments and information given regarding these departments. Financing institutions will be taken to get loans. Literacy programme for illiterate women members of self-help groups is made available through the Directorate of Mass Education.

Opportunity for higher education will be provided through IGNOU. In order to involve rural women in financial activities, attempts will be made to coordinate their activities with the Government's self-empowerment scheme, Swarna Jayanthi Swayam Udyoga Yojana. The activities helpful for women in the developmental departments such as agriculture, industry and rural development will be made available. Importance will be given to improve health, nutrition and educational aspects of women.

In the beginning of every weekly meeting after the Prarthana, the following slogans will be uttered, which will help women to become more capable. This may lead to some more change in the attitude of women.

- We bring up our children in the family without gender discrimination.
- We will send our daughters to school compulsorily and will not let them drop out from school in the middle for any reason.
- We shall the marriage of our daughters only after they attain 18 years of age.
- I shall plant two trees compulsorily in my house yard.
- I shall grow green vegetable in the backyard of our house and use it for my family and vaccinate my children at regular intervals and see that they are not malnourished and affected by any fatal disease.

The results expected from the scheme;

- 15-20 lakh rural women will get united in one lakh self-help groups.
- Since self-help groups depend upon the individual savings of members it will inculcate the habit of savings among rural poor women.
- In a year, at least about Rs 72 crore will be saved by 20 lakh organized women.
- Rural poor women will become economically independent and the groups will get acquainted with financing institutions, members will have loan facility to take up different activities, which will eradicate poverty.
- The concept of self-help groups will spread to all rural areas and lead to radical changes in woman organizations and women will develop confidence and have a hold on resources.
- Any development work can be implemented in villages by organized women. This will strengthen the service technically, which in turn will help eradicate poverty.
- Organized women will have a suitable forum to discuss their economic and social problems and since women utter certain good slogans in every weekly meeting and follow them to a certain extent some positive changes can be expected in their life style.

## PROGRESS

The state Government has so far formed 73,586 woman self-help groups in the state with an enrolment of 10.85 lakh women and a saving of Rs. 125 Crores. These woman SHGs have lending to an extent of Rs. 76.62d Crore. The SHGs conduct meetings every week. Each member saves around Rs. 10 per week on an average. In some cases, the savings per week per person even exceeds Rs. 80. Some SHGs have saved more than Rs. 1,00,000. Internal lending and repayment of loans are good.

## DISTRICT-LEVEL COMMITTEE

At the district level, Stree Shakthi coordination committees are under the chairmanship of the District collector with other senior officials as members. This committee meets on a regular basis and reviews the progress achieved by the self-help group in terms of saving, internal lending and credit linkages with banks.

## MYRADA CONSULTATIONS

Recently the Government has utilized the services of MYRADA, to strengthen the SHGs in rural areas. Trained personnel of MYRADA have been posted in select districts. Involvement of MYRADA, which is a pioneer in promoting SFJGs, will go a long way in quality implementation of programme.

## REVOLVING FUND

So far the government of Karnataka has released Rs. 1209.45 lakh by way of revolving fund to 33,219 groups. In addition to this the department has also availed funds available under SGSY for giving revolving fund to woman SHGs belonging to BPL families. Nearly Rs. 491.31 lakh has been released under by way of revolving fund) TO 5,942 SHGs.

## TRAINING

Training to the members of woman SHGs constitutes an important component of the Stree Shakthi programme. First round of training was taken up to orient SHG members about the Stree Shakthi programme. Second round of training on gender communication skills, personality development, leadership qualities and maintenance of records has been given to 11 lakh woman members. The Third round of training is organized to SHG members on

1. Book-keeping
2. Credit management and
3. Social issues

So far, 24,736 of SHGs have been given training on bookkeeping and 11,695 of SHGs have been training in credit management. In addition to SHG members, training is also given to 40,000 Anganwadi workers and supervisors An amount of Rs. 6.84 crore has been spent so far on training.

## CREDIT LINKAGES TO SHGs

As of now more than 35,000 SHGs have become eligible for credit linkages with the bank and also to take up income-generating activities. So far, 12,733 self-help groups have been credit linked and given financial assistance to an extent of Rs. 28.78 crore. The issue of extending financial assistance to SHGs has been reviewed at the state-level Bankers' Meeting, which is held in Bangalore once in three months. Commercial Regional Rural and Cooperative banks are doing extremely well throughout the state and have promoted a large number of SHGs and are also credit linked.

**NEW SWARNIMA YOJANA-DIRECT LOAN TO SHGs**

Government has also approached National Backward Class Development Corporation for direct loans to woman SHGs The under 'New Swarnima Yojana'. Under this scheme the corporation can give direct loans to individual members of SHGs if, at least 75% of them belong to BPL families. So far, 10,746 SHGs have received loans to an extent of Rs, 12.29 crores.

**CONVERGENCE OF GOVERNMENT DEPARTMENT BENEFITS TO SHGs**

The department is converging benefits of various Government departments and other financial institutions to SHGs. The department is getting financial assistance through SC and ST Development Corporation to SC and ST women SHGs in rural areas. Departments like Animal Husbandry, Sheep Development Corporation and Khadi and village Industries commission have come forward to give technical support to SHGs in terms of supply of Giriraja chicks, sheep etc. Until now, 870 SHGs throughout the state have taken up rearing of Giriraja chicks with the help of the Department of Animal Husbandry (Ditta Hejje: Stree Shakti, 2003).

**GLIMPSES OF THE SUCCESS OF STREE SHAKTI PROGRAMME IN KARNATAKA**

Stree Shakthi has made great strides and has created a stir in rural parts of the state. It has become a movement. Its impact is manifested in many ways. Some of the woman SHGs are protesting against the sale of arrack and liquor in their villages and have been successful in closing down arrack shops in their villages. SHGs are also fighting against alcoholism and other social evils like child marriage, dowry, gender inequality and domestic violence. It is a fact that these woman SHGs are taking active part in community development. In brief, it can be said unhesitatingly that rural Karnataka is witnessing quiet a revolution and Stree Shakthi groups have succeeded in bringing a major transformation in the lives of lakhs of rural women (Vidya Maria Joseph and Uday Shankar Bhat).

In remote corners of the State, small groups of women are coming together not just to become economically and financially independent but also to fight against local problems. In and around Shimoga district women self help groups took to the streets last year demanding a ban on 'packet liquor'. In Raichur too it has lent voice to the women to protest against liquor, Ghutka and Mukta. In Sulla village talukas, some SHGs have successfully implemented total prohibition of liquor.

In Shimoga district, there are 2540 Stree Shakthi groups with a membership of 39,658. The total savings of the groups till August 2003 was Rs. 3.99 crores. Of the 2540 groups only 1815 have received the revolving fund of RS. 5000 given by the government. As many as 317 groups have taken loans from banks to the tune of Rs. 1.11 crores. More than fifty percent of the loan amount has already been repaid so far. In Melinahanasavadi GP limits in Shimoga taluka, three Stree Shakthi groups are functional. They produce the traditional women-fare including papads, pickles, roti-chatnipudi, sandige etc, and supply it to a well known hotel in Shimoga city. They also take orders on special days and prepare chapattis, holige etc, and supply it to the hotel. Stree Shakthi groups are also acting as pressure groups within the village. Belinkakere village in Kumsi hobli of Shimoga taluka did not have access to public transport due to its remote location. Women groups came together and created enough pressure on KSRTC to run a local bus to the village daily. In Hubli-Dharwad, the SHGs have also been involved in the developmental activities taken by the Panchayat Raj institutions in rural areas.

There are about 2488 SHGs in Raichur district. Of the 34,619 members, 6744 belong to SC, 6314 to ST and 4421 to BC. The total savings of these groups is Rs. 1.70 crore and they have lent out an internal loan of Rs. 1.31 crores to the women in need.

In Koppal district, there are 1776 groups with 30,000 members. They have a total savings of Rs. 2.20 crore. The banks have released loans to the tune of Rs. 46.8 lakh. Most of the SHGs are involved in sheep rearing. Apparently the SHGs in the district are yet to reach the stipulated goal. The target for Kodugu district was 600 SHGs. But today there are 606 SHGs functioning in Madikeri, Somvarpet and Virajpet talukas. The total savings is estimated at Rs. 96,03,476 and the groups have lent out an internal loan to the tune of Rs. 2.39 crores. Some of the districts hope to achieve a new target of 40 more groups.

In Dharwad district, as many as 1994 SHOs have been formed till August 2003 and they have savings of Rs. 2.12 crores. There are 30,118 members in these SHGs. At present, there is clear guideline from the NABARD that financial assistance should be given to the SHGs depending upon their grading. As a result, hardly 200 have benefited overall. The relaxation of this rule may further enhance activities of more SHGs. The last three years have seen a total number of 1,00,000 SHGs all over the State, with a membership of about 15 lakhs. The groups have accumulated savings to the tune of Rs. 240.73 crore, and have given out an internal loan of Rs. 219.31 (Stree Shakthi : Sankalpa Shakthi, 2003).

**PROGRESS OF STREE SHAKTI PROGRAMME IN KARNATAKA**

Before the launch of Stree Shakthi programme in Karnataka. No major attempt was been made to mobilize the potential and productivity of the rural women folk in the history of Karnataka. It was a common notion that the rural women were unproductive and could not show spirit of entrepreneurship for their economic development. The mobilization and organization of rural women was considered to be an impossible task. But the spectacular progress being made by the Stree Shakthi programme in Karnataka has dispelled all these wrong notions and prejudices about the spirit and power of rural women in Karnataka. The spectacular success and commendable progress made by the Stree Shakthi Programme in Karnataka is explained in the following table.

**TABLE – 3.2: THE OUTLINE OF THE PROGRESS OF STREE SHAKTI PROGRAMME IN KARNATAKA**

Sl. No.	Details	Progress Achieved
1.	No. of Groups formed	1,00,000
2.	No. of Scheduled Caste Members in the Groups	3,09,835
3.	No. of Scheduled Tribe Members	1,20,098
4.	Minorities	1,03,426
5.	Other Members	9,70,426
6.	Total No. of Women Members in the Groups	89,900
7.	No. of Groups having Bank A/c	15,03,824
8.	Total Savings of Members	240.73 crores
9.	No. of Groups which have availed loan from banks	48,218
10.	Total Loan amount	185.42 crores
11.	No. of Groups which have received revolving fund	1,00,000
12.	Revolving Fund amount	50 Crores
13.	No. of Groups trained in Credit Management Training	73,241
14.	No. of groups trained in Book Keeping	75,352
15.	No. of Groups trained in Social Issues	76,158
16.	No. of Groups received Giriraja Chicks	14,158
17.	No. of Chicks Supplied	1,41,263
18.	No. of Members availed loan facility under new Swanirmana Scheme	16,252
19.	No. of Groups engaged in income generating activities	55,125
20.	No. of Groups participated in Akashra Dasoha Programme	12,362
21.	No. of Groups identified for incentives	324
22.	No. of Groups which have saved Rs. 75,000/1 lakh	243
23.	No. of Groups which have saved more than 1 lakh	81
24.	Total Expenditure incurred for this project right from the beginning	8229.14 lakhs
25.	Total No. of members taking loan under micro credit scheme	2115

Source: Department of Women & Child, Government of Karnataka, Bangalore,, 2005.

The above table explains the impressive progress that has been achieved by the Stree Shakti Programme in Karnataka State. The data mentioned in above table reveals that there are more than 1,00,000 Stree Shakti groups in the different districts of Karnataka, having the total membership of 15,03,824 women who are belong to the different castes, religion and different strata of the society. The impressive membership among the SC (3,09,835), ST (1,20,098), Minority (1,03,465) and others (9,70,426) shows that the programme is quite useful as well as beneficial for the different categories of women in the rural parts of the Karnataka state. The above table also explains that 89,900 groups have bank linkages and have saved as well as deposited a whopping amount of 240.73 crores in a little span of around four years. According to the data mentioned in the above table 48, 218 groups have received a bank loan of 185.42 crores for their personal use, income generation and entrepreneurial activities over the last four years.

From the analysis of the above table, it can be studied that apart from providing heavy amount of loans to the group members, it has given training on credit management to 73,241 groups from all over the Karnataka state. The same number of groups have been trained on the issues of book keeping and other social issues. The above table also suggests that 55,125 groups have been involved in the different income generation activities like papad making, sandige making, chilli powder making, poultry, vermiculture, petty business, vegetable vending, provisional store, and scores of other activities.

From the study of the above table it can also be known that apart from showing a spirit of credit and thriftiness, the Stree Shakti groups (12,362) have become socially responsible and have actively participated in the "Akshara Dasoha" programme in Karnataka. It also shows that over the last four years, the government of Karnataka has spent an amount of Rs. 8229.14 lakhs on the programme.

## CONCLUSION

It should be noted though that the sustainability of SHGs to effect such change is directly linked to their financial sustainability. While this latter issue was not the intended focus on the report, any external intervention to SHGs should bear this issue in mind. Research has shown that SHG's financial management is average or weak (APMAS, 2005). Thus, it is vitally important that both the government and NGOs work to bear all the costs in mind of interventions to make them sustainable otherwise the SHGs will be overburdened and destined to fail. Government regulations could help manage this risk and increase the emphasis on sustainability of SHGs. There are key areas of SHG financial management that need to be improved such as internal controls, accounting, management stewardship, organizational efficiency and others. If the government were to enact the policy that would regulate the quality of SHGs and tied this to their eligibility for SHG Bank Linkage, then this would help bring about a more measured and responsible growth to the movement. Both for SHGs and SHG federations there is a need to aspire for attaining standards following the best practices. As the SHG federations are emerging as community owned microfinance institutions, there is a need for significant investment in providing institution building support. These SHG federations being bodies like corporations as they are registered under an appropriate legal form, must comply with the prudential and legal norms. There is a need for a well developed third party rating system for SHG federations before they are linked with financial institutions to act as an intermediary as they handle large volume of funds from the bank linkage and also undertake savings from their members.

There is a need for establishing a computerized MIS for SHGs and SHG federations to monitor their performance on a regular basis. SHG Federations must be able to publish their annual reports and share those with all their members. Governance of SHG federations is a major challenge. For the SHG members to manage their own institutions with professional staff and large volumes of transactions will be difficult. SHPIs must provide the needed support for the SHG federations to develop into sustainable institutions of the poor. Considerable investments would be needed to facilitate and sustain SHG federations across the nation.

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## ROLE OF TALENT MANAGEMENT IN ACHIEVING THE GOALS AND OBJECTIVES OF BANKING SECTOR IN INDIA - WITH REFERENCE TO NOIDA REGION

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### ABSTRACT

*Talent management is the widely discussed topic today. It plays a major role in the productive working. It is the term which reflects in meaning more than just managing human resource. Talent management refers to the integration of HR process in a way so that human resource with great skills and capability is recruited, motivated and most importantly retained in the organisation. Earlier human resources included the activities like recruiting, leadership and development, organisational design, total compensation and communication. This was referred as strategic HR process which was considered as much better than traditional HR. But now due to the growing competition and downsizing has led to the development of the term talent management where the talent is groomed up in a way so that every employee is able to perform every key role. The banking sectors whether it is private sector or public sector are the important of the nation. It is growing up in a big way; because of this it has become essential to keep a check on how one can achieve its goals and objective with managing the best talent in a good way. The purpose of my study is to know the role of talent management in achieving the goals and objectives of banking sector in India. The area selected for this study is Noida region. It includes one private bank and one public bank. The data collected is secondary data.*

### KEYWORDS

compensation management, performance management, succession planning, talent management, workforce analysis.

### INTRODUCTION

Talent management is a process where human capital is utilised in a way so that their capability is used in a best way. The definition of the talent management varies according to the viewpoint of the researchers. Some describes it as a science which involves application of strategic human resources to create the business value and help the different organisations whether it is companies, banks or educational institutions to reach its goals and objectives.

Talent management is the term which was coined by McKinsey and Company. It involves implying the different strategies in sourcing, attracting, selecting, retaining, developing and promoting the employees through the organisation.

Talent management mainly focuses on two areas which are performance and potential. The employee with the good potential and capability will perform better in the organisation and can easily meet the organisational goals and objectives which will lead to increase in the productivity.

Martin and Moldoveanu, 2003 has described the talent as person's capacity to learn, think, relate and act according to the value of the organisation. Talent is the scarce resource today. In this competitive era, managing talented people is the most critical thing. It is necessary to retain and engage the employee in the organisation because the talented employees can not be replicated.

In the banking sector whether it is a private bank or public bank, talent management plays an important role. Human capital is the one where a major part of the revenue is invested. Therefore it is necessary to position right number of people at the right time. The banking sector is facing numerous challenges as the human resource is going through the decline stage. The rate of number of people leaving the organisation is very high. Although a different organisation is given responsibility in the public banks which take care of complete recruitment process. IBPS takes care of attracting and recruiting the major talent across India. Hiring the talent for the rural areas is a big responsibility as majority of people are running from the rural areas to the urban areas. Therefore hiring, retaining and motivating the employees with the great potential who can achieve the organisation goals and objective is a need of the hour.

In the private sector banks, the employees join and leave the organisation whenever they feel to or they find the new opportunity. They invest time and money in hiring the employees but the focus is to be given on retaining the employees and motivating them to meet the organisational goals. Most of the private banks are able to retain the employees by providing them good compensation and managing it through the various level. They are focussing on providing the good training so that each employee is able to perform the key roles given to them.

Therefore this study is giving a light on how the talent management is enabling the banks to meet its goals and objectives. What role the talent management is playing in meeting their mission. Is it successful or we need to give more concern to this area?

### OBJECTIVES OF THE STUDY

The objective of this study is to find out the role of talent management in achieving the goals and objectives of the banking sector.

### DISCUSSION

Talent management plays an important role in achieving the objectives of the organisation. It fills the gap between the knowledge and skills. It mainly gives a light on efficient and effective way of recruiting so that the employees are recruited in a way so that they can play each role. It is necessary to hire the employees who can meet the continuous increasing global competition. It is required that employees can meet sustain the culture and value of the organisation. It is necessary for the growth of the organisation. The banking sector requires very efficient way of working. In the public sector banks, number of employees are very less therefore it is necessary to be careful while recruiting the employees. It should be conducted keeping in the mind ongoing global change. Every employee should be able to perform each and every role whenever needed.

The role of talent management in achieving the organisational goals and objectives of the banking sector is discussed below:

#### WORKFORCE PLANNING

It involves the systematic identification and analysis of workforce in terms of type, size, kind of knowledge, skills, experience so that they can meet the organisation objectives.

#### RECRUITMENT & SELECTION

It is the process of inviting the large number of the applicants for the job and selecting the best out of it having efficient knowledge and skills.



In the private sector every year fresh talent is invited and recruited. It is easy to mould them according to the requirement of the bank whether it is the hr field, marketing or accounting, there is always an opportunity for the fresh talent. The banks can recruit them by involving the challenges according to the need of the hour.

In the public banks the recruitment process is just based on entrance test and interview. The employees once selected are permanent, one can not fire them until unless without having a solid reason. Therefore care has to be given while choosing the employees.

#### **PERFORMANCE MANAGEMENT**

It is the important part of the talent management. By analysing the performance of the employees, the solution to the number of the problem can be found easily. There are number of methods of the performance appraisal. The appropriate method of the performance appraisal would help the banks to retain the best employees. High performance means better customer satisfaction and increase in the productivity of the organisation. It helps to promote the employees from one position to another position. Implementation of the performance management system means increase in the growth of the organisation.

In the private sector banks and public sector banks, this method is being implemented carefully as the business in both the sectors is expanding and the functional areas are also increasing.

The performance management system has helped in cost cutting and better customer satisfaction which ultimately helps in retaining the employees because employees who perform well are always given importance.

#### **TRAINING & PERFORMANCE SUPPORT**

Training involves continuous learning process. Whenever an employee is promoted from one position to another or new tasks and responsibilities are given to them then it become necessary to provide them effective training programs so that they know exactly how to perform and complete the task according to the need of the organisation.

It is safe to say that whether it is private or public bank, more focus is being given to the training programs. It has been observed that training part is given more importance and more expenditure is being done on this. It has lead to the development of the confident and productive workers. They are capable enough to learn the new things and giving new ideas for the growth of the business.

#### **SUCCESSION PLANNING**

It involves that the employees are recruited and developed in a way so that they are able to perform each key role of the organisation. Effective succession planning means you have number of employees who can fill the position whether up or down in the organisation whenever required. It involves building up a series of leaders who can meet the objectives of the organisation.

This is the area which needs great attention in both public and private banks. Getting ready each employee to perform every key role is a great challenge. It requires motivating the employees to a greater extent. But it is the important part of the talent management as it would help the organisation to remain stand even in case of recession when the condition of the downsizing increases.

#### **COMPETENCY MANAGEMENT**

It involves managing the skills, knowledge and behaviour of the employee. It enhances the motivational level and satisfaction among employees as they can achieve the task easily.

#### **COMPENSATION & BENEFITS**

Effective talent management leads to high performance and increase in the productivity of the organisation which will lead to increase in the rewards given to them and benefits.

Compensation and benefits are the important part of the work. The employees should be given rewards and benefits for their performance to motivate them so that they keep performing well.

In the Public banks, the rewards and benefits are given to the employees under various scheme therefore it is the most attractive place of the work even for new generation while the private banks has to give more concern to this as they are lacking in it.

#### **CONCLUSION**

From the above study, it can be concluded that talent management is a very effective tool for meeting the goals and objectives of the banking sector. However recruiting the employees to meet the global competition is quite a challenge. In case of recruitment, performance management and training, both public and private sector banks are focussed while private sectors banks need to give more concern in case of compensation and benefits.

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## PROBLEMS OF MICRO ENTREPRENEURS IN CHITTOOR DISTRICT

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**ABSTRACT**

The study shows that most of the respondents have faced multitude of problems in raising funds from the market. Nearly 90 per cent of units have not faced any problem what so ever concerning obtaining of working funds. This problem is more in glass and ceramics as compared to the remaining industrial categories. Cash credit is the only problem faced by respondents in financing working capital. The respondents have faced multiple problems with regard to hired labour in terms of absenteeism, demand for high wage and bonus, unionism and negligence. The respondents had to face multiple problems in procuring raw materials. Of these problems, high fluctuations in prices ranks first while irregular supply and poor quality last. Majority of respondents have faced problems with regard to disruption, discontinuation and inadequate supply of power. It is more pronounced in summer as compared to winter. Further, power cuts are more acute in the enterprises located in rural areas relative to urban locations. This is so because the power is available less than 8 hours a day in rural areas while throughout the day with a break 2 – 3 hours in urban areas. Among the problems faced in the marketing of goods, fierce competition/irregular demand came first. Of the problems faced in the storage of goods, lack of space ranks first.

**KEYWORDS**

micro entrepreneurs, chittoor district, working capital.

**1. INTRODUCTION**

In the recent past, Micro, Small and Medium enterprises were assigned a pivotal role in the process of rural industrialization as an effective tool to subserve the national objective of growth with social justice. Development of micro manufacturing enterprises is hampered by a number of problems and constraints. Therefore, an attempt is made in this article to analyse the problems confronted by in the Chittoor district. The universe of the study is Chittoor district. Of the categories of manufacturing micro enterprises, as classified by the District Industry Centre, for a meaningful analysis of cross sectional data 20 units each is purposely brought into sample frame. Stratified random sample technique is conveniently adopted. The data has been analysed with the help of percentages and Chi-square test.

**2. FINANCE****TABLE 1: PROBLEMS FACED BY RESPONDENTS IN OBTAINING FINANCE**

Type of problem	Agro, food & allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Non-availability of funds	2 (13.33)	1 (7.69)	1 (7.68)	-	1 (6.67)	5 (6.94)
High rate of interest	5 (33.33)	-	-	1 (6.25)	4 (26.66)	10 (13.89)
Non-availability of funds/ high rate of interest	-	5 (38.47)	3 (23.08)	2 (12.50)	3 (20.00)	13 (18.06)
Lack of security/ high rate of interest	4 (26.67)	3 (23.08)	3 (23.08)	3 (18.75)	1 (6.67)	14 (19.44)
Lack of security/high rate of interest/delay in the sanction loan	1 (6.67)	2 (15.38)	3 (23.08)	8 (50.00)	5 (33.33)	19 (26.39)
Lack of security/high rate of interest/delay in disbursement of loan	3 (20.00)	2 (15.38)	3 (23.08)	2 (12.50)	1 (6.67)	11 (15.28)
Total	15 (100.00)	13 (100.00)	13 (100.00)	16 (100.00)	15 (100.00)	72 (100.00)

Source: Sample survey.

**Notes:** Figures in brackets indicate the percentage to total. It is evident from the Table 1 that, 26.39 per cent of respondents have opined that they were subjected to lack of security to provide for obtaining loans / delay in the sanction of loan / high rate of interest. Lack of security/high rate of interest was the perception of 19.44 per cent of entrepreneurs. Non-availability of funds and high rate of interest were reasons cited by 18.06 per cent of respondents. A little over 15 per cent have cited lack of security/ high rate of interest/ delay in the disbursement of loan. Those who have opined that non-availability of funds and high rate of interest are the problems confronted by 6.94 per cent and 13.89 per cent respectively. In the case of agro, foods and allied, 33.33 per cent felt that the rate of interest was high followed by lack of security/high rate of interest (26.67 per cent), lack of security/high rate of interest/delay in the disbursement of loan (20 per cent), non – availability of funds (13.33 per cent) and lack of security/ high rate of interest / delay in the sanction of loan (6.67 per cent). None had referred to non- availability of funds / high rate of interest as a problem. Similarly, the proportion of respondents who have experienced problems varied across the remaining categories. For example, in the case of mechanical & metallurgical, the highest, 38.47 per cent have perceived non-availability of funds/high rate of interest as a problem. With regard to chemical, plastic and rubber, each 23.08 per cent had faced the problems of non-availability of funds/high rate of interest, lack of security/ high rate of interest and lack of security/high rate of interest/delay in the sanction of loan and lack of security/high rate of interest/delay in the disbursement of loan amount. As many as, 7.68 per cent have experienced non-availability of funds. None had stated that the rate of interest is high in mechanical and metallurgical



and chemical, plastic and rubber categories. Fifty per cent of respondents in glass and ceramics and 33.33 per cent in paper have felt that the rate of interest is high and complained of delay in the sanction of loans. They were unable to offer security for sanction of loan.

**TABLE 2: NUMBER OF RESPONDENTS FACED DIFFICULTY IN OBTAINING WORKING CAPITAL**

Response	Agro, food & allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Yes	1 (5.00)	3 (15.00)	1 (5.00)	5 (25.00)	1 (5.00)	11 (11.00)
No	19 (95.00)	17 (85.00)	19 (95.00)	15 (75.00)	19 (95.00)	89 (89.00)
Total	20 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	100 (100.00)

Source: Sample survey.

Notes: Figures in brackets indicate the percentage to total.

Only 11 per cent of respondents were subjected to problems in raising working capital to meet their day-to-day expenses like payment of wage/salary, overhead expenses, payment for purchase of raw materials, payment of dues to creditors and so on (see Table 2). The remaining, 89 per cent are free from them. Across the categories, 25 per cent in glass and ceramics, 15 per cent in mechanical & metallurgical and 5 per cent in each of agro, food and allied, chemical, plastic and rubber and paper have encountered difficulty in obtaining necessary working capital. The rest have no botheration while obtaining working capital.

**TABLE 3: KIND OF DIFFICULTY FACED BY RESPONDENTS IN FINANCING WORKING CAPITAL**

Problem	Agro, food & allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Cash credit	1 (100.00)	3 (100.00)	1 (100.00)	5 (100.00)	1 (100.00)	11 (100.00)
Overdraft	-	-	-	-	-	-
Discounting / re-discounting	-	-	-	-	-	-
Factoring	-	-	-	-	-	-
Total	1 (100.00)	3 (100.00)	1 (100.00)	5 (100.00)	1 (100.00)	11 (100.00)

Source: Sample survey.

Notes: Figures in brackets indicate the percentage to total.

It can be observed **Table 3** that, all the respondents have encountered the problem while availing cash credit. In other words, they have not faced any problem with regard to factoring, discounting / re-discounting of bills and overdraft.

### 3. LABOUR

**TABLE 4: PROBLEMS FACED BY MICRO ENTREPRENEURS IN MANAGING HIRED LABOUR**

Name of problem	Agro, food & allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Absenteeism	5 (26.32)	3 (15.00)	4 (20.00)	2 (10.00)	7 (36.84)	21 (21.43)
Absenteeism/ high wage/demand for bonus	5 (26.32)	4 (20.00)	-	-	4 (21.05)	13 (13.27)
Absenteeism/Unionism	3 (15.79)	4 (20.00)	1 (5.00)	1 (5.00)	1 (5.26)	10 (10.20)
Absenteeism/low morale / negligence	-	2 (10.00)	5 (25.00)	5 (25.00)	1 (5.26)	13 (13.27)
Absenteeism/high wage /negligence	3 (15.79)	6 (30.00)	5 (25.00)	4 (20.00)	4 (21.05)	22 (22.45)
Absenteeism/unionism/negligence	3 (15.79)	1 (5.00)	5 (25.00)	8 (40.00)	2 (10.54)	19 (19.38)
Total	19 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	19 (100.00)	98 (100.00)

Source: Sample survey.

Notes: Figures in brackets indicate the percentage to total.

A look at the **Table 4** shows that, of the total respondents, the highest, 22.45 per cent, have faced the problem of labour absenteeism / high wage / negligence followed by absenteeism (21.43 per cent), absenteeism/unionism/negligence (19.38 per cent), each of 13.3 per cent absenteeism / high wage/ demand for bonus, absenteeism /low morale / negligence and the least, 10.20 per cent, absenteeism / unionism. In the case of agro, food and allied, 26.32 per cent of respondents each have faced absenteeism, absenteeism / high wage /demand for bonus and each of 15.79 per cent, absenteeism / unionism, absenteeism/high wage /negligence and absenteeism /unionism/ negligence. None of the respondents have faced the problems of absenteeism/ low morale /negligence. With regard to mechanical and metallurgical, the highest, 30 per cent have faced absenteeism/ high wage/ negligence, 20 per cent each absenteeism/high wage/demand for bonus, absenteeism / unionism, 10 per cent absenteeism/ low morale/negligence and the least, 5 per cent absenteeism / unionism/negligence. With regard to glass and ceramics, the highest 40 per cent were subjected to absenteeism/ unionism / negligence, 25 per cent absenteeism/low morale/ negligence, 20 per cent absenteeism/high wage/negligence and 5 per cent absenteeism/ unionism. None of the entrepreneurs have faced the problem of absenteeism/high wage/demand for bonus. In the case of chemical, plastic and rubber, 25 per cent each were subjected to absenteeism / low morale/ negligence, absenteeism/high wage/ negligence, absenteeism/ unionism/ negligence, 20 per cent absenteeism and 5 per cent absenteeism / unionism. In respect of paper, the highest, 36.84 per cent, have faced the problem of absenteeism followed by absenteeism / high wage, /demand for bonus, absenteeism/ high wage/ negligence (21.05 per cent each), absenteeism/ unionism/ negligence (10.54 per cent) and absenteeism / low morale/ negligence and absenteeism/ unionism (5.26 per cent each).

## 4. RAW MATERIALS

TABLE 5: PROBLEMS FACED BY RESPONDENTS IN PROCUREMENT OF RAW MATERIALS

Problem	Agro, food & allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
High fluctuations in prices	6 (30.00)	13 (65.00)	7 (35.00)	5 (25.00)	9 (45.00)	40 (40.00)
High prices and irregular supply	6 (30.00)	1 (5.00)	2 (10.00)	7 (35.00)	4 (20.00)	20 (20.00)
High prices and Poor quality	3 (15.00)	1 (5.00)	1 (5.00)	5 (25.00)	1 (5.00)	11 (11.00)
Fluctuations in prices and poor quality	5 (25.00)	2 (10.00)	7 (35.00)	2 (10.00)	3 (15.00)	19 (19.00)
Irregular supply and poor quality	-	3 (15.00)	3 (15.00)	1 (5.00)	3 (15.00)	10 (10.00)
Total	20 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	100 (100.00)
$\chi^2$						30.79 <sup>NS</sup>

Source: Sample survey.

**Notes:** Figures in brackets indicate the percentage to total.**NS:** Not significant.

A glance at the Table 5 reveals that, of the total respondents, the highest 40 per cent have faced high fluctuations in the prices of raw materials followed by high prices/irregular supply (20 per cent), fluctuations in prices/poor quality (19 per cent), high prices/poor quality (11 per cent) and irregular supply/poor quality (10 per cent).

In the case of agro, food and allied, 30 per cent each have opined that there were high fluctuations in prices, irregular supply / high prices, 25 per cent fluctuations in prices/poor quality and 15 per cent high prices / poor quality. None of the respondents have felt that the supply was irregular/poor quality. In respect of mechanical and metallurgical category, the highest, 65 per cent felt high fluctuations in prices followed by 15 per cent irregular supply and poor quality, 10 per cent fluctuations in prices and poor quality and 5 per cent each high prices and irregular supply and high prices and poor quality. With regard to chemical, plastic and rubber, 35 per cent each have perceived that there were high fluctuations in prices, fluctuations in prices/poor quality, 15 per cent irregular supply/poor quality, 10 per cent high prices/irregular supply and 5 per cent high prices/poor quality. In respect of glass and ceramics, those who have opined that high prices/irregular supply constituted 35 per cent followed by 25 per cent each who felt that high fluctuations in prices and high prices/poor quality were the problems. Nearly 10 per cent cited fluctuations in prices/poor quality and 5 per cent, irregular supply and poor quality. With regard to paper, 45 per cent were of the opinion that high fluctuations in prices were the problem, 20 per cent high prices / irregular supply, 15 per cent each fluctuations in prices / poor quality, irregular supply and poor quality and 5 per cent, high prices / poor quality. The calculated value of  $\chi^2$  was 30.79, which is less than the critical value. Hence, it can be inferred that there is no significant difference in the problems in procuring raw materials between the respondents across the 5 groups. Hence, the null hypothesis is accepted.

## 5. UNDERUTILISATION OF CAPACITY

TABLE 6: REASONS FOR UNDERUTILISATION OF CAPACITY IN SAMPLE MICRO ENTERPRISES

Reason	Agro, food& allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Inadequate supply of Power	5 (100.00)	11 (84.62)	2 (33.33)	6 (40.00)	1 (10.00)	25 (51.02)
Shortage of labour	-	2 (15.38)	2 (33.33)	6 (40.00)	6 (60.00)	16 (32.65)
Technical	-	-	2 (33.33)	3 (20.00)	3 (30.00)	8 (16.33)
Total	5 (100.00)	13 (100.00)	6 (100.00)	15 (100.00)	10 (100.00)	49 (100.00)
$\chi^2$						19.88*

Source: Sample survey.

**Notes:** Figures in brackets indicate the percentage to total.**\*** : Indicates significant at 5 per cent level.

A perusal of the Table 6 shows that, all the units in agro, food and allied category were subjected to inadequate power supply. In other words, they have not faced any difficulty in relation to availability of labour and technical aspects. With regard to mechanical and metallurgical, 84.62 per cent opined that they have faced the problem of insufficient supply of power and the rest, 15.38 per cent, shortage of labour. They have not faced any technical problem. In respect of chemical and plastic and rubber, each of the one third of units have reported inadequate supply of power, shortage of labour and technical problems. In the case of glass and ceramics, 40 per cent each have stated inadequate power supply and shortage of labour are the major causes and 20 per cent cited technical snags in operations. In the case of paper, the highest 60 per cent have stated shortage of labour followed by technical issues (30 per cent) and insufficient supply of power (10 per cent). If all the enterprises were considered as a whole, 51.2 per cent, 32.65 per cent and 16.33 per cent cited inadequate power supply, shortage of labour and technical problems as causes of underutilization of capacity sequentially. There is a significant difference in the reasons for underutilization of capacity between the industrial groups. Therefore, the null hypothesis is rejected and alternate hypothesis is accepted.

## 6. MARKETING

TABLE 7: PROBLEMS ENCOUNTERED BY RESPONDENTS IN MARKETING OF GOODS

Problem	Agro, food& allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Competition	8 (40.00)	3 (15.00)	7 (35.00)	5 (25.00)	7 (35.00)	30 (30.00)
Change of consumer taste	4 (20.00)	5 (25.00)	4 (20.00)	2 (10.00)	4 (20.00)	19 (19.00)
Irregular demand	2 (10.00)	6 (30.00)	2 (10.00)	2 (10.00)	1 (5.00)	13 (13.00)
Competition and irregular demand	6 (30.00)	6 (30.00)	7 (35.00)	11 (55.00)	8 (40.00)	38 (38.00)
Total	20 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	100 (100.00)
$\chi^2$						12.04 <sup>NS</sup>

Source: Sample survey.

**Notes:** Figures in brackets indicate the percentage to total.**NS:** Not significant.

It can be observed from the Table 7 that, of the respondents, the highest 38 per cent have opined that heavy competition/irregular demand are marketing problems followed by competition (30 per cent), fast change of consumer taste (19 per cent) and irregular demand (13 per cent). Out of the respondents in agro, food and allied, 40 per cent have stated that competition is fierce, 30 per cent faced severe competition/irregular demand, 20 per cent encountered change in consumer tastes and 10 per cent, irregular demand. In the case of mechanical and metallurgical, these have formed 15 per cent, 30 per cent, 25 per cent and 30 per cent respectively. With regard to chemical, plastic and rubber, 35 per cent each have perceived that there is a severe competition/irregular demand and severe competition, 20 per cent change of taste among customers and 10 per cent, irregular demand. In the case of glass and ceramics, it may be noted that 55 per cent have stated that there is a cut throat competition/irregular demand, 25 per cent competition and 10 per cent each irregular demand and change of taste of customers. In respect of paper, 40 per cent have perceived that there is severe competition/irregular demand followed by competition (35 per cent), change of customer taste (20 per cent) and irregular demand (5 per cent). There is no significant difference in the problems of marketing faced by different groups of respondents. Hence, the null hypothesis is accepted and alternate hypothesis is rejected.

TABLE 8: PROBLEMS FACED BY RESPONDENTS IN STORAGE OF GOODS

Problems	Agro, food& allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Cost of high supervision	4 (20.00)	4 (20.00)	4 (20.00)	6 (30.00)	3 (15.00)	21 (21.00)
Lack of space	5 (25.00)	13 (65.00)	10 (50.00)	3 (15.00)	8 (40.00)	39 (39.00)
Spoilage and wastage	7 (35.00)	-	4 (20.00)	5 (25.00)	2 (10.00)	18 (18.00)
High cost of supervision and lack of space	1 (5.00)	-	2 (10.00)	4 (20.00)	4 (20.00)	11 (11.00)
Lack of space and spoilage and wastage	3 (15.00)	3 (15.00)	-	2 (10.00)	3 (15.00)	11 (11.00)
Total	20 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	100 (100.00)
$\chi^2$						26.21**

Source: Sample survey.

**Notes:** Figures in brackets indicate the percentage to total.

\*: Indicates significant at 1 per cent level.

A look at the Table 8 indicates that, in the case of mechanical and metallurgical, 65 per cent have felt that there was a lack of space for storage of goods, 20 per cent cited high cost of supervision and 15 per cent lack of space /spoilage and wastage. There are no respondents who have reported the other two categories of problems. With regard to agro, food and allied, 35 per cent have perceived that there was spoilage and wastage of goods, 25 per cent lack of space, 20 per cent high cost of supervision, 15 per cent lack of space /spoilage and wastage and 5 per cent high cost of supervision/lack of space. In respect of chemical, plastic and rubber, 50 per cent have stated lack of space to store the goods in good condition followed by high cost of supervision, spoilage and wastage (20 per cent each) and lack of space/ high cost of supervision (10 per cent). In the remaining two groups, the respondents have expressed all kinds of problems. The highest 30 per cent in glass and ceramics 40 per cent in paper have felt high cost of supervision and lack of space respectively. When all the respondents are taken together, 39 per cent have expressed lack of space followed by high cost of supervision (21 per cent), spoilage and wastage (18 per cent) and high cost of supervision/lack of space, spoilage and wastage / lack of space (11 per cent each). There is a significant difference in storage problems between micro entrepreneurs. Hence, the null hypothesis is rejected and alternate one accepted.

## 6. CONCLUSION

The respondents have faced multitude of problems in raising funds from the market. Nearly 90 per cent of units have not faced any problem what so ever concerning obtaining of working funds. This problem is more in glass and ceramics as compared to the remaining industrial categories. Cash credit is the only problem faced by respondents in financing working capital. The respondents have faced multiple problems with regard to hired labour in terms of absenteeism, demand for high wage and bonus, unionism and negligence. The respondents had to face multiple problems in procuring raw materials. Of these problems, high fluctuations in prices ranks first while irregular supply and poor quality last. Majority of respondents have faced problems with regard to disruption, discontinuation and inadequate supply of power. It is more pronounced in summer as compared to winter. Further, power cuts are more acute in the enterprises located in rural areas relative to urban locations. This is so because the power is available less than 8 hours a day in rural areas while throughout the day with a break 2 – 3 hours in urban areas. Among the problems faced in the marketing of goods, fierce competition/irregular demand came first. Of the problems faced in the storage of goods, lack of space ranks first.

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**MAKE IN INDIA: OPPORTUNITIES AND CHALLENGES IN DEFENCE SECTOR**

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**ABSTRACT**

*An ambitious Make in India campaign by the government of India can not only change the image of the country as a hub for manufacturing but also as a destination to do business. Annoyed by India's status as the world's biggest arms importer, Indian government wants to build an advanced defense industry which aims to turn the country into a manufacturing powerhouse. It offers a way of improving the country's self-reliance in defence production. However, for the Make in India to succeed in the defence manufacturing sector, the government needs to address some legacy issues. This paper attempts to give a present state of affairs of the Indian Defence, then depicts the global scenario relating to defence and attempts to identify the opportunities and the challenges waiting for the Make in India campaign for defence sector.*

**KEYWORDS**

FDI, defence, manufacturing, make in India, private sector.

**INTRODUCTION**

"What counts is not necessarily the size of the dog in the fight – it's the size of the fight in the dog"

- General Dwight D. Eisenhower

As this former President of USA and also a five-star general of US army during World War II said, the might of the army is in the size of the fight it gives and there might be many factors influencing the might of the army. Soldiers, military equipments, guns and tanks, intelligence and surveillance capabilities and other military requirements can be seen as the source for the confidence the army can have to safeguard its borders. Investment in the emerging markets by global aerospace and defence companies has witnessed an increase, driven primarily by a search for low-cost manufacturing options, research and development capabilities and acquisition of engineering and related critical talent. In future battles, the technology superiority is going to play a crucial decisive role. A roadmap should be laid down to be able to develop and change superior technology into affordable and critical military capability keeping in mind affordability, timeliness, dual use, technology base and modular design. This would enable the country's R&D establishments to focus on specific capability requirements and work out appropriate technologies needed to fulfill these requirements. A concentrated effort should be put to design and produce indigenously not just to satisfy the domestic demand but also to export. Public or private sector who have interest in the defence sector would be able to work out a strategic plan develop the needed technology, including the required funding and research and development goals in very specific areas. This would include plans for the development of capability in areas that are considered and draw-up a roadmap towards achieving it by tapping all available national resources including the civilian industry, private as well as government enterprises and the academia. The significance of being self-reliant in the defence sector desires no prominence as it is not only of critical strategic and national importance but also an essential part of the national power. In six decades since independence, the country has made major progress in achieving this objective. However, much remains to be done. Ministry of defence recognises that progress needs to be accelerated by harnessing our national capability in all its forms. The cutting edge technology with defence application needs substantial investment in terms of time, money and human resource to develop. Induction of new weapon systems is cost and time intensive. It is therefore imperative that the long term requirement of capability be identified and understood for appropriate technology to be developed indigenously.

**INDIAN DEFENCE SECTOR – THE PRESENT SCENARIO**

- India has the 3rd largest armed forces in the world in terms of active personnel
- India imports 60% of arms from various countries. It is the world's largest arms importer and accounts for 14 percent of the world's arms imports
- India is one of the largest importers of conventional defence equipment and spends about 40% of its total defence budget on capital acquisitions.
- India ranks 8<sup>th</sup> globally in military spending
- India will spend \$100-150 billion (about Rs 5.4-8.1 lakh crore) on defence modernisation programmes by 2022
- The government, as the sole purchaser of defence equipments, spends heavily with defence expenditure accounting for close to 15 percent of central government expenditure
- Foreign direct investment (FDI) in defence is increased to 49% from 26%
- Hardly any investment in R & D by government. Only 6 % of the defence expenditure is diverted towards research
- Indian firms have spurned some \$15 billion worth of government tenders to make a range of weapons since 2013
- The allocation for defence in the last budget was approximate USD 37.3 Billion. [1][2][3]

## DEFENCE SECTOR ACROSS THE GLOBE

Fifty nations account for 92 percent (\$163B) of the world's total spending on national account defence. The defence policies and programmes of these top 50 nations explain most of the world's defence activity and shape the global security environment in the broadest and most enduring ways. The top 50 nations produce more than 90 percent of global economic output and include populations of more than five billion people across six continents. 60 percent of global defence spending is generated only by six nations [4].

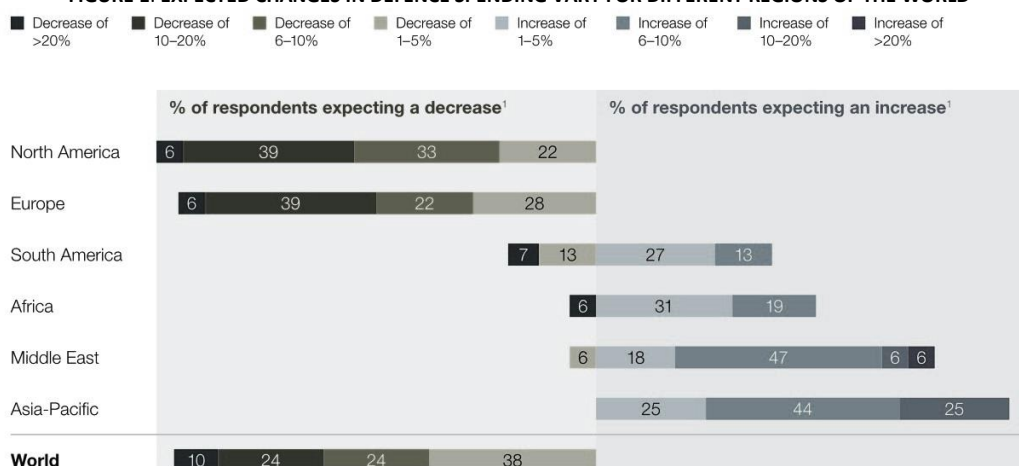
**TABLE 1: BUDGET FOR DEFENCE OF VARIOUS COUNTRIES**

Country	Planned budget for 2014-15 in \$ billion	Increase in the budget year on year in percentage
India	38	10
Brazil	31	5
South Korea	33	4.2
China	131	12
Saudi Arabia	30	NA

The Table.1 shows the planned budget by some of the countries for the year 2014-15. It shows that India's planned budget for the defence is \$ 38 billion which is about 10% increase from its previous year's budget. Neighbouring country China has increased its defence budget from \$117 billion to 131%, an increase of 12 percent. The budget of China is almost equal to the combined budget of India, Brazil, South Korea and Saudi Arabia [4].

Following Figure 1 shows the expected changes in defence spending vary for different regions of the world

**FIGURE 1: EXPECTED CHANGES IN DEFENCE SPENDING VARY FOR DIFFERENT REGIONS OF THE WORLD**



Source: Dec 2012 McKinsey survey of defence-industry executives

If we observe the chart, the increase in the defence budget of Asia-Pacific region is highest; where as North America and Europe have drastically reduced the defence budget. Middle Eastern region is the next to Asia Pacific. We can infer from the chart that these two regions have started to invest in defence recently as there has been much unrest in these regions. To defend and to keep the peace within the country, the countries in these regions have invested heavily. On other hand North America and Europe has reduced the budget as they have been investing large amount of capital in defence since years [5].

## MAKE IN INDIA AND ITS IMPORTANCE IN DEFENCE SECTOR

The Government will focus on indigenisation with the increasing presence of Indian companies and giving cost advantages relating to basic design and engineering services, components, and assemblies manufacturing. Indian companies will also succeed with the help of foreign companies which creates a benefit for both. Once indigenous manufacturing takes root, research and development for the indigenous military industry and civil aircraft is likely to be the other focus area of the Indian Government, the report added [6]. The program will facilitate the development and production of high-end technology systems within the country. This will comprise a wide range of technologies and systems, like Missile Technology, Remote Weapon Systems and Advanced Armor Solutions [7]. Getting foreign companies to establish businesses in India is not to avoid the import cost but to increase the domestic market capabilities to support the Indian defence sector by enhancing investment, growing manufacturing, support enterprise, state-of-art technology and increase economic growth in India.

The opportunities what small and medium scale enterprises (SMEs) will have is umpteen. The SME have been the subcontractors to many of the Public sectors as well as private sector players undertaking the projects of the defence. As the Indian private players start their venture in defence, many SMEs would emerge not just in manufacturing but also in other supporting services. These services can be training institutes to upgrade the technical skills required for the working class. The skill sets of these SMEs who are undertaking the private organizations work will improve drastically as they have to match the quality standards of the defence. This will bring a systemic change in the way production plants work. They would be more organized and technically sound. As government of India has allowed 49 percent FDI in defence sector, many foreign players would set up their businesses with help of Indian companies. Along with the technical help, these foreign companies will update the technical capabilities of the Indian manufacturing sector. The SME market has always constituted a significant component of the Indian economy, accounting for 40% of employment and making an almost equivalent contribution to India's GDP. The challenge has been getting them to spend on technology.

Private sector, though is in its nascent stage in the defence manufacturing is eager to manufacture for the defence. Tata and Boeing have already signed for a joint venture. Rafael of Israel has started a joint venture with Kalyani group. They will be more than eager to serve the defence as India is considered as the most favoured country to invest in defence sector. Indian government has been pumping substantial amount of money in defence procurement and establishment. Following table shows the defence budget since 2005 to 2015.

India will spend \$100-150 billion (about Rs 5.4-8.1 lakh crore) on defence modernisation programmes by 2022 and this makes India the most attractive place to set up a business related to defence. Provision of Rs. 2,290 billion for defence has been announced in the union budget 2014-15. Although the Indian defence industry was opened to the private sector in 2001, the latter is yet to contribute in any meaningful manner. The biggest hindrance in the private sector's participation so far has been mistrust. When it comes to big contracts, procedural hurdles come in the way, making it virtually impossible for the private sector to get into complex defence manufacturing. Moreover, single source procurement from the private sector is still considered a taboo, whereas import without competition is greatly admired [8].

## CHALLENGES FOR THE DEFENCE SECTOR IN INDIA

The indifference towards in-house manufacturing of defence equipment is perhaps best exemplified in the way various defence plans are prepared and pursued. All these plans are prepared with a focus on 'acquiring' the best possible equipment available in the world. The Defence Research and Development Organization (DRDO) and domestic industry are entirely disregarded in the planning process. To make matters worse, there is no channel for the armed forces to make available



advance information to the local industry so as to facilitate the public or private sectors to come up with detailed financial, technological and industrial plans to meet the requirements in a timeframe that is acceptable to the armed forces[8]. Government wants to put up an advanced defense industry but almost an year into its "Make in India" campaign, which aims to turn the nation into a manufacturing hub for the world, not one large domestic weapons project has been awarded. Indian firms have rejected some \$15 billion (Rs. 945 billion) worth of government tenders to make a range of weapons since 2013, in a blow to the drive to wean the country off imported arms. Tenders have lapsed for the projects of air defence guns to surface-to-air missiles to transport planes. Government has laid down impossible requirements by insisting on technology which only foreign manufacturers had. Companies with prior experiencing in supplying the defence goods is entertained by defence is also a hurdle in motivating the domestic players to participate in any tenders.[2]. The domestic manufacturing industry will be hard pressed to provide to the demand from the global primes for components, which they will need to procure from India to discharge the potential offset obligations. This capacity constraint can be a potential deterrent to the foreign companies, especially when seen in light of efficient supply chain and program management which are at the core of such manufacturing projects [9]. The greatest weakness in India's defence manufacturing is the lack of a high-powered institution that can lay out a long term roadmap for the defence industry, set a target for the industry, monitor the progress, and more importantly bring all the stakeholders on one platform and commit to the common cause of self-reliance. Defence industry requires a highly skilled labour force. Currently, there is hardly any thinking on how to generate a robust human resource base both in terms of number and quality. Low education and lack of training is also an aspect that is common to other high-end R&D organisations like the ISRO and atomic energy department, and even to manufacturing establishments such as Hindustan Aeronautics Ltd [8]. Defence acquisition is a highly specialized progression and needs adequately qualified human resource. India lacks a dedicated cadre of workforce for assets acquisitions along with any explicit training programs for employees involved in the acquisition process. The conception of a separate and dedicated institutional structure to take on the entire range of procurement functions is required to make possible a higher degree of professionalism and cost effectiveness in the defence procurement process [9].

An increase in FDI of 49 percent from 26 percent in defence sector has turned into a challenge too for the large organizations which are involved in defence manufacturing as they would not have the control over the management of the manufacturing. On the other hand China and South Korea have been very liberal in their approach to allow FDI and utilize their country for manufacturing defence equipments. India has a complex taxation system with a large number of taxes applicable at different stages of the manufacturing process. The tax regime is perceived as aggressive and bureaucratic in its application. For example, while the indirect tax laws provide various exemptions and concessions from payment of custom duty (on imports) and excise duty (on domestic manufacturing) of capital goods, machinery, equipment, spares, tools, etc. for use by the Armed Forces and defence sector, such benefits are specific in nature and have been restricted to certain types of equipment, machinery, etc. or to various programs or development projects undertaken by the Ministry of Defence [11].

A strong research and development is another challenge to the Indian firms who are interested in being the part of Make in India. The private sector gets to know once the government issues request for proposal (RFP). Once the RFPs are issued, the domestic players don't have sufficient time to respond with designs or any other proposals regarding the product. Eventually, the order goes to the foreign suppliers who possess the technology[11]. Government should make either the RFP known in advance so that the domestic players can invest their time and money in developing the requirements to should establish research centers which involve in research and development in regular basis and suggest the defence to include any innovative product in the force. There should be a forum where private sector can experiment with innovative products and can suggest the same to defence to make those products as part of the defence equipments.

## CONCLUSION

India needs to develop a macro vision for promoting 'Make in India' in defence sector to attain the level of developed countries in defence manufacturing. It should not only have Make 'In' India approach but also Make 'For' India. It should first satisfy the domestic market and then look for the exports. Present approach is more of export oriented than for the domestic market. An export-led growth strategy will not pay for India as it did for Asian economies, including China, due to the tepid global economic recovery, especially in the industrial countries. The government should rather focus on creating an environment where all sorts of enterprise can flourish, and then leaving entrepreneurs to choose what they want to do. Make in India will typically mean more openness, as we create an environment that makes our firms able to compete with the rest of the world, and encourages foreign producers to come and take advantage of our environment to create jobs in India.

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**MICROINSURANCE: WAY AHEAD TO TAP RURAL INSURANCE MARKETS****DR. N. SUMAN KUMAR****HEAD****DEPARTMENT OF BUSINESS MANAGEMENT****SR ENGINEERING COLLEGE (AUTONOMOUS)****WARANGAL****ABSTRACT**

Indian insurance industry seems to be in a state of flux. While there has been a perceptible change in the market dynamics since liberalization and economic reforms, a considerable amount needs to be done for future growth and development of the market in an orderly and sustained manner. Micro-insurance refers to insurance products which are designed to provide risk cover for low-income people. Generally, these products are focused towards providing adequate coverage to this customer segment with flexible payment schedules for the lower premiums. To unleash this potential, insurance companies will need to show long-term commitment to the rural sector, design products that are suitable for the rural population and utilize appropriate distribution mechanisms.

**KEYWORDS**

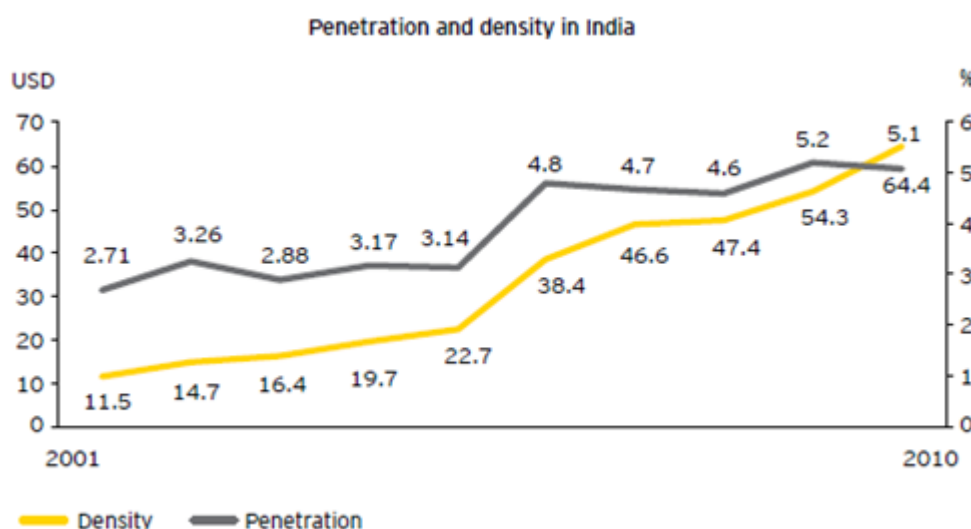
micro-insurance, financial inclusion, regulatory framework, untapped market, Insurance distribution.

**INTRODUCTION**

Indian insurance industry seems to be in a state of flux. While there has been a perceptible change in the market dynamics since liberalization and economic reforms, a considerable amount needs to be done for future growth and development of the market in an orderly and sustained manner. Notwithstanding the strong improvement in penetration and density in the last 10 years, India largely remains an under-penetrated market. The market today is primarily dependent on push, tax incentives and mandatory buying for sales. There is very little customer pull, which will come from increasing financial awareness along with increasing savings and disposable income. Till then the stakeholders will have to strive for product simplification, increasing transparency of cost and pricing, effective distribution and improving customer servicing to drive sales. In the long run the insurance industry is still poised for a strong growth as the domestic economy is expected to grow steadily, leading to rise in per capita and disposable income, while savings are expected to be stable.

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 abandoned public sector exclusivity in the insurance industry in favour of market-driven competition. 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.

As per the census of 2001, rural India comprises 72% of the population and generates 26% of the GDP. Thus, the rural sector is important both politically and economically. Naturally, rural insurance has been emphasized since the nationalization of life insurance business. The government followed a three-pronged strategy for life insurance. Firstly, it targeted the rural wealthy with regular individual policies. Secondly, it offered group policies to those who could not afford individual policies. Thirdly, for the very poor, it offered government-subsidized policies. For non-life insurance in the rural sector, the government has actively pursued specific strategies such as crop insurance and the insurance of farm implements such as tractors and pumps.

**EXHIBIT: INSURANCE PENETRATION AND DENSITY IN INDIA****FIG. 1**

Source: IRDA Annual Report 2010-11

**KEY HURDLES**

Despite government promotion, rural insurance has remained a small part of the total market. Most insurance companies see rural business as an obligation rather than an opportunity. While on the one hand, on account of social considerations, the need for spreading insurance throughout the country is a necessity, on the other, with the purchasing power parity of the rural population steadily growing, the rural market offers a vast potential for the insurance sector, which has essentially remained untapped so far. In order to tap these markets, there is a need to understand the psyche of the rural populace, their perception towards the importance of different types of insurance, and their willingness to purchase policies. Studies have shown that the rural market holds tremendous potential for growth of the insurance business, particularly due to the prevalence of strong saving habits. Even the relatively low-income families tend to save about a third of their annual earnings. In the agrarian belts, the savings are high around harvest time.

## MICRO-INSURANCE

Micro-insurance refers to insurance products which are designed to provide risk cover for low-income people. Generally, these products are focused towards providing adequate coverage to this customer segment with flexible payment schedules for the lower premiums. Although there are various benchmarks to distinguish micro-insurance from insurance, product design (size of premium and risk cover) and access are key differentiators for micro-insurance products. Simple products which are easily accessible through an efficient distribution process to keep the overall cost of products low are qualified under micro-insurance.

## MICRO-INSURANCE IN INDIA

The micro-insurance business took its roots in India with a few schemes launched by non government organizations (NGOs), micro finance institutions (MFIs), trade unions, hospitals and cooperatives to create an insurance fund against a specific peril. These schemes were outside the ambit of the regulations and operated more on good faith of these institutions. The micro-insurance landscape changed with the first set of regulations published in 2002 entitled the 'Obligations of Insurers to Rural Social Sectors.' The regulations essentially promulgated a quota system to force new private sector insurers to sell a percentage of their insurance policies to de facto low-income clients.

The Government of India formed a consultative group on micro-insurance in 2003 to look into the issues faced by the micro-insurance sector. The group highlighted the apathy of insurance companies towards micro-insurance business, non-viability of standalone micro-insurance programmes and huge potential of alternative channels amongst others. The Reserve Bank of India allowed regional rural banks (RRBs), which have good distribution reach in rural areas, to sell insurance as 'corporate agent,' in 2004.

In order to support the development and facilitate the growth of the sector, the insurance regulator Insurance Regulatory Development Authority (IRDA) came up with the micro-insurance regulation in 2005. It was a pioneering approach which put India among the few countries to draft and implement specific micro-insurance regulations. While the micro-insurance regulations had a relatively narrow scope, focussing only on the partner-agent model, it nonetheless relaxed some of the conditions to facilitate distribution efficiency and perpetrated the view to extend micro-insurance from a social perspective to a commercial business opportunity. Micro insurance was able to grow to a respectable size with a total premium of INR15.43 billion collected under life and non-life micro insurance portfolios in 2011; life insurance premium contributed INR11.49 billion and nonlife insurance premium contributed INR3.93 billion to the overall amount. In the life insurance sector, individuals generated new business premium worth INR1.30 billion under 3.6 million policies, the group business amounted to INR1.55 billion under 15.3 million lives. LIC contributed most of the business procured in this portfolio by garnering INR1.23 billion of individual premium from 2.95 million lives and INR1.38 billion of group premium under 13.3 million lives. There has been a steady growth in the design of products catering to the needs of the poor, with LIC leading the race. IRDA has been endeavoring to improve penetration of micro insurance through multiple initiatives and believes that there is tremendous scope for growth.

According to the regulator, ways to increase penetration include the following:

Insurers need to innovate to reduce per policy costs as ticket size is small. One way is to go for group schemes due to their low cost of distribution, low overhead costs, easy underwriting norms, and support of nodal agency in remittance of premiums and claims. This is easily accessible through community leadership. Currently, eligibility for Micro-insurance agency is limited to MFIs, SHGs, NGOs. This needs to be expanded to grocery stores, embedded into various farm equipments etc. to bring in a variety of ways to distribute them as it besets the most.

## MICRO-INSURANCE IN NON-LIFE TO WIDEN REACH

There are a number of products offered by all registered non-life insurance companies targeting the low income segment of the population — for example, Janata Personal Accident Policy, Gramin Personal Accident Policy, cattle / livestock insurance, etc. Further, there are a number of tailor-made/group micro insurance policies offered by private and public insurers for the benefit of these segments. Micro insurance, being a low price, high volume business, its success and sustainability depends mainly on keeping the transaction costs down. This requirement is mandated by the IRDA in order to develop and promote micro insurance products in India. As on end-March 2011, non-life insurers had launched a total of 66 products under micro insurance. Further, there is an increasing realization that social security schemes of the Government of India are better administered through insurers due to cost efficiency, superior service delivery and better accountability. As such three Non-life micro insurance premium and claims of the Government of India targeted at low-income/micro insurance segments namely Aam Aadmi Bima Yojana (AABY), Janashree Bima Yojana and Rashtriya Swasthya Bima Yojana (RSBY) have been handed over to insurers for administration. In FY11, the gross written premium increased 104% over the previous year to INR3,934 million and the gross incurred claims increased 145% over the previous year to INR3,099 million.

## ISSUES AND CHALLENGES IMPESING THE GROWTH OF MICRO-INSURANCE

The lack of equitable participation in the India growth story is of concern to the Government and financial services regulators. Micro-insurance (life, disability and health) coverage of the economically disadvantaged sections of Indian society is dismally low, and will remain so, until the regulators and insurers bring in policy changes and go beyond the traditional distribution models. We further look to identify the key issues and challenges from the perspective of the key micro-insurance stakeholders - the un-insured customer, the distribution intermediary and the insurance company.

### THE UN-INSURED CUSTOMER

While the developed countries provide social security network to their citizens, India's large population and low per capita income implies that provision for any sort of social security system is bound to be a significant drain on the country's limited resources. Low awareness levels and lack of understanding of underlying benefits creates a barrier to purchase of intangible assets. Poorly designed policies, lack of education, mis-selling through inadequately trained agents and rejections during claims settlement has led to lack of trust with this customer segment.

### DISTRIBUTION INTERMEDIARY

It is imperative to use an effective distribution channel mix to reach out to the target customer segment. Poor households live for the present rather than the future. Given their fatalistic attitude, the concept of insurance is linked to expenditure, rather than risk cover. Lack of adequate training to the distribution intermediary coupled with lack of motivation, makes it difficult to explain the products to largely uneducated customers. Poor governance structure of the intermediaries also poses a significant challenge in building a sustainable model between the intermediary and the insurance companies.

### INSURANCE COMPANY

Insurance companies are faced with challenges like high cost of customer acquisition given the high operating and administrative cost involved in reaching remote areas vs. value of premiums and unpredictable payment capacity of the segment. The companies do not have enough data on various sub-segments and associated risks for analysis and pricing. As a result, the claims ratio in the microinsurance segment is unpredictable.

## POTENTIAL SOLUTIONS

Potential solutions to further increase penetration and scaling-up micro-insurance business:

### 1. REGULATORY STRUCTURE AND POLICIES

While the regulatory structure for the industry will continue to evolve, special attention will be paid to the regulatory framework for micro-insurance.

### 2. INDUSTRY LED CHANGE/INNOVATION

Ultimately, the mantle of increasing the penetration of micro-insurance in India will fall on the insurance industry. Enabled by favourable regulatory structures, the industry will be empowered to innovate – in low-cost customer acquisition, product designs and pricing, customer service and in claims handling. While each insurance company will develop its own strategies and capabilities, it will also have the opportunity to create path-breaking collaborative models. The combination of internal and collaborative models will be the catalyst for increased micro-insurance penetration.

**3. LEVERAGING TECHNOLOGY**

The incredible innovations in technology, over the past 20 years, have transformed the way that humans and organisations exist. In areas like information aggregation and management, communications and human-machine interfaces, technology has enabled new paradigms. Future indicates an increase in the rate of technology innovation.

**4. CENTER OF INFLUENCE (COI) MODEL FOR RURAL INDIA**

Rural India and making the rural population financially included has become a top priority for the Government. Many initiatives have been launched to enable this national agenda. For instance, 'Aadhaar' by UIDAI, new mobile-based platforms are emerging and banking correspondent guidelines have been issued by the Reserve Bank of India, all of which is aimed at making financial services accessible to the rural areas. It is time insurance companies also join the bandwagon and find enabling avenues that would make rural population 'insurance inclusive'.

Rural population has relatively lower access to information and lacks awareness of insurance products, mostly rendering them to be the 'un-insured' class of population. This requires identifying the 'centres of influence' to create awareness of insurance products, educating them on the need to be insured and finally converting them in a cost effective manner to tap this 'un-insured' and 'under-insured' market. Different types of centres of influence that is already present in a rural region. They potentially can be Headmasters of local government schools, Sarpanch of the gram panchayats, Non-Governmental Organizations (NGOs) and Self Help Groups (SHGs) that work in certain rural districts or even be the banking agent or business correspondent. Insurance companies can take a similar model to a larger population.

We provide below a ready reference, and to enable an understanding of the size of the opportunity, certain facts and figures of potential points of presence in the rural regions:

- As per the 2011 census, there were 589 District Panchayats, 6,321 Intermediate Panchayats and 238,957 Village Panchayats across India<sup>4</sup>
- As at 31 May 2012, there were 713 Multi-State Co-operative Societies in India<sup>5</sup>
- As at 31 March 2012, there were 9,743 branches of Microfinance Institutions (MFIs) across India
- As at 31 March 2012, there were 10,78,407 government schools covering 644 districts across India
- As at date there are 48,125 voluntary organisations/state organisations registered under the NGO-partnership system with the Government of India

**CONCLUSION**

India is among the most promising emerging insurance markets in the world. Its current premium volume of USD 18 billion has the potential to increase to USD 90 billion within the next decade. In particular, life insurance, which currently makes up 80% of premiums, is widely tipped to lead the growth. The major drivers include sound economic fundamentals, a rising middle-income class, an improving regulatory framework and rising risk awareness. Finally, the largely underserved rural sector holds great promise for both life and non-life insurers. 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. Insurers will have to pay special attention to the characteristics of the rural labour force, like the prevalence of irregular income streams and preference for simple products, before they can successfully penetrate this sector

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**GO GREEN WITH GREEN HUMAN RESOURCE MANAGEMENT PRACTICES****RIZWANA KHURSHID****LECTURER****NORTH CAMPUS****UNIVERSITY OF KASHMIR****KASHMIR****MUSHTAQ A DARZI****PROFESSOR****THE BUSINESS SCHOOL****UNIVERSITY OF KASHMIR****KASHMIR****ABSTRACT**

*The Green Human Resource Management (Green HRM) is an offshoot of Green movement, a political movement which advocates principles of Environmentalism, Sustainability and Social justice to protect environment and save planet Earth from future man-made disasters. The Green HRM begot from the organizations that follow those practices and ideologies which are directed towards protection of environment and help in ensuring sustainable living. Green HRM essentially involves adopting such practices, policies, behaviours and learning processes which are directed towards attaining and maintaining environmental balance. This can be achieved by way of reduced carbon footprint, judicious use of natural resources, recycling and an active waste management. The present study highlights that Green HRM can play a pioneering role in realizing the aim of sustainable development whilst meeting economic, social and other goals. The biggest boon for organizations that follow Green HRM are in the form of improvised company image, brand image and the improved relationships with customers, suppliers, employees and government. Green HRM can play a central role in generating awareness among employees and other stakeholders for protection of environment and switching to green practices. Apart from this intrinsic benefit, Green HRM can play a useful role in employee retention.*

**KEYWORDS**

sustainability, green hrm, eco-friendly practices, green movement.

**INTRODUCTION**

Uncontrollable deterioration of the Earth's resources has put us in a situation where earth's resources are getting depleted at a rate which supersedes the replenishment rate of resources. Currently we are consuming more natural resources than our planet earth can replenish. If this rate continues it is obvious that at a certain stage even two planets will not be enough to fulfill our needs.

The dawn of the age of science and technology brought revolutionizing growth and development of human potential. This success followed to the extent wherein, man became a supreme being and stepped into a position where he even defies laws of nature. Rising pollution, shrinking water bodies, reduced forest cover, alarming levels of carbon dioxide and a host of other environmental problems we are facing speaks volumes about the pressure we are putting on the planet. The regular depletion in the quality and quantity of natural resources and the ability of our planet to support a quality life in future is quite apocryphal.

The paramount need to protect environment via controlling deforestation, bringing pollution levels in control and carbon dioxide emissions laid the foundation of Green movement, a philosophy that advocates realization of sustainable living that is living within one's fair share of the planet's resources to improve quality of life without affecting the needs of future generations. The Green movement found its takers in all fields of management, be it marketing management, production management or supply chain management. Green movement ideologies have been incorporated around the central tenants of marketing, production and supply chain activities and the recent inclusion to this movement is Green Human Resources Management Green HRM).

**LITERATURE REVIEW**

Sustainability has become an essential feature in all affairs of life. The adoption of HR practices like knowledge management, employee participation, recruitment and selection, employee training, encouraging diversity and leadership is required to be integrated to environmental improvements for the firm (Gill, 2012). Green HRM refers to practices promoting green initiatives by increasing employee awareness and commitment on the issues of environmental sustainability. Muller-Carmen et. al., (2010) have explained that Green HRM involves an integration of company's environmental management objectives to the HR processes of recruitment and selection, training and development, performance management and evaluation, rewards and recognition etc. They further highlighted that the implementation of rigorous recruitment and selection of employees, performance-based appraisal system and introduction of developmental programmes should aim at increasing the employees' environmental awareness. Mishra et. al., (2014) suggested that the companies can take number of initiatives to incorporate green HR initiatives like:

- short term initiation: finding out where the company stands and launches in green projects
- middle term initiation: track performance and build and eco – advantage culture
- long term initiation: drive environmental thinking deep into business strategy.

There are a wide range of factors which influences the adoption of an environmental strategy by a company (Berry and Rondinelli, 1998; Haden et. al., 2009) including financial performance (Sroufe, 2003), stakeholder pressure (Gonzalez-Benito 2006), corporate image and intellectual capital (Boselie et. al., 2001) and competitive advantage (Lin et. al., 2001) as emerging to be the most concerned and important reasons. Cherian & Jacob (2012) identified that employees who are actively involved in environment management principles may play a vital role in arriving at better environmental strategies to be implemented. Employees may feel empowered to adopt specific environment management principles as a result of promoted human resource policies which present better opportunities for improvements related to reduction of waste and promotion of lean manufacturing. This also may help in arriving at greener products and green savings from waste elimination. The promotion of such values will also indirectly improve consumer satisfaction. Renwick et. al., (2013) worked extensively in identifying literature gap in the area of Environmental Management (EM) and Human Resource Management and observed that some organisations limit their effectiveness in efforts to improve EM as most do not practice the wider initiatives of Green HRM practices.

The phenomenon of Liberalization, Privatization and Globalization has created an environment in which organizations are moving beyond the traditional boundaries of profits and shareholders to multiple stakeholders, the realization to the natural environment, planet protection, health of people, empowering poor and development of community by fostering diverse types of innovation is becoming more essential. Towards this backdrop the present study focus on green HRM initiatives to be taken by the organizations towards social and organizational goals.

## OBJECTIVES OF STUDY

The objective of the present paper has been to create awareness about environmental problems and suggest the ideologies of green movement which can be envisaged through the HRM processes besides the quick benefits that an organization can attain by going green.

## GREEN HRM - A CONCEPT

Green Human Resources Management encompasses all those activities, practices and behaviour of the organization which are directed towards maintaining ecological balance while carrying out various activities in HR process including recruitment, selection, induction, training and development, performance appraisal and compensation management. Daily & Huang (2001) observed that an Environmental Management System includes documentation of: commitment and policy; planning; implementation; measurement and evaluation; and review and improvement. Muller-Carmen et. al., (2010) have explained that Green HRM involves an integration of company's environmental management objectives to the HR processes of recruitment and selection, training and development, performance management and evaluation, rewards and recognition etc.

Green HRM has emerged as a crucial area of management which can have profound impact on people working in the organization and on the organization towards addressing environmental issues. Adopting HR policies and practices which address green issues can play unparalleled role in generating awareness about environment issues. Human beings can invent eco-friendly materials, equipment etc. but unless the thinking and behaviour of human beings is made conducive to support the cause of green movement, all other efforts won't prove much fruitful. In this scenario, Green HRM can shoulder the responsibility of encouraging and motivating workforce towards adopting green practices and switching over to more responsible and sustainable activities. The way offices are lighted, vehicles are driven, factories are run on fuel and similar other actions have an impact on our planet. Green initiatives like carpooling, recycling and reducing use of paper, telecommuting waste management and Eco-driving can be significant in developing an environmentally aware culture.

The organizations which are working towards developing Green issues will enjoy competitive advantages over rivals who aren't Green conscious. The Green organizations will reap the benefits of addressing environmental concerns in the form of improvised corporate and brand image, cordial relations with stakeholders, increased employee satisfaction and their retention.

## FROM HRM TO GREEN HRM

The human resource management of any organization is involved in carrying out various functions like recruitment, selection, induction, training and development programs, performance appraisal and reward management. The HR department can take green initiatives in all these functions to help build a green organization. The contemporary HR managers have responsibility of incorporating green philosophies down into various functions to develop an environmental friendly organization. This can actively happen by taking a green approach while carrying out the following activities:

### A) RECRUITMENT AND SELECTION PROCESS

Recruitment and Selection can turn out to be a key factor in highlighting the green concerns of an organization. Job descriptions can be used strategically to attract candidates who share similar ideology with organization regarding their concerns about environmental sustainability and preservation.

The remarkable progress in the field of science and technology has revolutionized the pace and mode of communication. The on boarding process of HR can employ video-conferencing, teleconferencing, online tests to carry out recruitment and selection of employees. The use of advanced technology can make recruitment and selection more paperless and quick in action. The Green initiatives in recruitment and selection can help companies find alternative cost effective methods to bring down costs. In spite of banking on traditional modes of advertising and communication, companies can post the vacancies in their organization on their website and other job portals. Resumes, cover letters, offer letters, acceptance letters and all other forms of notifications and responses can be submitted and accepted online. These methods will not only assure significant reduction in advertisement costs but will increase the reach of their advertisements besides being Green.

### B) TRAINING AND DEVELOPMENT

Training and development can be tailored to focus on the green issues. While designing Training and Development Programs, it should be taken into consideration that whenever and wherever it is feasible, online training should be preferred over offline modes of training. The course material to be essential part of the training and development should be made available online, thereby reducing paper consumption.

The training and development programs should comprise of workshops, lectures, demonstrations and sessions that promptly focus on the environmental issues and the numerous ways in which individual and team efforts could be effective in fighting pollution and ensuring sustainable living. Training and development programs can be used to generate awareness related to crucial environmental issues like waste management, energy conservation, reducing carbon footprints etc.

### C) PERFORMANCE APPRAISAL AND PERFORMANCE MANAGEMENT

Performance Appraisal and Performance Management should be designed in such a way that it attributes significant importance to green skills, green targets and green behaviour in key performance areas. Whilst establishing benchmarks of performance and setting standards for measuring performance of employees, the green initiatives taken by the employees should be made countable. The creativity and resourcefulness shown by employees in shouldering the ecological responsibility of the organization should be acknowledged by the management. The individual and team efforts taken by employees towards creating awareness about environmental problems and suggesting Green solutions to such problems should be appreciated and positively reinforced to ensure repetition of such behaviour. The green habits of employees like eco-driving; carpooling, waste management should be encouraged. Negative reinforcements should be awarded to those who don't take care of the green concerns of the organization.

### D) REWARDS AND COMPENSATION

The compensation management should be developed and designed to acknowledge the green initiatives taken by employees in the form of increased pay, incentives and other benefits. The compensation system should be tailored to reward green behaviour and accomplishment of green targets by employees. In this context, both monetary and non-monetary rewards can be allocated to green achievers in order to encourage them and motivate others to maintain a Green attitude in their activities. Monetary rewards can be allocated in the form of increased pay, cash premiums, bonuses, special discounts on purchase of company's products. Non-monetary benefits could be allocated in the form of special holiday leave, gifts, promotions etc.

The companies can also confer special recognition based awards to green achievers like assigning special titles e.g. Mr. Green of the year, publicity among rest of workforce by holding special ceremonies to appreciate achievements of green achievers, etc.

## CONCLUSION

Green HRM can play a pivotal role in making organizations environment friendly. There is a growing global consensus that organizations should actively incorporate Green ideology in management practices. The growing awareness of the people related to environment issues is transforming the world into a green economy. Against this backdrop, organizations which address green issues and take green initiatives, should integrate environmental management into human resources management. In response to ever growing expectations of customers and other stakeholders the organizations are likely to enjoy competitive gains in the form of improvised corporate and brand image. The green conscious organizations will be seen as a responsible entity in the market. Green HRM can help organizations build a strong relationship with customers, suppliers and government agencies. An organization that shows concern for environment is seen as a good corporate entity and this image will help organizations to build their loyal customer groups and gain the confidence of this group in times of difficulties.

Apart from the built in benefit of addressing environmental issues, the biggest boon for green organization lies in the noticeable improvement in work force's faith in the quality of vision and mission statements. Going Green can help organizations motivate its workforce positively, reduce their burnout and absenteeism and ensure greater productivity. Green Image of organization has the effect making it easier to attract and retain people in top management. This can be assumed from the fact that most people want to be associated with something good and what can be better than being recognized as a person who is associated with a responsible Green organization.



Green initiatives will help organizations significantly reduce the costs, by adopting green practices like waste management, carpooling, eco-driving and recycling, while simultaneously reducing their carbon foot-print.

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**ORGANIZATIONAL COMMITMENT AND ORGANIZATIONAL EFFECTIVENESS****DR. DAVINDER SHARMA****ASSOCIATE PROFESSOR****BANARSIDAS CHANDIWALA INSTITUTE OF PROFESSIONAL STUDIES****DELHI****ABSTRACT**

*This study was designed to compare organizational commitment of the employees in public and private sector organizations in food processing industry, to make out the association between subscales of organizational commitment, to compare these dimensions of organizational commitment vis-a-vis different psycho-demographic factors of the employees and to investigate the relationship between organizational commitment and organizational effectiveness. The scope of the study was public and private sector organizations belonging to Punjab and Haryana in food processing industry. The sample comprised 196 respondents drawn from three public sector organizations, and six private sector organizations. Comparisons made on the basis of hierarchical levels and other psycho-demographic factors make the study comprehensive. The results revealed a very significant and positive correlation between three subscales of organizational commitment and clearly support the idea that aggregated organizational commitment is related to organizational effectiveness indicators.*

**KEYWORDS**

organization, commitment, effectiveness.

**INTRODUCTION**

In the era of globalization, organization of market economies face strong pressures to be efficient and also to produce value added outputs. The goal of efficiency and competitiveness can be attained if organizations possess the right people with the right attitudes and skills. That is why organizations, across the business landscape, are being seen battling out for workforce share in a way they battle for market share.

Organizations have realized that their survival largely depends upon their ability to attract, motivate, and retain the key talent needed. While the factors such as capital, equipment, and other resources are important for organizational success; the human factors appears to be the most important one since it is the people who have to use all other resources. Without the productive efforts and full-hearted engagement of workers, the material and other resources of the organization would be of no use. Not even the latest technologies would be able to produce the targeted results. Committed workforce is a 'hallmark' of a successful organization. Committed or dedicated employees are expected to be more productive and work with focus on quality to increase customer satisfaction and the profitability of their organization. In other words, committed employees are the salient resources and the foundations of any organization.

**ORGANIZATIONAL COMMITMENT**

Organizational Commitment or Member identity is a value laden behaviorally anchored cultural variable of organizational environment. It is an attitudinal pre-motive dimension of work motivation, manifesting itself in members' behavior.

Organizational Commitment is a widely studied with other vital organizational factors predicting the success of an organization in. Before getting into its nitty-gritty's, a more simple and comprehensive definition of Organizational Commitment certainly needs to be mentioned.

Hall et al. (1970) define organizational commitment as the "process by which the goals of the organizations and those of the individual become increasingly integrated and congruent". Buchanan (1974) concluded that an acceptable definition of organizational commitment was still lacking. A more basic problem appears to be that there are at least two distinct approaches to define commitment, the psychological approach and the exchange approach. In an example of the psychological approach, Sheldon (1971) defines organizational commitment as an attitude or an orientation towards the organization, which links or attracts the identity of the persons of the organizations. Kanter (1968) and Buchanan (1974) also emphasize the affective attachment of the individual to the organization. A common deficiency in this approach is that commitment is treated as discrete from complementary work attitudes without specifying the nature or direction of links with these orientations (e.g., loyalty, job involvement, motivation et cetera).

The exchange approach is exemplified by Becker (1960) who advanced the notion of "side-bets" as influences that produce a willingness to remain attached to the object of the commitment. Becker argued that commitments come into being "when a person, by making a side-bet, links extraneous interests with a consistent line of activity". When side-bets are made to an organization (e.g., pension plans or other accrued investments), the individual perceives associated benefits as positive elements in an exchange and, being reluctant to lose these benefits, is more likely to stay with that organization. The individual thus become organizationally committed. Porter et al. (1974), define organizational commitment as "the strength of an individual's identification with and involvement in a particular organization". Salancik (1977) defines organizational commitment as "a state of being in which an individual becomes bound by actions to beliefs that sustains activities and involvement". Salancik proposed two approaches- prospective and retrospective. In prospective view, commitment is conceived as an individual's psychological bond to the organization/ social system, as reflected in his involvement with, loyalty for and belief in the values of the organization. In retrospective view, commitment results as an individual becomes bound to the behavioral acts that are chosen voluntarily (Raju and Srivastava, 1986).

Meyer and Allen (1991) held that organizational commitment is a multidimensional construct comprising three components: affective, continuance and normative. Affective commitment has been defined as an employee's emotional attachment to, identification with and involvement in the organization. Employees with a strong affective commitment will remain in the organization because they want to. Continuance commitment on the other hand has to do with one's awareness of the costs associated with leaving the present organization. Employees whose commitment is in the nature of continuance will remain in the organization because they have to. Normative commitment has to do with feeling of obligations to the organization based on one's personal norms and values. Employees whose commitment simply because they believe they ought to.

**ORGANIZATIONAL EFFECTIVENESS**

The success of an organization is often said to be measured in terms of its effectiveness. Effectiveness refers mainly to goal fulfillment. Campbell (1974) holds that the global question about whether an organization is 'Effective' or 'Ineffective' is virtually useless.

Effectiveness is not one thing. An organization can be effective or ineffective on a number of different facets that may be relatively independent of one another. Interest in organizational effectiveness, is of course, not a recent phenomenon. Since Adam Smith, society has tried to organize human activity to yield the highest output. In one view an organization is seen as a rational set of arrangements oriented towards achieving certain goals. From this position effectiveness can be defined in terms of goal attainment. Others take an open system view of organization and define effectiveness as the degree to which an organization can preserve the integration of its parts. In this view the organization's adaptations and survival became a measure of organizational effectiveness. Penning and Goodman (1977) opine that organizations are effective to the extent that relevant constraints can be satisfied and organizational results made to approximate or exceed a set of referents from multiple goals.

Etzioni (1964) defines organizational effectiveness as "the degree to which an organization realizes its goals". Cyert and March, 1965; Gross, 1979; Rhenman, 1967; Warner, 1967; Warriner, 1965 define effectiveness in terms of degree of goal achievement typically equated with "goals", "objectives", "purpose", "mission", "aims" and "task". Workers' cohesion, quality, innovativeness, adaptability, ability to transact with environment, productivity, efficiency, profit generation, goal



realization, resource procurement, information management and communication- all attributes that can be viewed as means either to increase the efficiency of the productive process or of gaining access to greater or more valued resources- have been noted as aspects of organizational effectiveness.

To date, researchers have proposed a variety of specific dimensions of organizational effectiveness. Dixit (1987) provided a multidimensional scale of organizational effectiveness. The scale consists of 8 dimensions that make up the organizational effectiveness construct. The 8 dimensions are- flexibility, acquisition of resources/ growth, planning, productivity, availability of information/ communication, stability, cohesive workforce, and satisfied workforce.

## ORGANIZATIONAL COMMITMENT AND ORGANIZATIONAL EFFECTIVENESS

Organizational Commitment was found to be a very important organizational variable defining the success of an organization in many ways (being associated with major organizational variables). Organizational Commitment was found to be associated with organizational adaptability, turnover, and tardiness rate (Angle et al. 1981; Thanswor et al. 2004 and Chaitanya et al. 2001). Jauch et al., (1978) found in their research, that the researchers with the strongest professional commitment had higher research productivity. A strong body of theoretical research suggesting a negative relationship specifically between higher commitment levels and lower turnover intentions is well established (Boshoff et al., 2002; Chen et al., 1998; Cohen, 1998; Cohen, 1993; Firth et al., 2004; Meyer et al., 2002; Iverson, 1999; Mowday et al., 1982; Roshin and Korabik, 1995; Schwepker, 2001; Vallabh and Donald, 2001; Williams and Hazer, 1986).

Studies have also been conducted to find the association between the three subscales i.e.: Normative, Affective and Continuance components of Organizational Commitment. According to Meyer and Allen, these components of commitment are not mutually exclusive: an employee can simultaneously be committed to the organization in an affective, normative, and continuance sense, at varying levels of intensity. Diesh (1997) has found certain aspects of organizational climate to be significantly related to organizational structure. These emerged as important predictors of organizational commitment in her study which focused on public sector managers. Purang (2008) observed that the positive perception of HRD climate predicts a better commitment level.

Katz (1964) identified three categories of employee's behavior essential for organizational effectiveness. According to Katz (1964), individuals must first be induced to enter and remain with an organization; as employees, they must carry out specific role requirements in a dependable fashion; and they must engage in innovative and spontaneous activity that goes beyond role prescriptions. Hendrix and McNichols (1984) found that organizational effectiveness can be improved if a group processing styles in a structured autonomy situation is created.

The relationship between age and organizational commitment has been studied by (Steers, 1977; Stevens et al. 1978; Morris and Sherman, 1981; DeCotis and Summers, 1987; Balaji, 1986; Steers, 1977; Alviand Ahmed, 1987; Diesh, 1997; Cohen, 1993; Pattanayak, 1993; Mannheim, 1975). Age is usually found to be positively related to commitment. Similarly, in a meta-analytic review, Mathieu and Zajac (1990) found a positively significant correlation between age and positive mean correlation of 0.36 ( $p < 0.05$ ) between age and organizational commitment. Bhagat et al. (1981) found that other variables such as age, education and need for achievement which were the antecedents of organizational commitment in earlier empirical studies, failed to predict commitment in the heterogeneous sample of working women. Kassahun (2005) found that employee age came out as the most important predictors of the organizational commitment.

Another personal variable closely related to age is tenure. Stevens et al. (1978) indicated that certain role factors such as tenure are strong influences on commitment. Some studies (Cohen, 1993; Balaji, 1986) found that organizational commitment was directly associated with length of service in organization. Particularly, Cohen (1993) reported that the correlation and commitment was greater among the more senior employees (i.e. those with more than nine years of experience). In another slightly different study, Maeyer and Allen (1993) reported that analysis of organizational tenure generally showed a mild curvilinear relationship whereby middle-tenure employees possessed less measured commitment than new or senior level (by age) employees. In their subsequent analysis, Meyer and Allen, (1997) observed that it is possible that employees need to acquire a certain amount of experience with an organization to become strongly to it, or that long-service employees retrospectively develop affective attachment to their organization.

Job tenure, another age-related variable, is also found to be positively related to commitment (Sheldon, 1971; Alutto et al. 1973; Farrell and Rustbelt, 1981; Alvi and Ahmed, 1987). On the other hand, level of education is found to be negatively related to commitment by some researchers (Steers, 1977; Morris and Sherman, 1981; Glisson and Durick, 1988). Gupta and Khandelwal (1988) have found a significant and positive relationship between role efficacy and organizational identification. Singh and Das (1994) concluded that the organizational culture influences level of Commitment significantly.

## METHODOLOGY

### PRESENT STUDY

The above mentioned and other similar studies made the plot for the present study. The authors attempt to study organizational commitment and organizational effectiveness in two strata of culturally diverse organizations. In all, nine organizations belonging to Punjab and Haryana region were studied comprising three public sector organizations and six private sector organizations in Food Processing Industry. Description of the organizations is as follows:

EXHIBIT 1: TARGETED ORGANIZATIONS

Public Sector Organizations	Hafed, Panchkula (Haryana)
	Vita, Ambala (Haryana)
	Markfed, Patiala (Punjab)
Private Sector Organizations	Private Sector Organizational LT Overseas Pvt. Ltd., Jind (Haryana)
	Bonn Nutrients Pvt. Ltd., Ludhiana (Punjab)
	Milk Plant, Jind (Haryana)
	Pepsi Food Pvt. Ltd., Patiala (Punjab)
	Alchemist, Kurali (Punjab)
	Nestle, Moga (Punjab)

## OBJECTIVES

The paper studies organizational commitment and organizational effectiveness in food processing industry (both private and public sector organizations). The main objectives of the study are as follows:

- To compare the level of organizational commitment in public and private sector organizations of food processing industry.
- To compare the level of organizational commitment of employees among different hierarchical levels in food processing industry.
- To study organizational commitment vis-à-vis psycho-demographic factors i.e. marital status, qualification, hierarchy, age, gender and total work experience in food processing industry.
- To find the correlation between the three subscales- affective commitment, normative commitment and continuance commitment in food processing industry.
- To find the correlation between organizational commitment and organizational effectiveness in food processing industry.
- To find the impact of organizational commitment on organizational effectiveness in food processing industry.

## HYPOTHESES

**H1a.** There is a significant difference in the level of organizational commitment in public and private sector organizations in food processing industry.

**H 2a.** There is a significant difference in the level of organizational commitment at different hierarchical levels in food processing industry.

**H3a.** There is a significant difference in the level of organizational commitment vis-à-vis psycho-demographic factors i.e. marital status, qualification, hierarchy, age, gender, and total work experience.

**H3.1a** There is a significant difference in the level of organizational commitment for male and female employees in food processing industry.

- H3.2a.** There is a significant difference in the level of organizational commitment for married and single employees in food processing industry.
- H3.3a.** There is a significant difference in the level of organizational commitment for the employee processing different educational levels in food processing industry.
- H3.4a.** There is a significant correlation between organizational commitment and the age of the employees.
- H3.5a.** There is a significant correlation between organizational commitment and total work experience of the employees in food processing industry.
- H4a.** There is significant correlation among the sub scales of organizational commitment in food processing industry.
- H5a.** There is a significant correlation between organizational commitment and organizational effectiveness in food processing industry.
- H6a.** Organizational effectiveness is positively and significantly predicted by organizational commitment of employees in food processing industry.

## RESEARCH DESIGN

The study is descriptive and empirical in nature. Three organizations were chosen from public sector and six from the private sector of food processing industry using systematic random sample. Then a sample of managers, supervisors and workers was chosen from a sample frame of nine companies using stratified random sampling. Managers, supervisors and workers were taken in the ratio of 1:2:3, based on availability and feasibility of the study. Out of a total of 196 respondents:

- 80 respondents belong to Public sector and 116 from Private sector in the food processing industry.
- 29 are managers, 76 are supervisors and 91 are workers.
- 171 are males and 25 are females.
- 164 are married and 32 are unmarried.
- 90 have professional qualifications and 106 have no professional qualifications.

The other demographics are mentioned in Exhibit 2.

**EXHIBIT 2: DESCRIPTIVE STATISTICS OF AGE CATEGORY (AGECATE) AND TOTAL WORK EXPERIENCE (TWEcate)**

	N	Minimum	Maximum	Mean	Std. Deviation
AGE	196	22	68	39.52	11.560
TWE	196	1	42	16.35	11.629
Valid N (List wise)	196				

## DATA COLLECTION

Primary data was collected through preliminary interviews and questionnaires. Instrument Organizational Commitment questionnaire (Allen and Mayer, 1991) is used to undertake the study. The scale is multidimensional, suggesting three subscales i.e.; Normative (9 items), Affective (11 items) and Continuance Commitment (6 items). The Cronbach alpha coefficient of the scale was found to be 0.85. The second part of the questionnaire (Dr. N. Dixit) focused on organizational effectiveness, and included (24) statements covering eight effectiveness measures i.e. Flexibility, Acquisition of resources, Planning, Productivity and efficiency, Communication, Stability, Cohesive work Force and Satisfied work force. The Cronbach Alpha coefficients for all effectiveness measures were found to be 0.9339. The questionnaire also sought demographic information of respondents' i.e. age, education, marital status, hierarchical level, experience in present organization, experience in present position & total work experience.

## DATA ANALYSIS

The data was analyzed using SPSS. Necessary tables encompassing SPSS outputs are included in the paper at the appropriate places. The Confidence level of 0.05 is assumed for the study.

### RESULTS OF INDEPENDENT SAMPLE T-TEST (COMPARISON VIS-À-VIS PUBLIC AND PRIVATE SECTOR ORGANIZATIONS)

The results are presented in Table 1 below:

**TABLE 1: INDEPENDENT SAMPLE t-TEST**

Dimensions		Levene's Test for Equality of Variances		t-test for Equality of means		
		F	Sig.	T	df	Sig. (2-tailed)
AFFECTIVE COMMITMENT	Equal variances assumed	12.186	.001	-.191	194	.849
	EVNA			-.203	193.914	.839
CONTINUANCE COMMITMENT	Equal variances assumed	1.974	.162	2.721	194	.007
	EVNA			2.764	178.894	.006
NORMATIVE COMMITMENT	Equal variances assumed	.241	.624	-.563	194	.574
	EVNA				169.268	.575

In all cases, we cannot assume equal variances for public and private sector organizations as p-value of the F-test in the case of affective commitment comes out to be less than 0.05. But the results of Independent Sample t-test suggested no difference in the level of affective and normative commitment for the employees of public and private sector organizations, getting p-value more than 0.05. Therefore the null hypothesis (H1a) i.e. there is no significant difference in the level of normative and affective commitment of the employees in public and private sector organizations in food processing industry is not rejected or may be accepted. However there is significant difference in continuance commitment, getting p-value less than 0.05. Therefore the null hypothesis (H1a) i.e. there is no significant difference in the level of continuance commitment of the employees in public and private sector organizations in food processing industry is rejected.

### RESULTS OF ANOVA (HIERARCHY-WISE COMPARISON)

The results are presented in Table 2 below:

**TABLE 2: ANOVA**

		Sum of Squares	Df	Mean Square	F	Sig.
Affective Commitment	Between Groups	65.357	2	32.678	1.270	.283
	Within Groups	4965.031	193	25.726		
	Total	5030.388	195	14.305		
Affective Commitment	Between Groups	28.609	2	10.895	1.313	.271
	Within Groups	2102.656	193			
	Total	2131.265	195	5.623		
Affective Commitment	Between Groups	11.246	2	12.182	.462	.631
	Within Groups	2351.136	193			
	Total	2362.383	193			

The results of one-way ANOVA (table 2) suggested no difference in the level of affective, continuance and normative among different hierarchical levels (managers, supervisors and workers), getting p-value more than 0.05. Therefore the null hypothesis (H2a) that there is no significant difference in the level of normative, affective and continuance commitment at different hierarchical levels, is not rejected or may be accepted.

**RESULTS OF INDEPENDENT SAMPLE T-TEST (COMPARISON VIS-À-VIS GENDER)**

The results are presented in **Table 3** below:

**TABLE 3: INDEPENDENT SAMPLES t-TEST**

		Levene's Test for Equality of Variances		t-test for Equality of means		
		F	Sig.	T	df	Sig. (2-tailed)
AFFECTIVE COMMITMENT	Equal variances assumed	.958	.329	.340	194	.734
	EVNA			.380	34.175	.706
CONTINUANCE COMMITMENT	Equal variances assumed	3.944	.048	-.746	194	.457
	EVNA			-.1059	45.124	.295
NORMATIVE COMMITMENT	Equal variances assumed	.370	.544	.743	194	.458
	EVNA			.789	32.805	.436

In all cases, we cannot assume equal variances for male and female sample as p-value of the F-test in the case of continuance commitment comes out to be less than 0.05. But the results of Independent Sample t-test suggested no difference in the level of affective, continuance and normative commitment for male and female employees, getting p-value more than 0.05. Therefore the null hypothesis ( $H_{3.1a}$ ) that there is no significant difference in the level of normative, affective and continuance commitment for male and female employees is not rejected or may be accepted.

**RESULTS OF INDEPENDENT SAMPLE t-TEST (COMPARISON VIS-À-VIS MARITAL STATUS)**

The results are presented in **Table 4** below:

**TABLE 4: INDEPENDENT SAMPLE t-TEST**

		Levene's Test for Equality of Variances		t-test for Equality of means		
		F	Sig.	T	df	Sig. (2-tailed)
AFFECTIVE COMMITMENT	Equal variances assumed	15.799	.000	-.536	194	0.592
	EVNA			-.431	370520	0.669
CONTINUANCE COMMITMENT	Equal variances assumed	0.080	.777	1.173	194	.242
	EVNA			1.172	43.925	.248
NORMATIVE COMMITMENT	Equal variances assumed	.589	.444	-1.492	194	.137
	EVNA			-1.403	41.676	.168

In all cases, we cannot assume equal variances for married and single employees as p-value of the F-test in the case of affective commitment comes out to be less than 0.05. The results of Independent Sample t-test suggested no difference in the level of affective, continuance and normative commitment for married and single employees, getting p-value more than 0.05. Therefore the null hypothesis ( $H_{3.2a}$ ) that there is no significant difference in the level of normative, affective and continuance commitment for married and single employees is not rejected or may be accepted.

**RESULTS OF ANOVA (EDUCATION –WISE COMPARISON)**

The results are presented in **Table 5** below:

**TABLE 5: ANOVA (EDUCATION- WISE COMPARISON)**

		Sum of Squares	Df	Mean Square	F	Sig.
Affective Commitment	Between Groups	39.558	3	13.186	.507	.678
	Within Groups	4990.830	192	25.994		
	Total	5030.388	195			
Affective Commitment	Between Groups	117.425	3	39.142	3.732	.012
	Within Groups	2013.840	192	10.489		
	Total	2131.265	195			
Affective Commitment	Between Groups	18.348	3	6.116	.501	.682
	Within Groups	2344.035	192	12.209		
	Total	2362.383	195			

The results of one –way ANOVA suggested no significant difference in the level of affective, continuance and normative commitment among different educational level getting p-value more than 0.05 but suggested a difference in the level of continuance commitment among different educational level. Therefore the null hypothesis ( $H_{3.3a}$ ) that there is no significant difference in the level of normative and affective commitment for the employees processing different experience levels is not rejected or may be accepted. But the null hypothesis  $H_{3.3a}$  that there is no significant difference in the level of continuance commitment for the employees processing different educational level is rejected.

**RESULTS OF KARL PEARSON'S CORRELATION**

The results are presented in **Table 6** below:

**TABLE 6: CORRELATIONS**

		Normative Commitment	Affective commitment	Continuance Commitment	Age	Total Work Experience
Affective Commitment	Pearson Correlation	1.000	.456**	.421**	.028	.054
	Sig. (2-tailed)		.000	.000	.697	.455
	N	196.000	196	196	196	196
Continuance Commitment	Pearson Correlation	.456**	1.000	.380**	.052	.088
	Sig. (2-tailed)	.000		.000	.467	.222
	N	196	196.000	196	196	196

		Normative Commitment	Affective Commitment	Continuance Commitment	Age	Total Work Experience
Normative Commitment	Pearson Correlation	.421**	.380**	1.000	.007	-.016
	Sig. (2-tailed)	.000	.000		.921	.824
	N	196	196	196.000	196	196
Age	Pearson Correlation	.028	.052	.007	1.000	.920**
	Sig. (2-tailed)	.697	.467	.921		.000
	N	196	196	196	196.000	196
TWE	Pearson Correlation	.054	.088	-.016	.920**	1.000
	Sig. (2-tailed)	.455	.222	.824	.000	
	N	196	196	196	196	196.000

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

**RESULTS OF KARL PEARSON'S CORRELATION****(Correlation of commitment with Age)**

The results of Karl Pearson's Correlation (Table 6) suggested that there is no correlation between age of the employees and levels of normative commitment, affective commitment and continuance commitment. Therefore the null hypotheses ( $H_{3.4a}$ ), that there is no significant correlation in normative, affective and continuance commitment with age of the employees is not rejected or may be accepted.

**RESULTS OF KARL PEARSON'S CORRELATION****(Correlation of Commitment with Total Work Experience)**

The results of Karl Pearson's Correlation (Table 6) suggested that there is no correlation between the total work experience of the employees and level of normative commitment, affective commitment and continuance commitment. Therefore the null hypotheses ( $H_{3.5a}$ ), that there is no significant correlation between normative, affective and continuance commitment and total work experience of the employees is not rejected or may be accepted.

**RESULTS OF KARL PEARSON'S CORRELATION****(Correlation between Sub-Scales of Commitment):**

The results of Karl Pearson's Correlation (Table 6) suggested that there is a very significant ( $p < 0.01$ ) correlation between normative and affective commitment ( $r = 0.380$ ,  $p = 0.000$ ), between affective and continuance commitment ( $r = 0.421$ ,  $p = 0.000$ ). A still positive correlation is found between continuance and normative commitment ( $r = 0.456$ ,  $p = 0.000$ ) significant at 5% level of significance. Therefore the null hypotheses ( $H_{4a}$ ), that there is no significant correlation between normative, affective and continuance commitment is not rejected or may be accepted.

**RESULTS OF KARL PEARSON'S CORRELATION (CORRELATION BETWEEN ORGANIZATIONAL COMMITMENT AND ORGANIZATIONAL EFFECTIVENESS)**

The results are presented in Table 7 below:

**TABLE 7: CORRELATIONS**

Dimensions		Affective Commitment	Affective Commitment	Affective Commitment	Organizational Effectiveness
Affective Commitment	Pearson Correlation	1	.415(**)	.469(**)	
	Sig. (2-tailed)		.000	.000	.000
	N	240	240	240	240
Continuance Commitment	Pearson Correlation	.415(**)	1	.393(**)	.358(**)
	Sig.(2-tailed)	.000		.000	.000
	N	240	240	240	240
Normative Commitment	Pearson Correlation	.469(**)	.393(**)	1	.354(**)
	Sig. (2-tailed)	.000	.000		.000
	N	240	240	240	240
Organizational Effectiveness	Pearson Correlation	.475(**)	.358(**)	.354(**)	1
	Sig. (2-tailed)	.000	.000	.000	
	N	240	240	240	240

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

The results of Karl Pearson's Correlation (Table 7) suggested that all the three organizational commitment dimensions (Affective, Normative and Continuance Commitment) were significantly and positively correlated with organization effectiveness ( $r = 0.475$ ,  $r = 0.354$  and  $r = 0.358$ ). Therefore the null hypotheses ( $H_{5a}$ ), that there is no significant correlation between organizational commitment and organizational effectiveness is not rejected or may be accepted.

**RESULTS OF SIMPLE LINEAR REGRESSION TEST (CAUSAL RELATIONSHIP BETWEEN ORGANIZATIONAL COMMITMENT AND ORGANIZATIONAL EFFECTIVENESS)**

The results are presented in Table 8, 9 & 10 below:

**TABLE 8: MODEL SUMMARY**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.504(a)	.254	.251	.54453

a. Predictors: (Constant), OC

**TABLE 9: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.982	1	23.982	80.882	.000(a)
	Residual	70.570	238	.297	.254	.254
	Total	94.552	239	.254	.254	.254

a. Predictors: (Constant), OC

b. Dependent Variable: OE

**TABLE 10: COEFFICIENTS**

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta		B	Std. Error
1	(Constant)	.603	.356			1.691	.092
	OC	.889	.099	.504		8.993	.000

a. Dependent Variable: OE

The result of Simple Linear Regression test suggests that organizational commitment is a significant predictor (Result of ANOVA in Table9, with  $p$ -value=.000) of organizational effectiveness with  $R = .504$  (Table8), slope of regression line=.889 and intercept=.603 (Table10), therefore the null hypothesis ( $H_{6a}$ ) is rejected.

**FINDINGS AND CONCLUSIONS**

- No significant difference was found in the level of Normative, Affective and Continuance commitment for the employees Public and Private sector employees in Food processing industry.
- No significant difference was found in the level of Normative, Affective and Continuance commitment at different hierarchical positions (managers, supervisors and workers).
- No significant difference was found in the level of Normative, Affective and Continuance commitment for male and female employees in the Food processing industry.
- No significant difference was found in the level of Normative, Affective and Continuance commitment for married and unmarried/single employees in the Food processing industry.
- No significant difference was found in the level of Normative, Affective and Continuance commitment for the employees possessing different educational levels (Matriculate, Intermediate, Graduation, Post Graduation).these results don't support the results of Glisson and Charles (1988) and Bhagat et al. (1981).
- No significant difference was found in the level of Normative, Affective and Continuance commitment, and Age of the employees. These results don't support the results of Bhagat et al. (1981) and Kassahun (2005).
- No significant difference was found in the level of Normative, Affective and Continuance commitment, and Total Work Experience of the employees in the Food processing industry.

- A very significant correlation is found between Normative and Affective Commitment, and Affective and Continuance Commitment. A positive correlation was found between Affective and Continuance Commitment, Significant at 5% level of significance, supporting the results of Meyer and Allen (1991).
- The results revealed a very positive correlation of Organizational Commitment with Organizational Effectiveness in the Food Processing Industry.
- The results revealed that Organizational Commitment is the significant predictor of Organizational Effectiveness in the Food Processing Industry.

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**NEXUS BETWEEN REMITTANCE INFLOW AND HUMAN DEVELOPMENT IN NEPAL**

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**ABSTRACT**

*Nepal is one of the largest remittances receiving country in the world as a share of GDP. Not only remittance income has become major determinant of overall economic structure and dynamics but also it influences key components of human development such as Gross National Income Per Capita, Life Expectancy at Birth and Mean Year of Schooling and the like. This study carried out influence analysis of remittances on human development of Nepal. Secondary data required for this study has collected from various authentic sources for 35 years i.e. from 1980-2014. Simple Linear Regression analysis and Pearson Correlation Coefficient were used to analyze the data. Even though output of the analysis shows positive influence of remittance inflow on overall Human Development Index, for sustainable economic development, it is indispensable for Nepal government to utilize their young human resources in productive sector of origin country rather than making national plan and policies depending on remittance inflow.*

**KEYWORDS**

HDI, origin and destination country, regression, remittance, XLSTAT.

**INTRODUCTION**

Interest and research in remittances inflows and its impacts on various indicators of economic development and growth have been growing over the past few years. Major reason behind this is the importance of remittances in boosting economic growth and development. Labor migration has become an important issue in the twenty first century as it plays vital role in shaping the society, economy, politics, culture and sometimes security of the concerned countries. Size of people emigration from Nepal was not recorded till 1951. Even though volume of migration stock of Nepal was first recorded in the census of 1952/54, the real dimension of actual emigration was recorded only in the census of 1981 (Heide & Hoffman, 2001). Labor movement in Nepal was started just after Sugauli treaty in 1816 A.D. and from that period to till date labor migration has played a crucial role in the Nepalese society. Recruitment of Nepalese prisoners in the British-Indian army for war and involvement of Nepalese peasants in new agricultural program carried out by British-India in different province such as Burma, Assam, Darjeeling was the key turning point in the history of Nepalese emigration. After 1980, due to increment in oil mining industries and booming of construction business triggered by globalization movement, there was dramatic growth in internal and international migration in Nepal, particularly from rural village to urban centers and foreign countries like Germany, Britain, Canada, America, Japan, India and especially to Gulf Cooperation Council (GCC) member countries in the pursuit of better income, better employment opportunities and descent and dignified life which are not possible in the origin country (Gautam, 2008 & Gurung 2011). This rate of migration was accelerated in between 1996-2006 due to rise in unemployment, high under employment and conflict in Nepal. As labor migration from Nepal climbed up sharply over the past decade, recorded remittance inflows increased many-folds and reached to 29% of GDP in 2013, which makes Nepal the third highest remittance receiving country in the world as share of GDP. Remittances inflow in Nepal is equivalent to 83% of total international reserve (The World Bank, 2015).

Several factors such as uneven and weak economic recovery in Euro zone, stricter migration rules in Russia, Singapore, USA and European Union, lower oil prices in Russia and GCC member countries, economic sanctions on Russia, fluctuation in exchange rate i.e. depreciation of Euro and Ruble against US dollar, conflict in Syria, Libya, Afghanistan, Ukraine, Nigeria, Belarus and other many parts of the globe have resulted in low remittances inflows in many developing nations and it also changes the existing pattern of people migration in year 2014 but these worldwide economic, social and political scenarios have not fluctuated remittances inflows in Nepal along with some other South Asian countries due to robust recovery in US economy and continuous demand of migrant workers in GCC member countries owing to their long-term infrastructure development plans and fiscal expansion.

Exporting labor has contributed a lot in the service sector of Nepalese economy and now most rural households depend on at least one member's earnings, remittances, from employment away from home and often from abroad (Seddon, 2005). Exporting labor in different destination countries has become a lucrative business for more than 2000 manpower companies in Nepal as labor migration emerging as intrinsic part of everyday life for a majority of Nepalese. According to Sijapati and Limbu (2012), migration of people from one nation to another nation has both merits and demerits to the families of migrant workers in origin country and also to the employers in destination countries. Generally country of origin benefitted from higher wages (in comparison to wages in origin country but it can be less than wages given to local workers) and it also assists government of origin country in managing labor market pressure whereas destination country benefitted from increased supply of low paid active labors. As the level of wages in high income country are approximately five times greater than level of wages in low income country for similar occupations, migrant workers from low income country can get high economic gains and remittances from those workers can be spent in developing countries where the prices of non-trade goods are much lower (World Bank, 2005).

There are many researches available in Nepal in the area of remittances but most of the existing researches on remittances in Nepal tend to focus more on relationship between remittances and poverty (NRB, 2002; Seddon, Adhikari & Gurung, 2000; Bhadra, 2007; SAARC, 2006; SACEPS/FES-Nepal, 2007), some researches have dealt with migration trend and remittances inflows (Paudel, 2014) and some dealt with impact of remittances on economic growth (Nepal, 2012; Sigdel, 2005; Srivastava and Chaudhary, 2007; Gaudel, 2006) but this research is quite different from existing researches as it deals with human development not with economic growth and poverty. Economic growth is one aspect economic development but is not the same. Effect of migration and remittances on inequality is much more ambiguous but directly or indirectly migration and remittances have potential to improve well-being, reduce poverty and stimulate economic growth (Haas, 2007).

This paper intends to close the existing gap by analyzing the relationship between remittances inflows and Human Development Index (HDI) statistically. As HDI measures three basic aspects of human development i.e., health, wealth and knowledge; outcome of this study will help in proper utilization of remittances to increase education level, life expectancy and income of the people. Determinants of HDI such as Gross National Income (GNI) per capita, life expectancy at birth, literacy rate and mean year of schooling have been fluctuating continuously along with the fluctuation in remittances inflow in Nepal. According to World Bank data life expectancy at birth of Nepalese people was 55 years in 1990 but in year 2013 it was 68 years. Likewise literacy rate and GNI per capita of Nepal reached to 57% and US\$ 730 respectively in year 2013 from 21% and US\$ 210 of 1990. Within this period remittance inflows in Nepal sharply increased and reached to US\$ 5210 million in year 2013, compared to US\$ 57 million of year 1991. Even though Nepal government has no proper policy to utilize the remittance amount, foreign employment plays vital role in the economy of Nepal. Nearly around 78.9% remittances received by households is spent on daily consumption, followed by 7.1% to repay loan, 4.5% to purchase household property, 3.5% on education, 2.4% on capital formation and 2.5% among others (Asian Development Bank, 2014). All the above situations show the need of establishment of statistically verified relationship between HDI and remittances inflows in Nepal.

**LITERATURE REVIEW**

According to the World Bank (2015), remittance inflow to South Asian region has increased by 4.5% in 2014 and reached to US \$ 116 billion which was only US \$ 111 billion in year 2013. In year 2014, India has become the largest recipients of migrant remittance which was equal to US \$ 70 billion i.e. equivalent to 25% of its own foreign exchange reserve. But if we talk on the ground of GDP then Tajikistan become the largest recipient of migrant remittances in year 2013 and was

equivalent to 49% of GDP. Generally countries having small economics have large share of remittances to GDP in comparison to countries with larger economics. The stock of international migrant in year 2013 was nearly around 247 million which was 15 million more than that of previous year estimate. Same source reveals that in year 2013, South-South migration retained first position and was equivalent to 37% of the global migration stock but on the ground of monetary value North-South remittance held the first position and was equivalent to 34% of global remittances flows. Remittances to developing countries has increased by 21.8 fold i.e., from US\$ 20 billion of 1988 to US\$ 436 billion in 2014 and it is expected that it will be US\$ 440 billion, US\$ 459 billion and US\$ 479 billion in year 2015, 2016 and 2017 respectively. Generally remittances inflows from migrated labor cannot be considered as a substitute for official development assistance, foreign direct investment, debt relief or other public sources of finance development even though its size in some developing countries is greater than official development assistance, foreign direct investment and sometimes even larger than or equal to foreign exchange reserve in those countries but it acts as a significant private financial resources for the household in countries of origin (UNCTAD, 2008).

According to the Department of Foreign Employment of Nepal number of labor migrant from Nepal in year 2013/14 is 521,878. As per the budget speech imparted by government of Nepal in 2009, every year 400,000 Nepalese enter the job market in search of job which shows existence of high unemployment rate and it also verifies the importance of foreign employment to minimize this labor pressure. Correspondingly, number of Nepalese workers who legally left country for work overseas except India in year 2013 was 453,543 (DoEF, 2013). 33% to 50% of overall poverty reduction in Nepal between 1996 and 2004 was due to contribution of remittances inflows (World Bank, 2006). Rimal (2004) identified existing poverty, limited employment opportunities, deteriorating agricultural productivity, armed middle class families as the major pushing factors that has been forcing Nepalese people to migrate abroad with the hope of earning much within a short period.

Generally flow of remittances can happen both through formal and informal channels. It is not possible to record the remittances through informal channels and these unrecorded remittances may be 50% of globally recorded remittances flows. Even though huge portion of remittances cannot be recorded officially, several studies have highlighted the importance of nexus among the international migration, remittances and development. Existing studies related to migration, remittances and development which will be presented in this section imparts evidences enough to support the hypotheses that remittances are beneficial to the origin countries and can significantly affect the human development indicators such as health, wealth and knowledge of people. According Pant (2008), utilization of remittances in origin country produce positive impact on development in different form can be examined both at micro and macro level such as political, social, financial, cultural, and economic and the like. Rapoport and Docquier (2006) argues that, household members who are left behind use remittances to repay loans taken to finance migration or education and insurance and strategic movement and it also supports households to invest in business and facilitate buying more goods and assets, including health and education inputs. Not only remittances increases the entrepreneurial activities at the household level (Yang, 2003; Woodruff & Zenteno, 2001) but also it changes the attitude of family member left behind by emphasizing the knowledge transfer (Hildebrandt and McKenzie, 2005).

Several studies focus on analyzing the linkage between remittances and GDP reveal both positive and negative result. Faini (2002, 2003) conducted research using cross country data, Adelman and Taylor (1990) and Durand, Parrado and Massey (1996) conducted research on Mexican economy and Ekanayake and Mihalidis (2008) conducted research on large group of developing countries and all research ended with the conclusion that both remittances and foreign direct investment supports economic growth (GDP) in developing countries. Spatafora (2005) finds no direct relationship between real per capita output and remittances. Likewise Chami, Fullenkamp and Jahjah (2003) identify negative effect of remittances on economic growth of developing countries. Remittances flows in developing nation is more or less equal to foreign direct investment (FDI), one third of export earning, more than twice the private capital flows, almost 10 times the official capital flows and more than 12 times official transfer (Barajas, Chami, & Fullenkamp, 2009). This huge amount of remittance assists origin country to increase the investment activities which in turn promote development and inclusive growth. In Ghana nearly around 30% of the remittances are used for the purpose of investment and construction of house (Asiedu, 2003). Drinkwater, Levine, & Lotti (2003) reveal that large amount of remittances are more easily diverted to investment and saving if primary income earner maintains the households. According to McCormick and Wahba (2001) there is high possibility of becoming entrepreneurs if migrants spent long time in abroad and saved reasonable amount. International remittances receiving households spends more on housing and education and less on food items, compared to non-remittances receiving households (Adams, 2005). Favorable exchange rate increases the investment of remittances receiving household in entrepreneurial activities specifically in manufacturing, transportation and communication enterprises (Yang, 2004). Remittances are also expected to play vital role in order to reduce poverty as it is directly received by the poor. There is not any formal frame work to capture the impact of remittances on poverty but the amount of money sent by the migrant to the family member and change in their consumption behavior can be taken as positive impact of remittances on poverty (Chimhown, Piesse, & Pinder, 2005). According to Uruci and Gedeshi (2003), 69.7% of long-term legal immigrants send money to origin country to fulfill the basic need of their family. Household surveys of 71 countries taken by Adams and Page (2005) shows negative relationship between poverty and international remittances as 10% rise in the share of remittances to GDP lead to a reduction of only 1.6% of poverty. In El Salvador, remittances inflow reduced the poverty rate by 4.2% and Gini coefficient by 0.02 in year 2000 (Campos & Palomo, 2002). Other several studies (Lopez-Cordova, 2005; Gustafsson and Makonnen, 1993; Taylor, Mora and Adams, 2005) find that remittances reduce poverty gap index and increase consumption, saving and investment. Remittances can be used as foreign exchange earning in many developing countries even though it cannot substitute FDI and ODA. Remittances assist to solve the short supply of foreign exchange at the time of declining in other financial flows due to external factors. Government of Morocco has used international remittances positively for development of nation (Bouhga and Hagbe, 2004). Likewise, Rajan and Subramanyam (2005) consider remittances as an important stimulus to domestic demand.

If we discuss about the relationship between remittances and employment then we get mixed result. Frank (2001) and Rodriguez and Tiongson (2001) argue that when non-migrating family members in origin country receive remittances then they reduces their participation in the local labor market. But study of Cox-Edward and Rodriguez-Oreggia (2009) in Mexico find zero impact of remittances on labor supply of household member. In addition, investing remittances in the local market create employment opportunity for non-migrated family members. Lastly, not only this research bridges the existing research gap but also it will add a new literature in the area of migration, remittances and development.

## HYPOTHESES

On the ground of research objectives, following hypotheses have been set:

1. **H<sub>0</sub>:** Remittances inflows in Nepal do not have any influence on Human Development Index and its components.  
**H<sub>1</sub>:** Human Development Index and its components fluctuated as per fluctuation in remittances inflow in Nepal.
2. **H<sub>0</sub>:** Remittances inflow, HDI and its components i.e., GNI Per Capita, Mean Year of Schooling and Life Expectancy at birth are not associated to each other.  
**H<sub>1</sub>:** Remittances inflow, HDI and its components i.e., GNI Per Capita, Mean Year of Schooling and Life Expectancy at birth are associated to each other.

## OBJECTIVES OF THE STUDY

Major objective of this study is to establish statistical relationship between remittances inflows and Human Development Index of Nepal. Some minor objectives of this study are:

- i) To measure the strength and direction of long run relationship between remittances inflows and HDI of Nepal.
- ii) To know whether remittances inflows, HDI and its key components are interrelated or not.

## SIGNIFICANCE OF THE STUDY

This study will be of great importance because of the following reasons:

- i) This study will generalize the issue of migration, remittances and development and provides updated information regarding the impact of remittances inflows on human development.
- ii) Finding of this study will support policy makers and national planner in proper utilization of remittances inflows in human development.
- iii) This study will add some extra literature in the field of economics.

iv) This study will act as foundation for potential researchers to conduct research in the field of remittances and human development.

v) This study will inform government about the scenario of unemployment and need and role of foreign employment for the nation.

Besides aforementioned importance, data and result of this study will be supportive for entrepreneurs, students and scholars and they can use it for different sorts of economic analysis.

## RESEARCH METHODOLOGY

All the data required for this study has been collected from secondary sources. Three dependent variables i.e., GNI (PPP), life expectancy at birth (LEB) and mean year of schooling (MYS) are collected jointly from United Nation Development Report 2014 and data of economic indicator provided by World Bank whereas data for one independent variable i.e. remittances inflows (REM) is collected from several year's economic survey conducted by Central Bureau of Statistic of Nepal Government. To determine the impact of remittances inflows on life expectancy at birth, mean year of schooling and GNI (PPP); simple linear regression model is used. As there are three dependent variables and one independent variable, four separate simple linear regression equations will be established to compute the magnitude and direction of long-run relationship between predictor and criterion variables. Independent variable remittance can be defined as transfer of money, ideas and social capital by emigrants to the family member in the origin country to remove various obligations. Dependent variable HDI is a summary composite index used to measure average achievement in the three key dimensions of human development: health, income and knowledge. The HDI is the geometric mean of normalized indices of health, knowledge and living standard. The health component of HDI is calculated on the ground of life expectancy at birth using a minimum value of 20 years and maximum value of 85 years. Likewise, mean year of schooling for adults aged 25 years and expected years of schooling for children of school entering age are taken as basis for calculating education component of HDI. GNI ranging from US\$ 100 (PPP) to US\$ 75,000 (PPP) is taken as measurement scale for living standard dimension of HDI. All variables included in this research are continuous variables. To examine the impact of remittance inflows on HDI and its components simple linear regression analysis is employed. Four sets of simple linear regression equation are used to measure the impact of remittances inflows on each human development indicators.

Mathematically, general form of the simple linear regression equation can be written as under:

$$Y = \alpha + \beta X + e \dots \dots \dots \text{(Basic Model)}$$

Where Y is dependent variable,  $\alpha$  is intercept and  $\beta$  is slope of independent variable X and e is unpredicted random error. On the basis of the above simple linear equation, this study has developed the following four model equation for research purpose.

### Model I: Taking HDI as dependent variable

$$HDI = \alpha_1 + \beta_{remh} REM + e \dots \dots \dots (I)$$

### Model II: Taking Life Expectancy at Birth (LEB) as dependent variable

$$LEB = \alpha_2 + \beta_{reml} REM + e \dots \dots \dots (II)$$

### Model III: Taking Mean Year of Schooling (MYS) as dependent variable

$$MYS = \alpha_3 + \beta_{remm} REM + e \dots \dots \dots (III)$$

### Model IV: Taking GNI Per Capita as dependent variable

$$GNI = \alpha_4 + \beta_{remg} REM + e \dots \dots \dots (IV)$$

In the above models  $\alpha_1, \alpha_2, \alpha_3$  and  $\alpha_4$  are constants when dependent variables are HDI, LEB, MYS and GNI Per Capita respectively. Likewise, the estimated regression coefficient for remittances inflows when dependent variable is HDI, LEB, MYS and GNI Per Capita are  $\beta_{remh}, \beta_{reml}, \beta_{remm}$  and  $\beta_{remg}$  respectively. In this research XLSTAT software is used to analyze the data. Simple linear regressions, Pearson Correlation Coefficient along with Durbin Watson statistic are identified to measure the positive and negative influence of remittances inflows on key human development indicators of Nepal.

## DATA ANALYSIS AND PRESENTATIONS

Remittances inflows along with key human development indicators such as Human Development Index (HDI), Mean Year of Schooling (MYS), Life Expectancy at Birth (LEB), Gross National Income (GNI) Per Capita of Nepal for 35 years i.e. from year 1980 to year 2014 has been presented here in Table 1.

TABLE 1: DATA RELATED TO REMITTANCES INFLOWS AND KEY HUMAN DEVELOPMENT INDICATORS

Year	HDI	MYS	LEB	GNI	REM	Year	HDI	MYS	LEB	GNI	REM
1980	0.29	0.6	47.7	140	30	1998	0.44	2.32	60.78	220	68
1981	0.29	0.72	48.4	160	39	1999	0.44	2.36	61.44	220	83
1982	0.3	0.84	49.1	160	32	2000	0.45	2.4	62.1	230	111
1983	0.31	0.96	49.8	150	38	2001	0.45	2.46	62.64	240	147
1984	0.32	1.08	50.5	160	37	2002	0.46	2.52	63.18	240	678
1985	0.33	1.2	51.2	170	38	2003	0.47	2.58	63.72	260	771
1986	0.34	1.36	51.98	180	38	2004	0.47	2.64	64.26	290	823
1987	0.35	1.52	52.76	190	59	2005	0.48	2.7	64.8	320	1212
1988	0.36	1.68	53.54	210	69	2006	0.49	2.8	65.3	350	1453
1989	0.38	1.84	54.32	220	60	2007	0.49	2.9	65.7	380	1734
1990	0.39	2	55.1	220	59	2008	0.5	3	66.2	440	2727
1991	0.39	2.04	55.84	220	57	2009	0.51	3.1	66.7	490	2985
1992	0.4	2.08	56.58	210	54	2010	0.53	3.2	67.1	540	3469
1993	0.41	2.12	57.32	200	55	2011	0.53	3.2	67.6	610	4217
1994	0.41	2.16	58.06	200	50	2012	0.54	3.2	68	690	4793
1995	0.42	2.2	58.8	210	57	2013	0.54	3.2	68.4	720	5210
1996	0.42	2.24	59.46	220	44	2014	0.54	3.3	68.8	730	5627
1997	0.43	2.28	60.12	230	49						

#### Sources:

HDI, MYS and LEB: United Nation Human Development Report 2014.

GNI Per Capita: World Bank Economic Indicator.

Remittances Inflows: Central Bureau of Statistic Nepal.

**Note:** GNI per Capita is in Current US\$ and REM is in millions of US\$. Anywhere in this article GNI indicate GNI per capita.

Table 1 show that HDI, MYS, LEB and GNI per capita of Nepal have been increasing continuously along with increment in remittances inflows. Within 1980 to 2014 remittances inflows reached to US\$ 5627 million from US\$ 80 million. Likewise, LEB, MYS and GNI per capita have also increased steadily which resulted in increment in HDI up to 0.54 in year 2014 from 0.29 of year 1980. According to the need and purpose of this study simple linear regression analysis has performed among these five variables and outcome of the analysis is demonstrated below along with interpretation.

TABLE 2: KEY INDICATORS OF REGRESSION ANALYSIS

Dependent Variables	=	Constants	+	Coefficients	R	R <sup>2</sup>	F	DW
HDI	=	0.388 (38.812)	+	3.493E-005 (6.898)	0.768	0.590	47.578	0.046
LEB	=	56.343 (62.391)	+	0.003 (6.225)	0.735	0.540	38.753	0.036
MYS	=	1.845 (16.949)	+	0.000 (5.995)	0.722	0.521	35.944	0.042
GNI	=	192.525 (40.201)	+	0.100 (41.040)	0.990	0.981	1684.258	0.501

In table 2 Pearson Correlation Coefficient “R” for all the independent variables are above .70 which represents strong positive relationship of MYS, GNI, LEB and HDI with remittances inflows. Likewise coefficient of determination “R<sup>2</sup>” when GNI is dependent variable is 0.981 which indicates 98.1% variation in GNI is due to fluctuation in remittances inflows. This variation caused by remittances inflows in MYS, LEB and HDI are 52.1%, 54% and 59% respectively and even though these degree of variations are quite low in comparison to variation caused by remittances inflows in HDI, it clearly symbolize the potentiality of existence of relationship between aforementioned dependent and independent variables. Value of “F” calculated from F-test for MYS, GNI, LEB and HDI are 35.94, 1684.258, 38.753 and 47 respectively and all these calculated value of “F” are greater than tabulated value of 4.14 at 5% level of significance i.e.  $F > F_{\alpha}(k-1, n-1)$  and this demonstrates remittances inflows as a statistically significant predictor of MYS, GNI, LEB and HDI in the context of Nepal. Calculated value of “t” for intercept and remittances in all four regression equation are greater than tabulated “t” i.e.  $2.032$  or  $t > t_{\alpha(n-1)}$  and this verifies that parameters  $\alpha$  (constant) and slope ( $\beta$ ) are not significantly equal to zero. From the above table we also know that Durbin-Watson statistic when dependent variable is MYS, GNI, LEB and HDI are 0.042, 0.501, 0.036 and 0.046 and all these D.W. statistics are below  $d_i$  i.e.,  $d < d_i$  which represents existence of auto-serial correlation in the above models in Table 2. When “n” is 35 and “K” is 1 then  $d_i$  is 1.40 and  $d_u$  is 1.52 at 5% level of significance. Existence of auto-serial correlation exhibits the missing of some important factors influencing dependent variables. In order to get correct prediction from the above model, we have to remove the auto-serial correlation by transforming the series by  $Y_t' = Y_t - \rho Y_{t-1}'$  and  $X_t' = X_t - \rho X_{t-1}'$  and for this purpose we are going to use Cochrane-Orcutt method in XLSTAT software. Regression models after treating auto-serial correlation can be found as under:

TABLE 3: REGRESSION MODELS AFTER TRANSFORMING SERIES

HDI*	=	$0.624 + 5.3774E - 06 * REM^*$
LEB*	=	$106.942 - 1.14E - 04 * REM^*$
MYS*	=	$3.513 + 4.615E - 05 * REM^*$
GNI*	=	$208.579 + 9.211E - 02 * REM^*$

From the above treated models in Table 3, we can conclude that if remittances inflows increased by US\$ 1 million then HDI\*, LEB\*, MYS\* and GNI\* Per Capita will be increased by  $\frac{0.54}{10^6}$  point,  $\frac{1.14}{10^4}$  years,  $\frac{4.61}{10^5}$  years and US\$  $\frac{9.21}{10^2}$  respectively. Numerical value of constants in the models i.e. 0.624, 106.942, 3.513 and 208.579 represents value of HDI\*, LEB\*, MYS\* and GNI\* when slope of remittances inflows becomes zero. High value of intercept in the model is due to the other various external factors determining HDI\*, LEB\*, MYS\* and GNI\* which are excluded in this study. It is also reveals from the models that LEB\* is inversely proportional to remittances inflows. Another objective of this research is to identify magnitude and direction of relationship among the variables. Pearson Correlation Coefficient computed for this objective demonstrates the following result.

TABLE 4: PEARSON CORRELATION MATRIX

Variables	HDI	MYS	LEB	GNI	REM
HDI	1	0.992	0.995	0.828	0.768
MYS	0.992	1	0.985	0.790	0.722
LEB	0.995	0.985	1	0.794	0.735
GNI	0.828	0.790	0.794	1	0.990
REM	0.768	0.722	0.735	0.990	1

As the calculated value of Pearson Correlation Coefficient for all the variables are higher than tabulated value of 0.325, null hypotheses is rejected i.e. we can conclude that there is correlation among the variables. In all circumstances value of Correlation Coefficient is higher than 0.7 which indicates strong positive relationship among the variables. Among the tested variables Life Expectancy at Birth is highly correlated with Human Development Index while relationship between remittances inflows and Mean Year of Schooling is slightly lower than relationship between other variables. If we talk about the relationship of dependent variables with independent variable (REM) then it is found that GNI is highly related with REM and the relation of MYS with REM is somewhat lower as explained above.

## SUMMARY, CONCLUSION AND RECOMMENDATIONS

Major objective of this research paper is to establish a regression model which reflects actual relationship between remittance inflow and human development in Nepal. Result of analysis shows that the impact of remittances inflows on overall Human Development Index is positive. Likewise impact of remittances on Mean Year of Schooling and Gross national Income Per Capita is positive whereas impact of remittances inflow on Life Expectancy at Birth is negative and this may be the cause of lack of health related awareness among the Nepalese people. As the amount of remittances inflow in Nepal is more or less equal to annual budget, Nepal's economy is assumed as remittance based economy. This sort of remittance based economy can bring negative impact on entire economy any time as the amount of remittance inflow depends on policy of destination country rather than its own. Therefore, for sustainable economic development government of Nepal should hold their young citizen within the origin country as far as possible, if not, professional training should be imparted to the workers before sending them abroad.

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**PERFORMANCE ANALYSIS OF SELECTED MICROFINANCE INSTITUTIONS IN INDIA**

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**ABSTRACT**

*Millions of people in developing countries have been given access to formal financial services through microfinance programs. Nevertheless, millions of potential clients still remain un-served and the demand for financial services far exceeds the currently available supply. In order to provide financial services to poor on continuing basis microfinance business needs to be sustainable. Moreover, it is observed that microfinance organizations have had various degrees of sustainability. One such sustainability is the financial sustainability. The present study is an attempt to analyze the financial performance of 5 selected microfinance institutions operating in India. It assumes significance because it is imperative that these institutions be run efficiently given the fact that they are users of marginal and scarce capital and the intended beneficiaries are the marginalized sections of society. MFIs must be able to sustain themselves financially in order to continue pursuing their lofty objectives, through good financial performance.*

**KEYWORDS**

microfinance, performance, productivity, profitability.

**INTRODUCTION**

icrofinance has been recognized as one of the major concerted development initiatives for alleviating poverty through social and economic empowerment of the poor especially the marginalized women. Micro Finance intervention refers to 'provision of access to small loans without physical collateral to the poor, especially the women, while encouraging them to save regularly in order to combine thrift and self-help for their development'. The basic idea of microfinance is that if poor people are provided access to financial assistance, including credit, they may be able to start or expand a micro-enterprise of their liking that will allow them to break out of poverty. Microfinance has become one of the most effective instruments for economic empowerment of the poor.

For the very poor, micro finance becomes a liquidity tool that helps smooth their consumption patterns and to reduce their level of vulnerability. Micro finance is a logical approach to development because it functions at the grass root level, can be sustainable, is capable of involving large segments of population and builds both human and productive capacity. Micro finance, as an alternative source of credit for the poor has received wide attention in the recent years owing to its contribution to poverty alleviation. The formation of SHGs ensures the best participation of the poor in credit programmes.

The loans provided by microfinance institutions serve the low-income population in various ways as follows:

- They provide working capital loans for business purposes.
- They provide loans for accessing necessities such as food, clothes, shelter and education.
- They serve as alternatives to the loans provided by money lenders.

In addition to various micro finance institutions, various other players contributing to provision of microcredit include banks, insurance companies, agricultural and dairy co-operatives, etc.

The main components of microfinance are as follows:

- Deposits
- Loans
- Payment services
- Money transfers
- Insurance to the poor

Majority of the population in India belong to the unbanked sector. Though India has a dense and a robust formal financial system, it has failed to reach the deprived segment of the population. Next to China, India has the highest size of unbanked population in the world. Thus, microfinance sector aims to improve the living of the poor income households thereby providing banking services to the deprived low income population. There are various forms of microfinance institutions in India with various service models and they provide products suitable to appropriate target segment which has proved successful of improving the client's economic status.

**REVIEW OF LITERATURE**

Ananda and Colaco (2012) overviewed the performance and prospectus and described how microfinance was effective and financial viable method of addressing sustainable rural development through provision of microcredit to rural poor for productive activities. Micro-credit had assumed a special significance in the context of increased emphasis on poverty alleviation, women empowerment and rural development in India.

Vichore and Deshpande (2012) analyzed the performance and growth of MFIs in terms of cost efficiency, cash constraints and net portfolio in India providing microfinance services to low income clients. The study was an exploratory study. It suggested that proper training should be provided to the employees of MFI's especially in disbursing loans and collection of the loan amount so that the cost per borrower could be managed efficiently

Roy (2011) examined the delivery process and profitability of MFIs. Delivery mechanism was explained in terms of four parameters namely collateral requirement, size of the loan amount, repayment time and purpose of the microfinance loan. Profitability was analyzed ROA and ROE. This study adopted simple correlation and descriptive analysis technique and found that MFIs of Assam were enjoying higher profitability.

Coleman and Oesi (2008) tried to evaluate how governance indicator impact on performance measure of profitability of MFIs. They measured profitability by only ROA. They found that governance plays a critical role in the performance of MFIs and that the independence of the board and a clear separation of the positions of a CEO and board chairperson have a positive correlation with both performance measures.



## STATEMENT OF THE PROBLEM

Micro finance today has become a major credit disbursement mechanism in many parts of the world. Micro finance refers to the entire range of financial and non-financial services, including skill up-gradation and entrepreneurship development, rendered to the poor for enabling them to overcome poverty. Micro finance by providing small loans and savings facilities to those who have been excluded from commercial financial services has been promoted as a key strategy for reducing poverty in all its forms by agencies, particularly in developing countries. For the very poor, micro finance becomes a liquidity tool that helps smooth their consumption patterns and to reduce their level of vulnerability.

The present study is an attempt to analyze the financial performance of 5 selected microfinance institutions operating in India. It assumes significance because it is imperative that these institutions be run efficiently given the fact that they are users of marginal and scarce capital and the intended beneficiaries are the marginalized sections of society. MFIs must be able to sustain themselves financially in order to continue pursuing their lofty objectives, through good financial performance.

## OBJECTIVES OF THE STUDY

1. To analyze the profitability and sustainability of selected 5 MFI's.
2. To analyze the Efficiency and Productivity of selected 5 MFI's
3. To analyze the Asset and Liability Management of selected 5 MFI's

## RESEARCH METHODOLOGY

For the analysis of performance of Microfinance Institutions five institutions are selected from top 50 Microfinance Institutions in India.

### DATA COLLECTION

To accomplish the objectives of the study, secondary data were used. It has been collected from various journals, published financial reports from institutions official websites and also from MIX (Microfinance Information Exchange) Market Website for a period of five years i.e. from 2009-2010 to 2013-2014.

### TOOLS FOR ANALYSIS

The data collected is analyzed with the help of various financial indicators of Microfinance Institutions and statistical tool such as one way ANOVA.

## DATA ANALYSIS AND FINDINGS

### RATIO ANALYSIS

In this section, some important ratios are used to analyze the financial performance of selected Microfinance Institutions.

TABLE 1: OPERATIONAL SELF-SUFFICIENCY RATIO

MFI'S/YEAR	ANNAPURNA	ASIRVAD	GRAMAVIDIYAL	GRAMEEN	SATINCRECITCARE
2010	2.1988	2.3949	2.2592	1.6797	2.3598
2011	2.0961	2.3234	1.9421	1.7705	2.1781
2012	1.839	1.7632	1.8218	1.4559	2.0567
2013	2.7615	2.0761	1.7989	2.1717	2.7144
2014	2.8533	2.9812	2.0235	2.8032	3.0651

Source: Secondary Data

The Operational Self sufficiency Ratio for SatinCreditcare (3.0651) is higher when compared to all other MFI's during the year 2014. With regard to Operational Self sufficiency Satincreditcare is in better position to cover the total cost.

TABLE 2: RETURN ON ASSETS RATIO

MFI'S/YEAR	ANNAPURNA	ASIRVAD	GRAMAVIDIYAL	GRAMEEN	SATINCRECITCARE
2010	0.0096	0.0213	0.0118	0.0022	0.0058
2011	0.0070	0.0146	0.0169	0.0077	0.0027
2012	0.0115	0.0092	0.0004	0.0089	0.0022
2013	0.0073	0.0078	0.0015	0.0108	0.0030
2014	0.0094	0.0093	0.0008	0.0093	0.0053

Source: Secondary Data

Return on Asset ratio 0.0094 times for Annapurna is higher when compared to all other MFI's during the year 2013-2014 which indicates the highest return on assets. Asirvad and Gramavidyal hold the next position i.e. 0.0093 times.

TABLE 3: RETURN ON EQUITY RATIO

MFI's/YEAR	ANNAPURNA	ASIRVAD	GRAMAVIDIYAL	GRAMEEN	SATINCRECITCARE
2010	0.0188	0.1700	1.2291	0.8902	0.1145
2011	0.0200	0.1770	1.5236	0.0867	0.0448
2012	0.034	0.0909	0.0636	0.1168	0.0391
2013	0.0655	0.1282	0.1655	0.1487	0.0964
2014	0.1105	0.0249	0.1092	0.1866	0.2288

Source: Secondary Data

Return on Equity Ratio, Gramavidyal holds the better position when compared to all other MFI's which indicates Gramavidyal earned more on the funds invested by its shareholders.

TABLE 4: OPERATING EXPENSE RATIO

MFI's/YEAR	ANNAPURNA	ASIRVAD	GRAMAVIDIYAL	GRAMEEN	SATINCRECITCARE
2010	0.0429	0.0838	0.0815	0.0878	0.0439
2011	0.0828	0.1212	0.1752	0.1776	0.0616
2012	0.0512	0.1634	0.1354	0.1072	0.0624
2013	0.0355	0.0877	0.1307	0.0762	0.0364
2014	0.0396	0.0609	0.1018	0.0622	0.0589

Source: Secondary Data

The Operating Expense Ratio of Gramavidyal (0.1018) has the highest operating expense ratio so they have lowered the efficiency and Annapurna (0.0396) has the lowest operating expense ratio so they have higher the efficiency.

TABLE 5: COST PER ACTIVE BORROWER RATIO

MFI'S/YEAR	ANNAPURNA	ASIRVAD	GRAMAVIDIYAL	GRAMEEN	SATINCREDITCARE
2010	0.0007	0.0041	0.0058	0.0082	0.0620
2011	0.0032	0.0055	0.0079	0.0138	0.0775
2012	0.0022	0.0074	0.0065	0.0130	0.1059
2013	0.0037	0.0076	0.0065	0.0115	0.0732
2014	0.0042	0.0054	0.0069	0.0100	0.0776

Source: Secondary Data

The Cost per Active Borrower Ratio for Satincreditcare (0.0776) is higher followed by Grameen (0.0100) during the year 2013-2014. Annapurna (0.0042) has the lowest Cost per Active Borrower ratio which indicates lower cost for maintaining the active borrower and Satincreditcare has the highest Cost per Active Borrower ratio which indicates higher cost for maintaining the active borrower.

TABLE 6: PORTFOLIO TO ASSETS RATIO

MFI'S/YEAR	ANNAPURNA	ASIRVAD	GRAMAVIDIYAL	GRAMEEN	SATINCREDITCARE
2010	0.4417	0.9745	1.0774	1.1139	1.6288
2011	0.7194	1.0361	1.0392	0.8952	1.4831
2012	1.9311	1.0054	1.0595	1.1728	1.3856
2013	0.9469	0.7764	0.8898	0.9606	1.2776
2014	0.7795	0.8763	0.9619	0.7629	0.9465

Source: Secondary Data

The Portfolio to Asset Ratio of Gramavidyal (0.9619) is higher when compared to all other MFI's during the year 2014. So their allocation of assets to its lending activity is higher compared to all other MFI's.

TABLE 7: DEBT/EQUITY RATIO

MFI'S/YEAR	ANNAPURNA	ASIRVAD	GRAMAVIDIYAL	GRAMEEN	SATINCREDITCARE
2010	1.9459	7.9683	103.9205	11.9327	19.4273
2011	2.8568	12.1243	89.6805	11.2636	16.0999
2012	2.9579	9.8175	87.9606	13.0868	17.1275
2013	8.8837	16.4116	108.9620	13.7649	32.0648
2014	11.7234	2.6906	135.2645	20.0528	43.0834

Source: Secondary Data

The Debt/Equity Ratio of Gramavidyal (135.2645) is higher than other MFI's during the year 2013-2014 followed by Satincreditcare (43.0834). The ratio of Ashirvad (2.6906) had a sudden fall during the year 2014. Gramavidyal had the highest ratio so they are financed mostly by creditors rather than its own financial sources.

TABLE 8: CURRENT RATIO

MFI'S/YEAR	ANNAPURNA	ASIRVAD	GRAMAVIDIYAL	GRAMEEN	SATINCREDITCARE
2010	1.9359	2.0251	2.5336	2.1768	4.3349
2011	0.2359	1.1735	0.3213	2.2938	0.8149
2012	0.4635	0.4295	0.4541	0.0751	0.2368
2013	0.3497	0.7478	0.4152	0.2897	0.3824
2014	0.60495	0.5885	1.6563	0.6063	0.1609

Source: Secondary Data

The Current Ratio of Satincreditcare (0.8149) and Gramavidyal (0.3213) had sudden fall during the year 2011. Gramavidyal (1.6563) holds the higher value when compared to all other MFI's during the year 2014, so they have the better short term financial position

**ANOVA (ANALYSIS OF VARIANCE)**

The Analysis of Variance, popularly known as the ANOVA, can be used in cases where there are more than two groups. Analysis of variance is a statistical test to determine if all sample groups in a study are affected by the same factors, and if they are affected to the same degree. The groups are kept separate and tests are done independently on each group, but the results are then compared. The sample groups are examined to see if the average within each group is the same and how much impact different variables have on the test.

**Ho: "There is no significant variation regarding Return on Equity ratio of all MFI's".**

TABLE 9: RETURN ON EQUITY RATIO

RETURN ON EQUITY	S S	df	M S	F	Sig
Between Groups	1.1748	4	0.2937	2.6846	2.8661
Within Groups	2.1882	20	0.2937		
Total	3.363	24			

Level of significance = 0.05

It is observed from the above table, the calculated value of F (2.6846) is less than the table value (2.8661) at 5% level of significance. Hence the hypothesis is accepted. It is inferred that there is no much variation in the Return on Equity Ratio.

**Ho: "There is no significant variation regarding Operating Expense ratio of all MFI's".**

TABLE 10: OPERATING EXPENSE RATIO

OPERATING EXPENSE RATIO	S S	df	MS	F	Sig
Between Groups	0.022304	4	0.005576	5.16774	2.8661
Within Groups	0.021599	20	0.001079		
Total	0.043903	24			

Level of significance = 0.05

It is observed from the above table the calculated value of F (5.167747) is greater than the table value (2.8661) at 5% level of significance. Hence the hypothesis is not accepted. It is inferred that there is much variation in the Operating Expense Ratio.

Ho: "There is no significant variation regarding Portfolio to Asset ratio of all MFI's".

TABLE 11: PORTFOLIO TO ASSET RATIO

PORTFOLIO TO ASSET	S S	df	M S	F	Sig
Between Groups	0.5706	4	0.1427	1.6346	2.8661
Within Groups	1.7465	20	0.0873		
Total	2.3171	24			

Level of significance = 0.05

It is observed from the above table the calculated value of F (1.6346) are less than the table value (2.8661) at 5% level of significance. Hence the hypothesis is accepted. It is inferred that there is no much variation in the Portfolio to Asset Ratio.

## SUGGESTIONS

- The net income earned on assets is very low for Grameen and Satincreditcare. They are not properly use their assets on earning. It affects both the profit margin and efficiency of the institutions. So they should concentrate on proper usage of assets.
- The profit margin for Gramavidyal suddenly decreases on last two years. So they have to increase their operating revenue and decrease their financial, loan-loss provision, and operating expenses for higher profit margin on future.
- The allocation of assets to its lending activity of Annapurna is very low it affects the core activity for microfinance lender. So, the Annapurna has to increase the allocation of assets to its lending activity for better performance.
- The microfinance institutions should be mandated to report their financials to the regulatory authority in order to ensure their performance and sustainability. Improved efficiency of MFIs would reduce costs and consequently reduce the interest rates, increased business volume and would thus benefit both the MFIs and the borrowers.
- The borrowers being low income rural population are often uneducated and it is required for the microfinance institutions to educate the borrowers. Educating the borrowers is important for the microfinance institutions in order to enhance their outreach. Service centres could be set up banks in the rural areas to improve the outreach of microfinance services.

## CONCLUSION

The functioning of Microfinance institutions in India is playing an important role in rural areas since last two decades. The growth of the MFI's in South India is very high as compared to other parts of India. The central government and RBI should take necessary measurements to increase the performance of MFI's in other parts of India especially north and Central India. The concern state governments also take necessary measurements to create awareness among people to use the services of Microfinance institutions to strengthen their Economical status and improving their lively wood

The present study reveals the different performance determinants of five selected microfinance institutions. As MFIs are in developing stage in India, the study may be helpful in the computation of future policy formation for the growth and development. On the basis of the analysis of financial performance of selected Microfinance Institutions reveals that the institutions have shown a remarkable progress in respect of their lending activities. Hence, the institutions should concentrate and strengthen the financial resources through proper utilization and effective management policies.

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# A STUDY ON WORK LIFE BALANCE OF WOMEN FACULTY IN PRIVATE COLLEGES WITH SPECIAL REFERENCE TO NAMAKKAL DISTRICT

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## ABSTRACT

*Changes in the social, political and economic structure of societies have influenced and continue to influence both the nature of employment and its relationship to life outside work. Teaching faculty members may experience role stress because of multiple roles they play in society. The conflict between Work and family demands may all put a strain on the teaching faculty members especially for women faculty. The proposed study would be useful and socially relevant to the present problem of work and family role balance. This study aims to explore the impact of work life balance and work life conflict on life satisfaction of women faculty. Total sample size selected for the study is 150 from various private colleges at Namakkal Dt. The major findings of the study were most of the women faculties are lacking in take care of health. They need support from their family in this respect. The women faculty should concentrate on their effective time management for balancing their work and personal life. Majority of the women said education is their main motivation factor to achieve a successful career in their life. So all the young women in our society take as a mentor these women and succeed in their life. Based in this study most of the women faculty feels that the organization providing facilities like crench facility, paternity leave, increasing their current salary level have to be increase. The organizations also try to arrange camps & tours with frequent intervals for relief from their job stress.*

## KEYWORDS

women faculty, work life balance, obstacles and motivating factors.

## INTRODUCTION

Changes in the social, political and economic fabric of societies have influenced and continue to influence both the nature of employment and its relationship to life outside work. Work life balance has emerged as a hot topic in recent years— fuelled in part by changing trends in women's social roles. A survey in the UK reveals that the majority of the women have had successful WLB, because their husbands shared an equal partnership both in professional and personal life. With the advancement in technology, and education and revolution in the industrial sector, there has been a little change in Indian men too. Both the partners need to schedule their working hours and personal hours so that they lead a professionally and personally healthy life. The women should also educate her children to share responsibilities to make life better and fruitful.

## WORK LIFE BALANCE

Work Life Balance does not mean an equal balance. Trying to schedule an equal number of hours for each of your various work and personal activities is usually unrewarding and unrealistic. Life is and should be more fluid than that. The best individual work life balance will vary over time, often on a daily basis. The right balance for today will probably be different for tomorrow. The right balances for when single will be different when marry, or if have children; When start a new career versus when we are nearing retirement. There is no perfect, one size fits all, balance you should be striving for. The best work life balance is different for each of us because we all have different priorities and different lives.

Work-life balance is a concept including proper prioritizing between "work" (career and ambition) and "lifestyle" (health, pleasure, leisure, family and spiritual development/meditation). Related, though broader, terms include "lifestyle calm balance" and "lifestyle choices".

## REVIEW OF LITERATURE

Pleck's (1977)<sup>1</sup> suggests that family-to-work spill-over is stronger for women and the work-to-family spill-over is stronger for men. Family environment and work environment are the two factors that contribute to the enhancement of complications or problems for employed women, and between the two, the non job factors or family- related factors weigh more importantly for women.

Frone et al. (1997)<sup>2</sup> developed and tested an integrative model of work family interface using a sample of 372 employed adults who were married and/or parents, the findings supported the indirect reciprocal relation between work to family and family to work conflict. Family to work conflict was found to have indirect influence on work to family conflict via work distress and work overload. Work to family conflict had indirect impact on family to work conflict via increased parental overload.

Wesley and Muthuswamy (2005)<sup>3</sup> study of 230 teachers in an engineering college in Coimbatore, India, found that work to family conflict was more prevalent than family to work conflict, thus indicating that permeability of work into family was more than permeability of family into work.

Baral (2010)<sup>4</sup> study of 485 employees working in varied organizations in India found that working men and women in India experience more work family enrichment than the work family conflict. It was also found that there were no gender differences in the employee perception of work family enrichment.

V. Madhusudhan Goud and K. Nagaraju(2013)<sup>5</sup> highlights the issues connected with work life balance of faculty in educational institutions and the factors that determine work life balance. The main objective of the study was to identify the key factors influencing the work life balance, to examine the effect of work life balance on faculties' performance and work attitude. The major findings of the study it is cleared indicated that majority of the faculty feeling stress due to dependents, role clarity, co-worker support, family culture, working hours, flexibility, head support. If the educational institutions management think over the issue of providing employee friendly policies to faculties in order to balance their professional and personal life, definitely it can achieve competitive advantage in terms of student quality of education and faculties may turn into good organization citizens.

Rajesh K. Yadav and Shriti Singh Yadav (2014)<sup>6</sup> stated that in today's competitive environment, work life balance and stress management for women employees is highly desirable and if there is no job satisfaction and regularity in life, it can create a problem for working women. An empirical study is conducted among the working women of public sector banks with the purpose of assessing impact of work life balance and stress management on job satisfaction. Observation during

<sup>1</sup> Pleck, J H (1977), "The Work-Family Role System," Social Problems, Vol. No. 24, Issue No. 4, pp. 417-427.

<sup>2</sup> Frone, M.R., Yardley, J.K., & Markel, K.S. (1997), "Developing and testing an integrative model of the work family interface", Journal of Vocational Behavior, Issue No.50, pp.145-167.

<sup>3</sup> Wesley, J.R. & Muthuswamy, P.R. (2005), "Work-family conflict in India- An empirical study", SCMS Journal of Indian Management, Oct.-Dec., pp. 95-102.

<sup>4</sup>Baral, R. (2010). Work-family enrichment: Benefits of combining work and family. Retrieved October 7, 2010, from <http://www.paycheck.in/main/work-andpay/women-paycheck/articles/work-family-enrichment-benefits-of-combiningwork- and-family>

<sup>5</sup> V. Madhusudhan Goud and K. Nagaraju(2013), "Work Life Balance of Teaching Faculty with Reference to Andhra Pradesh Engineering Colleges", Global Journal of Management and Business Studies, Volume 3, Number 8, pp. 891-896.

<sup>6</sup> Rajesh K. Yadav and Shriti Singh Yadav (2014), "Impact of work life balance and stress management on job satisfaction among the working women in public sector banks", International Letters of Social and Humanistic Sciences, Vol 26, pp.63-70.

their study suggests that WLB and Stress management can be achieved by the factors responsible for job satisfaction such as: encouraging social groups, accommodating working conditions, mentally challenging work, impartial rewards and employee oriented policies etc. To conclude their study, it is suggested that Work-Life Balance and stress management is not a problem to be solved, it is a constant issue to be managed.

## NEED OF THE STUDY

Teaching faculty members may experience role stress because of multiple roles they play in society. The conflict between Work and family demands may all put a strain on the teaching faculty members. Much of the earlier researches on stresses have focused on managerial and professional groups but tend to neglect occupations related to teaching. The proposed study would be useful and socially relevant to the present problem of work and family role balance and the stresses arising therein. This study aims to explore the impact of work life balance and work life conflict on life satisfaction of women faculty.

## STATEMENT OF THE PROBLEM

With brain power being the requisite skill in this knowledge era, rather than stamina or physical strength, the women workers seem to flood into every industry on par with men. But this has indeed become a tough challenge for women as they have to perform a lot of duties in home and office as well. As working women get married, they have additional responsibilities and when they become mothers, they have to manage the primary care of children and extended family and are thus, under greater pressure to continue on a career path. Working mothers of today fulfill family responsibilities and also try to remain fully involved in their careers coping up with the competing demands of their multiple roles. The caring responsibilities that working mothers have lays a heavy stress on them when it is combined with their professional duties. The attempt of working women to integrate, organize and balance the various problems and activities in their different roles simultaneously puts them under tremendous pressure. As a result, the family becomes an Organizational stakeholder and this powerful social trend marked the beginning of the work/life balance paradigm shift. As a result that is worryingly high percentage of respondents who feel that work is the cause of health problems, specifically stress and lack of exercise. Health problems are likely lead to lower productivity and effectiveness of workers.

## OBJECTIVES

- To study the prevalence of work-life balance problem among the women faculty in private colleges.
- To study the factors that affect women faculty's work-life balance.
- To ascertain factors that motivates women faculties to come to this profession/ position.
- To find out the level of work life balance among working women.

## RESEARCH METHODOLOGY

**RESEARCH DESIGN:** This research is empirical and analytical in nature. For collecting primary data, Field Survey technique is employed. Questionnaire has been framed to collect data from women faculty in private colleges.

**SAMPLE SIZE:** Total sample size selected for the study is 150. 58 samples from Arts & Science College have been selected for the study. 53 samples from Engineering College have been selected for the study. 39 samples from B.Ed., College have been selected for this study. The samples are distributed according to the women faculty in private colleges.

**AREA OF THE STUDY:** Namakkal District have been selected for the study area.

**SAMPLING METHOD:** The researcher has adopted Simple Random Sampling Method for selecting the respondents.

**SOURCES OF DATA:** The success of any research depends on the systematic method of collecting the data and analyzing the same in an orderly manner. In the present study, an extensive uses of both primary and secondary data were made.

**Primary data:** To attain the objectives, this study was undertaken by using a well framed questionnaire.

**Secondary data:** Secondary data has been collected from various books, Journals, magazines, newspapers, reports, statistical documents and also through Internet.

## RESULTS AND DISCUSSION

### DESCRIPTIVE STATISTICS

TABLE 1

Variables	Classification	Number	Percentage
Age	Below 25 years	12	8.0
	25 - 35 years	97	64.7
	36 - 45 years	36	24.0
	Above 45 years	5	3.3
Educational Qualification	PG	67	44.7
	M.Phil	61	40.7
	Ph.D	22	14.7
Type of College	Arts & Science College	58	38.7
	Engineering College	53	35.3
	B.Ed., College	39	26.0
Years of experience	Below 1 years	25	16.7
	1-5 years	51	34.0
	6-10 years	42	28.0
	Above 10 years	32	21.3
Monthly income (in rupees)	Below 10,000	28	18.7
	10,001-20,000	52	34.7
	20,001-30,000	48	32.0
	Above 30,000	22	14.7
Marital status	Married	126	84.0
	Unmarried	24	16.0
Spouse employment	Unmarried	24	16.0
	Govt. Employee	23	15.3
	Private employee	31	20.7
	Professional	17	11.3
	Business	52	34.7
	Others	3	2.0
Family Type	Nuclear	72	48.0
	Joint	78	52.0
Number of Children	Unmarried	24	16.0
	0	12	8.0
	1	66	44.0
	2	45	30.0
	More than 2	3	2.0

The above table shows that the majority of the women faculties are in the age group 25 – 35 years (64.7%) and they are PG Degree holders (44.7%). Majority of the women faculties are working in Arts and Science College (38.7) with 1-5 years experience (34%) and they earned Rs. 10000-Rs.20000 as their monthly income (34.7%). Majority of the women faculties are married (86%) and their spouse have employed in private sector (20.7%). Most of the women faculties are living in joint family (52%) and they have single child (44%).

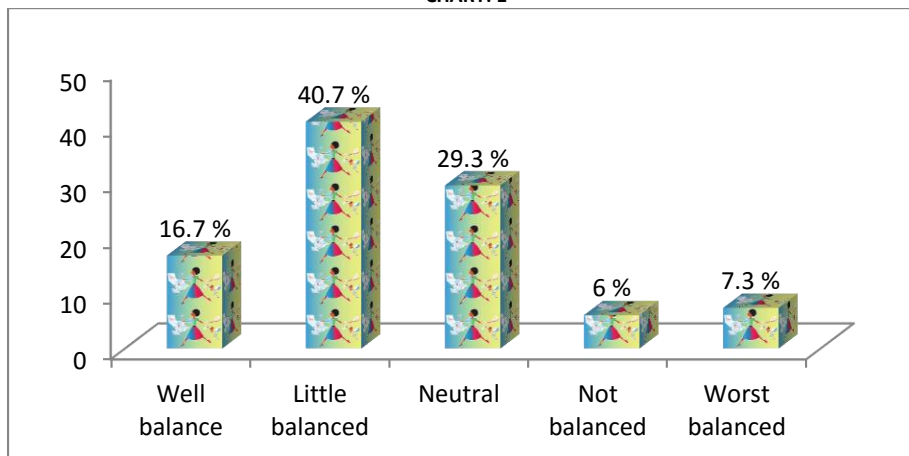
#### LEVEL FOR BALANCING WORK AND LIFE

TABLE 2

Level for balancing work and life	No. of Respondents	Percentage
Well balance	25	16.7
Little balanced	61	40.7
Neutral	44	29.3
Not balanced	9	6.0
Worst balanced	11	7.3
<b>Total</b>	<b>150</b>	<b>100.0</b>

It is seen from the above table that among the total respondents (16.7%) of respondent are well balance for work and life, (40.7%) of respondent are little balance for work and life, (29.3%) of respondent are neutral, (6%) of respondent are not balance for work and life and (7.3%) of respondent are worst balanced for work and life. Hence the majority of respondents are (40.7%) little balance for work and life.

CHART: 1



#### EDUCATIONAL QUALIFICATION AND LEVEL FOR BALANCING WORK AND LIFE

TABLE 3

Educational Qualification	WORK LIFE BALANCE			TOTAL
	LOW	MEDIUM	HIGH	
Post Graduates	17 (42.5%)	33 (46.5%)	17 (43.6%)	67
M. Phil	13 (32.5%)	27 (38.0%)	21 (53.8%)	61
Ph.D	10 (25.0%)	11 (15.5%)	1 (2.6%)	22
<b>Total</b>	<b>40</b>	<b>71</b>	<b>39</b>	<b>150</b>

From the above table reveals that among the total respondents 42.5% of female graduates who are working in private colleges in erode city have low work life balance while only 25% of Ph.D holders have low work life balance. 46.5% of post graduates have medium work life balance where it's come to 15.5% among Doctorates. In the category of high work life balance 53.8% of M.Phil holders are have utmost high work life balance while there is only 2.6% of Ph.D holders are have high work life balance.

#### HYPOTHESIS

$H_0$  : There is no significant association between Educational Qualification and balancing work and life

$H_1$  : There is a significant association between Educational Qualification and balancing work and life

#### EDUCATIONAL QUALIFICATION AND WORK LIFE BALANCE - CHI – SQUARE TEST

TABLE 4

FACTOR	CHI-SQUARE	DEGREE OF FREEDOM	PVALUE	REMARK
Pearson Chi-Square	9.388 <sup>a</sup>	4	0.042	Significant

The above table reveals that P value (0.042) is lower than the significance value (0.05). Hence the null hypothesis is rejected. So, there is a significance relationship between educational qualification and level of balancing work and life. It is found from the study that well educated women have to develop knowledge and skills about how balancing their work and life.

#### WEIGHTED AVERAGE RANK- WORK LIFE BALANCE

TABLE 5

Factors	Mean	Rank
At the moment, because the job demands it, I usually work long hours.	2.13	1
There isn't much time to socialize/relax with my partner/see family in the week	1.39	9
I have to take work home most Evenings	1.71	3
Relaxing and forgetting about work issues is hard to do	1.71	3
I often work late or at weekends to deal with paperwork without interruptions	1.57	7
My relationship with my partner is suffering because of the pressure or long hours of my work	1.52	8
My family are missing out on my input, either because I don't see enough of them/am too tired	1.59	6
Finding time for hobbies, leisure activities, or to maintain friendships and extended family relationships is difficult	1.97	2
I would like to reduce my working hours and stress levels, but feel I have no control over the current situation	1.61	5



From the above table reveals that most of the women faculty agree because the job demands it, they usually work long hours (2.13) and they have trouble to finding time for hobbies, leisure activities, or to maintain friendships and extended family relationships is difficult (1.97). Most of the women faculty have to take work home most evening (1.71) and they agree that relaxing and forgetting about work issues is hard to theirs (1.71). Majority of the women faculty feels that they would like to reduce their working hours and stress levels, but they feel they have no control over the current situation.

#### OBSTACLES IN WORK LIFE BALANCE - GARRETT'S RANKING

These mean scores for all the problems are arranged in the descending order, ranks are given and most important problem in their work life balance.

#### FACTORS LEADS TO OBSTACLES IN WORK LIFE BALANCE

TABLE 6

Factors	Scores		Rank
	Total	Mean	
Travel	6414	42.76	5
Long working hours	7862	52.41	2
Child/Adult care	8673	57.82	1
Health problem	5975	39.83	7
Not adequate family support	7045	49.97	3
Lack of time management skill	6140	40.93	6
Lack of co-operation from superior/subordinates/colleagues	6912	46.08	4

It is seen from the above table that among the total respondents involved in the study, the mean preference score for factor ranges from 39.83 to 57.82 and the factor 'Child care and Adult care' has secured higher mean score and gets placed at top problems in work life balance, 'Long working hours' has secured next higher mean score and comes to second followed by Not adequate family support', 'Lack of co-operation from superior/subordinates/colleagues', and travel. On the other hand health problem and lack of time management skill secure the least mean score and stands at the last place.

Thus, the problems in work life balance has started that 'Child, adult care and Long working hours' as the main reasons for imbalance their work and life. They not have big problem in adequate health problem and their time management skill.

#### MOTIVATION FACTORS

#### FACTORS INFLUENCING TO ACHIEVING THEIR CAREER

TABLE 7

Factors	Scores		Rank
	Total	Mean	
Money motive	5860	39.07	6
Social image	7346	48.97	3
Family support	7257	48.38	4
Education	9132	60.88	1
Passion interested	8441	56.27	2
Self high expectations	6964	46.43	5

It is seen from the above table that among the total respondents involved in the study, the mean preference score for factor ranges from 60.88 to 39.07 and the factor 'Education' has secured higher mean score and gets placed at motivating factors, 'Passion interested' has secured next higher mean score and comes to second followed by 'social image' and 'family support'. On the other hand, 'money motive' secure the least mean score and stands at the last space.

Thus, the motivation factors in the study area has started that 'Education' and 'Passion interested' as the main reasons influencing them to reach the good position in their career. The women faculties never belong to the category of money motive peoples.

#### FINDINGS

- The majority of the women faculties are in the age group 25 – 35 years (64.7%) and they are PG Degree holders (44.7%). Majority of the women faculties are working in Arts and Science College (38.7) with 1-5 years experience (34%) and they earned Rs. 10000-Rs.20000 as their monthly income (34.7%). Majority of the women faculties are married (86%) and their spouse have employed in private sector (20.7%). Most of the women faculties are living in joint family (52%) and they have single child (44%).
- The majority of respondents are (40.7%) little balance for work and life.
- It is identified that there is a significance relationship between educational qualification and level of balancing work and life. It is found from the study that well educated women have to develop knowledge and skills about how balancing their work and life.
- Weighted Average Rank reveals that most of the women faculty agree because the job demands it, they usually work long hours (2.13) and they have trouble to finding time for hobbies, leisure activities, or to maintain friendships and extended family relationships is difficult (1.97). Most of the women faculty have to take work home most evening (1.71) and they agree that relaxing and forgetting about work issues is hard to theirs (1.71). Majority of the women faculty feels that they would like to reduce their working hours and stress levels, but they feel they have no control over the current situation.
- On the basis of Garret ranking it is found that the main obstacles in work life balance has started that 'Child, adult care and Long working hours' as the main reasons for imbalance their work and life. They not have big problem in adequate health problem and their time management skill.
- On the basis of Garret ranking majority of the respondents motivation factors in the study area has started that 'Education' and 'Passion interested' as the main reasons influencing them to reach the good position in their career. The women faculty never belong to the category of money motive peoples.

#### SUGGESTIONS

It is found from the study most of the women faculties are lacking in take care of health. They need support from their family in this respect. The women faculty should concentrate on their effective time management for balancing their work and personal life. Majority of the women said education is their main motivation factor to achieve a successful career in their life. So all the young women in our society take as a mentor these women and succeed in their life. Based in this study most of the women faculty feels that the organization providing facilities like crench facility, paternity leave, increasing their current salary level have to be increase. The organizations also try to arrange camps & tours with frequent intervals for relief from their job stress.

#### CONCLUSION

With dual career couples widely prevalent in this modern era, there is a need for systematic research into the nature of work-life conflict and further insight is required into ways by which the work-home interface can be more effectively managed. This study was able to measure women faculty work-life balance and found weekly hours of work and the stress associated with work were very important determinants of women's work-life balance, alongside their occupations, age and caring responsibilities. Conflicts in work-life balance of working women affects their health who report more stress, headaches, muscle tension, weight gain and depress than their male counterparts. Juggling between the obligations towards the families and expectations of the organization and constant struggle to maintain a balance between work and family can have serious implications on the life of an individual by affecting their well-being and overall quality of life. There is a widespread demand from employees for the right to balance work and home life in today's busy world where finding time for oneself seems impossible. Health and wellness programs can, for sure help working women in balancing their personal and professional life. But they alone cannot be the answer to

addressing the problems of imbalance. The problems and difficulties of women are multi-dimensional as evident from this study; therefore, they require further probing to help working women in balancing their work and family life.

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**BUSINESS-TO-CONSUMER (B2C) e-COMMERCE: A SURVEY**

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**ABSTRACT**

*Recently, internet has successfully served as a mile stone for Business-to-Consumer (B2C) e-commerce due to convenience, product price comparison, vast variety of products, product specifications. In this paper the empirical investigations were made to study the attitude of e-consumers toward online shopping. Sample of 36 e-consumers from different age groups was studied through a structured questionnaire consisting of 35 questions. The data obtained from these 36 respondents was analyzed statistically to observe the attitude of e-consumers toward online shopping. Education, personal perceptions, individual thinking, cultural, social, environment, economic, psychological and availability of resources, trust and confidence between the consumer and the online seller were the main concerning factor.*

**KEYWORDS**

business-to-consumer (b2c), consumer behaviour, online shopping, survey.

**1. INTRODUCTION**

In the last decade, the utilization of the internet resources as a bridge between the business companies and customers has grown tremendously. According to Donthu et al. (1999) the internet has now become an integral part of daily life and consumers avail the internet resources for purchasing various economic commodities comprising goods and services. With the rapid innovation in the field of internet, retailers frame new strategies and policies to facilitate online shopping. Yuan Guo (2005) explained four types of antecedents including personal factors, product factors, media factors and situational factors affecting online shopping behaviour. Internet successfully serves as a platform for Business-to-Consumer (B2C) e-commerce, owing to convenience, product price comparison, vast variety of products, product specification etc. (Janssen M. et al. 2000 and Yuan G. 2005). Consumers now can shop online 24/7/365 without any geographic limits. Fast globalization and the development of the internet have provided companies a platform for the promotion and sale of their products or services through the cyberspace. Additionally, internet provides an alternate and easy way to foster business through promotions, advertisements of the products and services (Barry S. 2002). According to a report, India's e-commerce industry has grown more than 30% from 2012 to \$12.6 billion in 2013 (Laus P. 2014). According to another report, on-line retail sale in the U.S. is about \$20 billion to \$30 billion each year and will extend to approximately \$327 billion by 2016 (Reuter T. 2012). The fast expansion of e-commerce has eventually dominated the world economy. The importance of e-commerce lies in the fact that the scenario of traditional commerce had changed considerably and is impacting largely the global economy.

Another factor which has stimulated the e-commerce services is the rapid mobile adoption and availability of easy and cheap broadband services. However, the most important factor which affects the online trading is the consumer behaviour, which differs from individual to individual and further depends upon the buying choices, habits which in turn are affected by psychological and social factors. Consumer behaviour is unpredictable and difficult to explain as far as decision making is concerned. Thus it becomes important to figure out the potential factors which affect the consumer's online shopping behaviour.

**2. OBJECTIVES**

The objectives of the present research are:

- Qualitatively investigation of the perceived benefits of online shopping.
- Qualitatively investigation of the perceived risks of online shopping.
- To evaluate the factors affecting the attitude towards online shopping.
- Evaluation of the factors which can affect the future of B2C e-commerce.

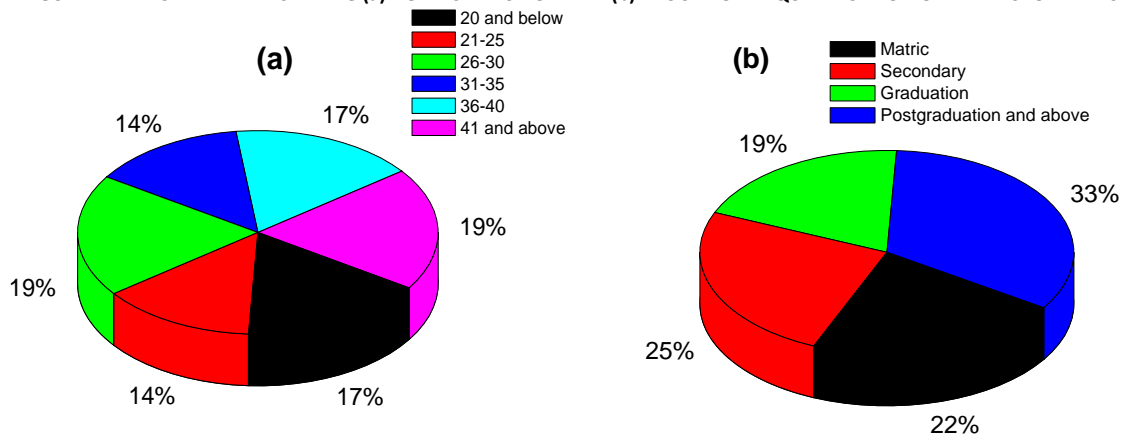
**3. RESEARCH METHODOLOGY**

To meet these objectives, a sample survey was conducted using a structured and close ended questionnaire comprising 35 questions. The questionnaire was distributed through either e-mail or through personal contacts to 50 respondents, out of which only 36 responded. The data obtained from these 36 respondents was analyzed statistically to observe the attitude of e-consumers toward online shopping. The questionnaires were distributed randomly in electronic form to people who were asked to complete them anonymously and return them. The questionnaire was divided in to four parts; first part comprising questions related to demographic data and included information regarding gender, age, educational qualification; second part consisted of questions for collecting information regarding internet use; third part consisted of questions regarding general information about online e-commerce such as frequency of online shopping, role of web contents, factors influencing the product perception, types of articles purchased, mode of payment etc. and the fourth and concluding part consisted of the questions based on likert scale covering the various risk factors and the factors promoting the trends of online shopping.

**4. GENERAL INFORMATION OF THE RESPONDENTS**

Descriptive statistics were applied to analyze the collected data. 56 % of the respondents were male and 44% were female. 17% of the respondents were below 20 years, 14% were between 21 to 25 years, 19% were 26 to 30 years, 14 % were 31 to 35 years, 17% were 36 to 40 years and the remaining 19% were 41 years of age or above (Figure-1 (a)). As far as educational qualification was concerned, 22% of the total respondents were matriculated, 25% were having qualification up to secondary level, 19% were graduates and the remaining 33% were postgraduate or of higher educational qualification (Figure-1 (b)).

FIGURE - 1: PIE CHART REPRESENTING (a) AGE DISTRIBUTION AND (b) EDUCATIONAL QUALIFICATION OF THE RESPONDENTS

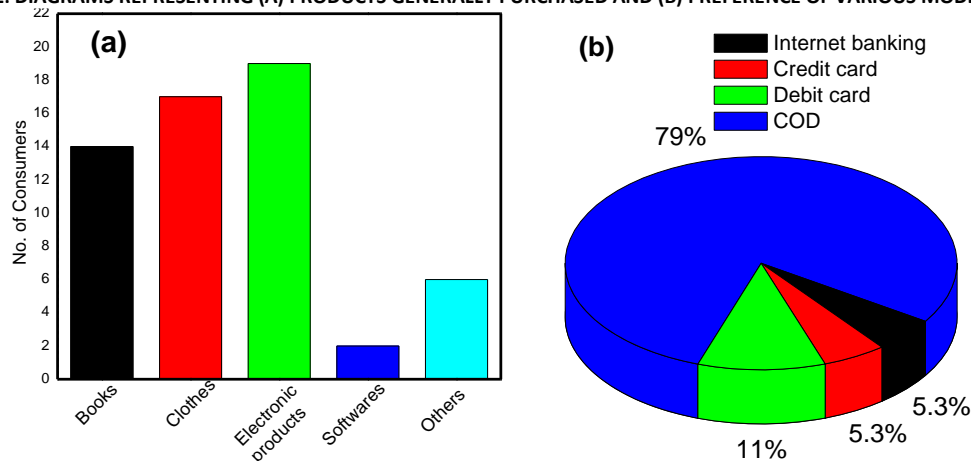


Regarding the ability to access internet resources and computer literacy, 14% respondents were somewhat skillful, majority *i.e.* 57% were skillful whereas 29% were very skillful. Maximum of the respondents (84%) prefer home place or work office as the primary area to access the internet services. About 90% of the respondents spend 20-40 hours a week on internet. 23% of the respondents were using internet services from 1-3 years, 33% from 4-6 years and 44% were using these services from more than 7 years. Majority of the respondents prefer to shop online only during the offer or festival seasons.

## 5. ANALYSIS AND RESULTS

Mostly, the online shopping behaviour of the collected sample was found to be affected by the need of the product (41%), usual internet surfing (35%) and advertisements (16%). Books clothes and electronic products were the best choices for the online shopping (Figure-2 (a)). The main choice of the male respondents was the electronic items like mobile phones, cameras *etc.* whereas female respondents prefer clothes for buying online. Product quality, price and varieties were the main concerns which attract the consumers to buy things online. 26 respondents consider product quality as the most important factor influencing the product perception. 79% of the respondents prefer cash on delivery (COD) as the safest, reliable and convenient way of various payment modes as shown in figure-2 (b). The favorite ways of communicating with online retailer were emails and telephones (50%) if the buyer wants to enquire about the concerned transactions, delivery time of the product and other enquiries.

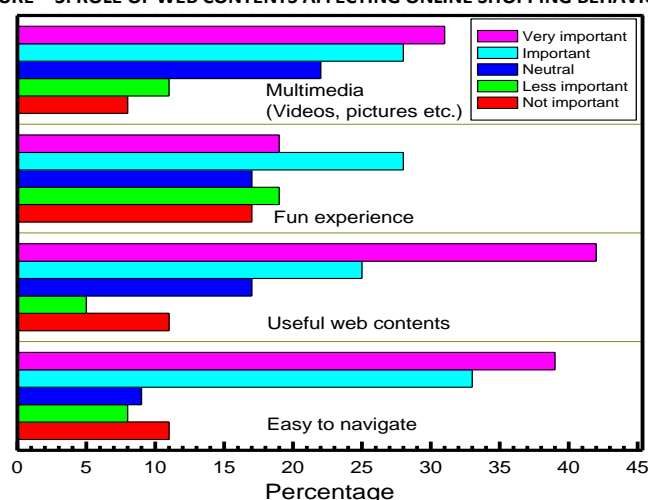
FIGURE - 2: DIAGRAMS REPRESENTING (A) PRODUCTS GENERALLY PURCHASED AND (B) PREFERENCE OF VARIOUS MODES OF PAYMENT



### 5.1. ROLE OF WEB CONTENT

According to Van Y. et al. (2009) human computer interaction (HCI), concerned with website contents, web page display, easy to navigate the site, visual effects and attractiveness greatly affect consumer behaviour toward online shopping. The bar diagram in figure-3 clearly shows that consumer online shopping behaviour of majority of the respondents is strongly affected by the web contents particularly, ease of navigations, useful web contents and web designing stimulated by multimedia (videos, pictures *etc.*) 42% of the respondents considered usefulness of web contents to be very important.

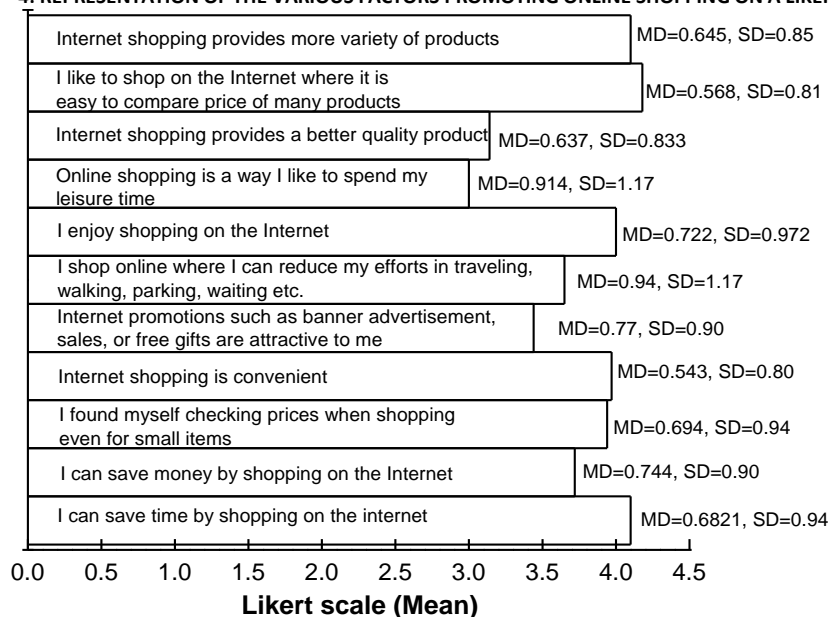
FIGURE - 3: ROLE OF WEB CONTENTS AFFECTING ONLINE SHOPPING BEHAVIOUR



## 5.2. FACTORS PROMOTING ONLINE SHOPPING

Among the various controllable and uncontrollable factors such as education, personal perceptions, individual thinking, cultural, social, environment, economic, psychological and availability of resources etc. influencing the online shopping behaviour, trust and confidence between the consumer and the online seller is the main concerning factor. Trust factor encourages the consumers to proceed with the payment transaction during online shopping. Safety, privacy of payment details and information, security and product delivery etc. are the elements which increase the trust factor. In order to analyze the various factors affecting e-commerce 11 questions were asked from the respondents. The results are displayed in the form of a bar diagram in figure-4 on a likert scale (mean). The corresponding mean deviations (MD) and standard deviations (SD) are also presented.

**FIGURE – 4: REPRESENTATION OF THE VARIOUS FACTORS PROMOTING ONLINE SHOPPING ON A LIKERT SCALE**

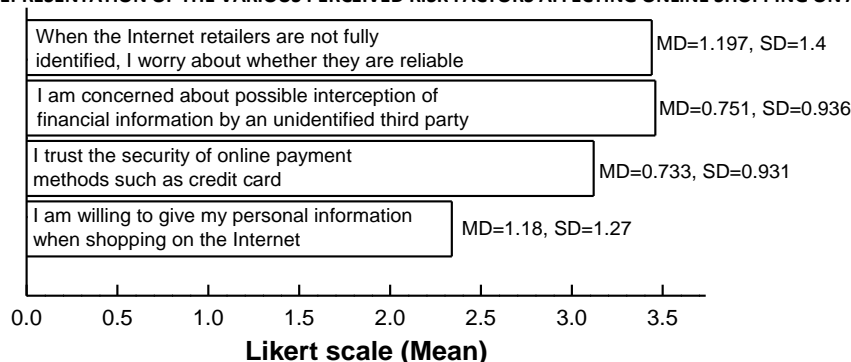


The main factors which promote the online shopping include the variety of the products (mean likert value=4.1), product price comparison (mean likert value=4.18), intellectual joy during online shopping (mean likert value=4.0), convenience (mean likert value=3.97), price comparison even for small items (mean likert value=3.94), saving money (mean likert value=3.65) and time (mean likert value=4.1). On the other hand factors like online shopping as a leisure time, better quality product and promotional strategies were found to be least effective.

## 5.3. RISK FACTORS

The degree to which consumer believes that on-line shopping is trustworthy and secure is perceived credibility. According to Wang et al. (2003) perceived credibility is mainly concerned with privacy which refers to keep the identity confidential during the course of a transaction and the protection of payment data and secondly the security of the information from unsanctioned intrusions or outflows (Ratnasingham P. 1998). Lack of security is considered to be the most affecting factor for the growth and development of e-commerce (Wang et al. 2003). Broadly there are two major categories of perceived risk associated with e-commerce viz. perceived risk with products/services (PRP) and perceived risk in the context of on-line transactions (PRT) (Lee D. 2001).

**FIGURE – 5: REPRESENTATION OF THE VARIOUS PERCEIVED RISK FACTORS AFFECTING ONLINE SHOPPING ON A LIKERT SCALE**

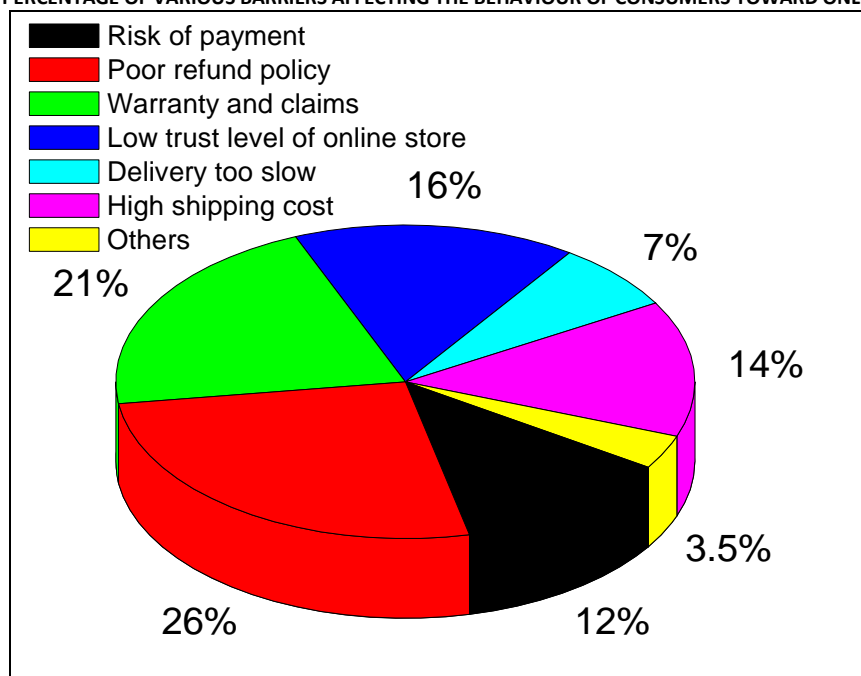


In the present case, the majority of the respondents were not willing to provide personal information. Also the trust on the security of payment data either directly or through intervening third party during transaction is on the unfavorable side of the likert scale (Figure-5). Majority of the respondents (93%) usually discuss with friends or family members about the product purchased online.

## 5.4. MAIN BARRIERS

The main hurdle which affects the behavioural attitude toward online shopping as an outcome of the survey is risk of payments. 26% of the respondents were worried about the refund of the money if the product purchased is not up to the expectations in spite of the promise made by online retailer to either refund within a stipulated time or exchange the product. Another major barrier observed was the warranty and claims of the products. In traditional shopping the consumer can directly approach the retailer for these attributes but online shopping is devoid of these things. 16 % of the respondents still not trust the online stores. High shipping cost for small articles and risk of payments are other major issues concerned with online shopping (Figure-6).

FIGURE – 6: PERCENTAGE OF VARIOUS BARRIERS AFFECTING THE BEHAVIOUR OF CONSUMERS TOWARD ONLINE SHOPPING



## 6. CONCLUSION AND FUTURE CHALLENGES

The results of the present study express the important role of online shopping in the modern life of the consumers. In light of the research findings, internal beliefs, attitudes, intention for online shopping, social network, personal experience, convenience, marketing, mass media and internet greatly affect the mind set for the online shopping behaviour. The proposal constructs involving perceived credibility, security, trust, privacy and risk factors have a strong effect on behaviour attitude. As far as the privacy and security factors are concerned, the designers of websites, banks should provide full attention for minimizing the security concerns. In order to attract and motivate the consumers toward online shopping, vendors and retailers must provide discounts and other benefits like free home delivery, free gifts etc. The governments must frame proper and strict laws and regulations to solve the legal issues arising from commercial transactions through internet.

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**AGRO BASED INDUSTRY: A WAY OF BALANCING INDIAN ECONOMY**

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**ABSTRACT**

India is a developing country with slow growth of agriculture and medium growth of industrial and high growth of tertiary sector. Although the growth of Indian agriculture is slow, but the contribution in total gross state domestic product (GDP) and in employment generation among rural economy are not insignificant. The growth rate of Indian agriculture is slow as there is a less interdependency between agriculture and industry. As still now, Indian agriculture is heavily dependent on monsoon, the market of industrial product indirectly influenced by such natural element. A direct link between agriculture and industry in the means of agro-based industry is urgent in India and which is regarded as an extended wing of agriculture and reaches to the industrial sector. This linking between agriculture and industry will make a complementary relation in employment generation and demand supply relation in total economy. The raw materials produced from agriculture are to be consumed by household and to be used as industrial inputs. The production plan in agriculture is to be supported by industrial demand and export requirement. The major problems of Indian agriculture and unemployment issue may be solved if we can make our lands as our factory premises. Without industrialization of agriculture, the basic Indian economic problems cannot be solved.

**KEYWORDS**

agro-based industry, agriculture, India.

**INTRODUCTION**

Agriculture is the largest and most important sector of the Indian Economy. More than fifty percent of the Indian people depend on agriculture for employment and means and way of living. The growth rate of gross domestic product (GSDP) depends heavily on agricultural production. So agriculture plays an important role in the economic development of India.

On the other hand, the role of industry is equally important in India. The employment generation capacity of the agricultural sector tends to be saturated as a result of mechanization and law of diminishing return. The contribution of the industrial sector in GDP is increasing over the years.

The importance of industry and agriculture cannot be ignored in sustainable development of a country. The demand-supply relation between agriculture and industry is crucial for the economic development of the country like India. In fact, the whole process of development can be understood in the context of the relationship between agriculture, industry and its evolution. This is primarily because agriculture and industry are usually the biggest and primary material production sectors in the economy; they provide physical goods for a society's survival and the foundation for any further development. Second, it becomes more and more clear that one sector cannot develop properly without the other. In this backdrop we should think of the prospects of growth of agro-based industry in India

**WHAT IS AGRO-BASED INDUSTRY?**

Agro- Based Industry makes the bridge between industry and agriculture. The agro industry is regarded as an extended arm of agriculture which reaches to the industrial sector. It could cover a variety of industrial, manufacturing and processing activities based on agriculture raw materials as also activities and services that go as inputs to agriculture. Agro-based industry may be defined as the industry which procures raw material from the agricultural sector and produces goods for the society. Such industries are those which add value to agricultural products. Agro industry also includes high-tech agriculture and bio-technology based agriculture. The development of the agro-industry can help stabilize and make agriculture more lucrative and create employment opportunities both at the production and marketing stages. The broad-based development of the agro-industry will improve both the social and physical infrastructure of India. Since it would cause diversification and commercialization of agriculture, it will thus enhance the income of farmers and create food surpluses. The agro-industry is broadly categorized as follows-

- 1 Village industries owned and run by rural households with very little capital investment and a high level of manual labour, products include pickles, papad etc.
- 2 Small scale industry characterized by investment and semi-automation, products include edible oil, rice mills etc.
- 3 Large scale industry involving large investment and a high level of automation, products include sugar, jute, cotton mills etc.

The development of agro-based industries commenced during pre-independence days. Cotton mills, sugar mills, jute mills were fostered in the corporate sector. During the post- Independence days, with a view to rendering more employment and using local resources, small scale and village industries were favoured.

Agro-based industry basically procures core raw material from the agricultural sector and other materials from industrial and service sector. So the important features of the agro-based industry are—

- (1) Procurement of basic raw material from agricultural sector.
- (2) Producing alternatives product from the agricultural input.

**RATIONALITY OF AGRO-BASED INDUSTRY IN ECONOMIC DEVELOPMENT OF INDIA**

To cope with the problems of poverty, unemployment and underdevelopment in rural areas, the agro-based industry may be a third area in addition to traditional agriculture and manufacturing industries for the Indian economy. This area does not make agriculture and industry competitors to each other. Rather, they can promote agriculture and industry simultaneously for a total development of our country. The increasing environmental concerns will give further stimulus to agro-based industries. Jute and Cotton bags, which have begun to be replaced by plastic bags, have made a comeback. We should start mass production of low cost jute/cotton bags to replace plastic bags.

India is the second largest producer of food in the world. So the Indian agro-industry has a huge potential in various items like canned food, processed food, food grains, dairy products, frozen food, fish, meat, poultry goods etc. The significance and growth of these items will never cease. Sea fishing, aquaculture, milk and milk products, meat and poultry are some of the agro sectors that have shown marked growth over the years. Moreover, the agro industry helps in processing agricultural products such as field crops, tree crops, livestock and fisheries and converting them to edible and other usable forms. The private sector can utilize the full potential of the agro industry in India. The global market is vast for sugar, coffee tea and processed foods such as sauce, jelly, honey etc. the market for processed meat, spices and fruits are also enlarging. Only with mass production coupled with modern technology and intensive marketing can the domestic market as well as the export market be exploited to the fullest extent. Here it is imperative that food manufacturers understand changing consumer preferences, technology. With modernization, innovation and incorporation of latest trends and technology in the entire food chain as well as agro-production, the total production capacity of agro-product in India and the world is likely to increase in coming years.

**INDIAN SCENARIO OF AGRO-BASED INDUSTRIES**

The processing level of the agro industry can be at the primary, secondary or tertiary stage. In the case of hides and skins, India exports largely semi-processed items whereas in coffee/tea, the exports are mostly in secondary stage by way of full processed bulk shipments without branding/ packing. Exports at the tertiary stage mean branding and packaging the product that are ready for use by the consumer. Again the levels of processing and manufacturing can be classified into the process; the main considerations are the nature of the raw materials, technology of processing and packing.

Now for the agro-based companies it is enter the Indian market because of now taste pattern of younger population, higher income levels and a growing middle class, estimate at 50 million households. An average Indian spends around 53% of his/her income on food. The domestic market for processed foods is not only huge but is growing fast in tandem with the economy. It is estimated to be worth \$90 billion. Processed food Manufacturing companies are required to be persistent and must adapt products to the Indian cultural preferences. Many big companies like ITC, HLL, Nestle entered the Indian market a long time ago and have made a deep penetration in the market. From these success stories we can learn some lessons in order to capture the higher end of the local market and get a fair share of the export market. Dairy product is another area where there is enormous potential. No doubt the country has made tremendous strides in the last 20 years in production and processing of milk and milk products. But the facts remains that only 15% of all the milk produced is processed. Today, a large number of people suffer from diabetic or cardiac ailments and availability of fat free milk, fat free curd and sugar free food is poor. A simple product like soya milk is not produced in adequate quantity. Fish and shrimp have good export potential but there is an immense lack of cold storage and modern processing facilities. For instance fish production is around six million tones a year and the frozen storage capacity is only one lakh ton. Another area is herbal medicine. It is being increasingly realized all over the world that herbal drugs do not have any side effects. India has a good number of tested herbal products in use and what is required is quality control, proper packaging and a brand name. The government and modern retailers are addressing these issues with new laws on packaging and labeling as well as greater investment in the supply chain.

**CONCLUSION**

In conclusion it is to be admitted that for development of agro-based industries, agricultural sector should be strengthened. Without a strong base in agriculture, agro-based industries cannot persist in the long run. In industrial sector private investors are interested to invest for its low risk in profitability. But the agriculture is still now an unorganized sector and subject to various natural risks. To ensure a smooth growth of agriculture sector public investment in systematic ways required. The future growth in the agriculture sector in India must ensure the use of advanced technologies that are cost effective and in conformity with the natural climatic regime of the country. Sustained efforts are also essential in the fields of improving seeds and yields. Improvements are also needs in data for improvised research, results and sustainable activities in planning in order to bridge the gap between knowledge and practice. The nation must conduct surveys for judicious land use and evolve effective management practice besides ensuring sustainable use of all the available natural resources. Due to development of agricultural sector, demand for industrial goods increases and industrial development becomes easier. Development of agriculture sector would also open new scopes for developing agro-based industries which in turn, promote the development of agriculture sector. The agro-processing industries require agricultural raw materials as input, which, in turn, stimulates the demand for other industrial outputs such as chemical fertilizers, insecticides and improved seeds. The production of fertilizer requires a greater volume of inputs from other industries. This process continues for many rounds and cumulative process of development would emerge in the economy. Thus, a development of agro-processing industries generates greater degree of multiplier effects. As these activities are mainly take place in the rural areas and a significant level of linkage effects and value added by the agro-based industry stay within the rural areas.

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**IMPACT AND CHALLENGES OF IMPLEMENTATION OF GST ON INDIAN ECONOMY**

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**ABSTRACT**

Goods and service tax is broad based and a single comprehensive tax levied on goods and services consumed in the economy. GST will levied at every stage of the production distribution chain with applicable set offs in respect of tax remitted at previous stage. It is basically a tax on final consumption. It will collect from the consumers by registered suppliers i.e. the final burden of tax falls on actual consumer. The goods and services tax (GST) is value added tax to be implemented in India, the decision on which is pending. GST is only indirect tax that directly affects all sectors and sections of our economy. It will create a single unified Indian market to make the economy stronger. It will replace the existing multiple tax structures on central and state taxes. The changed indirect tax system GST-goods and service tax is planned to execute in India. Several countries implemented this tax system followed by France, the first country introduced GST. Goods and service tax is a new story of VAT which gives a widespread setoff for input tax credit and subsuming many indirect taxes from state and national level. The main objective of goods and service taxes would be eliminate the cascading impact on taxes on production and distribution cost of goods and services. In India Goods and services taxes will work at two level central goods and service taxes and state goods and service taxes. Different types of taxes will take ambit in these categories. The goods and service tax is aimed at creating a single, unified market that will benefit both corporate and the economy. In this article, I have started with introduction in context of GST, highlighted need of implemented GST, main objectives of GST, justification with CGST & SGST. Thereafter impact of GST on international economy, probable impact GST on an Indian economy and highlighted the challenges faced by Indian economy by implementing GST.

**KEYWORDS**

GST, international experience, Indian taxation system, economy.

**INTRODUCTION OF GST**

Goods and Service Tax (GST) is comprehensive tax levy on manufacture, sale and consumption of goods and service at a national level. GST is a tax on goods and services with the value addition at each stage having comprehensive and condition chain of set of benefits from the producer's /service provider's point up to the retailer level where only the final consumer should bear the tax."

GST is a tax on final consumption. GST is collected at every stage of value chain. GST is collected from the consumers by the registered supplier's i.e. the final burden of tax falls on actual consumer. GST will create a single, unified Indian market to make the economy stronger. GST is only indirect tax that directly affects all sectors and sections of our economy.

To replace the existing multiple tax structures of centre and state taxes is not only desirable but imperative in the emerging economic environment. Increasingly, services are used or consumed in production and distribution of goods and vice versa. Separate taxation of goods and services often requires splitting of transaction values into value of goods and services for taxation, which leads to greater complexities, administration and compliances costs. Integration of various taxes into GST system would make it possible to give full credit for input tax collected. GST being a destination –based consumption tax based on vat principle, would also greatly help in removing economic distortions and will help in development of common national market.

**OBJECTIVES OF THE STUDY**

1. To understand the concept of goods and service tax
2. Impact of GST on Economy- International Experience
3. Probable Impact of GST on Indian Economy
4. Challenges of Implementation of GST in

**RESEARCH METHODOLOGY**

The study focuses on extensive study of Secondary data collected from various books, National & international Journals, government reports, publications from various websites which focused on various aspects of Goods and Service tax.

**OBJECTIVES OF THE IMPLEMENTATION OF GST**

One of the main objectives of GST would be to eliminate the cascading impact of taxes on production and distribution cost of goods and services. The exclusion of cascading effects i.e. tax on tax will significantly improve the competitiveness of original goods and services which leads to beneficial impact to the GDP growth. It is felt that the GST would serve a superior reason to achieve objective of streamlining indirect tax regime in India which can remove cascading effects in supply chain till the level of final consumers.

**IMPACT OF GST ON ECONOMY: INTERNATIONAL EXPERIENCES**

Several countries implemented this tax system followed France, the first country introduced GST. Most countries have adopted VAT system and GST is considered similar to a VAT system. Goods and service tax is new story of VAT which gives a widespread setoff for input tax credit and subsuming many indirect taxes from state and national level. It is possible that some economies that have adopted VAT system are actually GST as well. So we really do not know the broad experience of most economics and stick to countries which call their tax systems as GST based.

Almost 150 countries have introduced GST in some form. while countries such as Singapore and New Zealand tax virtually everything at a single rate, Indonesia has five positive rates, a zero rate and over 30 categories of exemptions. In china, GST applies only to goods and the provision of repairs, replacement and processing services. GST rates of some countries are given below:

**TABLE 1**

Country	AUSTRALIA	FRANCE	CANADA	GERMANY	JAPAN	SINGAPORE	SWEDEN	NEW ZEALAND
Rate of GST	10%	19.6%	5%	19%	5%	7%	25%	15%

Over a long term there are improvements across the macroeconomics variables but there were short-term glitches, inflation did seem to rise in the years of introduction but was mainly blamed on administration for the same. The impact on revenue and current account has been very impressive with sharp gains seen in all three economics.

In Australia there was a more dramatic impact of GST on the economy. Before GST's implementation consumers rushed to purchase goods that they perceived would be substantially more expensive post-GST. After the tax, consumer consumption and economic growth declined sharply initially. In Q1 2000, Australian

economy recorded negative economic growth for the first time in more than 10 years. Consumption and growth soon returned to normal. There was some negative impact on price of real estate as well but the market rose and property prices and demand increased sharply in 2002-04.

TABLE 2

	AUSTRALIA	NEW ZEALAND	CANADA
<b>Introduction year</b>	<b>2000</b>	<b>1986</b>	<b>1991</b>
<b>Price changes</b>	Short run one off effect	Short run spike in prices ,no longer run increase	Short run spike in prices ,no longer run increase, price regulatory body criticized
<b>Economic growth</b>	Introduced during sustained economic growth period	Introduced at the end of recession, subsequent upswing	Introduced in midst of major recession ,criticized as compounding problems
<b>Revenue effect</b>	Revenue exceeded expectations	Revenue exceeded expectations	Revenue exceeded expectations
<b>Current account</b>	Slight improvement since introduction	Rapid immediate improvement ,longer term stabilization	Dramatic improvement since introduction of GST,NAFTA

In another study, Economist Hamilton showed that GST increased the real output of the Canadian economy by 1.4% of GDP, principally through an increase in the productivity of capital and total factor productivity. The sectors like transportation. Utilities, services and agriculture experienced significant gains.

The introduction of GST in Malaysia is to replace the current consumption tax (sales tax and service tax) which has many weaknesses. GST is part of overall tax reform to make the taxation system more effective, efficient, transparent business friendly and capable of generating a more stable source of revenue. In the long run more effective and efficient tax system will help in reducing the fiscal deficit in Malaysia

### PROBABLE IMPACT OF GST ON INDIAN ECONOMY

When GST came into force impact of GST on Indian economy as highlighted under:

- **Simpler tax structure:** a multiple taxes on a product or service are eliminated and a single tax comes into place, the tax structure is expected to much simpler and easier to understand. Paperwork will become simpler and there will be reduction in accounting complexities for businesses. Experts opine that the implementation of GST would push up GDP by 1%-2%
- **Increased tax revenues:** a simpler tax structure can bring about greater compliance. Thus increasing the number of tax payer and in turn tax revenues for the government. The current state of Indian economy demands fiscal consolidation and reduction in fiscal deficit.
- **Competitive pricing:** GST will eliminate all other forms of indirect taxing. This will effectively mean that the tax paid by the final consumer will come down in most cases. Lower prices will help in boosting consumption, which is again beneficial to company.
- **Export gains:** GST will lower the overall tax inputs in supply chain of goods and services leading to lower prices of Indian goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost. These gains are expected to vary between 3.2% -6.3% with corresponding absolute value range between \$5.4 billion, respectively. imports are expected to gain somewhere between 2.4 and 4.7% with corresponding absolute values \$ 6.9 billion and \$ 13.6 billion and \$13.6 billion ,respectively
- **Others:** GST would lead to efficient allocation of factors of production. The overall price level would go down. It is expected that the real returns to the factors of production would go up. A study by the National Council of Applied Economic Research (NCAER) show gains in real returns to the factors of production would go up. NCAER results show gains in real returns to land ranging between 0.42 and 0.82 percent. Wage rate gains vary between 0.68 and 1.33%. The real returns to capital would gain somewhere between 0.37 and 0.74%. Economist Kelkar adds that GST could help to add productive employment of as much as 4 to 5 million. Barring impact on economy, GST could help the consumers as well. The lower taxation will lead to lower prices of goods and services.

NCAER sums up the findings as "Implementation of a comprehensive GST in India is expected to lead to efficient allocation of factors of production thus leading to gains in GDP and exports. This would translate into enhanced economic welfare and returns to factors of production, viz. land, labour and capital."

### CHALLENGES FOR IMPLEMENTATION OF GST IN INDIA

The implementation of GST is not only going to give boost to the growth engine pursued by the Government but it is also as important as it is going to switch over from the existing Indirect taxation system in the Country. Considering the importance of the topic, an attempt is made in this research paper to outline few challenges for success (or otherwise) of GST in the Country:

#### • LEGISLATIVE CHALLENGE

The federal character of the constitution of India is essentially the autonomy of states to raise their own revenues, and accordingly the constitution provided powers to the union and the states to levy and collect taxes as per union, state and concurrent list. The challenge is whether this can be treated as the basic structure of the constitution thereby restricted the government from bringing about any change in this structure.

In order to enable the centre and state governments to levy GST, the constitutions of India requires amendment to provide for to levy and collect GST both by the union and states with annulment of existing powers under union and states, annulment of existing powers under union and state lists. If it held that there is no harm to the basic structure of the constitution then there is legislative competence to bring about constitutional amendment required for levy and collection of GST. If the power is given to the union, then the central government can implement a single GST law for the union and states.

But, if the power is given to both the centre and the states, then the states can exercise its own power to raise revenue in dependently of the center. It requires to be seen to what degree there is concurrence among states to dilute its power of taxation.

#### • REVENUE SHARING ARRANGEMENT

Presently most of the states need substantial share in the central taxes apart from revenue raised at their own level under constitutional power. This is due to imbalance economic development and other reasons. The dual GST model will offset certain industry from centre to states thereby reducing revenue generation for the center. Accordingly, the center will have to depend on the revenue –rich states to share with revenue –low states the challenge is multi-fold—proper revenue accounting and collection, technological up-gradation, revamping baking channel for state-wise revenue allocation, political support etc.

Due to the inherent need of different states for revenue, any new tax regime, any new tax regime to be successful, it must ensure that the states get their requisite revenue for proper governance and development .with the growth of economy, the need for revenue would be constantly on the rise and the central government will have to do a balancing act between the revenue rich states and revenue –low states by properly sharing the revenue as per their needs. Over a period of time the states may demand a constitutional arrangement for revenue sharing mechanism

#### • EFFECTIVE CREDIT MECHANISM

If for any reason the proposed dual GST model does not allow credit of state GST in respect of inter –state transactions, it will lead to increase in cost and cascading effect of multi-stage taxation and give rise to lopsided market in Indian economy .the challenge for the government is to introduce a seamless mechanism of credit across India.

The success of dual GST model will depend on effective credit mechanism to avoid cascading effect of multi-stage taxation in the supply chain. The credit mechanism is the lifeline of GST. As far as central GST is concerned; there is no difficulty in giving credit of central GST anywhere in India as is evidenced by success of the present CENVAT scheme. But, in case of state GST presently there are issues in giving credit in relation to interstate transaction. If the new tax regime is going to convert India into economic union, then federal structure should not come in the way of giving credit. The challenge is to treat both the CGST and SGST

as one receipt or kitty to make way for across India in a seamless manner. Government should make full functionality of credit of SGST. Moreover, the credit should be allowed for all inputs, raw material, capital goods, input services and all business expenses treating the business entity as a unit since GST is a broad based tax. It is therefore essential to define input and input services liberally so that the credit mechanism is litigation-free.

#### • INTERSTATE SUPPLIES-ROLE OF BANKS

In case of destination based principle of taxation, the recipient state will have to levy the law of the dispatching state. This is bound to create problems if there is no uniform law and rates across India. This requires tax collected by the recipient state to be credited to the exporting state. For the governments it would be a challenge to allocate revenue to the respective states without proper administrative and supervisory machinery.

The banks as an intermediary can play a key role in collection and transfer of revenue to respective states in dual GST model. The person collecting the tax on his supply in case of inter-state transactions should deposit the tax in the account of the state where the supply has been made. Then on the basis of revenue reports of the respective governments, the banks can allocate the revenue to the respective states or the central government, as the case may be. The banking system needs to be revamped for this purpose. The challenge can be met by proper training, up gradation of tax administration with technological interface.

#### • DEFINING PLACE OF SUPPLY OR CONSUMPTION

The concept of place of supply or consumption presents complication in respect of certain services and intangible properties. The challenge is one of legal conception to define the place of supply or consumption.

#### • DEALING WITH TRANSITIONAL ISSUES

There are large number of customs duty exemption notifications governing various schemes under foreign trade policy which are intrinsically linked to the system of extant regime under customs and central excise. The benefit is quantified in terms of customs or central excise duties as applicable presently. The transition to GST will affect such schemes and a great amount of uncertainty will hover over all these areas for businesses leading to confusion and have to be suitably amended for changed liability in view of new GST. The challenge for the government is to make the transition a smooth exercise.

The government should devise special provisions to deal with such exigencies. In case of offence or non-fulfillment of conditions of foreign trade policy or customs exemption notifications or deboning. The liability should be worked out in a given manner so as to avoid the need to refer to past provisions under customs or central excise acts.

#### • JOB WORK

In case of jobbing activities, the job worker should be allowed credit of raw material /inputs consumed by him for value added supply for payment of GST. In case the job worker's activity results in finished goods, the challenge is to allow credit of job worker's GST to the principal.

The job worker will be paying GST on his job charges. Thus the principal should be allowed to take credit of job worker's GST for payment of GST against his own supplies. Such special provisions should be incorporated in the GST of union and states.

### CONCLUSION

The 122nd Constitutional Amendment Bill seeks to introduce the Goods and Service Tax (GST Bill) is easily the biggest taxation reform in the country along with the proposed direct tax code. In terms of microeconomic reforms too, it will be at tops with the various reforms taken since 1990s. It will also serve as a useful case study for other economic which are contemplating to implement GST project to bring all indirect taxes in India under one fold is major achievement and needs to be commended. The proposed GST is not the desired and true form of GST but a single indirect tax cannot be done as India's federal structure has to be preserved.

GST is also expected to bring many benefits to the Indian economy. Through all these benefit are based on the assumption that overall taxation structure is less bureaucratic and cumbersome than present. The implementation is going to be crucial so that promise benefit is realized.

The government also needs to be wary of inflation spurts in initial implementation phase of GST as pointed by experiences from international economics ideally one should be the first easing all these state-wide inefficiencies and then implement GST. However given the challenges in India, the policymakers are hoping GST will help ease these inefficiencies and eliminate them over a period of time.

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## A COMPARATIVE STUDY AMONG PRIVATE AND PUBLIC SECTOR EMPLOYEES ABOUT RETIREMENT FINANCIAL LITERACY, KERALA

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### ABSTRACT

*Retirement financial literacy plays a significant role in the development and growth of Indian financial service sector. A combination of awareness, knowledge, skill, attitude and behavior is necessary to make sound financial decisions and ultimately achieve individual financial wellbeing. Workers and retirees have increasingly been asked to take on an unprecedented degree of responsibility for their retirement and other saving, as defined benefit pensions decline and government programs face insolvency in one country after another. The process by which financial investors improve their understanding of financial products and concepts and, through information, instruction, or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being. The study was undertaken to identify the retirement financial literacy among private and public sector employees. The researcher studied factors like perception about retirement planning, basic retirement literacy, sophisticated retirement literacy and socio economic factors and how it is different among private and public sector employees.*

### KEYWORDS

basic financial literacy, retirement financial literacy, retirement financial planning, sophisticated financial literacy, socio-economic groups.

### JEL CODE

G19, G22.

### INTRODUCTION

The Indian financial service sector has seen a tremendous growth with the various reforms that took place in both public sector and private sector. The Indian economy has opened up and many developments have been taking place in the Indian capital market and money market with the help of financial system and financial institutions or intermediaries which foster savings and channels them to their most efficient use. Financial planning for people became one essential decision in their working life. But whether the people are literate and they know the importance of financial planning is an analyzable matter. Indians contributing to put their family first, retirement planning is quickly gaining ground as a financial priority, over 24% of urban people are getting ready for the old age. By the time retirement comes around people usually have their income and spending patterns well practiced, although these may change a little in retirement. During retirement, or at some stage before, people also need to plan what they are going to do with their retirement savings.

Retirement planning helps people set aside money in prime years when they are generating income and enjoy a healthy lump sum or a steady income in their retirement years. There are many factors related to retirement planning. Investors may define retirement goals and need to start a retirement savings plan before considering actual retirement. Employees can seek advice and guidance from qualified sources. And can resort to advice from experts when making financial decisions, this advice can act as a substitute for their own learning, thus rendering the effort of acquiring financial expertise unnecessary. The transition from fulltime work to complete retirement involves many complex decisions concerning income needs in retirement, the management of retirement wealth, employer pensions, national retirement programs, and whether one plans to phase into retirement or abruptly exit the labor force. Many of these decisions are irreversible and have long-term implications for economic wellbeing in retirement. In order to make the best choices, individuals need a sufficient level of retirement literacy and a detailed understanding of the characteristics of their retirement plans. Employees must decide when to retire from their career jobs, whether to work after retirement, whether they need to continue to invest in their skills and productivity, when to start pension and Social Security benefits, whether to accept lump sum distributions, and how to invest their retirement wealth. To make decisions that are in their own best interest, workers must have a basic level of retirement literacy and knowledge of the retirement benefits available to them. Without such knowledge, it is likely that many workers will make bad choices that reduce their overall wellbeing in retirement. In order to achieve their desired retirement plans.

Employees in both private and public employees need to understand certain components of financial mathematics and investment concepts, including the power of compound interest, discounting of future income, the eroding effect of inflation on consumption, risk and return trade-offs, and the need to diversify. Without a basic understanding of these concepts, one is unable to make sound financial decisions. A fundamental principle in retirement planning is that younger retirement ages and higher retirement incomes require more saving and less consumption throughout the working life. In order to prepare for retirement and achieve their desired level of wellbeing, older workers need to make sure they understand the decisions that they face, have sufficient financial literacy to manage their assets, and continue to invest in their own human capital so they will remain competitive in their career job and in the labor market for subsequent employment opportunities. Workplace financial education programs can be very important in enhancing financial literacy, and many employers provide retirement planning programs for their employees. This study tries to make a comparison between private and public sector employees in terms of retirement financial planning and a detailed insight on perception about retirement planning, basic retirement literacy, and sophisticated retirement literacy across various socio-economic groups.

### REVIEW OF LITERATURE

Retirement Financial Planning continues to be one of the high priority matters for both private and public policy makers. Numerous policy efforts, as well as marketing strategies have been undertaken to capture public attention and more importantly, the various approaches are important to encourage savings and planning for post-working life. Advertisements from financial service companies and counselling firms, for example have made its appearance at every sighted spots, like billboards, television, and print and electronic media, in order to create public awareness and to capture audience attention about the importance of this planning for better financial protection. Retirement financial literacy can play a critical role by equipping employees with the knowledge required to make wise decisions when choosing among the myriad of retirement products and providers. Having these basic financial planning skills can help employees to meet their longer term financial wellbeing. (Goswami) In recent years, growing realization about the deficiencies has prompted the government to take reformatory steps to overcome the problems in pension systems. The policy makers, therefore need to take a fresh view and develop new mechanisms to rejuvenate the pension system. A mix of policies like austerity on benefit promises, reliance on greater funding, relaxation of investment norms, encouraging private participation,



enhancing system efficiency and developing regulatory capacity could help avert the looming pension crisis and promote better economic security for the aged. The benefit of such a pension regime is also likely to foster aggregate rate of savings and accelerate capital market development.

One of the most pressing concerns for policy makers, economists, financial counsellors, and financial planners involves the retirement preparedness of average Americans, and how policies can be enacted to improve the retirement wellbeing and confidence of individuals. An understanding and examination of the process of retirement preparedness can be more effectively accomplished because of the specification of related variables and outcomes. Saving for retirement and being prepared for retirement financially are two interrelated issues. A person or household is considered to be prepared for retirement when accumulated savings is sufficiently high to generate income at least equal to a given pre-retirement level of consumption (Yuh, Montalto, & Hanna, 1998). (Annamaria, (2006) Suggested that women display much lower levels of literacy in retirement planning. Lack of literacy has implications for planning, women who are less financially literate are less likely to plan for retirement and be successful planners. These findings have important implications for policy and for programs aimed at fostering financial security. Because financial illiteracy is widespread among women, a one-time financial education seminar is unlikely to sufficiently influence planning and saving decisions. (Robert L. Clark, (2012) Conducted a study on Financial Literacy and Retirement Decisions. According to his study he identified that many older workers lack the information and financial literacy needed to make optimal retirement decisions. Many important choices are complex, difficult, and irreversible. The lack of adequate knowledge may lead workers to allow their skills to erode, save too little, begin Social Security benefits too early, retire too soon, accept lump-sum distributions when an annuity would be a better option, and make poor investment choices. Financial literacy is essential to making optimal financial, investment, and retirement decisions. The level of financial literacy in many countries is very low and the lack of appropriate knowledge will adversely affect key lifecycle decisions.

(Mian, (2014) Financial literacy and information requires that a person knows and understands the forms, functions and use of money and financial services. In today's world financial literacy is important to every individual who wishes to select the best way to carry out payments and take care of banking issues. Researcher examined the impact of different demographic variables on the level of financial literacy among Saudi investors. Furthermore, the impact of financial literacy on different kinds of financial decision making is also investigated. The result of study confirms a significant impact from gender and age on financial literacy. Males are more financially literate than females, and older people also show a higher level of financial literacy compared with younger people. There is no significant impact from educational level and current work situation on financial literacy. Financial literacy is measured in reference to retirement planning and stock market participation. People with a higher level of financial literacy have a greater urge to engage in retirement planning and stock market participation. However, there is a negative relationship between financial literacy and the need for financial advice.

### IMPORTANCE OF THE STUDY

This study becomes relevant for the policy makers as well as the service providers. It help them to reduce the barriers in communication across all sub groups through customized advertisements and also through awareness programs to educate individuals on the importance of retirement planning.

### STATEMENT OF THE PROBLEM

India has a long history of retirement savings products, this history is one of the important factor that allows to continuous fitful additions by different players. India is among a growing number of countries considering important changes to the institutions and policies that aim to provide their workers with a measure of income security in old age. Financial planning continues to be one of the high priority matters for both private and public policymakers. Numerous policy efforts, as well as marketing strategies have been undertaken to capture public attention and more importantly, the various approaches are important to encourage savings and planning for post-working life. Not surprisingly, it has been a buzz word hogging the airtimes and newsprints lately. Advertisements from financial service and counselling firms, for example have made its appearance at every sighted spots, like billboards, television, and print and electronic media, in order to create public awareness and to capture audience attention about the importance of this planning for better financial protection.

Individuals need a retirement plan, implement, execute and ultimately enjoy a comfortable retirement. Retirement financial literacy is essential for employees to save their money and establish a retirement budget for their future. This study helps to understand whether there is any difference between private and public sector employees about their retirement financial literacy and also across socio economic groups.

### OBJECTIVES

The study has the following objectives:

1. To identify difference in perception towards retirement planning, basic financial literacy and sophisticated financial literacy among private and public sector employees and socio economic groups.
2. To check whether there is any relationship between retirement financial literacy and various demographic and socio economic factors
3. To study the attitude towards retirement planning among various socio economic groups.

### HYPOTHESIS

Different sets of hypothesis were formulated to identify the difference in perception and study the attitude towards retirement planning across socio economic group. Some of them are as follows:

Ho: The perception about retirement planning is same across private and public sector employees

H1: The perception about retirement planning is different across private and public sector employees

Ho: Type of organization and Attitude towards retirement are independent

H1: Type of organization and Attitude towards retirement are dependent

Ho: Marital status of the respondents irrespective to Attitude towards retirement are independent

H1: Marital status of the respondents and Attitude towards retirement are dependent

### RESEARCH METHOD

The methodology followed for conducting the study can be the specified by research design, sample design, questionnaire design, data collection and statistical tools like Frequency analysis, Descriptive statistics, Mann Whitney, Kruskal-Wallis, Chi-Square test were used to analyze the comparison between the private and public sector employees. The main objective of the study is to identify retirement financial literacy among private and public sector employees because of this reason the researcher followed descriptive research. Survey method was used to identify the retirement financial literacy among private and public sector. The researcher conducted a pilot study in order to understand the level of ambiguity of the questions considered as it contributes to the reliability and accuracy of the questionnaire to be administered for the study. The primary data for the study was collected by using a structured questionnaire. After the pilot study certain questions were restructured for the case of comprehension and finally the questionnaire was developed consisting of five section namely retirement planning literacy, perception about retirement planning, basic financial literacy, sophisticated financial literacy. The classification questions such as demographic and socio economic factors were included. Under this study the researcher collected the list of private, public organizations in Kerala and researcher issued structured questionnaire to the employees in public and private organizations. The total employees taken for the study is 170.

### RESULTS & DISCUSSION

#### PROFILE OF THE RESPONDENTS

In order to profile the sample of 170 respondents, their frequency of distribution in various classification parameters were attempted. The demographic profile of the respondents is given in the table below

TABLE NO. 1: DEMOGRAPHIC PROFILE OF RESPONDENTS

Classifications	Frequencies	Percent
<b>Age</b>		
20-30	67	39.4
30-40	32	18.8
40-50	42	24.7
Above 50	29	17.1
<b>Gender</b>		
Female	73	42.9
Male	97	57.1
<b>Marital Status</b>		
Single	52	30.6
Married	118	69.4
<b>Type of Organization</b>		
Private Sector	85	50.0
Public Sector	85	50.0
<b>Educational Qualification</b>		
Graduate	60	35.3
Post Graduate	61	35.9
Professional	35	20.6
Plus Two	9	5.3
Diploma	5	2.9
<b>Number of Dependents</b>		
0-1	25	14.7
1-3	94	55.3
3-5	38	22.4
Morethan 5	13	7.6
<b>Other Earning Member in Family</b>		
Yes	128	75.3
No	42	24.7
<b>Monthly Income</b>		
Upto 10000	5	2.9
10000-20000	29	17.1
20000-30000	51	30.0
30000-40000	43	25.3
40000-50000	18	10.6
Above50000	24	14.1
<b>Total</b>	<b>170</b>	<b>100.0</b>

Source: Data analysis

The above Table shows the frequency distribution of respondents on the basis of their age, gender, marital status, type of organization, educational qualifications, dependents in their family, monthly income, and other earning member in their family. The first section of the table deals with age. It is observed that among the respondents of this study 39.4% of the respondents fall under the category 20-30, 24.7% of the respondents fall under the category 40-50, 18.8% of respondents fall under the category 30-40, 17.1% of the respondents fall under the category above 50. Therefore majority of the respondents covered in this study falls under the age category 20-30.

The second classification is of gender of the respondents. It reveals that out of the 170 respondents, 57.1% of respondents were males and 42.9% were females. It is found that 69.4% are married and 30.6% are unmarried. The researcher has taken 50% respondents from private sector and the rest from public sector. It is followed by educational qualifications. 35.3% respondents are Graduates, 35.9% respondents are Post Graduate. 20.6% of respondents are qualified with Professional course, 5.3% of respondents are qualified with Plus Two, and 2.9% of respondents are qualified with Diploma. Majority of the respondents covered in this study falls under the qualification category of Post Graduates. The next category is the number of dependents. Here the researcher analysis investment capability of the respondents by taking count of dependents in their family. 55.3% of the respondents have 1-3 dependents, 22.4% have 3-5 dependents, 14.7% have 0-1 dependents, and 7.6% have more than 5 dependents in their families. The next section of the table deals with other earning members in respondents family. 75.3% of the respondents have other earning members in their family, where as 24.7% doesn't have another earning member in their family. This factor is taken into consideration with the view that other earning members in a family helps to invest a portion of respondent's earnings in retirement plans. The next section of the table shows monthly income of the respondents. 30% of respondents earn between Rs 20,000-30,000 in a month, followed by 25.3% respondents earning Rs 30,000-40,000, 17.1% of respondents earn Rs 10,000-20,000, 14.1% of respondents earn above Rs 50,000. 2.9% of the respondents earn up to Rs 10,000 a month. Here major portion of the respondents fall under the income level of Rs 20,000-30,000.

#### PERCEPTION OF RETIREMENT PLANNING, BASIC FINANCIAL LITERACY, AND SOPHISTICATED FINANCIAL LITERACY

For the purpose of study the researcher recoded the sum of various likert scale sections for easy comprehension. For perception about retirement financial planning the range has been fixed as: - 5-10 - Very Low, 11-15 - Low, 16-20 - Good and 21-25 Excellent. For basic financial literacy the range has been fixed as: - 4-8 -Very Low, 9-12 - Low, 13-16 - Good, and 17-20 - Excellent. And for sophisticated financial literacy the range has been fixed as 6-12 - Very Low, 13-18 -Low, 19-24- Good, 25-30 -Excellent.

The researcher studied the retirement financial literacy among private and public sector employees. For this purpose factors like perception about retirement planning, basic financial literacy, sophisticated financial literacy were recoded. Recoding helps in getting a better clarity on responses of respondents.

TABLE 2: PERCEPTION ABOUT RETIREMENT PLANNING, BASIC FINANCIAL LITERACY, SOPHISTICATED FINANCIAL LITERACY

Classifications	Very Low	Low	Good	Excellent
Perception about Retirement Planning	-	3.5	57.1	39.4
Basic Financial Literacy	3.5	16.5	50	29.4
Sophisticated Financial Literacy	.6	16.5	61.2	21.8

Source: Data analysis

The above Table 2 shows recoded ranges of perception of employees about retirement planning, basic financial literacy, and sophisticated financial literacy. From the table it is evident that 57.1% of the respondents have good perception about retirement planning, 39.4% of the respondents have excellent perception about retirement planning, and 3.5% is found to have low perception about retirement planning.

Among basic financial literacy of private and public sector employees it can be identified that 50% of the respondents are having good basic financial literacy, 29.41% of the respondents have excellent about basic financial literacy, 16.47% is found to have low basic financial literacy, 3.53% have very low basic financial literacy.

Among the sophisticated financial literacy of private and public sector employees it can be identified that 61.2% of the respondents have good sophisticated financial literacy, 21.8% of the respondents have excellent knowledge about sophisticated financial literacy, 16.5% is found to have low basic financial literacy, and 0.6% have very low sophisticated financial literacy.

#### PERCEPTION ABOUT RETIREMENT FINANCIAL PLANNING AMONG PUBLIC AND PRIVATE SECTOR

Perception about retirement financial planning deals with importance of savings, importance of consulting a financial planner or advisors, attending financial educational programs and retirement awareness seminars, importance of calculating money required to continue with present life style even after the retirement, importance of developing a plan for retirement saving etc. were taken into consideration.

**TABLE 3: TEST STATISTICS FOR PERCEPTION ABOUT RETIREMENT FINANCIAL PLANNING AND TYPE OF ORGANIZATION**

Mann-Whitney U	3349.000
Wilcoxon W	7004.000
Z	-.829
Asymp. Sig. (2-tailed)	.407

Source: Data analysis

Mann Whitney test of statistics is proved as the observed value from the table is greater than 0.05. Hence it can be inferred that there is no significance difference between private and public sector employees about their perception about retirement planning literacy. The same was test was conducted for basic and sophisticated financial literacy. It was inferred that there is difference between private and public sector employees only towards sophisticated financial literacy but no difference in their basic financial literacy. It can thus be inferred that private sector employees are more knowledgeable about functions of stock market, the relationship between bond prices and interest rates, relationship between stocks, savings accounts and bond, relationship between shares and stock mutual fund, the relationship of risk diversification of shares and bond.

#### ATTITUDE TOWARDS RETIREMENT ACROSS VARIOUS SUB-GROUPS

The attitude towards retirement changes with various factors like age, gender, marital status, type of organization and sometimes the number of other earning members. The study proved that the factors like age, gender and type of organization does not show any difference in attitude whereas marital status influences attitude towards retirement. Attitude of the married and unmarried respondents may vary.

**TABLE 4: CHI-SQUARE STATISTICS FOR TYPE OF ORGANIZATION ON ATTITUDE TOWARDS RETIREMENT**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.185 <sup>a</sup>	3	.757
Likelihood Ratio	1.188	3	.756
Linear-by-Linear Association	.269	1	.604
N of Valid Cases	170		

Source: Data analysis

The above Table 4 it is clear that Pearson Chi-Square value of 1.185 statistically not significant at 95% confidence level and 3 degree of freedom as the P value of .757 is greater than 0.05. Hence  $H_0$  is accepted. Thus it is statistically proved that there is no association between types of organization on attitude towards retirement.

**TABLE 5: CHI-SQUARE STATISTICS FOR MARITAL STATUS OF THE RESPONDENTS ON ATTITUDE TOWARDS RETIREMENT**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.651 <sup>a</sup>	3	.014
Likelihood Ratio	11.822	3	.008
Linear-by-Linear Association	9.235	1	.002
N of Valid Cases	170		

Source: Data analysis

The above Table 5 it is clear that Pearson Chi-Square value of 10.651 statistically not significant at 95% confidence level and 3 degree of freedom as the P value of .014 is less than 0.05. Hence  $H_0$  is rejected. Thus it is statistically proved that there is association between marital status on attitude towards retirement.

#### FINDINGS

1. The study revealed that both private and public sector employees have same literacy with respect to the variables of retirement financial planning and basic financial literacy and they are concerned about numeracy, compound interest, inflation, time value of money.
2. The study proved that educational qualification, number of dependents in family, availability of other earnings from family members, and monthly income are not influencing their level of basic financial literacy and sophisticated financial literacy.
3. It was proved the employees in the age group of 20-30 are having better basic and sophisticated financial literacy.
4. It was proved statistically that married employees are more concerned about retirement planning.
5. The study on gender, type of organization that the employees work, age, other earning members in their family are not influencing the employees concern for retirement planning.

#### SUGGESTIONS

1. Majority of the respondents are having fairly a good perception on retirement financial planning. The players in the financial services industry need to take efforts to reduce the barriers in communication, if any to give a clear picture on the variables across all sub groups.
2. It would also be more effective if the industry players are able to design customised advertisements catering to the needs of various segments like people belonging to different age groups, marital status etc.
3. Measures should be taken to recommend the most appropriate retirement plans that suits the socio economic conditions of individuals.
4. The Pension Fund Regulatory and Development Authority should use advertisements in newspapers, magazines, websites etc. create public awareness. This will help in increasing the awareness as well as investment in retirement plans among individuals.
5. It is also suggested to financial educational programs at work place to educate individuals on the importance of retirement planning.

#### CONCLUSION

The study named "A Comparative Study among Private and Public Sector Employees about Retirement Financial Literacy in Kerala", provide an opportunity to understand the difference in perception towards retirement among private and public sector employees. From the study it was devised that employees should increase their savings in order to meet their future contingencies. It was also proved that the married employees are more concerned about retirement financial planning. Employees should be informed about various retirement plans, this will help them in selecting the retirement plans most suitable for them. From the study it was also identified that employees of the age group 20-30 are having better basic and sophisticated financial literacy.

**LIMITATIONS**

1. The geographical area of the study is one of the limitations because the researcher has studied the Kerala market using samples from only one district.
2. Hesitation from the part of respondents to disclose the financial information.
3. Time constraints was another major limitation for the study.
4. Some respondents had a tendency of giving extreme response to the questions asked in the questionnaire.

**SCOPE FOR FURTHER RESEARCH**

The study revealed that there is a difference in the sophisticated financial literacy among the public and private sector. Moreover the study considered only some of the socio economic factors. Thus there is a scope for further research in ascertaining more variables under sophisticated financial literacy and across other socio economic variables.

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**APPENDIX 1****QUESTIONNAIRE****Part A) Retirement Planning Literacy (Please give a tick mark in the appropriate answer)**

1. Are you aware of any one of these retirement plans available in the market?  
a) National Pension Scheme b) Reverse Mortgage Plans c) Mutual funds d) Savings e) Others
2. Which is your source of information about retirement plans?  
a) Advertising b) Newspapers/ Magazines d) specialized web sites e) Bankers/ Employees of insurance g) Others .....
3. How much have you thought about retirement?  
A) A lot b) Some c) Little d) Not at all
4. How often do you keep track of your actual spending?  
a) Always b) Mostly c) Rarely d) Never
5. Do you invest systematic investment plans? Are you aware that SIP's give compounding results?  
a) Yes b) No

**Part B) Following are a few statements to measure the perception about Retirement Planning. Mark your degree of agreeableness in a 5 point scale as Codes: SA-Strongly agree (5) A-Agree (4) N-Neutral (3), D-Disagree (2) SD-Strongly disagree (1) (Provide tick mark)**

Sl. No	STATEMENTS	SA	A	N	D	SD
1	Savings for a retirement plan is important for your future					
2	Consulting a financial planner or advisor for collecting information about retirement is necessary					
3	Financial education programs and retirement awareness seminars contributes more to retirement literacy					
4	Calculating how much money you required to continue with present life style even after the retirement is highly essential					
5	Developing a plan for retirement saving is vital					

**Part C) Following are a few statements to measure the Basic Financial Literacy**

Sl. No	STATEMENTS	SA	A	N	D	SD
1	I always tries to calculate the maturity return of an investment schemes before investing them					
2	I always ensure that I do investments which gives compound interest					
3	I always takes into consideration rate of inflation prevailing in the market while investing					
4	I always insist on getting timely return on investments because of time value of money					

**Part D) Sophisticated Financial Literacy Questions (Provide tick mark)**

Sl. No	STATEMENTS	SA	A	N	D	SD
1	I have a view that stock market helps people to buy stocks and also to sell stocks					
2	I believe that bond price will fall when interest rate falls					
3	I believe that investing in stocks gives me higher return than investing in saving accounts and bonds in the long run					
4	I have a view that buying a company share usually provides a safer return than a stock mutual fund.					
5	I think stocks displays higher fluctuations than savings account and bonds over time					
6	I believe that Shares are normally riskier than bonds					

**Part E) Personal Details (Tick the correct one)**

1. Age: 20- 30    30 - 40    40 - 50    Above 50
2. Gender:    Female    Male
3. Marital Status:    Single    Married
4. Present organization you are working for..... a. Designation .....
- b. Type of organization    Private Sector    Public Sector
5. Educational Background.....
6. a. How many dependents in your family?    0-1    1-3    3-5    More than 5
- b. Is there is any other earning member in your family?    Yes    No
7. Monthly Income    Upto 10000    10000-20000    20000-30000    30000-40000    40000-50000    Above 50000

Thank You

**ECONOMETRIC MODELING OF THE IMPACTS OF SHIPPING ON NIGERIAN ECONOMY****THEOPHILUS C NWOKEDI****ASST. LECTURER****DEPARTMENT OF MARITIME MANAGEMENT TECHNOLOGY****FEDERAL UNIVERSITY OF TECHNOLOGY****OWERRI****DR. L.I. OKOROJI****SR. LECTURER****DEPARTMENT OF TRANSPORT MANAGEMENT TECHNOLOGY****FEDERAL UNIVERSITY OF TECHNOLOGY****OWERRI****CHINEMEREM C. IGBOANUSI****ASST. LECTURER****DEPARTMENT OF TRANSPORT MANAGEMENT****FEDERAL UNIVERSITY OF TECHNOLOGY****OWERRI****ABSTRACT**

*The study is conducted to establish a quantitative relationship (model) between the impacts shipping on the economy of Nigeria and the Gross Domestic Product (GDP) using an econometric method and to test the significance of the impact. The econometric/analytical method of regression analysis was adopted to achieve the objective. Time series data of 10 years were collected on the past contributions of maritime transport to the national output (GDP) from the Central Bank of Nigeria annual statistical bulletin. Hypotheses were tested using t-test. The test showed the rejection of null hypothesis  $H_A$  and the acceptance of null hypothesis  $H_B$  to conclude that maritime transport has made significant impact on the Nigerian economy over the period covered by the study.*

**KEYWORDS**

econometric, modeling, impacts, maritime transport, economy, Nigeria.

**1.1 INTRODUCTION**

The importance of transportation to the socio-economic development of any region cannot be over emphasized. Zubairu (2015), opined that “immobility perpetuates poverty” poverty in this sense has to do with individuals and nations, inability to trade services and goods following lack of or underdevelopment of means of transportation as facilitators of trade. Shipping plays a vital role in world trade and is the backbone of the world economy (Ndikom, 2008). Without ships and the transportation services they ships provide, the world would not be as prosperous as it is today following inactivity in global trade, and many countries would not be able to participate in global trade. Marine transportation is an integral, whose direction at each point in time determines the direction of other variables that form part of the global economy. The marine transportation systems include a network of specialized vessels, the seaports they visit, and transportation infrastructure from factories to terminals to distribution centers, to markets, and international and domestic freight forwarding centers and facilities (Ndikom, 2008, Albert, 2014). Shipping is a necessary complement to and nearest substitute goods for other modes of freight transportation, for many commodities and trade routes however, there is no direct substitute for waterborne commerce (Shipping). Folani (2000) posited that Shipping had played a formidable role in the growth of towns and cities as well as economic transformation of men since the beginning of civilization. According to Agim (2014), global trade of carriage of goods by sea provides tremendous earnings to participating nations/individuals. Ndikom (2008) supported by Badejo (2000) observed that a nation desirous to attract economic potentials, particularly a developing nation like Nigeria, must be fully prepared and determined to understand the global trend relating to shipping practices or operations and how these operations over the years has contributed to economic growth and development, so as to quantitatively plan for adequate future investment in the sub-sector that can yield the required contribution to the national output. Maritime shipping in this context therefore is the carriage of goods from one nation to another by sea routes and domestic (local) inland water and coastal transportation using the water mode of transportation and the commercial involvements therein. Nigeria being a maritime nation of is one of the One Hundred and Sixty Nine (169), and three (3) associate member countries of the International Maritime Organization (IMO) (Nnadi, 2015). With inland water ways of about ten thousand kilometers (10,000km) and extensive coast line of about eight hundred and fifty-two kilometers (852km) and territorial sea based on the United Nations Convention on the law of the sea (UNCLOS, 1982), extending twelve nautical miles or twenty-two kilometers into the open seas, from the shorelines of the country, falling fully within the country's exclusive economic zone (Nnadi, 2015; Nze, 2013).

UNCTAD (2014) reported that seaborne container traffic (container throughput) to Nigerian ports between 2011 to 2013 stood at two million, Seven hundred and twenty thousand ,four hundred and twenty two TEUS (2,720, 422 TEU'S), representing an average of nine hundred and nine thousand four hundred and seventy four TEU'S (909,474 TEU'S) per annum over the period.

In Nwokedi (2015), it was revealed that the total value of export shipping (Export trade by sea) and imports (sea borne import trade) between the year 2006 to 2010 was forty four trillion, four hundred and fifty billion, forty one million naira (#44,450,041,000,000) and twenty two trillion, forty five billion, four hundred and thirty million naira (22,045,430,000,000) respectively, while the cargo throughput of the Nigerian ports over the same period was 390,566,475 metric tons (NBS,2012), (NPA,2012).

Further reports from the Nigerian ports authority (NPA) revealed that between the period 2006 to 2011, a total of 27,125 ships transited to the ports of Nigeria while an average of 2,200 offshore service boats serviced the logistics needs of the oil and gas industry ( coastal trade) between 2012 to 2013, (NPA, 2013), (NPA, 2014). Nwokedi et al (2015) observed that within the Nigeria coastal regions and internal waters, runs extensive oil pipeline networks of over 7000km extending to the shores and numerous oil exploration and exploitation platforms.

The above statistics represent the economic strengths of the Nigeria maritime sub-sector and points towards the potentials of the sub-sector to contribute meaningfully to the Gross Domestic Product and economic growth and development. Statistics from the Central Bank of Nigeria (2013) revealed the average contribution of maritime transport sub-sector (GDP<sub>maritime transport</sub>) to the Gross Domestic Product of the Nigeria economy from 2006 to 2010 was one billion, two hundred and three million seven hundred and sixty thousand naira (#1,203,760,000.00) per annum.



Shipping has played a great role in the industrialization of many continents, such as Europe, America etc. than any other mode of transport, for one thing, the slaves that worked on the plantation farms that formed the bedrock for industrial revolution were transported by sea, for another, economic revolution that necessitated the exploration of Africa for markets and raw materials were also facilitated by maritime shipping which carried above 80% of both human and cargo traffic generated in the course, to and from Africa.

The cheap and higher quality of raw materials sourced from the black continent of Africa was transported to Liverpool and other places by sea. Shipping is not restricted to any particular economic system be it Capitalist, Socialist, Communist or Mixed Economic systems, Traditional, Islamic Economic system or Islamic Socialism. In Nigeria the practice of shipping predates the European invasion and colonization era but the impact of this to national economic development and trade facilitation has been over looked over the years, thus, there no certainty to the understanding of the trend of impact of maritime shipping to the economy of Nigeria. Following this, investment in and resource allocation to the sub-sector has most times been approached without reference to accurate data on the level and potential of economic benefits from such investment over a given period of time. There is there need to quantitatively relate the economic contributions to maritime shipping to the Nigerian national output (GDP) and other variables of International trade to understand the trend of maritime shipping impact to economic development in Nigeria.

## 1.2 OBJECTIVES

The central objective of this study is to determine the contributions of shipping to the growth of Nigerian economy.

Other specific objectives include:

1. To ascertain the contributions of maritime shipping to the nation's Gross Domestic Product as a measure of its contributions to development in Nigeria from 2003 to 2012.
2. To ascertain the quantum of seaborne cargo of various kinds of export shipping into the Nigerian economy and their quantitative relationship with the Gross Domestic Product (GDP) .
3. To proffer recommendations of the basis of the research findings.

## 1.3 RESEARCH QUESTIONS

- A. What is the quantitative relationship between Maritime Transport Gross Domestic Product and Nigeria Gross Domestic Product (GDP) over the period covered by the study? Does this relationship show remarkable impact of shipping on the economy?
- B. What quantitative impact had export shipping on the Gross Domestic Product (GDP) of Nigeria and how significant is this impact over the period covered by the study?

## 1.4 HYPOTHESES

**HYPOTHESIS H<sub>0A</sub>:** There is no significant impact of maritime shipping transport to the development of the Nigerian economy over the period covered by the study from 2003-2012.

**HYPOTHESIS H<sub>0B</sub>:** "There is no significant impact of export shipping trade on the Nigeria Gross Domestic Product (GDP) over the period covered by the study from 2003 to 2012.

## 2.0 METHODOLOGY

The research obtained a time series data of 10 years from 2003 to 2012 on the Nigeria gross domestic Product (GDP), the contribution of maritime transport to the GDP, and the volume of shipping export trade facilitated through the ports over the period. The GDP (national output) is represented with Y as the dependent variable, maritime transport sub-sector GDP is represented as independent variable with X<sub>m</sub>, while the volume of shipping export trade over period is represented with X<sub>e</sub> as independent variable. The econometric tool of regression was used to analyze the data obtained.

## 3.0 DATA PRESENTATION

**TABLE 3.1: SHOWING THE CONTRIBUTION OF MARITIME SHIPPING TO GROSS DOMESTIC PRODUCT IN NIGERIA FROM 2003-2012**

S/No	Year	GDP Maritime transport X <sub>m</sub> N000,000	Gross Domestic Product N000,000 Y
1	2003	842.40	9,913,518.19
2	2004	909.92	11,411,066.91
3	2005	982.88	14,610,881.45
4	2006	1,067.25	18,564,544.73
5	2007	1,170.70	20,657,317.67
6	2008	1184.75	24,296,329.29
7	2009	1,248.38	24,794,754.13
8	2010	1,353.72	33,984,754.13
9	2011	1,508.65	37,409,860.61
10	2012	1,736.27	40,544,099.94
Total			

Source: Central bank of Nigeria (CBN) Statistical bulletin, 2013.

**TABLE 3.2: TABLE SHOWING THE VOLUME OF EXPORT SHIPPING TRADE IN METRIC TONS AND THE GROSS DOMESTIC PRODUCT IN NAIRA FROM 2003 -2012 IN NIGERIA**

S/No	Year	Volume of Shipping Export X <sub>e</sub> N000,000	Gross Domestic Product N000,000 Y
1	2003	79,88	9,913,518.19
2	2004	607,759	11,411,066.91
3	2005	63,4148	14,610,881.45
4	2006	46,150,518	18,564,594.73
5	2007	57,473,350	20,657,317.67
6	2008	63,985,749	24,296,329.29
7	2009	65,775,727	24,794,238.66
8	2010	78,744,509	33,984,754.13
9	2011	83,281,634	37,409,860.61
10	2012	86603903	40,544,099.94

Source: Central bank of Nigeria (CBN) Statistical bulletin, 2013.

(ii) Nigeria ports Authority (NPA) 2013 statistical review

**4.0 DATA ANALYSIS AND PRESENTATION OF RESULTS****4.1. PRESENTATION OF RESULTS ON ANALYSIS****TABLE 4.1 RESULTS ON ANALYSIS BY SIMPLE REGRESSION MODEL****SUMMARY OUTPUT****REGRESSION STATISTICS**

Multiple R	0.65164289
P Square	0.424642886
Adjusted R	0.352723247
Standard E	112549304.9
Observation	10

**ANOVA**

	df	SS	MS	F	Significance F
Regression	1	7.47932E + 16	7.47932E + 16	5.9044079	0.041208753
Residual	8	1.01339E + 17	1.26673E + 16		
Total	9	1.76132E + 17			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	265548892	57501111.58	4.618152322	0.001714327	132951090.9	398146693.1	132951090.9	398146693.1
X-Variable	8.822720573	3.630900505	2.429898743	0.041208753	0.449848993	17.19559215	0.449848993	17.19559215

**4.2. DATA ANALYSIS AND PRESENTATION OF RESULTS****TABLE 4.2.2: PRESENTATION OF RESULTS ON ANALYSIS OF TABLE 4.2 BY SIMPLE REGRESSION MODEL****SUMMARY OUTPUT****REGRESSION STATISTICS**

Multiple R	0.473182737
P Square	0.223901903
Adjusted R	0.126889641
Standard E	130717093.5
Observation	10

**ANOVA**

	df	SS	MS	F	Significance F
Regression	1	3.9463E + 16	3.94363E+16	2.307975	0.167196
Residual	8	1.36696E+17	1.7087E-i-16		
Total	9	1.76132E+17			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	310714651.4	59290862.17	5.240514981	0.000783	1.74E+08	447439624.8	1.74E+08	4.47E+08
X-Variable	22.52790421	14.82877291	1.59202185	0.167196	-11.66731	56.72311587	-11.66731	56.72312

**5.0 DISCUSSION OF RESULT**

From the analysis of table 4.1 using simple regression analysis, the quantitative relationship existing between maritime transport Gross Domestic Product (GDP Marine Transport) and the Gross Domestic Product of the Nigerian economy over the period 2003 to 2012 is explained by the equation;

$$Y = 265548892 + 8.823X_m + e.$$

The above equation represent the trend of contribution of shipping and maritime transport to the development of the Nigerian economy over the 10years period covered by the study and thus, can form the basis upon which future contribution of shipping to the Nigeria Gross Domestic Product (GDP) can be projected. The multiple R measuring the degree of association between the two variables is 0.652 while the coefficient of determination which indicates explanatory power of the model is 0.426. The R square value indicate that 43 percent of variation in the Nigeria Gross Domestic Product (GDP) is explained by the Gross Domestic Product (GDP) maritime transport/shipping, which is a measure of shipping impact and contribution to the development of the economy over the period covered by the study. The unexplained variable is 67 percent, and represents the contribution of various other sectors to the Nigerian Gross Domestic Product (GDP). The average coefficient of elasticity 'E' is 0.85 percent. This shows that a 1 percent change in Gross Domestic Product (GDP) maritime transport causes a change (increases or decrease), on the average of 0.85 percent in the Gross Domestic Product of Nigerian over the period covered by the study.

From the analysis of table 4.2, using simple regression model, the quantitative relationship between shipping export trade ( $X_e$ ) and Gross Domestic Product (GDP) over the period covered by the study from 2003 to 2012 is given by:

$$Y = 310714651.4 + 22.53X_e + e.$$

The above equation shows the trend of contribution and impact of export shipping on the Nigerian economy measured by the Gross Domestic Product (GDP) over the 10years covered by the study. The equation forms the basis upon which future projections in export shipping and Gross Domestic Product (GDP) growth can be based. The multiple R measuring the degree of association between the two variables is 0.473 while the coefficient of determination which indicates the explanatory power of the model is 0.224. The R square result indicates that about 22 percent of variable in Gross Domestic Product (GDP) is explained by export shipping over the period covered by the study. The average coefficient of elasticity 'E' is 0.32 and indicates that a 1 percent change in export shipping over a period causes a 0.32 percent change in Gross Domestic Product (GDP) over the period covered by the study.

The answer to the questions and results of tests of null hypotheses  $H_{0A}$  and  $H_{0B}$  are provided as analyzed below.

**ANSWER TO RESEARCH QUESTION**

A. What is the quantitative relationship between Maritime Transport Gross Domestic Product and Nigeria Gross Domestic Product (GDP) over the period covered by the study? Does this relationship show remarkable impact of shipping on the economy?

**ANSWER:** The relationship between the impact of shipping and maritime transport measured by Gross Domestic Product maritime transport and the Gross Domestic Product (GDP) of the Nigeria economy is given as

$$Y = 265548892 + 8.823X_m.$$

The result of analysis on table 4.3 showed that there exists a significant contribution of shipping to economic development.

B. What quantitative impact had export shipping on the Gross Domestic Product (GDP) of Nigeria and how significant is this impact over the period covered by the study?

**ANSWER:** The quantitative impact of export shipping on the Gross Domestic Product (GDP) of Nigeria over the period of the study is represented by the trend equation:

$$Y = 31071465.4 + 22.53X_e + e.$$

The result of analysis however showed that the export shipping contribution is not significant.

**TEST OF HYPOTHESES**

**HYPOTHESIS H<sub>0a</sub>:** There is no significant impact of shipping/maritime transport to the development of the Nigerian economy over the period covered by the study from 2003-2012.

From the analysis on table 4.2.1,

T critical = 1.860

=stat = 2.429

Since t-stat (2.429) > t-critical (1.860), we reject null hypothesis H<sub>0a</sub> and accept the alternate.

Thus "There is a significant impact of shipping/maritime transport on economic development in Nigeria over the period covered by the study".

**HYPOTHESIS H<sub>0b</sub>:** "There is no significant impact of export shipping on the Nigeria Gross Domestic Product (GDP) over the period covered by the study from 2003 to 2012.

From the t-test done on data of table 4.1.2,

T critical = 1.860

t sat = 1.519

Since t-stat (1.519) < t critical (1.860), we accept null hypothesis H<sub>0b</sub> that the impact of export shipping on the Gross Domestic Product (GDP) over the period covered by the study is not significant.

**6.0 SUMMARY OF FINDINGS**

The result of the analysis showed that maritime shipping has impacted positively to the development of the Nigeria economy. Shipping over the 10 years period covered by the study made contribution of Eleven billion, nine hundred and ninety nine million, five hundred and five thousand naira (N11, 999, 550,000) approximately to the Nigeria Gross Domestic Product (GDP) and economic development in Nigeria. The trend of this impact which hypothesis H<sub>0a</sub> has proved as significant to economic development is as per following:

$$Y = 265348892 + 8.8232Xm + e.$$

The volume of export shipping from the Nigeria economy over the period of 10 years covered by the study is approximately four hundred and eighty one billion, two hundred and eighty-five thousand metric tons of export shipment from 2003 to 2012.

The summary of the trend of shipping export trade from the economy over the period is represented by the equation:

$$Y = 31071465.4 + 22.53Xe + e$$

The analysis also helped to deduce answers to the research questions and test of the hypotheses, enabling the realization of the research objectives.

**7.0 CONCLUSION**

Having provided answers to the research question and tested the objectives for significance, the research observed that a financial contribution of N11, 999, 550,000 to the Gross Domestic Product (GDP) by shipping (maritime transport) and facilitation of export trade of approximately 481,265,285,000 metric tons in Nigeria over the period covered by the study is quite huge and significant. The research therefore conclude based on test of hypothesis H<sub>0a</sub> that there a significant contribution of shipping and maritime transport to the economic development of Nigeria over the period covered by the study.

**8.0 RECOMMENDATIONS**

Having assessed the contribution of shipping and maritime transport to the economic growth and development of Nigeria, going by the results obtained in the earlier chapters, there is no doubt saying that shipping has contributed hugely to the economic development of Nigeria.

It is however believed that the contributions would have out-weighted its present weight if greater concerted efforts were made by practitioners in the shipping industry to ensure that the industry perform functions effectively and in most efficient manner.

The following action plans are therefore recommended for checks and improvement to bring about increases and boom in the contributions of shipping to the development of the Nigeria economy.

- A. The present cabotage policy being practiced in Nigeria offers opportunity for increment in shipping contribution to economic growth of Nigeria through indigenous participation and local content development, however, the present implementation strategy hinders the full participation of Nigeria ship-owners and crew, thus should be re-examined for better implementation strategy that will eliminate the tide of foreign domination.
- B. The practice of compulsory requirement of evidence of membership of protection and indemnity club (P&T club) by most oil majors in Nigeria especially the NNPC, for indigenous shipping companies to participate in the million dollars oil lifting trade should be stopped. This if stopped using policy framework will limit the huge foreign exchange being paid to foreign carriers for oil lifting and encourage local purchase of maritime insurance policy in Nigeria, thereby increasing the contribution of shipping to economic development in Nigeria.
- C. The Government and the Nigerian Maritime Administration and Safety Agency (NIMASA) should work seriously to check the very high level of maritime insecurity and accident culminating into crimes and damage and loss of marine investments particularly cargo, ship installations, port facilities and navigational facilities leading to enormous economic losses and financial liability. To this end, it is important to compel ships and seaports to adequately implement and comply with the provisions in the international Ship and Port Facility Security (ISPS) code and other safety regulations.
- D. The shipping industry should embark an extensive educational and awareness campaign targeting both public regulatory agencies and private operators and shippers as a strategy for market rebranding and widening, and create new products to meet the needs of prospective and present policy holders.

All these and more could serve well to improve on the practice and contribution of maritime transport (shipping) to the development of the Nigerian economy.

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## WHY SHOULD BUSINESSMEN BE ETHICAL?

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## ABSTRACT

All of us agree that a businessman should understand Marketing and Finance, or for that matter, anything that affects his business. However, very few of us ask the question, "Should he understand ethics"? For the most part, the reaction to this question comes as, What reasons does a businessman have to be ethical? He is there to make profit and as long as he is doing so legally, he should be good. A businessman knows being Ethical is to be proactive towards the care and concern of the stakeholders of a business and it is nothing that laws and regulations can force him to do. Rather, what laws can only do is to encourage his ethical conduct and discourage the other side of it. However it lies upon him whether to actually adopt this conduct or go otherwise. Now many of us ask the same question, Why should a businessman whose prime objective is to make money be worried about the Business Ethics, given that he already abides by the enormous laws designed to regulate his business operations? These laws and regulations dictate what a corporate entity can do and what it can't. In this reading we try to answer this question and learn what pushes an entrepreneur towards developing an ethical code of conduct for his business entity. Is it something that satisfies him personally or he is really seeing something for his business in exhibiting high ethical standards? We will take a look at some companies that regularly adopt the ethical practices and see how it helps them be successful. The reading draws its input from various books, journals, research articles, annual reports, magazines etc.

## KEYWORDS

business ethics, entrepreneur, stakeholders, ethical code of conduct.

## INTRODUCTION

We start our reading with a statement made by John Hooker in One of his articles –**Why Business Ethics? (Carnegie Mellon University, April, 2003)**. John says there is something already odd about the questions, "why should one be ethical"? It is like asking, "Why are bachelors unmarried?" They are unmarried by definition. If they were married, they would not be bachelors. It is the same with ethics. To say that one should do something is another way of saying it is ethical. If it is not ethical, then one should not do it. In contrast to the statement made by John, **Milton Friedman**, the noted Economist in his essay **"The Social Responsibility of Business Is to Increase its Profits"** says, a businessman should not care about ethics and social responsibility. The best thing a businessman can do is to be a good businessman, that means to make maximum profits. They should be confined to finance and marketing rather than waste time on ethics. Friedman no doubt had many takers, and the essay went so popular that business schools made it mandatory for their students to read it. However, the corporate world knew there is something beyond what he suggested.

A business is not working in the interest of the society, while only making profits, rather how it makes those profits and then distributes them to the concerned. This is the reason we have ethics. Business Ethics is application of the moral principles to the conduct of a business, the concern about the right and wrong in every aspect of your business while dealing with its stakeholders. Being ethical is being human and it is not forced on someone, rather it can just be encouraged by rewards, recognitions and image that an organisation carries over long run. The world has come up with enormous laws at regional, national and international levels to regulate the corporate Entities. Say for instance, New York City government is considering laws that need the restaurants to display the caloric information next to the food item they serve. The aim of the law is to protect the consumers from gaining abnormal weight and save them from obesity. To prevent the child exploitation, some laws limit the advertisement you can show during a Children's TV program. The businesses strictly adhere to these norms and laws for the social benefit. Now, since the laws are already there and a corporate unit finds no option but to obey and follow them, why would they still be concerned about what's morally right? Businesses do accept the legal word saying, **"All that's not allowed is forbidden"**, but doesn't another legal standard say, **"All that's not forbidden is allowed"**? (Schiffman et al.)

The research findings on the subject suggest that all that's not forbidden by law may not be in the best interest of the people, and for that matter, not even in the interest of the company itself. This is the point where business ethics takes the turn away from the regulations imposed by law, because law may allow you certain activities but they won't be in the best interest of the society. For example, pre-Civil war slavery laws and the old apartheid laws of present-day South Africa obviously deviate from what is ethical. Ethics is twofold and proves itself to be above the law, for in the first place it checks whether a particular conduct is allowed and then assures it is in the fine interest of the concerned. But then we ask ourselves, why do I have to be so much a saviour and think of the society's best? Can't I just go ahead making money by doing what's allowed and not burden my policy makers by something that seems absurd from the business perspective?

## OBJECTIVE OF THE STUDY

By the end of this reading, one should be able to answer the question, **"What reasons does a businessman have to follow ethics?"** One should be able to explain why ethics is so much of a game in business and why global companies are considering creating a separate department to look after the fair treatment of all stakeholders, how ethical code of conduct within an organisation becomes the driving force for the success. Rather the objective of the present study is the answer to the question, Why ethics?

## LITERATURE REVIEW

Companies have become increasingly aware of the advantages being ethically conscious has to offer, especially in the global economy. Companies find that ethical business practices increase their competitiveness in their respective industries, helping to further substantiate the notion that a culture of ethics is crucial to sustainable excellence (Alex Bringham, 2013). To say that one should do something is another way of saying it is ethical. If it is not ethical, then one should not do it (John Hooker, 2003). Companies with codes of ethics are consistently recorded as being more admired by their peer group in the Most Admired Companies list published by Management Today, than those with no code. Also the companies that train their staff in ethical standards financially outperform those that don't. (Simon & Elise, 2004). It is good for staff morale to work in an open culture, with possible benefits of increased productivity and staff loyalty. These are vital ingredients in the current climate when staff may be pushed to the limit. An organisation known for fair and responsible practice is likely to attract high quality employees and 'stand out from the crowd' (Katherine Bradshaw 2010). Richard K. Davis, CEO of one of the America's best known bank (US Bank) while addressing the huge crowd including students, faculty and other bankers at Belmont university (2012) said, Ethics can be learned now. What I can't drill into your head is when a lot of people are doing little things wrong, you will want to draw the line on when it will end. You can draw the line in the sand now that you will adhere to as you begin practicing business. Joseph Joshua (2000) in his article "Ethics in the workplace" lists the potential benefits of an effective ethics programme and they are:

- Recruiting and retaining top-quality people;
- Fostering a more satisfying and productive working environment;
- Building and sustaining your association's reputation within the communities in which you operate;
- Maintaining the trust of members to ensure continued self-regulation;

- Legitimizing open discussion of ethical issues;
- Providing ethical guidance and resources for employees prior to making difficult decisions; and
- Aligning the work efforts of staff with the association's broader mission and vision.

When a company's ethical compass is pointing true north, everything else falls into line. This isn't to say that companies with great ethics don't fail. But it does seem to indicate that companies without good ethics are far more likely to fail due to their inability to sustain or hear an inner voice to guide them through the dark times to the light (Vivek Wadhwa, 2009). Although ethics is not the same as self interest, business executives often want to be assured that it is the same. They want to make certain that "one can do well by doing good," meaning that one can succeed in business by being ethical (John Hooker). Peter Drucker (1981) observed, "There is neither a separate ethics of business nor is one needed", implying that standards of personal ethics cover all business situations.

## BUSINESS ETHICS AT A GLIMPSE

Ethics is a practice that if followed can bring laurels to the business. It develops confidence between employer and the employee, between public and the corporation. Ethics brings equality by enforcing the ethical code of conduct equitably on everyone, no matter who is involved in the violation. Today the organisations provide the training to their employees to make sure ethical guidelines are well understood. As such, it's mandatory for all the employees to attend the intensive ethics training programmes run by their organisations. Caterpillar, A US based major manufacturer of mining and construction equipment is known to hire an outside agency to provide ethical training to thousands of its employees (Thilmany, 2007). The government of United states has also been reported to undergo the ethics training for the employees of various federal agencies annually and semi-annually ((United States Office of Government Ethics, 1994). Now we may ask ourselves, why do organisations spend millions of dollars for an abstract concept like ethics, which many noted scholars like Milton Friedman don't even consider thinking about? This money could be spent on some other business opportunity that could result in conceivable benefit. This I believe is the right argument. But given to the fact what ethics actually does to your business, this question becomes irrelevant. In the long run this investment in abstract brings manifold returns and that too tangible and conceivable. This happens in many ways. We try to explain this under following headings.

### ETHICS BEAUTIFIES THE WORK ENVIRONMENT

The ethical code of conduct is adopted to ensure that certain level of trust exists between various levels inside the organisation. The superior-subordinate relation is defined on the basis of this trust. For example, your growth prospects inside the organisation doesn't depend totally upon your hard and smart work, rather a significant contribution to it comes from feedback your superior furnishes about you. Organisational politics is not the alien concept in the modern organizations, even the world's biggest corporate giants are victim to this disease developing by human interactions and preferences. Your contribution to the organisation doesn't even show up, if your superior doesn't attend to it. Now there could be thousand reasons for your boss not to recognize your work. He may, based upon his personal preferences, want to attribute this work to someone else (organizational politics), or he may desert you because of your ethnicity or something he doesn't like (discrimination). Either way, you are the victim and no one wants to be victimized beyond a tolerance level. This victimization often leads to frequent attritions, low employee morale, work avoidance (Theory X of Motivation) and abnoxious organisational culture which is fatal to any business entity. However, if a code of conduct is in the place that promotes the fair review of ones performance, unbiased evaluation and appraisals, a code that appeals the conscience of the human, the tables can be turned. This will not just boost the morale of the concerned employee, but will serve as determining move to the evolution of a healthy culture at the workplace. A culture that invites everyone to contribute the maximum and secure a fair share in the success of the organisation. .... According to the Better Business Bureau, 36 percent of employees in a recent survey said that they had become distracted at the office by incidences of poor ethics in the workplace. Not only are unethical practices wrong in the objective sense, but they impact company success when employees are unable to focus on their work because of unethical behavior or company practices. Better ethics result in employees with better focus, thus improving the company's productivity and bottom line. When management does not pay attention to ethical issues, distracting situations can grow. Research found that workers witnessing an incident having ethical concerns tell an average of eight other people. (Better Business Bureau: What Employees Say About the Need for Ethics)

### ETHICS BRINGS PRAISE

The word praise has a very deep meaning in the corporate world. Praise entails acceptance by the people, of your products, processes, methods and for that matter, acceptance of your business conduct. In this era of societal marketing concept, praise is what an entrepreneur demands from all the stakeholders. Adopting an ethical code of conduct brings enormous praise for the business and this can very well be exemplified by US Bancorp, one of the largest commercial banks in USA. The company operates in 25 states of USA with almost 60,000 employees (Belmont University, 2012). Now what makes this company special on the ethical parameters is, it doesn't make any loans to the organizations that deal in pornography, weaponry, or other industries that run against the company's ethical standards. In recognition of his focus on business ethics, US Bancorp chairman and CEO **Richard K. Davis** has been honored with the **Hendrickson Medal** for Ethical Leadership and was granted the title of "**Banker of the Year**" by American Banker Magazine. While most of the financial institutions were involved in rampant unethical behaviour in the years following the US economic crises, US Bancorp has created a value for itself in the banking industry by strengthening their ethical standards. Indeed, Bancorp has proved itself as an ethical poster child for generations to come.

Besides, modern businesses are turning more towards the CSR programmes and the reason for them getting involved in these activities is that they don't want any public relation nightmares. The societal marketing concept, being the need of the hour demands a business to show its ethical face to the world and shun off the double-dealing to enjoy the good reputation.

### ETHICS ATTRACTS INVESTMENT

A person doesn't invest in a particular stock following his gut feeling, rather there are many things he takes into account before selecting the fate of his hard earned money. Besides the quantitative assessment of the company on the basis of net worth, sales of the previous periods and the like, an investor most of the times prefers assessment of the company on qualitative basis. This may include the public image and the CSR programmes that the company is involved in. The investor (Individual and institutional) today is informed and updated and before making any decision he takes all the relevant information about the concerned company into account. An investor prefers knowing about the existing investors and the conduct of the business towards them. While the investor is at checking the business conduct, he also likes to know about the rest of the stakeholders and their assessment of the company. Generally the company which is ethical shows positive reviews from all parties of interest. The companies with strong reputations in the field of ethical business behavior are also companies that tend to attract more investment from people that are new into the market.

Further, the investors feels up by investing in a company that has significant prospect of working in alliances and joint ventures with other related and non related business. Being able to strike the alliances and joint ventures is taken as a sign of growth and it needs a company to join hands with good partners. The only way to secure a space with good partners is to have a fair reputation in terms of what you have done in the past and in terms of your overall business conduct and this reputation is possible only if your company has the strong tradition of the ethical business behaviour.

### ETHICS HELPS YOU SURVIVE IN ADVERSE BUSINESS SITUATIONS

Ethics is not just one time phenomenon, rather it has to be in place everytime and everywhere in the organisation. Many companies start speaking the ethical behaviour once they encounter some problem, which is a mistake. They should realise an image takes decades to build but can be lost overnight by one small ethical lapse. Companies adopting the ethical culture find themselves safe from the economic downturn with their image and integrity intact. **Michael Beer** the author of the business ethics book **High Commitment, High Performance**, and a **Harvard Business School professor**, while working on the reasons that led to the **collapse** of many of the Wall Street companies during the subprime mortgage crisis of 2008, says, many of these companies collapsed in part due to their propensity to over prioritize profits at the expense of commonly accepted ethical practices. According to Beer, companies such as **Bank of America** and **Citigroup** have also suffered in their business, besides other reasons, due to their parochial objectives which are focused only on increasing profits (a poor strategy in a time of high unemployment and low consumer confidence). These behaviors indicate poor ethical judgment and show a disconnect between the companies and the customers that they serve (Beer, Michael. High Commitment, High Performance., 2009.)

In contrast, many of the financial institutions and banks such as **Charles Schwab** and **US Bancorp** performed otherwise. These two organizations chose to avoid the subprime mortgages that sparked the global financial collapse in 2008 because these high-risk loans did not fall in line with either's ethical business practice



policies. Due (in part) to these efforts in the line of ethics, Charles Schwab has consistently appeared as one of the top-rated securities firms on Fortune 500's annual list of America's largest corporations (2012), a distinction that is based on corporate revenues. Additionally, according to a recent survey conducted by Fortune Magazine, Charles Schwab ranked #1 as the "World's Most Admired Company" in the securities industry. (Ethics and Business Success -The Saylor Foundation (Page 3 & 4))

## CONCLUSION

The stakeholders of a business don't find it wise to keep their relation going if the concerned business doesn't follow the ethical standards. As a matter of exception a particular stakeholder may find it beneficial for him to support unethical conduct of the business at some instant of time, but it doesn't help him either in the long run. In contrast to that, a company adhering to the ethical code of conduct enjoys praise and prestige in the long run, confidence and trust of the interest parties in the short run. Spending resources to develop an ethical culture within the organisation is not a waste. The small investment today brings manifold gains in future. Ethics is one of those abstract qualitative factors that can't be shown in the financial statements but has the extensive bearing on the profitability of a business in the long run. It doesn't care about the type of industry, size of the organisation or for that matter the line of business you operate in. As long as an effective code of ethics is in place, success is inevitable.

Management has a detrimental role to play in building the ethical culture inside the organisation because it is the management that paves the way for how the entire organisation works on daily basis. If the management philosophy is based on ethical principles, the leaders inside the organisation can guide whole team by example and guide them to the right decision making. A business run on ethical practices attracts the workforce, helps in retaining them and creates the trust between employer and the employee. The consistent ethical behaviour brings the reputation and image which serves as decision criteria for potential investors to invest in your company. Developing an image could be comparatively easy but retaining it needs an organisation to be ethical on all business aspects that could be fair employee treatment, care for the environment, legitimate market practices and consumer concerns. An organisation must enjoin doing the right thing, because it is the right thing to do.

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**IMPACT OF GLOBALIZATION ON INDIAN AGRICULTURE**

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**ABSTRACT**

*The present shows that the liberalization policies adopted by the government of India played a dominant role in the agrarian crisis that is now being played out. However, this is not to say that privatization, liberalization and globalization are per se bad, or inherently inimical to an economy. It is the 'one size fits all' brand of liberalization adopted by the IMF and the World Bank which forces countries to privatize, liberalize and globalize without exception which has failed. Without taking into account the state of an economy, and in this case, the state and nature of the agricultural sector in India, the IMF and the World Bank, with the cooperation of the Indian government, embarked on mismatched reforms, which have caused misery and despair among millions of Indian farmers, driving large numbers of them to suicide. It is also essential to break the link between aid and liberalization, which caused India in the first place to accept the conditions of the IMF. Remember that India was on the brink of a financial crisis in 1991 when it applied for the IMF loan and accepted its conditions—perhaps the course of economic reform in India would have taken a very different course if there was no urgent need to borrow from the IMF. The start to this process may have already occurred: recognizing the failure of its liberalization policies, (and perhaps also the failure of DFID with AP's power reforms) the Blair government of Britain announced in 2004 that it will no longer make liberalization and privatization conditions of aid. In another blow to the neo-liberal lobby, Chandrababu Naidu suffered the worst ever defeat in the 2004 state elections in his party's history, with rural AP clearly rejecting his brand of World Bank sponsored liberalization. The battle, however, has not yet been won. It is essential for the rest of the G8 to follow Britain's example in order to influence World Bank and IMF policy towards India to ensure blind liberalization is not pursued, and so that countries like India can adopt tailor-made reforms to suit their economy.*

**KEYWORDS**

Indian agriculture, liberalization, globalization.

**INTRODUCTION**

The liberalization of India's economy was adopted by India in 1991. Facing a severe economic crisis, India approached the IMF for a loan, and the IMF granted what is called a 'structural adjustment' loan, which is a loan with certain conditions attached which relate to a structural change in the economy. The government ushered in a new era of economic reforms based on these conditions. These reforms (broadly called Liberalization by the Indian media) can be broadly classified into three areas: Liberalization, privatization and globalization. Essentially, the reforms sought to gradually phase out government control of the market (liberalization), privatize public sector organizations (privatization), and reduce export subsidies and import barriers to enable free trade (globalization). There was a considerable amount of debate in India at the time of the introduction of the reforms, it being a dramatic departure from the protectionist, socialist nature of the Indian economy up until then. However, reforms in the agricultural sector in particular came under severe criticism in the late 1990s, when 221 farmers in the south Indian state of Andhra Pradesh committed suicide. The trend was noticed in several other states, and the figure today, according to a leading journalist and activist, P. Sainath<sup>1</sup>, stands at 100,000 across the country. Coupled with this was a sharp drop in agricultural growth from 4.69% in 1991 to 2.06% in 1997. (Agriculture Statistics at a Glance, 2008) This paper seeks to look into these and other similar negative trends in Indian agriculture today, and in analyzing the causes, will look at the extent to which liberalization reforms have contributed to its current condition. It will look at supporting data from three Indian states which have been badly affected by the crisis: Andhra Pradesh, Maharashtra and Kerala. Andhra Pradesh's (AP's) experience is particularly critical in this debate because it was headed by Chief Minister Chandrababu Naidu, who pursued liberalization with enthusiasm. Hence liberalization in AP has been faster than other states, and the extent of its impact has been wider and deeper.

**INDIAN AGRICULTURE A SNAPSHOT**

Agriculture employs 60% of the Indian population today, yet it contributes only 20.6% to the GDP. Agricultural production fell by 12.6% in 2003, one of the sharpest drops in independent India's history. Agricultural growth slowed from 4.69% in 1991 to 2.6% in 1997-1998 and to 1.1% in 2002-2003. (Agriculture Statistics at a Glance, 2008) This slowdown in agriculture is in contrast to the 6% growth rate of the Indian economy for almost the whole of the past decade. Farmer suicides were 12% of the total suicides in the country in 2000, the highest ever in independent India's history. (Unofficial estimates put them as high as 100,000 across the country, while government estimates are much lower at 25,000. This is largely because only those who hold the title of land in their names are considered farmers, and this ignores women farmers who rarely hold land titles, and other family members who run the farms.) Agricultural wages even today are \$1.5 – \$2.0 a day, some of the lowest in the world. Institutional credit (or regulated credit) accounts for only 20% of credit taken among small and marginal farmers in rural areas, with the remaining being provided by private moneylenders who charge interest rates as high as 24% a month. An NSSO2 survey in 2005 found that 66% of all farm households own less than one hectare of land. It also found that 48.6% of all farmer households are in debt. The same year, a report by the Commission of Farmer's welfare in Andhra Pradesh concluded that agriculture in the state was in 'an advanced stage of crisis', the most extreme manifestation of which was the rise in suicides among farmers. Given the performance of agriculture and figures of farmer suicides across the country, this can be said to apply to Indian agriculture as a whole.

**THE CRISIS FACING INDIAN AGRICULTURE**

The biggest problem Indian agriculture faces today and the number one cause of farmer suicides is debt. Forcing farmers into a debt trap are soaring input costs, the plummeting price of produce and a lack of proper credit facilities, which makes farmers turn to private moneylenders who charge exorbitant rates of interest. In order to repay these debts, farmers borrow again and get caught in a debt trap. I will examine each one these causes which led to the current crisis in Andhra Pradesh, Kerala and Maharashtra, and analyze the role that liberalization policies have played.

As was mentioned earlier, AP's experience is particularly relevant in this analysis because of its leadership. Let me explain in detail. Chandrababu Naidu, Chief Minister of Andhra Pradesh from 1995-2004, was an IT savvy neo-liberal, and believed that the way to lead Andhra Pradesh into the future was through technology and an IT revolution. His zeal led to the first ever state level (as opposed to national level) agreement with the World Bank, which entailed a loan of USD 830 million (AUD 1 billion) in exchange to a series of reforms in AP's industry and government. Naidu envisaged corporate style agriculture in AP, and implemented World Bank liberalization policies with great enthusiasm and gusto. He drew severe criticism from opponents, saying he was using AP as a laboratory for extreme neo-liberal experiments. Hence, AP's experience with liberalization is critical.

**THE DEBT TRAP AND THE ROLE OF LIBERALIZATION****SEEDS**

The biggest input for farmers is seeds. Before liberalization, farmers across the country had access to seeds from state government institutions. For example, AP's APSSDC3 produced its own seeds, was responsible for their quality and price, and had a statutory duty to ensure seeds were supplied to all regions in the state, no matter how remote. The seed market was well regulated, and this ensured quality in privately sold seeds too. With liberalization, India's seed market was

opened up to global agribusinesses like Monsanto, Cargill and Syn Genta. Also, following the deregulation guidelines of the IMF, 14 of the 24 units of the APSSDC's seed processing units were closed down in 2003, with similar closures in other states. This hit farmers doubly hard: in an unregulated market, seed prices shot up, and fake seeds made an appearance in a big way. Seed cost per acre in 1991 was Rs. 70 (AUD 2) but in 2005, after the dismantling of APSSDC and other similar organizations, the price jumped to Rs. 1000 (AUD 28), a hike of 1428%, with the cost of genetically modified pest resistant seeds like Monsanto's BT Cotton costing Rs. 3200 or more per acre, (AUD 91) a hike of 3555%. BT Cotton is cotton seed that is genetically modified to resist pests, the success of which is disputed: farmers in Andhra Pradesh and Maharashtra now claim that yields are far lower than promised by Monsanto, and there are fears that pests are developing resistance to the seeds. Expecting high yields, farmers invest heavily in such seeds. Also BT Cotton and other new seeds guarantee a much lower germination rate of 65% as opposed to a 90% rate of state certified seeds. Hence 35% of the farmer's investment in seeds is a waste. Output is not commensurate with the heavy investment in the seeds, and farmers are pushed into debt. The abundant availability of spurious seeds is another problem which leads to crop failures. Either tempted by their lower price, or unable to discern the difference, farmers invest heavily in these seeds, and again, low output pushes them into debt. Earlier, farmers could save a part of the harvest and use the seeds for the next cultivation, but some genetically modified seeds, known as Terminator, prevent harvested seeds from germinating, hence forcing the farmers to invest in them every season.

#### FERTILIZER AND PESTICIDE

One measure of the liberalization policy which had an immediate adverse effect on farmers was the devaluation of the Indian Rupee in 1991 by 25% (an explicit condition of the IMF loan). Indian crops became very cheap and attractive in the global market, and led to an export drive. Farmers were encouraged to shift from growing a mixture of traditional crops to export oriented 'cash crops' like chilli, cotton and tobacco. These need far more inputs of pesticide, fertilizer and water than traditional crops. Liberalization policies reduced pesticide subsidy (another explicit condition of the IMF agreement) by two thirds by 2000. Farmers in Maharashtra who spent Rs. 90 an acre (AUD 2.5) now spend between Rs. 1000 and 3000 (AUD 28.5 – 85) representing a hike of 1000% to 3333%. Fertilizer prices have increased 300% Electricity tariffs have also been increased: in Andhra Pradesh tariff was increased 5 times between 1998 and 2003. Pre-liberalization, subsidized electricity was a success, allowing farmers to keep costs of production low. These costs increased dramatically when farmers turned to cultivation of cash crops, needing more water, hence more water pumps and higher consumption of electricity. Andhra Pradesh being traditionally drought prone worsened the situation. This caused huge, unsustainable losses for the Andhra Pradesh State Electricity Board, which increased tariffs. (This was initiated by Chandrababu Naidu in partnership with Britain's DFID4 and the World Bank.) Also, the fact that only 39% of India's cultivable land is irrigated makes cultivation of cash crops largely unviable, but export oriented liberalization policies and seed companies looking for profits continue to push farmers in that direction.

#### THE DEBT TRAP: LOW PRICE OF OUTPUT

With a view to open India's markets, the liberalization reforms also withdrew tariffs and duties on imports, which protect and encourage domestic industry. By 2001, India completely removed restrictions on imports of almost 1,500 items including food. As a result, cheap imports flooded the market, pushing prices of crops like cotton and pepper down. Import tariffs on cotton now stand between 0 – 10%, encouraging imports into the country. This excess supply of cotton in the market led cotton prices to crash more than 60% since 1995. As a result, most of the farmer suicides in Maharashtra were concentrated in the cotton belt till 2003 (after which paddy farmers followed the suicide trend). Similarly, Kerala, which is world renowned for pepper, has suffered as a result of 0% duty on imports of pepper from SAARC5 countries. Pepper, which sold at Rs. 27,000 a quintal (AUD 771) in 1998, crashed to Rs. 5000 (AUD 142) in 2004, a decline of 81%. As a result, Indian exports of pepper fell 31% in 2003 from the previous year. Combined with this, drought and crop failure has hit the pepper farmers of Kerala hard, and have forced them into a debt trap. Close to 50% of suicides among Kerala's farmers have been in pepper producing districts.

#### THE DEBT TRAP: LACK OF CREDIT FACILITIES AND DEPENDENCE ON PRIVATE MONEY LENDERS

In 1969, major Indian banks were nationalized, and priority was given to agrarian credit which was hitherto severely neglected. However, with liberalization, efficiency being of utmost importance, such lending was deemed as being low-profit and inefficient, and credit extended to farmers was reduced dramatically, falling to 10.3% in 2001 against a recommended target of 18%. A lack of rural infrastructure deters private banks from setting up rural branches, with the responsibility falling on the government, which has reduced rural spending as a result of its liberalization policies. Rural development expenditure, which averaged 14.5% of GDP during 1985–1990 was reduced to 8% by 1998, and further to 6% since then. This at a time when agriculture was going through a crisis proved disastrous for farmers, who turned to private money lenders who charge exorbitant rates of interest, sometimes up to 24% a month. (Seeds of Suicide, 2005) With input costs and output prices being what they are, coupled with crop failures and drought, they are pushed into debt which is impossible to repay. 12 out of India's 28 states have 50% and higher indebtedness among farm households. Andhra Pradesh has the highest percentage of indebted farm households — 82%. 64.4% of Kerala's farm households and 54.8% of Maharashtra's farm households are indebted (NSSO, 2003) Indebtedness has been identified as the single major cause of suicides in both Andhra Pradesh, Kerala and Maharashtra. (Analysis of Farmer Suicides in Kerala, 2006, who's suicide is it anyway, 2005, Saving small farmers, 2005)

#### LIBERALIZATION AND HOW IT FAILED

Branco Milanovic, a World Bank economist describes how he believes liberalization helps developing countries achieve growth: 'when a country lowers trade barriers, reduces government intervention in the market in order to allow market forces to operate freely, increases competition and attracts foreign investment, it will increase productivity and reduce inefficiency, which will lead to economic growth, and in a few generations, if not less, the poor will become rich, illiteracy will disappear, and poor countries will catch up with the rich.' This argument is an economic rationalist one, which views government intervention with profound suspicion, and has equally profound faith in unfettered market forces. (Whitwell quoting Robert Manne, 1998) What Mr. Milanovic neglects to mention, though, is that rich countries which now preach liberalization protected their 'infant industries' at the time they began to industrialize, till they were strong enough to compete globally. The US government, for example, had a protectionist trade policy in the late nineteenth century to help US companies become competitive in the world. Besides, apart from wool, the US, Germany, Britain and France were all almost self-sufficient in the raw materials that they needed for industrialization, and took off from that platform, a luxury that India and other developing countries do not have.

As German economist Friedrich List says, the adoption of these values (of liberalization) assumes that all countries are at the same starting place, which (as we have seen above) is clearly not the case. In fact, it is this very reason that has brought about the crisis that Indian agriculture is facing today. Most farmers in India were already in a position of minimum security, with no education system, credit facilities, access to alternative employment, or efficient technology. Their only support was government subsidy and regulation. Liberalization policies came in and dismantled their only support structure. It halted the sharp reduction in rural poverty from 55% in the 1970s to 34% in the 1980s. Not only has the incidence of poverty in rural areas not gone lower than 34% in the 1990s, it has gone to higher levels of 42% in individual years.

The second most popular argument of the economic rationalists in favour of liberalization is that competition will weed out the inefficient, and in the growth that ensues, employment will be provided in other areas of the economy, thus lifting the poor out of poverty. This argument however assumes that the poor will be able to take advantage of the opportunities presented to them. As Robert Issac says in 'The Globalization Gap', "Globalization encourages the well positioned to use tools of economics and politics to exploit market opportunities, boost technical productivity, and maximize short-term material interests." This is compounded in India, where the gap between one who is 'well positioned' and one who is not can be extreme. With a lack of investment, chances of generation of rural employment are slim. Unemployment and underemployment are chronic problems in India, with the rate of unemployment being close to 10% in 2004. Primary education in rural areas is mismanaged and bad quality, and there is no system which helps agricultural workers find alternate employment, or develop alternate skills. In the face of such obstacles, it is nearly impossible to expect agricultural workers to shift to alternate fields. Coming back to AP, the IT Revolution spearheaded by Chandrababu Naidu attracted companies like Google, Amazon, Microsoft and Dell and created thousands of jobs. However, given the skills and education of most farmers, it is obvious that none of this translated into job opportunities for them.

The final argument that supporters of globalization have is the much touted 10% reduction in poverty (60 million declines in poor) in India in the year 2000. However, this figure was challenged by experts. Poverty is defined according to how many people consume less than the nutritional minimum prescribed. (2400 calories for rural areas, and 2100 for urban areas) Major changes in survey design in 1999-2000 not only made the resultant estimates incomparable to previous

years' estimates, but an over-estimation of consumption (meaning people were getting enough food, hence were not considered poor) meant a sharp reduction in poverty figures. After experts challenged it, the Planning Commission of India accepted that the figure was inaccurate, and could not be compared to previous years' estimates; hence the 10% drop in poverty is incorrect. With adjusted figures, experts have determined that the decrease in poverty was a mere 2.3%, and that the number of poor increased by nine million in 2002 as compared to 1999.

### **LIBERALIZATION AND 'GROWTH'**

Many economists now concede that the relationship between liberalization and growth are 'uncertain at best'. According to the Center for Economic and Policy research, which studied impact of liberalization reforms on the developing world, key economic and social indicators such as increases in life expectancy, infant and child mortality, education and literacy levels slowed down in the 20 years between 1980 and 2000 when liberalization policies were implemented, compared to the 20 years leading to 1980. This defeats the economic rationalist argument of free trade eliminating poverty, since the 20 years leading up to 1980 witnessed high protectionist policies and trade barriers. Following the suicides in 2000, the World Bank and Britain's DFID abandoned power reforms in Andhra Pradesh four years before schedule. It admitted that it had 'substantially underestimated' the 'complexity of the process' and that there must be 'increased consultation with the farmers to get their acceptance' of any further reform. The Andhra Pradesh government sponsored report by the Commission of Farmer's Welfare squarely laid the blame for its agrarian crisis on the state and central government's policies: "While the causes of this crisis are complex and manifold, they are they are dominantly related to public policy. The economic strategy of the past decade at both central government and state government levels has systematically reduced the protection afforded to farmers and exposed them to market volatility and private profiteering without adequate regulation; has reduced critical forms of public expenditure; has destroyed important public institutions, and has not adequately generated other non-agricultural economic activities." A report on suicides in Kerala similarly held the liberalization policies of the government responsible.

### **CONCLUSION**

It is clear that the liberalization policies adopted by the government of India played a dominant role in the agrarian crisis that is now being played out. However, this is not to say that privatization, liberalization and globalization are per se bad, or inherently inimical to an economy. It is the 'one size fits all' brand of liberalization adopted by the IMF and the World Bank which forces countries to privatize, liberalize and globalize without exception which has failed. Without taking into account the state of an economy, and in this case, the state and nature of the agricultural sector in India, the IMF and the World Bank, with the cooperation of the Indian government, embarked on mismatched reforms, which have caused misery and despair among millions of Indian farmers, driving large numbers of them to suicide. It is also essential to break the link between aid and liberalization, which caused India in the first place to accept the conditions of the IMF. Remember that India was on the brink of a financial crisis in 1991 when it applied for the IMF loan and accepted its conditions—perhaps the course of economic reform in India would have taken a very different course if there was no urgent need to borrow from the IMF. The start to this process may have already occurred: recognizing the failure of its liberalization policies, (and perhaps also the failure of DFID with AP's power reforms) the Blair government of Britain announced in 2004 that it will no longer make liberalization and privatization conditions of aid. In another blow to the neo-liberal lobby, Chandrababu Naidu suffered the worst ever defeat in the 2004 state elections in his party's history, with rural AP clearly rejecting his brand of World Bank sponsored liberalization. The battle, however, has not yet been won. It is essential for the rest of the G8 to follow Britain's example in order to influence World Bank and IMF policy towards India to ensure blind liberalization is not pursued, and so that countries like India can adopt tailor-made reforms to suit their economy.

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## A COMPARATIVE STUDY OF INDIA AND CHINA ECONOMIC RELATION WITH SPECIAL REFERENCE TO STOCK MARKET IN THE 21<sup>ST</sup> CENTURY

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### ABSTRACT

*The present study aims at assessing and analysing the status of Indo-china economic development and economic co-operation and the various reforms that takes place in the 21<sup>st</sup> Century. The data has been collected from various sources like magazines, prominent authors, articles, internet, etc., and will be mainly of secondary data. Several studies have highlighted the role of import and exports in facilitating economic transformation. The market alone has the capability to match the demand and supply of money required for productive investments in the economy. All these reasons make the development of a stock market very important for economic growth. India and china are two different countries with different political, economic and socio-economic backgrounds. While China continue to occupy the centre stage in global economy, it would be interesting to observe whether India emerges to be the new powerhouse. Hence, the present study has been proposed.*

### KEYWORDS

Indo-china, economic development, stock market, economic growth, economic reforms.

### INTRODUCTION

A comparison between India and China in the global economy seems almost natural since both the country emerged as the major player in world affairs in the 21<sup>st</sup> Century. However, at the end of the century, comparisons mark the dissimilarity in all areas given China's phenomenal and sustained economic growth over the last 20 years. India and China have both successfully make their presence felt in the global economy in the 21<sup>st</sup> Century. Goldman Sachs believes that China would become the world biggest economy by 2050 and India would occupy the second position. However, both the country have to tackle various challenges.

India and China are two different countries with different political, economical and socio-economic backgrounds. Hence, both the countries have adopted different model for development. The 21<sup>st</sup> Century witnesses the economic growth of the Asian countries and it would be interesting to observe whether India would emerge to be the powerhouse.

### OBJECTIVES OF THE STUDY

1. For assessing and analysing the status of Indo-china economic development that takes place in the 21<sup>st</sup> Century.
2. To compare the economic growth and development between India and China.
3. To find out the growth model in Stock Market adopted by India and China.
4. To evaluate and bring possible measures of the finding.

### RESEARCH METHODOLOGY

The present study is descriptive in nature. The data has been collected from various sources like the internet, annual reports, prominent authors, magazines and journal, etc. and mainly confined with secondary source for accessing and analyzing.

### REVIEW OF LITERATURE

Swamy (1973 & 1989) tries to compare the economic growth of India and China in both his works on economic Growth: India and China. He tries to analyse the reasons as to why India and China (the developing countries) did not respond to the forces of Industrial revolution and modern economic growth.

Balla's (1992) work. Uneven development in the Third: A study of China and India is Comprehensive study of comparative development experience of China and India. It makes distinction between the strategies adopted for the achievement of development and the outcome of development. In analyzing strategies adopted by both nations Bhulla seeks to focus on the degree of unevenness that is the deviation from what may be considered balanced development of different entities such as production sector, industries, geographical, etc.

Patel's (1994) work Indian Economy: Towards the 21<sup>st</sup> century. Traces the path of development in his analysis on planning. He analyse that though Indian Achieved economic progress domestic inequalities of income, wealth and economic power had widened. So India's share in the world economy. Its share in world income, industry, trades and agriculture has fallen sharply.

Dreze and Sen (1995) in their work entitled India: Economic Development and social opportunity analysed the task of economic development in India in a perspective in which social as well as economic opportunities have central roles, tries to compare Indian experience with that of China.

### STOCK MARKET: FOUNDATION OF THE FINANCIAL SECTOR

A capital market is a market for trading securities and bonds and it serves as an important source for both companies and government for raising long-term funds. Apart from this, a well-developed stock market serves mainly two other purposes:

1. It helps in channeling household savings into investment.
2. It helps the investors in diversifying and thus lowering their risks.

A smoothly functioning stock market ensures that capital is channelized to its most efficient and profitable use.

### THE IMPORTANCE OF CAPITAL MARKET-LED GROWTH

India like the US and the UK, has always on the development of Stock Markets to encourage growth in the economy. On the other hand, China has followed the East Asian economies, Russia and Eastern Europe by relying more on its banking system for funding economic growth.

A well-developed stock market is considered to be more efficient in allocating capital than a banking system, thus ensures free flow of capital for economic growth.

### INDIA AND CHINA STOCK MARKETS COMPARISON

India has a far richer experience in having and managing stock markets than China, with 23 recognized stock exchanges across the country. India has the oldest stock exchange in Asia, the Bombay Stock Exchange (BSE) which was set up in 1875. The National Stock Exchange (NSE) which was set up in 1990s is the world third largest stock exchange in terms of transactions.

The official stock markets of China were set up in Shanghai and Shenzhen only in 1990 and 1991 respectively. The primary purpose is to provide the public an opportunity to diversify their investment portfolios or to hedge their future risk. However, listing of the companies in China is controlled by the government at all the three levels: Central, Provincial and Local.

The China Stock Market (SSE Composite) decreased to 4229.26 Index points in May from 4441.65 Index points in April of 2015. Stock Market in China averaged 1726.41 Index points from 1990 until 2015, reaching an all-time high of 6092.05 Index points in October of 2007 and a record low of 99.98 Index points in December of 1990.

The India Stock Market (SENSEX) decreased to 26717.37 Index points in May from 27011.31 Index points in April of 2015. Stock Market in India averaged 6792.30 Index points from 1979 until 2015, reaching an all-time high of 29681.77 Index points in January of 2015 and a record low of 113.28 Index points in December of 1979.

### COMPARISON OF INDIA-CHINA GDP GROWTH

According to a United Nations report, India's economic growth is projected to surpass China's in 2015-16. GDP is expected to grow by 7.7 per cent in 2016, the report said. The mid-year update of the UN World Economic Situation and Prospects (WESP), released on Tuesday, said India's economy is projected to grow by 7.6 per cent this year and 7.7 per cent in 2016, overtaking China. China is projected to grow by 7 per cent in 2015 and 6.8 per cent next year.

FII, with a cumulative investment in Indian stocks of about \$300 billion at market value, are looking at other emerging stock markets for returns and no longer treat India as the most preferred destination as they did last year, and even the beginning of this year. FII net outflows gave been of the order of Rs 12,500 crore over the past month. The stock market index has seen the biggest correction of 10 percent in a short time. This has caused speculation whether the markets are slipping into a bear phase. But what is indeed worrisome is India is probably the worst performing stock market among emerging economies this year. This is in sharp contrast to the view taken by the big FIIs that the Modi government reforms could trigger a multi-year bull run in India. Now the same FIIs are shifting the weightage of their global allocation to China where the stock markets have shown 30 percent growth since January. India's Sensex growth remains in negative territory. Even FII inflows, which primarily influence market movement, are flat to negative since January.

FIG. 1

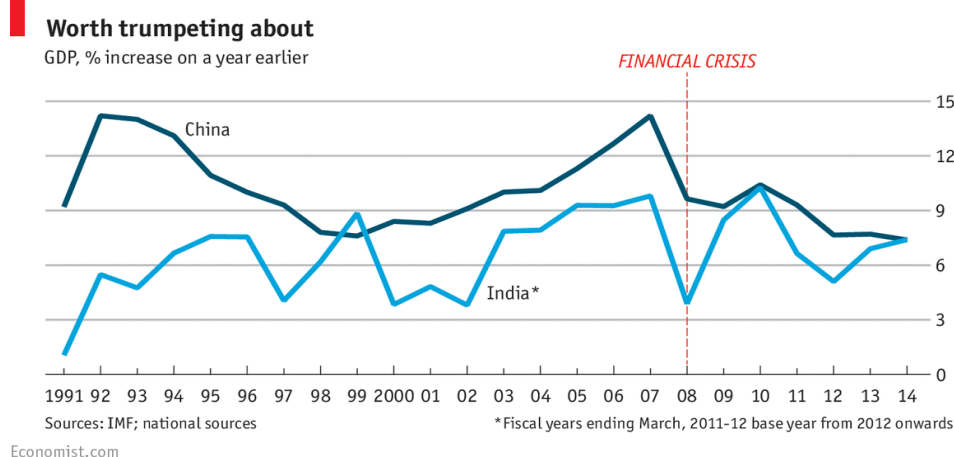


FIG. 2



FIG. 3





## FINDINGS AND SUGGESTIONS

The Gross Domestic Product (GDP) in India expanded 7.50 percent in the fourth quarter of 2014 over the same quarter of the previous year. GDP Annual Growth Rate in India averaged 5.83 percent from 1951 until 2014, reaching an all-time high of 11.40 percent in the first quarter of 2010 and a record low of -5.20 percent in the fourth quarter of 1979. GDP Annual Growth Rate in India is reported by the Ministry of Statistics and Programme Implementation (MOSPI).

The Gross Domestic Product (GDP) in China expanded 7 percent in the first quarter of 2015 over the same quarter of the previous year. GDP Annual Growth Rate in China averaged 9.06 percent from 1989 until 2015, reaching an all-time high of 14.20 percent in the fourth quarter of 1992 and a record low of 3.80 percent in the fourth quarter of 1990.

Since the late 1970s China has moved from a closed, centrally planned system to a more market-oriented one that plays a major global role - in 2010 China became the world's largest exporter. Reforms began with the phasing out of collectivized agriculture, and expanded to include the gradual liberalization of prices, fiscal decentralization, increased autonomy for state enterprises, growth of the private sector, development of stock markets and a modern banking system, and opening to foreign trade and investment. China in 2013 stood as the second-largest economy in the world after the US, having surpassed Japan in 2001. The dollar values of China's agricultural and industrial output each exceed those of the US; China is second to the US in the value of services it produces.

On the other hand, Economic liberalization measures, including industrial deregulation, privatization of state-owned enterprises, and reduced controls on foreign trade and investment, began in the early 1990s and served to accelerate the country's growth, which averaged under 7% per year from 1997 to 2011. India's diverse economy encompasses traditional village farming, modern agriculture, handicrafts, a wide range of modern industries, and a multitude of services. Slightly less than half of the work force is in agriculture, but, services are the major source of economic growth, accounting for nearly two-thirds of India's output with less than one-third of its labor force. India has capitalized on its large educated English-speaking population to become a major exporter of information technology services, business outsourcing services, and software workers. India's economic growth began slowing in 2011 because of a decline in investment, caused by high interest rates, rising inflation, and investor pessimism about the government's commitment to further economic reforms and about the global situation. In late 2012, the Indian Government announced additional reforms and deficit reduction measures, including allowing higher levels of foreign participation in direct investment in the economy.

## SUGGESTIONS

There are various factors why China attracts so much more FDI than India. Some of the prominent factors which highlight the superiority of China over India are:

- 1) China's domestic markets are much bigger than India, since its GDP is much higher than India.
- 2) China's economy has expanded much faster pace than that of India and offers more opportunities to investors.
- 3) China's infrastructures are much better than that of India and investors prefer to invest in a country that provides better infrastructure.
- 4) Chinese labours are more productive than that of India.
- 5) India in enticing foreign investors and reform move at a very slow pace.
- 6) Strong political support for FDI in China makes it easier for investors to make their decisions in favour of China.
- 7) China provides Additional Incentives and tries to attract foreign investor whereas India Charges higher taxes.

## CONCLUSION

Data from the past 20 years shows China's economic growth benefited its middle class much less than the India's did for its people. China's economic achievement is undoubtedly more impressive, but other scholars argue that the India model is more sustainable given its superior institutions. By simply looking at the GDP columns, we can clearly see that China's economic growth is much faster than India's, regardless of the yuan's appreciation against the U.S. dollar since 2008. China's stock market lags far behind India's, except during the 1990s, when the private sector in China grew remarkably. This of course can be interpreted as a sign that China's stock market was cooling from the frenzy because the market earnings ratio has dropped from a whopping 48 in 2001 to 11 today, while the earnings ratio in India has remained stable between 14 and 25. Nevertheless, although China maintained a double-digit economic growth rate after the financial crisis in 2008, the return rates of China's stock market in the following four years averaged around 8 percent, compared with 20 percent in India.

Lack of required infrastructure facilities is currently one of the biggest impediments for economic growth. So India must expedite infrastructure development and attract foreign investor. India should also make speedy reforms on the tax and labour front for enhancing the growth and increased FDI. On the other hand, China biggest challenges are to sustain its growth rate and also needs to strengthen its weak financial system. China's stock markets need to be made more efficient and reduce the heavy burden of depending on the banks as a source of funds for corporates.

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**ANALYSIS USING CAMEL MODEL: EVIDENCE FROM LARGE COMMERCIAL BANKS IN TANZANIA**

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**ABSTRACT**

*The health of any nation is closely related to the soundness of its banking system which is the result of effective and efficient management complying with rules, regulations and policies of the government and sound financial management principles. This paper set out to analyse the soundness of large commercial banks operating in Tanzania for the period of 2006-2011. The aim is to apply CAMEL approach to evaluate the capital adequacy, Asset quality, Management efficiency, Earnings and Liquidity. The application of CAMEL model to major Tanzania financial institutions allows us to obtain a ranking of banks. We applied equity to total asset ratio for the analyse of capital adequacy, loan and advances to total asset for the analyse of assets quality, return on equity for analysing management quality, return on assets to analyse earnings and liquidity asset to total assets ratio to analyse liquidity of banks.*

**KEYWORDS**

CAMEL approach, large banks, Tanzania.

**INTRODUCTION**

**B**ank in today's world play a very important role in maintaining the stability and the economy of the nation, apart from the main function of just being used for deposit of money it acts as an intermediary to serve the economy. Therefore, the health and soundness of banks is very crucial to ensure economic development of any country. A strong financial system with competitive environment promotes investment by financing productive business opportunities, mobilizing savings, efficiently allocating resources and makes easy the trade of goods and services. Banking system as a main engine of financial system plays a very important role in the economic life of the nation.

In the last two decades, The Tanzanian banking sector has gone through series of financial reforms which includes liberalization of the business to foreign banks, privatization and listing bank shares, these reforms has come with positive allowing diversifications into intermediary business beyond the traditional deposit and loan activities. In the meantime, the changing structures of the banking sector and the favorable economic condition in the recent decade have promoted the development of the commercial banks.

In a developing country such as Tanzania where the capital market is still underutilized the banking system as a whole play a crucial role in the progress of economic development like heart in the economic structure and the Capital provided by it for industry, agriculture and allied activities is like blood in it. A profitable and sound banking sector is at a better point to endure adverse upsets and adds performance in the financial system (Athanasoglou et al., 2008)

**PROBLEM STATEMENT**

Banking sector in Tanzania is one of the rapidly expanding industries. Every bank is trying to enhance overall performance and maximize value to be ready to absorb any shocks and to obtain competitive advantage and sustainability in financial system. This study will identify and evaluate the financial ratios that contribute to the financial soundness and health of large commercial banks that operate in Tanzania.

**AIM OF THE STUDY**

The aim of this research is to evaluate and rank the financial soundness of large commercial banks operating in Tanzania by using financial ratio from CAMEL rating framework for a period of 2006 to 2011.

**OBJECTIVES OF THE STUDY**

Primary objective of this study is to give the answers of following questions.

1. What are the financial ratios from CAMEL framework of large commercial banks in Tanzania from 2006 to 2011?
2. What are the position of the banks in terms of ranking of the best performer and the least performer of large commercial banks in Tanzania from 2006 to 2011?

**SIGNIFICANCE OF THE STUDY**

This study is not only helpful for the bank managers but also valuable for other stakeholders such as depositors, government, investors and other financial institutions.

Health and soundness of banks is important to investors, depositor's, regulators as they are interested on how their interest is being protected. For Regulators of banks are interested in protection the banking system and they are protecting the confidence of public. Other stakeholder can also get benefit from this study to know that how banks are performing and decide which bank is suitable for investing.

From the managerial perspectives, it is important to evaluate bank performance especially large ones in order to be able to detect and control problems to avoid bank failure in the long run, the good news also in evaluating the banks and compare with others helps in the determining ratios associated with success and competitive advantage to outline the actions that can move forward the performance of banks.

**LITERATURE REVIEW**

Many scholars from different countries have analyzed the soundness of banks using different kind of ratio and come out with different kind of results. Kumbirai and Webb (2010) examined the performance of South Africa's five largest commercial banks for the year 2005 – 2009. The study used financial ratios to measure the profitability, liquidity and credit quality. The results revealed an improvement in the bank performance in terms of profitability, liquidity, and credit quality from 2005 to 2007.

In another study done by Gupta and Kaur (2008) using CAMEL model they examined the performance of banks in India and ranking them., also in similar manner Gupta (2008) analyzed the performance of 30 Indian private banks using CAMEL Model for the period 2003-2007 and gave rating to top five and bottom five banks. Jha and Hui (2012) in Nepal using 18 commercial banks applied CAMEL to compare the financial performance of different structured banks. The study involved was from the years 2005 - 2010. The analysis was based mainly on the descriptive financial analysis to describe, measure, compare, and classify the financial situations. The results revealed that ROA of public sector banks were higher than those of joint venture and domestic public banks. Moreover, the values determined for the financial ratios discovered that joint venture and domestic public banks were also not so strong in Nepal to manage the possible large-scale shock to their balance sheet.

On the other hand, Mishra (2012) conducted a similar kind of study to analyze the performance of different Indian public and private sector banks over the decade 2000-2011 using CAMEL approach and found that private sector banks are at the top of the list, with their performances in terms of soundness being the best. This also can be shown in Mishra and Aspal (2013) evaluated the performance and financial soundness of State Bank Group using CAMEL approach and rated different banks using through Capital adequacy, Asset quality Management efficiency, Earning Quality, and Liquidity.

In more recently study Ferrouhi (2014) analyzed the performance of major Moroccan financial institutions for the period 2001-2011 using CAMEL approach. financial ratio was used for each of capital adequacy, assets quality, management quality, earning ability, and liquidity position measures. The results from the study measurements on six Moroccan institutions indicated that all the six banks did well over the period of study. Furthermore, findings were based on ranking the average of each ratio, showed that some banks performed better than others.

In India a study was conducted by Gupta (2014) to examine the performance of public sector banks. The study adopted CAMEL approach for a five-year period 2009-2013. The results showed that there is a statistically significant difference between the camel ratios of all the public sector banks in India. Therefore, the overall performance of public sector banks is different.

## RESEARCH METHODOLOGY

The purpose of this paper is to analyse the performance of large banks commercial banks operating in Tanzania for the period 2006-2011 using CAMEL approach, to evaluate the bank's capital adequacy, asset quality, management, earnings and liquidity and to rank the banks. To do this, we first define different ratios used to evaluate banks capital adequacy, asset quality, management, earnings and liquidity.

According to literature review above, we use in the present study following ratios to evaluate capital adequacy, asset quality, management, earnings and liquidity:

### CAPITAL ADEQUACY

It is a measure of a bank's financial strength, the ability of the banks to provide capital when the need arises in terms of its ability to withstand operational and abnormal losses. Adequate bank capital show ability of bank to handle losses and to reduce bank risks by acting as a buffer (Zhong, 2007). It expresses the proportion of total assets financed by the bank's equity capital. High equity to asset ratio reflects the low need to external funding. The ratio used for this study is Capital Adequacy = Total equity (TE) / total assets (TA) (1)

### ASSET QUALITY

Asset of banks mainly composed of loans and advances as the main source of income and are expected to have a positive impact on bank performance. The ratio used It is the ratio of Total Loan, advances and financing to Total Asset, this ratio determines the degree of use of asset in term of Loan. As Loan is the main source of bank's income and is also expected to have positive impact on profit, the higher this ratio, the more profitable the bank is in a stable economy and the worst on the other hand when the borrowers fail to pay their promises.

Other things constant, the more deposits are transformed into loans, the higher the interest margin and profits. to reduce non-performing assets and extent of weak assets can be analyzed to assess bank's asset quality (Brickwork, 2009).

Asset Quality = Total loans and advances (TL&A) / total assets (TA) (2)

### MANAGEMENT

This measures the capability of the management of a bank to position its resources and utilize the facilities in the bank productively and in the process reduce costs and maximize profit It is a measure of the profitability of a bank. In calculation of this ratio, Profit after tax is expressed as a percentage of equity.

ROE = profit after tax/total equity (3)

### EARNINGS

This is measured by return on asset (ROA) ratio exposes the earning capacity of profit by using total assets. The higher ratio indicates the efficient use of assets to generate more profit. The low ratio might indicate that a bank has invested too much money in its assets.

ROA = profit after tax/total Asset (4)

### LIQUIDITY

This is the ability of banks to withstand deposit withdraw and have adequacy liquidity sources for use without affecting the operation of the bank the availability of assets readily to be turn into cash without undue loss, access to money markets and other sources of funding, the level of diversification of funding sources. The higher this ratio is, the stronger is a position of a bank to absorb liquidity shocks.

Liquidity = Liquidity asset/total assets (5)

## RESULTS AND DISCUSSION

### CAPITAL ADEQUACY

TABLE - 1: TOTAL EQUITY TO TOTAL ASSET

serial	Banks	2006	2007	2008	2009	2010	2011	AVERAGE	Rank
1	Barclays	8	11	10	12	12	10	9.857	4
2	Citibank	9	14	41	24	21	15	15.71	1
3	CRDB	8	9	10	11	10	9	9	6
4	Exim	8	8	13	11	11	11	9.714	5
5	NBC	10	11	12	13	10	10	10.286	3
6	NMB	11	11	12	12	11	13	10.857	2
7	Stan Chart	7	13	9	11	11	11	9.714	5
8	Stanbic	10	8	11	11	11	11	9.714	5

Source: compiled Annual reports from 2006-2011

FIGURE - 1: TOTAL EQUITY TO TOTAL ASSETS

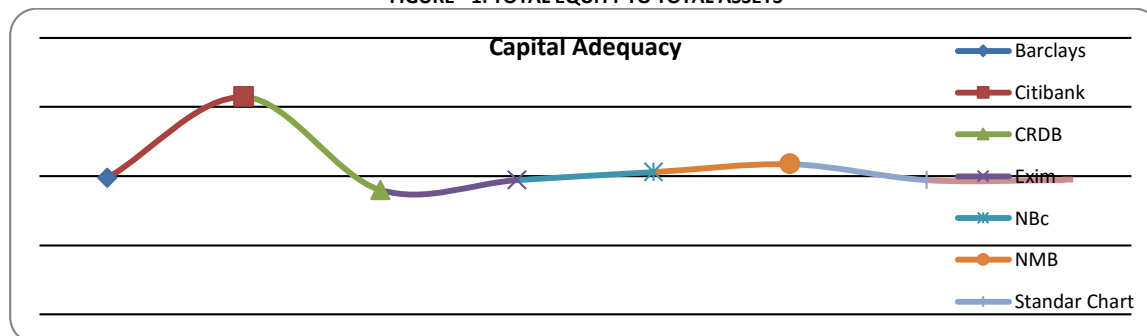


Table-1 and figure -1 are representing the bank's Capital adequacy of commercial banks for the period of 2006-2011. The results of figure-1 clearly show that Citibank has larger capital adequacy than other commercial banks. From the above table we can see that Citibank Bank's capital adequacy ratio is (15.714) which

is highest amongst so it ranks number one among the selected 8 large bank followed by NMB with (10.857) and NBC in the third position (10.286) and CRDB bank's capital adequacy ratio is (9) which is the lowest. According to above CAR most of the private banks are performing well better compare than public bank.

#### ASSET QUALITY RATIO

TABLE - 2: LOAN AND ADVANCE TO TOTAL ASSET

serial	Banks	2006	2007	2008	2009	2010	2011	AVERAGE	RANKS
1	Barclays	59	46	54	54	43	42	43.429	3
2	Citibank	14	21	43	31	18	19	21.714	8
3	CRDB	45	51	58	51	49	53	44.714	2
4	Exim	46	43	42	44	48	50	39.857	5
5	NBc	44	48	59	52	48	45	43.143	4
6	NMB	17	30	41	40	41	52	32.429	7
7	Stan Chart	78	51	51	41	43	51	45.857	1
8	Stanbic	47	26	41	36	50	59	37.857	6

Source: compiled Annual reports from 2006-2011

FIGURE - 2: LOAN AND ADVANCE TO TOTAL ASSET

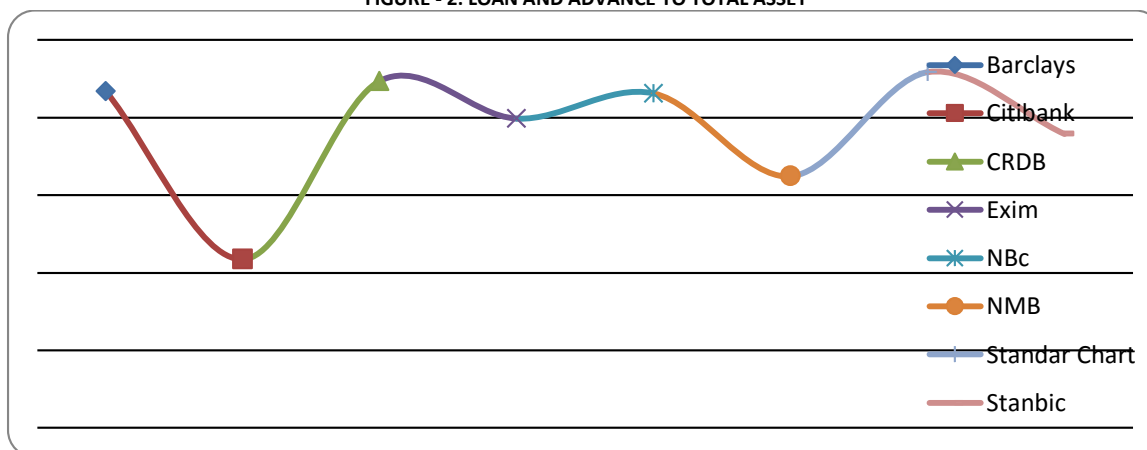


Table-2 and figure -2 are representing the Asset quality of commercial banks for the period of 2006-2011. The higher the ratio the more the risk the bank as it express high credit level and this can affect profit is as loans are the source of banks income. The results clearly reveal that Stanchart (45.857) bank limited have larger ratio of loan and advance to total asset than other commercial banks followed by CRDB (44.714) that is Barclays (43.429) banks. Citibank is the one with the lowest (21.714) loan advance to total asset than all commercial banks

#### MANAGEMENT EFFICIENCY

TABLE - 3: PROFIT AFTER TAX TO TOTAL EQUITY

serial	Banks	2006	2007	2008	2009	2010	2011	AVERAGE	RANK
1	Barclays	10.4	25.9	0.2	-8	-6.1	0.3	4.1	8
2	Citibank	45.7	36.4	26.3	25.5	21.3	18	25.6	3
3	CRDB	38.2	42.9	33	26.3	21.6	15.2	26.171	2
4	Exim	36.8	32.8	22.8	22.4	22.6	17.1	22.929	5
5	NBC	32.2	42.3	32.5	27.1	1.4	7.7	21.314	6
6	NMB	38.5	36.4	34.6	27	25.5	27.9	27.986	1
7	StanChart	18.8	52.9	22.4	25.5	18.9	28.3	24.686	4
8	Stanbic	-18.7	21.2	22.2	22.3	14	19.7	12.386	7

Source: compiled Annual reports from 2006-2011

FIGURE - 3: PROFIT AFTER TAX TO TOTAL EQUITY

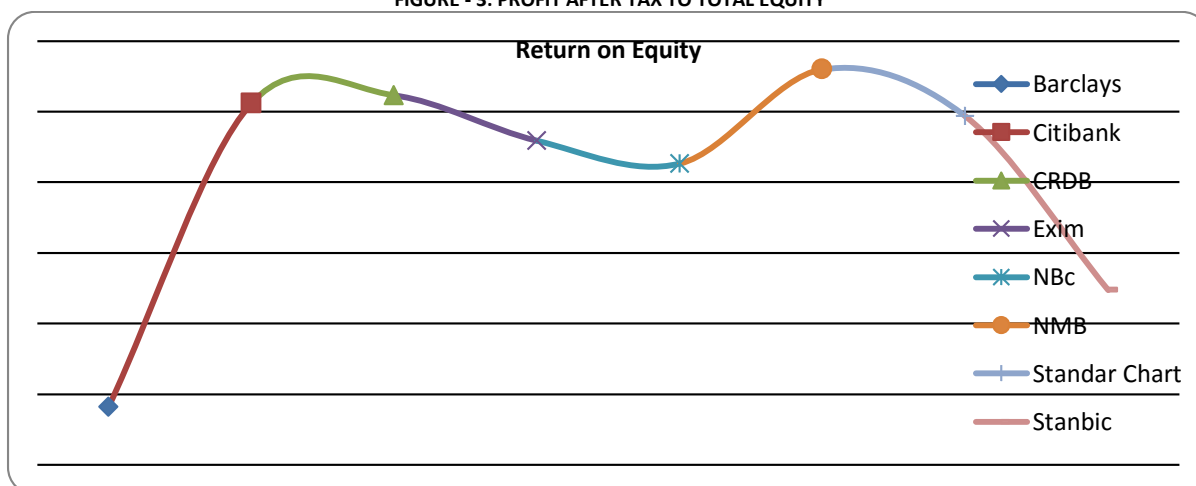


Table-3 and figure-3 above are representing the bank management efficiency of commercial banks for the period of 2006-2011. Profit after tax is expressed as a percentage of equity. The results clearly indicate that NMB has the highest return to total equity than other commercial banks operating in Tanzania which is (27.986), followed by CRDB (26.171) and Citibank (25.6) on third position. Barclay's bank has the lowest return on equity with (4.1) than all commercial banks.

## EARNING ABILITY

TABLE - 4: PROFIT AFTER TAX TO TOTAL ASSET

serial	Banks	2006	2007	2008	2009	2010	2011	AVERAGE	Rank
1	Barclays	0.8	2.6	0	-0.9	-0.7	0	1.114	8
2	Citibank	3.9	4.1	4.6	5.7	4.7	3.1	4.586	1
3	CRDB	2.9	3.7	3.1	2.8	2.3	1.5	3.186	4
4	Exim	3	2.7	2.5	2.7	2.5	1.9	3.043	5
5	NBC	3.3	2.7	3.8	3.4	0.2	0.8	2.886	6
6	NMB	4.4	4	3.8	3.1	2.9	3.4	3.943	2
7	Stan Chart	1.3	5.4	2.4	2.5	2.1	3.1	3.257	3
8	Stanbic	-1.9	1.9	2.1	2.4	1.6	2.2	2.043	7

Source: compiled Annual reports from 2006-2011

FIGURE - 4: PROFIT AFTER TAX TO TOTAL ASSET

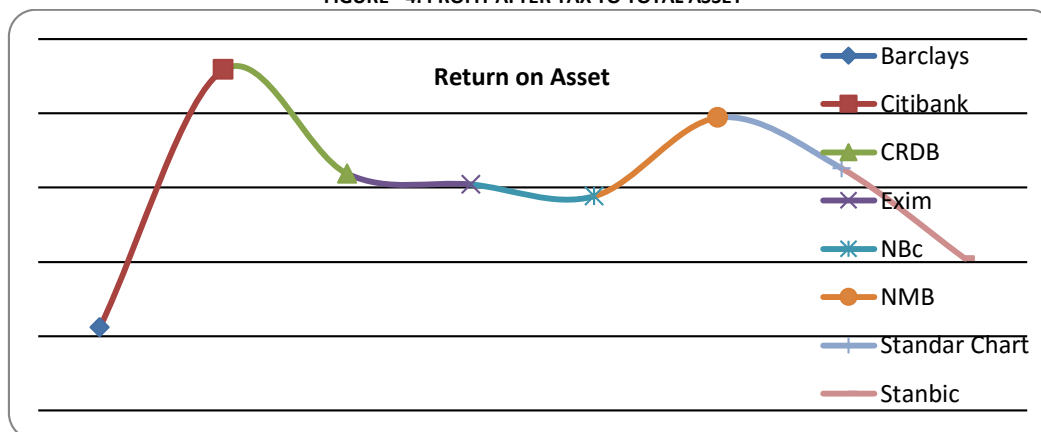


Table -4 and figure-4 are representing the bank earning ability of commercial banks for the period of 2006-2011. The results show that Citibank has the highest return to total assets than other commercial banks operating in Tanzania with return on asset of (4.586) so it ranks number one among the selected 8 large bank. The second bank is NMB with return of (3.943) the third position is Stanchart with return of (3.257) Barclay's bank has the lowest return on asset (1.114) than all commercial banks. Majority of the banks are performing well.

## LIQUIDITY

TABLE - 5: LIQUIDY ASSET TO TOTAL ASSET

serial	Banks	2006	2007	2008	2009	2010	2011	AVERAGE	Rank
1	Barclays	40	48	39	37	50	52	38.857	6
2	Citibank	81	69	46	55	72	71	57.143	1
3	CRDB	53	46	40	45	47	43	40	5
4	Exim	48	50	51	45	44	42	40.857	4
5	NBC	52	47	36	41	43	45	38.571	7
6	NMB	80	66	56	57	56	44	52.1429	2
7	StanChart	12	40	38	49	48	48	34.429	8
8	Stanbic	48	71	55	60	42	37	45.57143	3

Source: compiled Annual reports from 2006-2011

FIGURE - 5: LIQUIDY ASSET TO TOTAL ASSET

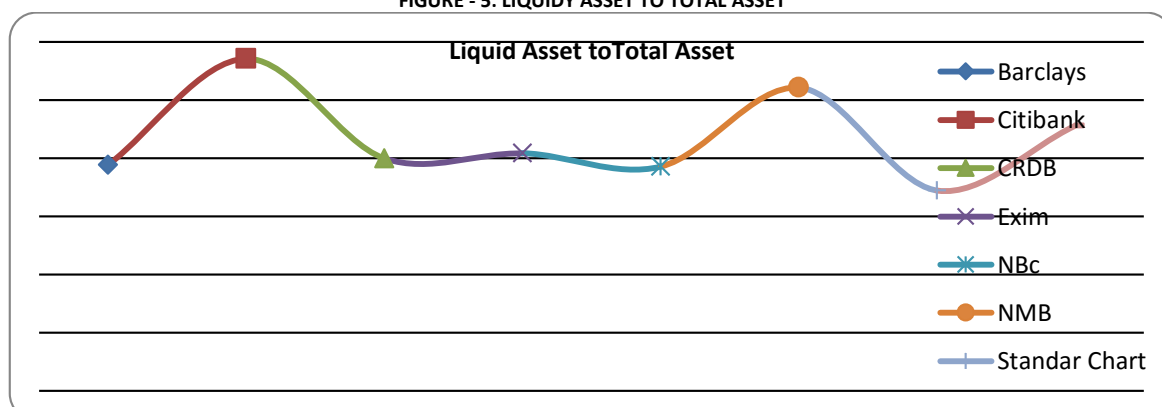


Table-5 and figure-5 are representing the bank Liquidity ability of commercial banks for the period of 2006-2011. The results reveals that Citibank has the highest liquidity of (57.143) than other commercial banks operating in Tanzania the second position is NMB (52.142) and Stanbic (45.571) bank in third position. Stanchart bank has the lowest liquidity ratio (34.429) than all commercial banks.

## CONCLUSION

This research paper was to analyse the soundness and health of large commercial banks operating in Tanzania for the period of six years (2006-2011). Five financial ratios have been used to measure capital adequacy, Asset quality, Management quality, earnings and liquidity. The findings show that both banks are financially viable as both have used the appropriate financial ratios to become more competitive and maximizing their profits. The bank has shown highest performance. Three banks were top performers in all the financial ratios, namely Citibank, NMB and Stanbic bank.

**LIMITATIONS**

The research only involved largest banks operating in Tanzania. This give little room to generalize the results to all banks. There is still room to further analyse and rank different categories of commercial banks operating in Tanzania

**SUGGESTIONS FOR FURTHER STUDIES**

The following suggestions were made for further research based on the findings of this study. The study was done in Tanzania. Further research is encouraged to have other countries also covered to check whether the results are still the same. In future a comparison should be done between the financial performance of large medium banks and small banks that have not. The study can also add years to the gain more understanding of the soundness and health of the commercial banks.

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## THE GAP OF HOSPITAL SERVICE PERFORMANCE BY USING SERVICE QUALITY ANALYSIS

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### ABSTRACT

*Patient is a customer of the Hospital whose satisfaction must be noticed. The satisfaction of patient is depended on the service performance which has been performed by the hospital. Service quality analysis is used to measure the expectations and the perceptions of respondents about service quality which has been provided by the hospital, so the occurred score gap can be known. The samples are 96 inpatients who have been selected by using accidental sampling method. The data collection has been carried out by using questionnaires. This research recommends that the hospital should find strategies in order to improve their service quality and to maintain consumer (consumer retention).*

### KEYWORDS

service performance, servqual analysis.

### INTRODUCTION

Hospital services (RS), is a public service which is needed and important in order to fulfill the demand of health. There are many elements that contribute and support the function of hospital operational. One of the main elements is the intensive and high quality Human Resources (HR), and the awareness of the appreciation of the devotion to the interest of society, especially in the fulfillment of the needs of the health services. The next process in the service is to make the customer satisfied. Customer satisfaction has become the key concept in any business activity services.

Customers in this research are patients who have ever used medical services in hospitals, particularly the inpatient services. Satisfaction is an expression of feeling on the fulfillment of individual needs. Kotler and Keller (2009) defines satisfaction as the feeling of happy or upset which has been experienced by someone after he or she makes comparison between the perception of performance or the result of a product with its expectations. Customer expectations can be formed through the communication between the hospital party and customers. This expectations will increase or even decrease after consumers have a communication or interaction with other customers. Lovelock (2007) indicates that the presence of the gap between the expectation and service performance that has been provided. The management should comprehend completely the main influence of this gap toward the expectations and the perceptions about performance. It has been expected that the research which has been carried out can show the service quality elements of the hospital, so the formulation of the problem is how far the gap quality level which has been received by the patients and the expectation of the patients on the inpatient service quality at Government General Hospital in Surabaya.

### LITERATURE REVIEW

#### SERVICE

Kotler and Keller (2009) defines service is a performance that is offered by one party to other parties, which is basically immaterial and it does not make any ownership on something. In its production, service can or cannot correlate to the physical product. Munhurrin *et al.* (2010) states that service is not similar to real product that is produced and consumed in front of the customer and the service provider at the same time.

Tjiptono (2007) emphasizes the definition of service by interpreting service as activity, benefit, and satisfaction which is offered for sale. For example: garage, repairment, beauty salon, hotel, and hospital.

#### SERVICE QUALITY

Payne (2007) states that relationship marketing concept combines quality, customer service and marketing. There are service companies which are not as success as they have expected in achieving customer focus through their marketing activities, many organizations fail to reach success in quality and customer service innitiative. Customer service level should be determined by the measurement of customer needs and the performance of competitors based on the research and should recognize the needs of various different market segment. Unlike Payne, Zeithaml *et al.* (1993) concludes that service quality is defined by customer. Service quality is defined as the contradiction between customer expectation and perception.

Service quality must be started and customer needs end on customer perception (Kotler and Keller, 2009). It means that good quality image is not based on the point of view or the perception of the service provider, but it is based on the point of view or the perception of the customer. It is the customer who consumes and enjoys the service of the company, so it is the customer who should determine service quality. Customer perception to the service quality is the total assessment of service superiority. Nevertheless, it should be noticed that service performance mostly inconsistent, so customers have to use intrinsic and extrinsic service signal as the reference.

Gronroos (2007) states that in order to enhance the long term quality, customer expectation should be focused, expressed, and calibrated and customer should develop dynamic expectation model which describes that professional service quality has been developed in accordance with the relationship of the customer from time to time.

#### CUSTOMER SATISFACTION

Lovelock (2007) states that customers experience various satisfaction or dissatisfaction level after receiving various services in accordance with how far their expectation fulfilled or exceeded. Satisfaction is an emotional condition, post-purchase reaction in the form anger, dissatisfaction, aggravation, neutrality, happiness, or pleasure. According to Kotler and Keller (2009) (2009) the definition of satisfaction is: someone who feels happy or disappointed which comes from the comparison of his or her impression to the performance (or the result) of a product and his expectations.

Next, Zeithaml and Bitner (1996) explain that customer satisfaction will be fulfilled when the service delivery process from the service provider to the customer is in accordance with something that has been perceived by the customer. Therefore, various factors such as subjectivity of service provider, customer psychological condition and service provider, external environmental condition and so on are perceived by the customer in different ways.

#### CUSTOMER EXPECTATION

Customers make expectation based on brand or product which will give satisfaction and benefit (Assael, 1998). Parasuraman, *et al.* (1990) expectation is a customer's trust before he or she purchases a product and it becomes the reference in assessing the performance of the product.

Nabi (2012) explains that customer expectation is what customer wants to receive from services. It can be concluded that expectation is an uncontrollable factor which includes past experience, advertisement, customer perception by the time purchasing is conducted, background, behavior and brand image. Moreover, the influence of customer expectation is pre-purchasing trust, word of mouth, individual needs, experienced customer, and other personal behaviors. Different customer has different expectation which is based on customer knowledge on products and services.

#### CONSUMER PERCEPTION

Customer perception itself may change as an accumulated experience of a company or product (Dutka, 1994). Perception assist individuals in selecting, managing, storing and interpreting the stimulus into a unified and meaningful description of the world. Therefore, a perception has a role in the way of how the acquisition of knowledge about an object or an event at a given time, then the perception occurs when the stimulus activates the senses. Since the perception involves the

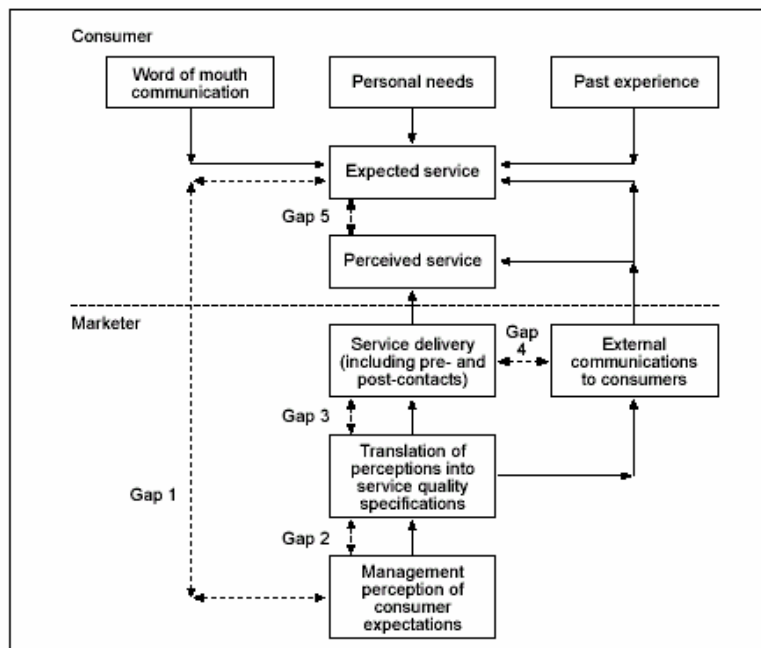


knowledge (cognitive) then the perception has a role in the receiving, organizing, and translating or interpreting the organized stimulus in order to influence the behavior and to form the attitudes (Gibson et al, 2011).

#### SERVQUAL ANALYSIS

Furthermore, Zeithaml and Bitner (1996) explains that customer satisfaction will be fulfilled when the process of delivering services from the service provider to customer is in accordance with what has been perceived by customer.

FIGURE 1: SERVICE QUALITY GAP



The difference in the delivery of what has been perceived by customer includes five differences i.e.:

1. The gap between customer's expectations with management perception. This gap arises as the result of the ignorance of the management about what sort of real service qualities that have been given to the customer. Moreover, this ignorance brings the consequence to the impropriety of design and service standards.
2. The gap between management perception of consumer expectations and service quality specification arises. This gap arises because the managers establish service quality specification based on what they believe to be demanded by the customer.
3. The gap between service quality specification and actual served services arises. This gap primarily arises on the service which its delivery system is completely depend on employees. An accurate perception of customer expectations is important, but it is inadequate to ensure the presentation of the finest quality services.
4. The gap between actual service delivery and external communication to customer. Promises which have been uttered by service companies through advertising media, sales force and other communications may potentially not only will enhance the expectation which will be served as the standard of service quality which will be received by the customers, but it will improve the perception of the services that will be delivered to them as well.
5. The gap between the service which has been expected to be received accurately. This gap reflects the difference between the actual performance and the customer perception.

#### RESEARCH METHODS

**Patient's Expectation:** Expectation or hope is something that is normatively felt by the patient toward services and it is related to the service quality and patient satisfaction.

**Patient's Interest:** Patient's interest toward service quality is an opinion that is expressed about how important service quality that has been offered to the customers can satisfy them.

**Patient's Performance:** Patient's perception toward service is a comprehensive assessment of the advantages of a service which is also the performance of the hospital.

The total amount of the population is unknown, because the inpatients tend to be out. The amount of sample is determined by the formula:

$$n = \frac{Z \cdot p \cdot q}{d} = \frac{1,976 \times 0,5 \times 0,5}{0,10} = 96$$

Descriptions:

- n = the number of samples
- Z = normal standard price (1,976)
- p = the estimator of population proportion (0,5)
- d = deviation / interval (0,10)
- q = 1 - p

Based on these calculations, the samples are 96 inpatients. The sample collection method which can represent the population will be carried out by using accidental sampling, the sample collection is based on accidental situation. Anyone who accidentally meet with researchers and he or she is considered to be feasible to be selected as a source of data.

The data collection techniques which has been applied in this research is done by issuing questionnaires, by asking a list of questions to the respondent and it is filled by the respondents with the purpose to gain the primary data that is required.

The instrument that has been used to collect the primary data that is required in this study is a closed-ended questionnaire, i.e.: a list of statements / questions that every statement has alternative answers / responses that can be selected when it is appropriate. The limit of the measurement that is used in the questionnaire is the interval, in which a measure relatively has the same distance so the nature of the measure is homogeneous.

This analysis is used to measure the expectations and the perceptions of respondents about service quality that has been provided by the hospital so the occurred gap scores can be found. The calculation of Servqual score is done by using the formula:

**Servqual score = score of perception / performance - scores expectations**

Service quality of five service dimensions can be obtained by taking the average value of servqual scores of the questions that have been asked. Thus the description of the assessment of the respondents toward service quality of the hospital can be known. The result of Servqual analysis can be divided into 3 (three) scores, i.e.:

- Zero score (score = 0), indicates that the expectation of the members is exactly the same with the performance that has been generated by the service quality of local general hospital of Surabaya.
- Negative score (score < 0), indicates that the expectation of respondents is greater than the performance when it is compared to the company that is being studied. This condition will make the respondents feel less satisfied or not satisfied.
- Positive score (score > 0), indicates that the expectation of respondents is smaller than the performance that has been generated by the company that is being studied. This condition will make the respondents feel satisfied.

**THE RESULT OF THE RESEARCH**

When the servqual score is getting larger ( $\geq 0$  or positive), the satisfaction that has been felt by the respondents is getting larger as well, because the performance of the government general hospital in Surabaya is in accordance with or exceed what has been expected by the member. It works in the opposite way, when the servqual score is getting smaller ( $< 0$  or negative), the satisfaction that has been felt by the respondents is getting smaller as well, because the performance of the service has not met with what has been expected (the expectation of the respondents is greater than the performance of the company). It means that the service dimensions that is owned by the servqual services has the highest score which is the most satisfactory service dimension that has ever been felt by the respondents. The recapitulation of the average value of company performance, respondent expectation, and gaps are listed in the following table:

**TABLE 1: THE AVERAGE WEIGHT VALUE OF EXPECTATION, PERFORMANCE, AND GAP FOR EVERY ATTRIBUTE AND DIMENSION**

NO	ATTRIBUTE	PERFORMANCE	EXPECTATION	GAP
<b>TANGIBLES</b>				
1	Equipments in used	4.48	4.38	0.10
2	Interesting physical facilities	4.46	4.32	0.14
3	Neat and kind Hospital employees	4.46	4.34	0.12
4	Interesting service information materials	4.25	4.35	-0.10
<b>Average tangibles</b>		4.41	4.35	0.065
<b>RELIABILITY</b>				
5	The suitability of appointment that has been given by the hospital	4.32	4.28	0.04
6	Patients' problem solving	4.07	4.40	-0.33
7	Services that are given at the same time	3.95	4.29	-0.34
8	Provide on time services	4.27	4.48	-0.21
9	Minimum mistakes in services	4.02	4.19	-0.17
<b>Average reliability</b>		4.14	4.33	-0.18
<b>RESPONSIBILITY</b>				
10	Correct service announcement	4.36	4.36	0.00
11	Provide direct services to the patients	4.55	4.49	0.06
12	Always ready to help patients	4.09	4.07	-0.02
13	Always responsive to patients demand	3.91	4.17	-0.26
<b>Average responsibility</b>		4.23	4.27	-0.045
<b>ASSURANCE</b>				
14	Employees with good behavior	4.51	4.42	0.08
15	Sense of security that is felt by the patients at the moment they receive services	4.34	4.40	-0.06
16	Respectful manner to the patients	4.16	4.31	-0.15
17	Answering the question of the patient properly	4.22	4.16	0.06
<b>Average assurance</b>		4.31	4.32	-0.018
<b>EMPHATY</b>				
18	Special attention to the patient	4.36	3.97	0.39
19	Suitable operational hours for all patients	4.22	4.03	0.19
20	Employees' personal attention to the patients	4.35	4.65	-0.30
21	Understand the special needs of the patients	4.32	4.40	-0.08
<b>Average empathy</b>		4.31	4.26	0.05

From the table above, the negative gap in the service dimension can be detected, thus the total gap was negative. It means that the performance of Hospital services have not met the expectation of the respondents, in other words, expectations are still greater than the actual performance. The value gaps in each dimension when it is put in order from the smallest to the largest are: Empathy (0.05); Tangible (0.065); Assurance (-0.018); Responsibility (-0.045); Reliability (-0.18).

Empathy service or attentive service dimension has positive value gap of 0.05. This result has made the respondents feel satisfied with the attention which has been given by the Hospital when they use inpatient medical services. Thus, the empathy dimension is the dimension that gives the largest contribution to the respondent total satisfaction level of the end-user hospital services.

Gaps tangible or embodiment also has a positive value although its value is lower than the empathy value that is 0.065. In this dimension, the respondents feel satisfaction in medical and health equipment which have been used in the hospital. Likewise, the physical facilities of the hospital have met the respondents' satisfaction according to their opinion. The apparel of nurses, doctors and hospital employees which is very neat has made the respondents feel satisfied to see it. However, the indicator of information of in-used materials, has not made the respondents feel satisfied, because the information materials indicator in the hospital is not clearly visible and it does not match with the sections of the hospital.

The indicators on the Assurance dimension has negative gap of -0.018. Assurance is the knowledge and the respect of nurses, doctors and hospital employees and their abilities to convey a sense of trust and confidence to the respondents. On the behavior item, all members of the organization Government General Hospitals in Surabaya and the attitude items of nurses, doctors and hospital employees in answering all questions of the patients have been answered properly, have positive gap. It means that the respondents feel satisfied on this question items. However, the respondents do not feel satisfied at the security items that is felt by the respondents when receiving services. This item requires attention from the hospital.

Responsiveness dimension has negative gap value of -0.048. It means that patient satisfaction in the responsiveness of the entire member of the hospital organization is felt not quite satisfactory for the respondent. On the notification item of the timeliness of the services which will be carried out has balanced value, it means that what is expected by the respondents is in accordance with the performance. But on the responsiveness item which means always responsive to any patients' requests although the medical officers have their own activities have been responded negative by the respondents, it means that on this item the respondents do not feel any satisfaction.

Reliability dimension is the ability of the hospital in fulfilling the promise that has been made has the largest negative gap among dimensions of -0.18. The respondents do not feel any satisfaction about the suitability of promise, good problem solving for each patient problems, the accuracy of service, and minimum errors in providing services.

## DISCUSSION

The discussion about the patient's expectations, patient's interests, and the performance of the hospital itself, currently is an important topic to be studied, regarding the hospital is a medical care service company for public. Likewise, the competition which occurs in hospital service industries is so competitive. The emergence of private hospitals which offer a wide range of attractive and proper services and facilities, has made challenge for local government general hospitals to contribute in improving the quality of its services, although the target segment is different from the private general hospital which generally choose the middle up class segment.

This research has generated the empathy (attention) which has the lowest gap when it is compared to other dimensions. In accordance with the observations that have been made by the researcher, that the hospital has tried to provide good and friendly service optimally to patients who come from any segment. The attention is given from the hospital to the patients is considered to be good by the respondents, which means that the inpatients have received the performance of the hospital satisfactorily. However, the circumstances that has been described by the respondent, is an obligation for the hospital to maintain and to increase by noticing the indicators that have been stated in the dimension of empathy.

Tangible dimension or real evidence is in the second row that has small gap when it is compared to other dimensions. Real evidences which are included in physical evidence are the condition of the facilities and the inpatient room, toilets, waiting rooms, and sanitary that accompanies these facilities. Hospital is a place for someone to have medical treatment in order to heal, therefore, and the facility and the sanitary is the primary issues for the medical service company. In this case the patient assess that the performance of the hospital for this issues can be said to be good, but the interests and the expectations of the respondents for this dimension is high.

Assurance dimension ranks in the third position in the test gap analysis. The results which has been achieved in this dimension shows negative figures, so it can be concluded that the inpatients assess the performance of the hospital has not satisfactory yet. The assurance standard either on quality, safety and sanitary of the hospital has been possessed by the hospital, but this has not been responded positive by the respondents so it still has negative gap.

Responsiveness dimension is related to the quality and the attitude of the resources that is possessed by the hospital to the patient. The inpatients are the patients who use medical services facilities. Therefore, the treatment that has been received by the patients from the hospital is experienced by the patients. The inpatients assess the responsiveness of nurses, doctors and hospital employees and the result is not satisfactory. Responsiveness is still considered to be ordinary by the patients. In fact the patients expect to get a high response and interest that has a high interest value. Therefore, the hospital still needs to improve the responsiveness dimension.

Reliability dimension is the dimension that has the highest gap. The indicator of the compliance with appointments or information that has been given, the respondents give high appraisal of the performance of these indicators, and these indicators have a high level of importance. Although some indicators have been declared satisfactory by the patients, but on the whole the hospital should hold some improvements, particularly in this dimension to reduce the gap between expectation and performance that has been generated by the hospital.

## CONCLUSION

The research has concluded that empathy dimension has the smallest gap of 0.05, this means that customers are satisfied with these dimensions. Meanwhile the dimension which has the largest gap is reliability of -0.18 which means that the customer is not satisfied with this dimension. The gap dimensions of the other row is tangible or physical evidence (0.065), assurance or warranty (-0.018), and the responsiveness or the responsiveness (-0.045).

## SUGGESTIONS

In order to improve competitiveness, especially in terms of quality of health services, there are some things that can be suggested as follows:

1. Improving the quality of human resources hospital should note, with training on the attitudes and the customer service that each personal able to serve patients well.
2. Subsequent research, it is advisable to examine also about the quality of care for outpatients so that can know the overall quality of care hospitals.

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