



INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

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THE STRATEGY OF DE-INTERNATIONALIZATION OF THE SMES OF THE FOOTWEAR IN THE AREA METROPOLITANA DE GUADALAJARA

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ABSTRACT

The aim of this paper is to analyze the exogenous and endogenous factors that determine the strategy of de-internationalization of SMEs in the sector of the footwear in the Metropolitan Zone of Guadalajara (ZMG). The proposed model explains the adoption of the strategy of de-internationalization from studies of comparative cases of SMEs in the footwear sector of the ZMG. In-depth interviews were applied to managers and staff involved during the time that the company was exporting. Analysis points out that lack of strategic planning and the instability in the foreign currency exchange rate are major factors that determine the strategy of de-internationalization in SMEs in the ZMG. Also, it is evident that the strategic imbalance during the de-internationalization strategy is not considered as a failure, but rather as an opportunity to redirect it and thus grow in the local market.

KEYWORDS

De-internationalization, strategy, exogenous and endogenous factors, SMEs.

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INTRODUCTION

Interest in studying the strategy of internationalization of small and medium-sized enterprises (SMEs) (Andersen, 1993; Bell, Crick, Young, 2004; Mr. de Clercq, Sapienza, Crijns, 2005; Fillis, 2006; Johanson and Vahlne 1977) and the factors that determine it, is extensive (Andersson, Gabrielsson, Ingemar, 2005; Karedeniz and Göcer, 2007). However, there are few studies that address the strategy of de-internationalization and the withdrawal of export.

De-internationalization, in agreement with Mellahi, 2003 (quoted by Reiljan, 2005), is considered as an organization's strategic response to reduce its participation in international and/or domestic operations in order to improve the profitability of the business as a result its external environment or its domestic context. The withdrawal of export is defined by Pauwels and Matthyssens (1999, p.10) as "an enterprise's firm decision to reduce activity in a market and a product abroad", either as a decrease in the international market share or as a complete abandonment of the same (Crick, 2002; Pauwels and Matthyssens, 1999; Reiljan, 2005).

Research on the internationalization emphasizes incentives and obstacles/barriers that a company faces in order to internationalize (Bell and Crick, 2002; Clercq et al., 2005; Cavusgil, 1984; Fillis, 2001; Johanson, Wiedersheim-Paul and Vahlne, 1977; Leonidou and Katsikeas, 1996). Among the key points considered as the dominant theories of the internationalization of enterprises there are some factors that directly influence the adoption of this strategy, such as experience, management vision, and rapid changes in the competitive environment (Andersson et al., 2004; Baldauf, Cravens, Wagner, 2000; Jiménez, 2007). However, research has not considered those factors that determine the output of the international markets. The adoption of the strategy of de-internationalization is a subject hardly considered and even forgotten (Benito, 2003; Pauwels, and Matthyssens, 1999; Reiljan, 2005; Turner and Gardiner, 2007).

There are contributions focused on analyzing such a strategy, particularly the importance of certain factors such as experience in the markets, the costs involved, the information one has on them, the characteristics of the entrepreneur, as well as the implementation of strategic planning to break into the international environment (Benito, 2003; Crick, 2002; Pauwels, and Matthyssens, 1999, 2002, 2004; Reiljan, 2005; Turner and Gardiner, 2007). In the long term, these factors may lead some companies to leave the markets or to redirect their strategy towards new opportunities, as a result of the external environment or the changing domestic context.

Knowing the causes that determine the behavior and the factors that determine the presence of small and medium-sized footwear enterprises (SME) in external markets is of great importance because they contribute to the generation of employment and economic development of the country. However, given their characteristics, SMEs present certain problems that shorten their stay in the market.

The Ministry of economy (2009) argues that the general problem of SMEs is associated with the following:

- (a) Limited participation in trade,
- (b) limited access to sources of financing,
- (c) delinking the most dynamic sectors,
- (d) deficient training in human resources,
- (e) lack of engagement with the academic sector, and
- (f) lacking culture of innovation processes and development technology.

These constraints have an impact on the performance and permanence of the SMEs, with its consequent effect on employment and income of the nation. The majority of the footwear SME positioned in a given market, as part of their problem, do not have any expectations of growth that go beyond what they plan. Despite the importance of the number of companies contributing to the economy and job creation, only a small percentage of SMEs export.

According to a survey of the industrial situation of footwear in Jalisco, the system state of Jalisco information (SEIJAL) and the Chamber of the footwear industry of the State of Jalisco (CICEJ), there are 806 companies dedicated to this activity within the state as of 2008. Moreover, according to the same survey in 2008, which interviewed a sample size of 170 footwear companies, only 13 percent are engaged in export performance.

This research aims at the analysis of the strategy of de-internationalization of small and medium enterprises (SME) in the footwear sector in the Metropolitan Zone of Guadalajara (ZMG) and the factors that determine the strategy. This study is limited to the export of the production of small and medium enterprises (SMEs) in the footwear sector for several reasons.

First, the export is considered the primary means of entry to international markets for SMEs (Pauwels, Matthyssens, 1999; Crick, 2002; Leonidou, 2004). In addition, some studies show that withdrawals occur to a greater extent during export in comparison to other mechanisms of entry such as direct foreign investment (Pauwels, Matthyssens, 1999; Reiljan, 2005). Another reason is that the footwear SME that settle in a given market, do not have expectations of growth beyond the expected. Despite the contribution to the economy and employment generation, only a small percentage of SMEs export. Of these, only few manage to stay on the international markets.

During the implementation of a prior questionnaire for the selection of cases for the study, a sample of 40 manufacturers of footwear in the State found that 10 companies had ceased to export. Of the small percentage that manage to survive, the footwear SMEs have to face constraints that prevent their expansion of activities abroad, mainly illegal imports, informal trade in much of the country, the difficult economic environment, but above all the open trade with the Asian bloc.

For example, given the importance in exports and only to measure the problem, according to the Chamber of Footwear Industry of the State of Guanajuato and based on a study carried out by the Center for Economic Study of the Private Sector (CEESP), the damage that smuggling causes on the Mexican economy amounts to 30 billion dollars. The fiscal authorities no longer receive them, just because of the added tax value (not including the payment of duties and countervailing duties, a total of about 50 billion pesos.)

An additional problem stemmed from the periods of most recent economic crisis in the years 1995, 2001 and 2007, which have affected the economic growth of the country and the main sectors that make up the production environment. These economic crises led to a slowdown in the growth of certain sectors, particularly the manufacturing sector (Salinas, Tavera, 2007; Mendoza, 2010; Dussel, 2004 and 2009). In addition, the manufacturers of footwear, "are suffering the consequences of the opening up of trade which favored the importation of Chinese products, whose lower prices have led to the departure of many companies", says Rendón Trejo (2009, p. 2).

The existence of factors such as the lack of experience and knowledge of international markets, the increase in costs, as well as a limited production capacity that is unable to cope with the overwhelming demand abroad, has resulted in the loss of competitiveness in the industry. According to an interview of the Director of the Chamber of Footwear Industry of the State of Jalisco (CICEJ), there is no specific data of the companies that are affiliated with the chamber, how many exported and how many have ceased to do so. However, the decrease in the number of undertakings established in a formal way is clear. This has an impact on the uptake of tax revenue, not to mention the great unfair competition affecting the internal market, which harms the national productive plant, generates closing companies, and as a result, the loss of thousands of jobs. All this has been at a disadvantage to most of the footwear producers in the country including Jalisco.

With this issue, the questions of this study are: what are the factors determined by the de-internationalization strategy in the footwear industry of the ZMG? What factors determine the strategies of de-internationalization of the footwear SMEs in the ZMG?

THEORETICAL OR REFERENTIAL FRAMEWORK

Literature on internationalization, draws attention to the growing participation of small and medium-sized enterprises (SME) in international trade as a result of the intense globalization of markets, which during the first decade of the 21st century has shown dramatic and rapid changes (Leonidou, 2004).

According to the report on the world trade by the World Trade Organization in 2008 "Trade in a globalizing world", even though there is no universal definition of *globalization*, economists use the term to refer to "the international integration of markets for primary commodities, capital and labor" (mauve *et al.*, 2003).

The internationalization strategy has been widely studied, mainly to get to know the behavior of SMEs in the international market (Wolff and Pett, 2000; Lu, Beamish, 2001; Fillis, 2001; Chetty and Campbell-Hunt, 2003; Bell *et al.*, 2003; Anderson *et al.*, 2004; Bell, Crick, Young, 2004; Moen *et al.*, 2004; Clercq, Sapienza and Crijs, 2005) and the factors that determine it (Andersson *et al.*, 2004; Karedeniz and Göcer, 2007).

It is conceived as a way of participation and expansion in the activities of the companies in international markets. However some authors point out that some companies do not experience such growth (Penrose, 1959 cited by Turcan, 2003) and decide to reduce the commitment in the international markets or retire altogether (Pauwels and Matthyssens, 1999; Crick, 2002).

THE DE-INTERNATIONALIZATION AS STRATEGY

The de-internationalization concept was introduced by Welch and Loustarinen (1988, p. 37) who point out that "once the company moves into the process of internationalization it does not ensures its continuity" (quoted by Turcan, 2003, p. 211). Benito and Welch (1997, p. 9) define it as "those voluntary or forced actions that reduce the commitment to participation or exposure to current activities abroad". Also, they recognize the importance of differentiating between total or partial de-internationalization.

Some studies have analyzed the de-internationalization from various theoretical perspectives. From the economic field, the enterprise could consider de-internationalization in response to economic circumstances. From the perspective of strategic management, the company considers the de-internationalization in relation to the product portfolio and life cycle of the business, and from the perspective of internationalization management, it is seen as a barrier to the de-internationalization (Benito and Welch, 1997; Crick, 2002; Pauwels, and Matthyssens, 1999, 2002, 2004; Turcan, 2003 and 2011; Reiljan, 2005; Turner and Gardiner, 2007).

For his part, Turcan (2003) points out that the de-internationalization which is considered more as a process in the cross-border activity, is a consequence of the cause-effect relationship between internationalization and de-internationalization. The model proposes a conceptual framework that frames three constructs or variables:

- (a) Commitment of employers influenced by psychological, social, and structural factors;
 - (b) Change in the dual networks that are triggered by a critical event and are dependent on the actions and intentions of both partners; and
 - (c) Time perceived by the entrepreneurs through the relationship of codes and memoirs (past) and the congruence and horizons (future).
- Additionally, his model considers the importance of the total or partial withdrawal through the construction of a matrix where the positions of companies are located into quadrants as shown in Figure 1. In Figure 1, the location of the four quadrants is shown for the companies that are in the process de-internationalization. Quadrant 1 is formed by the companies that have fully withdrawn from international markets and instead focus on serving the local market. Quadrant IV also represents companies that withdrew completely from the market but with the difference that these companies could have ceased to operate during or before they started the process de-internationalization. Enterprises that are in quadrant II remain active on the international markets but partially de-internationalized, and finally quadrant III represents those cases not existing or known as "cells not empirical" (Non-empirical cell).

FIGURE 1: MATRIX SHOWING POSITION OF COMPANIES THAT ARE IN THE PROCESS OF DE-INTERNATIONALIZATION

Continuous de-internationalizaion			
		Total	Partial
Continuous life	Still in business	I Total withdrawal from international activities and yet in business	II Partial withdrawal from international activities
	Out of business	IV Total withdrawal from international activities and ceased trading at or right after	III Non-empirical cell

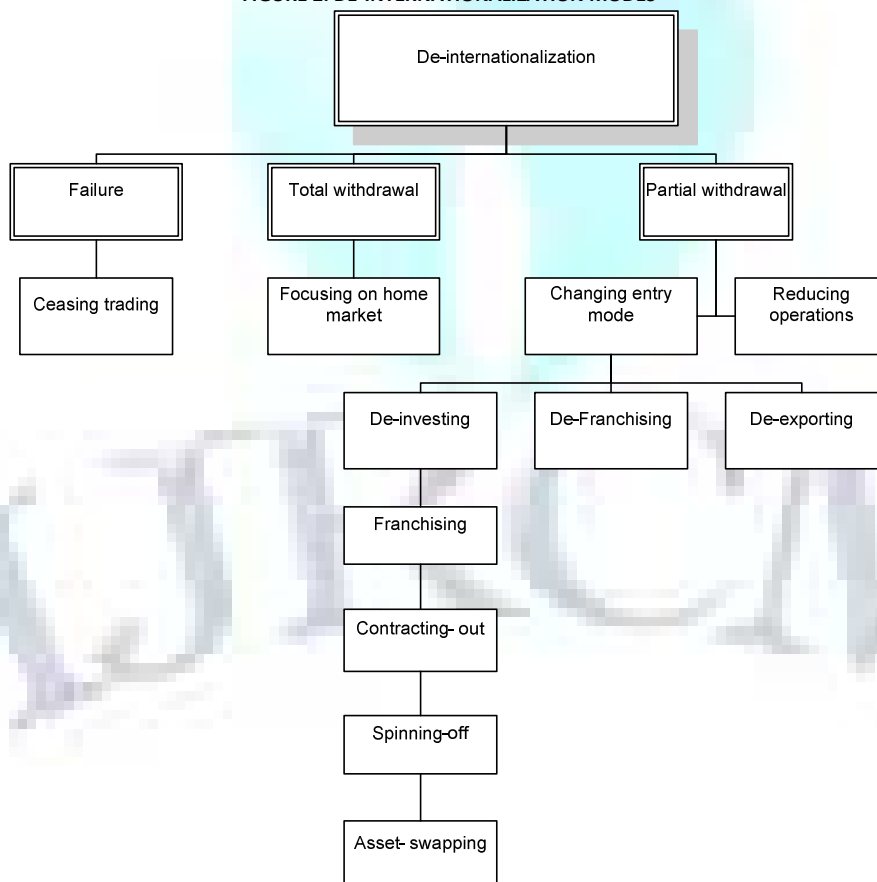
Source: Own generation based on the model proposed by Turcan (2011)

Turcan (2003 2011) points out that the de-internationalization of companies can happen totally or partially (Benito and Welch, 1997; Reiljan, 2005).

The former is more likely to happen during the early stages, and it will decrease as the commitment and knowledge in foreign markets increases. This is in opposite to partial de-internationalization which tends to occur during the later stages of internationalization.

Figure 2 shows that enterprises adopt modes of entry depending on the strategies that can be considered a failure, i.e. a total withdrawal from the markets, with a shift in strategy or as a partial retreat where they opt for change in input mode, *de-franchising* or *de-exporting*, and a reduction in operations. This behavior matches the research developed by Pauwels and Mathysens (1999, 2004). In this sense, the company may choose to retire partially or completely. In other words, they try to reorient their strategy, be it focusing on the domestic market or changing the input mode.

FIGURE 2: DE-INTERNATIONALIZATION MODES



Source: Own generation based on Turcan (2011).

On the other hand Pauwels and Mathysens (1999: 10), from the perspective of *export withdrawal*, develop a study about the process of a market withdrawal strategy defined as "the strategic decision of a firm to rule the combination of a product/market out of its international portfolio." In other words, they are all actions taken by the company to reduce its commitments in the export market, which can be both internal (new strategic priorities) and external (dramatic

changes in the competitive environment). His approach is basically based on the cognitive processes and behavior of decision-making and implementation processes. In this sense, export withdrawal is considered more as a strategy whereby an organization carries out an adjustment between domestic resources and skills, and the opportunities and risks created by the external environment in which it unfolds (quoted by Pauwels and Mathysens, 1999).

So the strategy for current research is understood as a process whose main characteristic lies in the decision-making process which involves processes of learning, planning, and engagement in the activities of the organization. Six phases are identified in the process of decision-making during the retreat of export. Thus, this process is developed in the model of export withdrawal as a process:

(a) Start and accumulation of commitments on the market;

(b) Increase in stress;

(c) Two contrary reactions;

(d) Game of power;

(e) Vacuum vs. fait accompli; and

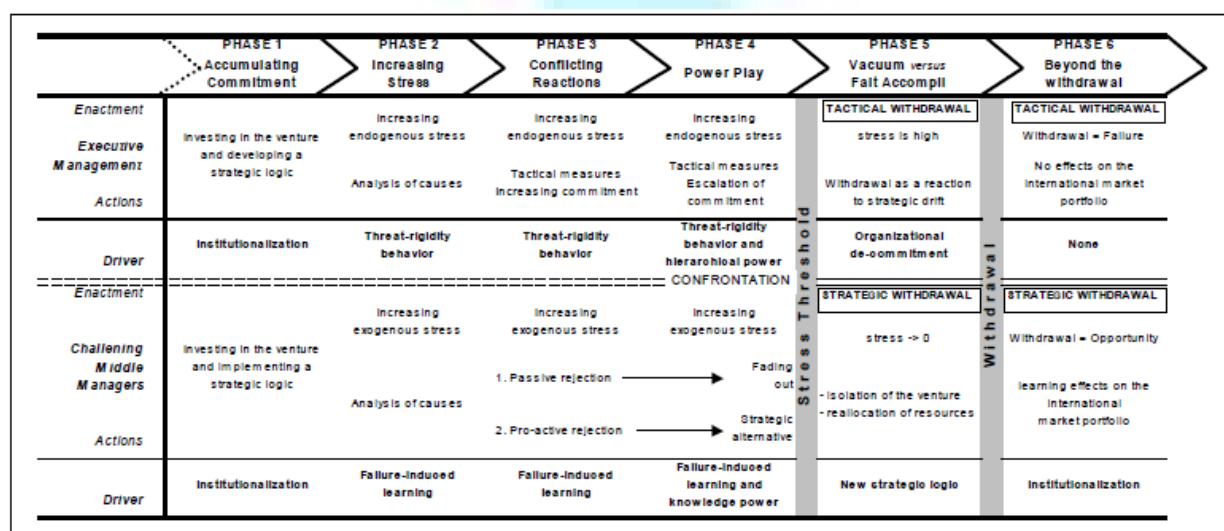
(f) Beyond the withdrawal.

Figure 3 explains the strategic process for withdrawing from the international market. The authors proposed a model of six phases conditioned by certain factors and behaviors induced by the threat of the learning environment and the dynamics of the political context.

The first phase consists of the company's gradual accumulation of both financial resources and physical and material resources (infrastructure, equipment). The second phase is when there is an increase in stress that comes with a mismatch between the objectives initially set by management and the achievement or the company's current situation. There is uncertainty among the staff, and they seek solutions to improve the situation. The third stage presents reactions in conflict that arise due to the stress of the situation.

The company seeks alternatives that enable them to make strategic decisions to resolve the conflict. Management adopts tactical measures. Two reactions arise thereby: passive and reactive. In the fourth stage there is a game of power between staff and managers. Despite the implemented tactical measure, performance continues to decline. In the fifth stage it is formally decided to withdraw, thus decreasing strategic control.

FIGURE 3: STRATEGY OF WITHDRAWAL ON INTERNACIONAL MARKETS



Source: Based on Pauwels and Mathysens model (1999, 2002).

Finally, in the last phase, two types of retirement are identified: on one hand, the tactical withdrawal which arises as a result of the threat-rigidity and management's learning of exploitation. On the other, the strategic withdrawal is characterized by being considered a "failure" that is induced by the exploratory learning of lower managers.

FACTORS IN THE STRATEGY OF DE-INTERNATIONALIZATION

Some authors note the factors involved in the strategy of de-internationalization (Reiljan, 2005; Turner and Gardiner, 2007). One of the causes for which export withdrawal could be started, as indicated by Pauwels and Mathysens (1999), is the ambiguity of the information. The majority of managers perceive symptoms of weakness in the performance in particular markets, and they tend to make their own inferences regarding the main problems that cause the weak performance as well as probable solutions to those problems.

This process of de-internationalization coincides with Leonidou (2004) who pointed out that inefficiency in information, competitiveness in pricing, habits of consumers overseas, and political-economic obstacles, are factors that hinder exporter behavior. From another perspective, Crick (2002) considered the lack of strategic planning, including the mobilization of domestic resources as well as a large number of environmental issues arising from the weakness of the currency and the imposition of trade tariffs, as one of the reasons that might influence the decision to discontinue international activities. However, she argues that discontinuing exports can be a strategic advantage for the company if concentrating on the domestic market is more profitable.

In this sense, Reiljan (2003) also agrees in the argument that the factors intended as additional sources of knowledge tend to decrease the effect of a lack in international experience that creates changes in the strategy, with which it can increase or decrease the possibility of de-internationalization at the same time. As a result, the influence of this factor decreases as the company gradually fills its own knowledge base with the knowledge based on experience. During the time when companies think about internationalizing, they look to new markets for their product, internationalizing thus becomes one of their primary motives, and as their commitment to these markets increases, their field of activities increasingly becomes more widespread.

In a study conducted for a group of manufacturing companies in Estonia, Reiljan (2005) identifies four groups that frame the reasons for the de-internationalization, and their significance depends on the stage of globalization in which the company is located. One of the factors identified to be crucial for de-internationalization is the increase in costs, which tend to occur during a longer period of time and which also have a greater influence during the intermediate process of internationalization. This event is contrary to the change in strategy that tends to occur during the later stages of internationalization.

On the other hand, as the company increases its international experience, it looks for ways to minimize the costs arising from the partial or total dissolution of operations that are abroad. Its effect will depend on the level of commitment and experience. Nonetheless, it will have a major influence during the intermediate process of internationalization. In the study's findings, it is concluded that export withdrawals could have been caused mainly by the increase in costs and a poor performance. Moreover, the strategy of foreign owners could have played an important role in the des-investment in some of the foreign operations.

Three determining factors are proposed in this research for the adoption of the de-internationalization strategy by the footwear SMEs in the ZMG:

(a) Management's characteristics and skills,

- (b) increase in costs, and
(c) economic conditions

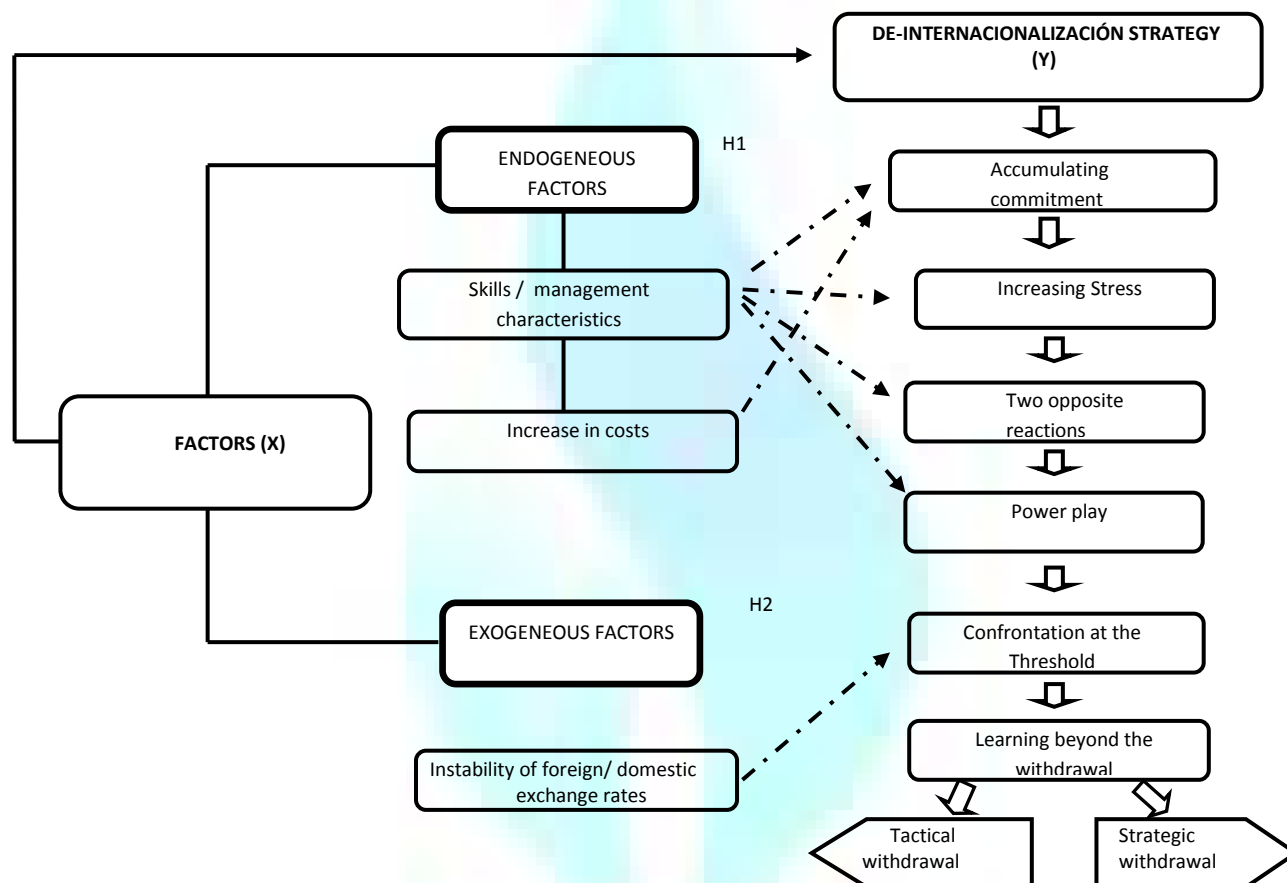
METHOD OF RESEARCH: MULTIPLE CASE STUDIES

For this investigation the method of case studies is realized based on the approach developed by Yin (2003, p.13) which is defined as "an empirical inquiry that examines a contemporary phenomenon within its real context, when the boundaries between phenomenon and context are not evident, and which uses multiple sources of evidence". A model that shows the relationship between the strategy of de-internationalization by the footwear SMEs and the exogenous and endogenous factors is proposed.

De-internationalization strategy is conditioned by a range of factors. Based on the literature, some key variables are defined for the framework of the proposed analysis which will make it possible to consider and compare the previously mentioned scenarios. In short, the explanatory hypothetical model proposes that the strategy of de-internationalization (ED) is conditioned by the skills/characteristics of the management (HD); the increase in costs (IC); and by the economic conditions (CE).

The proposed model is as follows:

FIGURE 4: EXPLANATORY HYPOTHETICAL MODEL



Source: Prepared by the authors.

As can be seen in Figure 4, two types of factors are identified: endogenous and exogenous. The endogenous factors refer to all that which is associated to the resources, capabilities and difficulties of the company. The features/skills of the management and the increase in costs (for export) are primarily considered. The factors considered for a manager's capabilities/skills are the age of the entrepreneur, their experience in the sector (years), and whether or not they made any strategic planning. The increase in costs considers the expenses incurred for exports as a proportion in the total sales during the period in which it was exported. The exogenous factors relate to the difficulties of the economic/political context in which the company operates. In this sense, economic conditions are considered, primarily those that are conditioned by the changes in the foreign currency risk: instability in exchange rates resulting from fluctuations in the prices of export abroad, and evaluation of the currency of the exporting that causes non-competitive prices for the final buyer in the foreign country.

Both external and internal factors determine the adoption of the de-internationalization strategy, which is characterized by the transition of various stages that culminates in the reorientation of the company's strategy, whether through a tactical withdrawal seen as a failure, or a strategic seen as an opportunity for growth. The dotted lines of the figure show a relationship that will not be studied for the moment. It only describes the behavior for each company during the transition between each stage that helps identify the withdrawal adopted by each one.

Data was collected through in-depth interviews. In case A, five key informants were interviewed. They were selected according to the experience and the level of participation during the time that the company was exporting. Selected respondents were the President of the Council (formerly CEO), the Sales Director, Sales Manager, the person in charge of the Office of Foreign Trade (whom was previously working as a direct person in charge of the Department of Imports and Exports when he was in the company). The interviews had duration of 40 minutes to an hour. An interview script was written for the interviews.

In case B, the selected key informants were the general manager (owner of the company), the person in charge of the sales area (supported for a while in the export), the person in charge of the collection area (who previously handled export operations) and the administrator (wife of the CEO). Interviews lasted approximately 40 minutes to 1 hour. For case B, some additional data for the triangulation of information was limited mainly due to the fact that the contacts were no longer available and the ones available were not able to provide the data. The characteristics of the case studies are set out in table 1 (see annexure), for the analysis of the results of conducted a categorization of variables.

TABLE 2: OPERATIONALIZATION OF VARIABLES

ENDOGENOUS FACTORS	
Factors	Variables
Skills / characteristics of the directors (CD)	Level of education
	Experience in the sector
	Knowledge of the foreign market
	Importance in the strategic planning
	Vision of long-term growth
Increase in costs (IC)	% transportation on level of export costs.
	% expenditure on export on total sales to the export.
	% costs of production on the level of the export.
EXOGENOUS FACTORS	
Economic conditions (EC)	Revaluation of the currency of the exporting
	Instability in foreign exchange rates

Source: Prepared by the authors.

This facilitated the collection and analysis of the results listed below.

ANALYSIS AND FINDINGS OF THE RESULTS

Companies show a homogeneous behavior during the adoption of the de-internationalization strategy. As noted in the theory, the companies carried out an adjustment between domestic resources and the opportunities and risks caused by the environment in which these operate (Pauwels and Matthyssens, 1999). From the first phase characterized by a gradual accumulation of resources to the last phase which culminates in the withdrawal of the international markets, there is a shift in strategy that allowed them to take advantage of the opportunity for growth in the domestic market.

The results indicate that the answers of the respondents all agree in recognizing that the lack of strategic planning and the economic conditions prevailing in the market, prompted the decision to withdraw from international markets. In one case (case A), the importance of the costs involved in export are considered, particularly the costs of logistics which occasionally increase the final price of the product.

Some people thus also considered other factors, even when they were not decisive in the adoption of the de-internationalization strategy, if they had an influence during the export process. In general terms they consider that the knowledge of foreign markets and that having the appropriate intermediary is essential to achieve success in international markets.

CONCLUSIONS AND FINAL REFLECTIONS

The above results suggest two important conclusions for the study: The factors affecting the adoption of the de-internationalization strategy for both case A and case B, and that are considered of utmost importance by the personnel involved in the export process, are mainly the importance of strategic planning and the instability of the exchange rate caused by the economic crisis.

The de-internationalization represents a choice strategy that allows them to refocus their strategy. It also represents an opportunity to grow in other markets, particularly the domestic market.

This study presents some limitations. The first is the limited access of information in primary or direct sources. The second is the bias of the information because the results come from the perceptions of managers and staff whom are engaged on the analyzed variables.

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ANNEXURE

TABLE 1: CHARACTERISTICS OF THE CASE STUDIES

FEATURES	IF COMPANY "A"	IF COMPANY "B"
	Constant exporter	Sporadic exporter
Foundation	1979	1944
Company size	Small	Medium
Number of workers	50 workers at the factory	150 workers
Market goal	Children's footwear and Lady of synthetic material (range justifiably)	footwear of leather woman of medium to high range, as well as leather handbags and accessories
Current markets served	20 States of the Republic (2 stores outlet own brand)	22 boutiques throughout the Republic and sale
Channel of distribution at the national level	Shoe shops, Department stores and sales catalogue (without own brand) and 2 shops outlet own brand	Specialty stores, Department stores and boutiques mark itself, under the schema store-in store
Current export markets	None	None
Time in which exported	1994-1998	Background the years 80s, store located in Houston Texas. Export to E.U. 2007-2009
Served markets	Latin America (Colombia, Chile, Costa Rica, Panama)	United States, Spain and Chile
Channel of distribution during export	Intermediary (sales agent) (promotion and direct marketing)	Broker (agent) (through trade shows and direct sales)

Source: Own generation based on the data gathered during field work

PROFILING INDIAN CONSUMERS BASED ON ACCEPTANCE OF MOBILE MARKETING

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ABSTRACT

Mobile marketing has gained popularity over the last several years and its unique characteristics made it adorable to many companies. It is defined as the use of the mobile medium as a means of marketing communications. With fast changing lifestyles of today's consumers, mobile marketing has evolved as a new way to reach target audiences. This paper identifies distinct market segments based on consumers accepting mobile marketing. Demographic and technological variables were taken as criteria to segment the market. Data was collected from consumers in India and later factor analysis and cluster analysis were conducted to segment Indian consumers. The result showed that certain variables differentiate market segments from each other. Indian consumers were segmented into three categories: The knowingly nonuser, The real acceptor and The uninterested. The knowingly nonuser segment have technological knowledge about mobile, but privacy issue and non-innovativeness keep them away from accepting mobile marketing. The real acceptors are relatively younger with technological knowledge, interest in mobile and they are the real consumer segment accepting mobile marketing. The uninterested segment does not carry any interest or knowledge about mobile marketing and are not at all interested in it. Firms can use different marketing strategy to target these consumers present in various segment. Retaining the exiting users of mobile marketing, firms can attract consumers of The knowingly nonuser category using permission based marketing. This will help to generate more profit and likeability for advertisements through mobile marketing.

KEYWORDS

Cluster analysis, Consumer acceptance, Mobile marketing, Segmentation.

INTRODUCTION

Television is the first screen where consumers can gain information from marketers. The Internet is the second screen where consumers receive relevant information about product and services. The evolution of e-commerce has brought with it a new marketing channel known as mobile marketing (m-marketing), or the third screen of communication (Tanakinjal, Deans, & Gray, 2010). Since on-the-go lifestyles of today's consumers make them harder than ever to reach, new ways to reach target audiences are evolving to stand up to the challenge and mobile marketing is one of them (Leek & Christodoulides, 2009). Mobile marketing is defined as the use of the mobile medium (e.g. mobile phones) as a means of marketing communications (Leppaniemi, Sinisalo, & Karjaluo, 2006). New business models for mobile marketing are turning the mobile phone into a marketer-exclusive platform. Marketers can create mobile portals dedicated to their business or brand (giving their message exclusive airtime with their best customers), a choice of tailored handsets (to match the brand), preloaded applications that drive further contact with the brand, and any number of other developing technologies that drive home the exclusivity of the message (Friedrich et al., 2009).

Atkinson (2006) suggested that 90% of well-known U.S. brands were planning to initiate mobile marketing practices by 2008 and that more than half of them plan to devote as much as 25% of their total marketing budget toward the mobile platform. The high penetration rate of mobile devices among consumers also provides an opportunity for companies to utilize this means to convey advertising messages to consumers. This makes various companies to use mobile as marketing device (Ma, Suntornpithug, & Karaatli, 2009). For example, Adidas introduced a mobile marketing campaign, The Missy Elliott campaign, to strengthen its position in the U.S. market within the 12-17 year old market segment and to compete with its major competitor, Nike. Another company, Greystripe, an ad-supported mobile game and application distributor, launched a mobile advertising campaign for the movie "The Golden Compass" in 2007. This campaign offered downloadable games, playing full screen ads to the audience waiting for their games to load. The campaign increased movie awareness from 42 percent to 61 percent (Interactive Advertising Bureau, 2008).

Since teenagers and young adults are faster adopting mobile platform, mobile marketing seems have a bright future, but the extent of acceptance by consumer still remain unclear due to various hurdles, including feelings of intrusiveness and privacy concerns (Sultan & Rohm, 2008). In spite of the growing number of companies investing in mobile marketing campaigns, there still are several issues that remain to be addressed. The objective of this paper is to identify distinct market segments based on consumers accepting mobile marketing. The paper begins by presenting the concept of mobile marketing and its importance. Then the criteria for segmenting the consumers in terms of their mobile acceptance behaviour are discussed. The third section discusses the research methodology and then results are presented. The last section discusses managerial implications and conclusion.

CONCEPT OF MOBILE MARKETING

The penetration of the mobile phone market led to an increased number of applications for mobile marketing. Leppaniemi and Karjaluo (2005) discussed about various definitions of mobile marketing present in literature and pointed out that terms like mobile advertising, wireless marketing, wireless advertising and mobile marketing were the terms used interchangeably in the literature. Mobile Marketing Association (MMA) defined mobile marketing as "the use of wireless media as an integrated content delivery and direct response vehicle within a cross media or standalone marketing communications program". Whereas, Wireless Advertising Association (WAA) defines mobile marketing as releasing advertising messages to mobile phones or PDAs through the wireless network (Xu, 2007).

Marketers reduced their spending on traditional media: 61 % on TV, radio and magazines, 52% on direct mail, 11% on e-mail, but increasing spending on social media (Trends E-Magazine, 2009). It was predicted that online search, e-mail, social media, Web display ads, and mobile marketing combined will represent 21 percent of marketing budgets, or about \$55 billion, by 2014. Starting in the '90s, Web 1.0 broke down geographic and psychological barriers to selling products and services. With the Internet, any business could more easily reach global markets and quickly create the impression of an established, credible business. Now, Web 2.0 is creating communities online that allow buyers to connect with others and follow experts on whatever their interests might be. These connections allow buyers to effortlessly learn about new solutions that they might want to purchase. They don't need to weed through the information overload themselves; they benefit from others who do so. Because Web 2.0 has changed the way people buy, it requires a change in the way businesses sell (Trends E-Magazine, 2009). Since mobile marketing is part of the Web.2 technology the future growth is phenomenal. Since mobile devices are personal marketers can directly engage customer by replying to the message content. So customers are active here, rather than passive in traditional medias (Bauer et al., 2005). The main characteristics of mobile marketing strategies are personalization, localization, uniqueness, ubiquity and interactivity (Bauer et al., 2005). It also has high retention rate, high reach, high response rate and low cost (Pearse, 2005). It has been suggested that in the mobile marketing network, firms can get customers engaged through a call-to-action which is not possible via other media channels and make customers respond via text messaging, multimedia messaging, picture messaging, Bluetooth alerts, or voice channels on their mobile (Carter, 2008). Jong and Sangmi (2007) found that mobility, convenience and multimedia service were positively related to attitudes toward mobile advertising, which in turn lead to favourable behavioral intentions. Godin (1999) pointed out that consumers who subscribed to a particular company were usually interested in that company's services and products, and hence, when consumers received SMS advertising

messages, they were more likely to pay more attention and read the message compared to consumers who receive messages from companies which they are not subscribed with. Leek and Christodoulides (2009) discussed about Bluetooth technology present in mobile, which is a location-based advertising technology (Bruner and Kumar, 2007). It can be used to enable location-specific targeting that allows advertisers to target their audience based on specific venues (for example, in a supermarket) and deliver relevant and real time promotions. The downside of Bluetooth, however, is that—unlike SMS and MMS—it only can operate within a limited range.

But some other negative aspects are there related to mobile marketing. Whitaker (2001) reported that many consumers considered mobile phones as a very private and personal item and were more reluctant to share information with unknown companies. Heun (2005) found only 12% of consumers were willing to receive any forms of wireless advertisements, even if they could control what to receive. There are many factors that affect mobile marketing. Consumer trust, privacy issue (Al-alak & Alnawas, 2010), knowledge, interest in technology etc. affect his acceptance of mobile marketing. Recently the rapid development of technology leads to acceptance of mobile by consumers and this made companies to make mobile as a growing and contemporary medium for marketing.

SEGMENTATION OF CONSUMERS ACCEPTING MOBILE MARKETING

To set a market segmentation process in motion, one first needs to choose a set of variables that will then compose the so-called segmentation bases or criteria used to identify patterns in accepting mobile marketing. Next, an attempt will be made to provide an overall perspective of the various segmentation bases and their respective variables, seeking to direct the approach towards the situation of the green consumer market. Specifically, the demographic, and segmentation criteria related to technology acceptance will be examined.

DEMOGRAPHIC CRITERIA

The variable *Age* has been used by many marketing researchers to segment the market (Jain & Kaur, 2006; D'Souza et al., 2007). Technology was mostly accepted by youngsters faster than older generations. But Skog (2002) reported that teenagers are not homogeneous audiences for mobile phones as their usage patterns and attitudes varied widely depending on their social background, technological literacy and urban/rural lifestyles. Sultan and Rohm (2008) discussed about the study where nearly 70 % of U.S. and 94% of Pakistani respondents use mobile phone or do other activities in mobile. *Gender* is another variable that can be used to segment the market. Male and female are differently affected by technology and the acceptance rate might be different. Individuals with higher *Education* level will have more interest in technology and hence, accept mobile marketing faster. *Income* is generally believed to be positively correlated with accepting new technology. Because people with higher income will easily bear the marginal increase in cost, while purchasing high technology products, like mobile (Straughan & Roberts, 1999).

TECHNOLOGICAL CRITERIA

Technological interest may be defined as an attitude to try and use new technological products. This attitude is influenced by direct personal experience, past reaction and trust (Al-alak & Alnawas, 2010). It is also affected by experience of other individuals and communication by media. Sultan and Rohm (2008) pointed out that usage characteristics affect consumer acceptance of mobile marketing. Since consumers get utility, content, enjoyment and experience from mobile (by browsing, chatting, and developing social network), these aspects affects the youth. Since mobile is a personal device, responding to SMS as using sending, receiving or deleting made consumer to interact with the message (Zang & Mao, 2008). If consumers agree to receive SMS messages from advertisers, they tend to react positively to them (Barwise & Strong, 2002). Consumers' attitudes toward products, brands and advertising are linked to behavioral intent, and people with positive attitudes toward mobile services have greater intent to use them. Knowledge about mobile phone also affects purchase of mobile and acceptance of mobile marketing.

Cell phone is an integral part of many customers i.e. more than just a communications device. The extent of people's personal attachments to their phones could be a factor in their willingness to engage in mobile marketing activities. Consumer innovativeness (the degree to which they are open to new experiences, information and technology) also affects the acceptance of mobile marketing (Bauer et al., 2005). Youngsters use mobile phone as their social symbol and social pressure play a major role to accept the new technological product (Nysveen et al., 2005).

Privacy concern of consumers negatively affects the acceptance of mobile marketing (Sultan & Rohm, 2008). McKnight et al. (2002) found in their study about E-Commerce that trust was an important factor which had a significant influence on consumers' intention to make online transactions. Therefore, it is expected that in mobile marketing, where the perceived risk and uncertainty is high, trust will influence consumers' intention to participate in permission based advertising programs. So many times companies obtain consumers' permission through opt-in programs to increase their acceptance of mobile advertising (Barwise & Strong, 2002).

RESEARCH METHODOLOGY

The literature review on segmentation of the mobile market has highlighted the fact that the various types of consumers may have different concerns and emotional attachments towards the mobile marketing, different technological knowledge and different behaviours. As mentioned earlier, this paper seeks to identify different segments of consumers accepting mobile marketing. Given the complexity and the range of variables that may determine the characterisation of these groups, as made evident in the literature review, it was decided to focus this research mainly on analysing the technological and demographic criteria. The paper tries to answer the main research questions:

- Is it possible to clearly identify, in India, a consumer segment based on acceptance of mobile marketing?
- How different are these segments from each other?

The data used in this study were collected through a survey of Indian consumers. The model of data collection was a survey method. The final sample was composed of 132 individuals. The detail profile of the respondents is given in Table 1. The questionnaire was composed of two main sections. In the first section, data were collected about the demographic characteristics of respondents (gender, age, income, educational level and job / occupation). The second section examined the technological dimension (usage, personal attachment, knowledge, behaviours, information search, social influence, mobile buying behaviour, consumer innovativeness, sensitivity to price, privacy and trust). The scales used to measure the dimension was 5-point Likert scales (1 =strongly disagree; 2= disagree; 3=neutral; 4= agree; 5= strongly agree).

After collection, the data were statistically analysed and interpreted using the statistical software SPSS 16.0 (Statistical Package for Social Sciences). The data obtained were submitted to a Multivariate Statistical Analysis, which included factor analysis and cluster analysis. After this, characteristics of different segments are found.

TABLE 1: PROFILE OF THE RESPONDENTS

Gender	Age	Qualification	Job/Occupation	Income Level
62% are male	39% are 15-25 yrs	7% have education upto matriculation	34% are students	43% have no income
38% are female	26% are 26-40 yrs	24% have education upto higher secondary level	38% are job-holders	10% have less than Rs10,000/month
	18% are 41-55 yrs	43% have education upto graduation	12% are businessmen	21% have Rs 10-20, 000/month
	13% are 56-65 yrs	26% have education upto post-graduation	9% are housewives	14% have Rs 20-40, 000/month
	4% are 66 yrs or more		7% are retired persons	12% have more than Rs 40, 000/month

RESULTS

As the number of variables used in this research is quite extensive, an exploratory factor analysis was used to simplify the interpretation of the variables. Each of the factors was depicted by means of several items used in the questionnaire. Factor analysis used principal component analysis method and eigenvalue of greater than 1.0 as the criteria to select factors. The variables were grouped into seven factors and together they account for 77.75% of the total variance. To check the internal validity, the reliability analysis was performed using cronbach's alpha coefficient. For the seven factors the levels of alphas were more than 0.6 and it showed internal consistency in the research (Nunnally, 1987). Cronbach's alpha was again calculated for new group of factors and it was 0.921. The factors found are described below:

1. Mobile usage Characteristics (F1): The first factor reflects consumers' usage characteristics or the reason why he uses mobile phone. It affects the mobile marketing acceptance.
2. Technological knowledge (F2): The amount of knowledge consumer has about the mobile and its technology affect usage of mobile and its acceptance.
3. Consumer innovativeness (F3): The third factor is related to readiness of the consumer to accept new technology like mobile marketing.
4. Privacy issue/Trust (F4): The variables present in this factor represent a combination of issue related to privacy and trust of consumer. This may negatively affect the mobile marketing acceptance.
5. Economic factor (F5): The price a person pays to accept the new and contemporary technology plays a major role in mobile marketing acceptance.
6. Social influence (F6): Social groups to which consumer belong, friends, family affect the mobile marketing acceptance of a consumer and made him to accept/reject the new marketing media i.e. mobile.
7. Attitude to mobile marketing (F7): The factor represent consumers liking, desirability and interest in accepting the mobile marketing.

The results obtained from factor analysis and reliability coefficients are shown in Table 2. The seven factors were then used as inputs in later analysis (cluster). Hierarchical clustering was used to analyse the data. Agglomerative method is used in analysis, as it gradually build the clusters i.e. clusters formed by adding to existing cluster. Between group linkage and squared Euclidean distance is used to find number of clusters. Each variable is standardized using Z-scores to eliminate effect of scale difference.

TABLE 2: RESULTS OF FACTOR ANALYSIS

Factors	F1	F2	F3	F4	F5	F6	F7
Eigenvalue	7.211	4.213	3.145	2.714	2.062	1.988	1.436
% of variance explained	31.12	13.44	10.11	7.23	6.22	5.26	4.37
Cronbach's alpha	0.866	0.789	0.723	0.706	0.672	0.629	0.834

The cluster analysis gave a three-cluster solution. The first group of consumer showed more technological knowledge and interest, but price sensitive and have privacy issue. The second group has a higher technological interest and innovativeness. They are influenced by their social groups and have positive attitude to mobile marketing. The third cluster does not have much interest and attitude for mobile marketing. This answers the first research question that, it is possible to identify a mobile marketing consumer segment. The clusters obtained are analysed in detail and it was found that the clusters are significantly different from each other, which answered the second research question, that the clusters are different from each other.

DISCUSSION

The clusters are named and differentiated based on their characteristics. They are:

SEGMENT-1: THE KNOWINGLY NONUSER (36%)

This segment mainly consists of both young and old consumers with high education level (graduation, post-graduation). They are working professionals, businessmen, and students. They have technological knowledge related to mobile, but price sensitive and have privacy issue. They are sceptical about mobile marketing and do not trust such mobile marketing schemes. They only use mobile for calling or messaging purpose and do not as a media device. They are less innovative and privacy plays a major role in their life. Apart from students, the working professionals and servicemen have moderate (Rs 10-20,000/month) to high income level (Rs 40,000 and above), but do not want to spent on purchase mobiles with hi-tech features. So they are aware of technology and mobile marketing, but are not using it.

SEGMENT-2: THE REAL ACCEPTER (37%)

This segment composed of relatively younger consumers and very few middle-aged consumers. They have relatively higher education level than segment 1 and working in more qualified jobs (specialists in own field, middle and senior manager) and earn relatively higher. Only students belonging to this category have no income. This segment has higher technological interest and innovativeness. They want to try new products and services and are able and interested to spend for it. They know multiple use of mobile and go for it. Social group and peers influence affect them more, especially the younger customers. They have positive attitude to mobile marketing and family members also play major role to teach them many functions of mobile. So they are the real accepters of mobile marketing.

SEGMENT-3: THE UNINTERESTED (27%)

This segment includes individuals of higher age group (41 years and more) with marginal to higher educational level. This segment does not have much interest and attitude for mobile marketing. They are not only sceptical about privacy issue but the whole new technology of today. They act as per their own interest and do not have much technological know-how. Their knowledge about the mobile marketing is low to moderate level. These are the consumers who were not at all interested in mobile marketing.

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

The study is only based on 132 consumers of India. This segmentation can be conducted by taking more consumers from various parts of India. Since the study has taken place in one country, it limits the generalization of the finding. In future a cross-cultural study can be done to know the segments related to mobile marketing in other parts of the world. The study has taken only two criteria for segmenting the market: demographic and technological. More criteria can be taken into consideration, like psychological, behavioural etc. broaden the research. So the limitations of this study gave a lot of scope for working further and new areas of research can be explored.

CONCLUSION AND MANAGERIAL IMPLICATIONS

The results of this study show who are the consumers using the mobile marketing and accept it and how certain variables differentiate one segment from other. In spite of the fact that India is a developing country, it has a lot of consumers accepting the mobile marketing. Since many consumers accept mobile marketing in India, it showed a technological acceptance by the mass. Advertisers can plan their ad budget accordingly and can focus on mobile advertising. Since the segments differ significantly, firms can target a particular segment differently than other. "The real accepters" like mobile marketing, so the current strategy should be followed by firms to retain them and they should be given some incentives if possible. Companies can attract "The knowingly nonuser" segment by permission based marketing (Barwise & Strong, 2002). If the consumer will permit/opt-in, firm will send SMS, MMS about present offerings etc. As far as "The uninterested" segment is concerned, firms should let them go. Because, it is really difficult to change the stubborn minds of consumers belonging this segment. So firms should act accordingly to target right customer in right place and in right way to gain more profit.

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HOW CAN FREE TRADE EXCEL ECONOMIC GROWTH**SHAHZAD GHAFOR****LECTURER****DEPARTMENT OF MANAGEMENT SCIENCES****COMSATS INSTITUTE OF INFORMATION TECHNOLOGY****LAHORE, PAKISTAN****UZAIR FAROOQ KHAN****LECTURER****CENTRE FOR EXCELLENCE IN RESEARCH****DEPARTMENT OF MANAGEMENT SCIENCES****COMSATS INSTITUTE OF INFORMATION TECHNOLOGY****LAHORE, PAKISTAN****ABSTRACT**

We have conducted a survey of journal articles that have examined the relationship between free trade and economic growth. In particular, we have carefully selected six empirical studies that were published over a ten-year period and critically reviewed, and evaluated these studies in depth. We have also extensively presented and discussed the issues as well as the controversies that are related to the various measures of openness. In a number of the trade-growth empirical studies researchers have made major attempt to identify the relationship between free trade and economic growth. Most of the trade-growth studies show that there is a positive relationship between free trade and economic growth. However, some of these influential studies have been subject to strong criticism, mainly due to a number of methodological shortcomings. As for the million-dollar question: Does free trade advance economic growth? Our conclusion is that this question is not yet resolved, because although researchers have devoted considerable efforts to show a positive trade-growth relationship, nevertheless, the methodologies and the measurements applied in these studies have been fragile to the scrutiny of critics.

KEYWORDS

Excel, Free Trade, Economic Growth, Empirical.

INTRODUCTION

The idea that free trade advances economic growth goes back to Adam Smith and since then most economists have supported the claim that free trade promotes economic growth. Nevertheless, strategic trade theory has challenged the traditional view of free trade and its ability to advance economic growth (Brander and Spencer 1985). After World War II protectionist theories started to gain influence and attract the attention of policymakers internationally (Edwards 1993; Miller & Upadhyay 2000). As a result Import Substitution Industrialization (ISI) strategies were implemented particularly in most of the developing countries (Edwards 1993; Krueger 1998; Ben-David 1998; Yanikkaya 2003). According to Edwards (1993) the ISI strategies were based on reasons similar to the infant-industry argument. In the beginning the ISI strategies appeared to work well, however the negative aspects of the ISI strategies soon became noticeable (Baldwin 2003). Therefore, over time ISI strategies were abandoned because they failed to produce a sustainable increase in the long-run economic growth rate.

Consequently, in the 1970s and 1980s trade liberalization was promoted, for example through the World Bank Structural Adjustment Loans (Greenway and Wright 2002). The main argument is that trade liberalisation promotes trade and brings about economic growth (Wood and Walde 2004). There is a large body of empirical studies that highlight the positive impact of free trade on economic growth.

These empirical studies have used innovative methodological approaches in an attempt to identify the relationship between free trade and economic growth. However, some of these influential studies have been criticised by prominent skeptics such as Rodriguez and Rodrik (2000) on several grounds. Surprisingly, Krueger (1998) claims that it is empirically straightforward to show whether or not countries that adopt outward-oriented strategies experience rapid growth. However, we are not convinced that the openness-growth link can easily be demonstrated through empirical studies. In my view, the nature of the openness-growth relationship is very complex. Therefore, presenting strong empirical evidence about the impact of openness on growth, which is not prone to criticism, is far from straightforward. One of the challenges researchers face is constructing a robust openness measures. In spite of the considerable efforts that have been put into developing more advanced openness measures, existing measures are still far from "perfect". Nevertheless, a number of studies have applied a wide range of measure of openness, methods, and different types of samples of countries to identify the trade-growth link. The results of these studies consistently show evidence that support the fact that trade promotes economic growth.

However, Rodriguez and Rodrik (2000) have reviewed a number of the trade-growth studies published in the 1990s. Based on their investigation they criticize the studies mainly due to weak measures and methods. It is important to note that Rodriguez and Rodrik do not claim that trade restrictions advance growth or trade is detrimental to growth, but they claim the evidence presented in the empirical studies they have reviewed, do not convincingly demonstrate a causal positive relationship between openness and growth.

THEORETICAL FRAMEWORK

The endogenous growth theory pioneered by Romer (1986) and Lucas (1988) provided a theoretical framework for linking openness to trade with long-run economic growth. In his groundbreaking work, Romer (1990) presented the endogenous growth model. His one-sector neoclassical model with endogenous technology change is a fundamental shift from the previously dominant exogenous growth model developed by Solow in 1956. In the standard neo-classical exogenous growth model, trade policies promote changes through specialization, but not directly through the steady-state growth rate (Lee 1993; Baldwin 2003). Therefore, the main source of growth according to the standard neo-classical model is exogenous technological progress (Lee 1993). In addition, the standard neo-classical exogenous growth model predicts income convergence between similar countries even without trade. However, researchers such as Ben-David (1993, 1996, 1998) and Sachs and Warner (1995) argue that trade greatly enhances income convergence.

Contrary to standard neo-classical models of exogenous growth, Romer's endogenous growth model illustrates how deliberate investment decisions made by profit maximizing firms advance innovation, and as a result economic growth is accelerated by the endogenous technological improvements.

In the endogenous growth model, human capital is the main driving force for research and development (R&D) and it ultimately leads to advanced technology, which in turn stimulates economic growth. Therefore, the stock of human capital determines the rate of growth. Consequently, Romer's endogenous growth

model predicts that countries with larger stock of human capital will grow more rapidly. In Romer's endogenous growth model the common growth rate is given as:

$$g = (\delta H - \lambda \rho) / (\sigma \Lambda + 1)$$

where g is the growth rate; δ is the productivity parameter; H is total human capital in each country; Λ is a constant that depends on the technology parameters; ρ is the discount rate; and σ is a constant that depends on the rate of intertemporal substitution.

After constructing the model above, he then explains its implications for growth, trade and R&D. He points out that growth is linked to the degree of economic integration to the world markets; therefore trade can enable countries to accelerate their growth rate. He implies that trade would have at least two positive implications for new technological innovations: First of all, trade will increase the market size by providing access to new markets internationally, but more importantly trade will provide access to the stock of knowledge that is accumulated worldwide.

According to Edwards (1998), Romer's endogenous growth model has provided convincing academic support for the proposition that openness to trade has a positive impact on economic growth. Grossman and Helpman (1990) and Ben-David (1998) believe that the emergence of the endogenous growth model has been the main driving force in reviving the interest of researchers to continue exploring the impact of trade on economic growth.

Subsequently, based on the insights gained from Romer's endogenous growth model, Grossman and Helpman (1990) constructed a dynamic two-country model to investigate the relationship between trade and growth. In their model each country produces three types of goods: final goods, intermediate goods and R&D. Similar to Romer, Grossman and Helpman assume that R&D creates a second output and this output contributes to the stock of intangible knowledge. Based on their model, they study the impacts of trade on long-run economic growth and conclude that factor price equalization would ultimately ensure that both countries would experience a similar pace of output growth and consumption regardless of their national factor endowment. As in Romer, they also conclude that endogenous technological improvements that lead to increase in labour productivity can advance long-run economic growth.

Furthermore, they analyze the impact of trade policies on the steady-state growth rate and identify that there is a relationship between trade intervention and long-run growth. In relation to trade policies they also highlight the central role of comparative advantage and its broader interpretation:

Comparative advantage continues to play a critical role in determining whether policy in one country will speed or decelerate growth. But comparative advantage now must be interpreted with care, because it reflects not only natural ability, but also the (endogenous) benefits from cumulative experience (Grossmann and Helpman 1990 p. 814).

In addition, they point out that comparative advantage in R&D is just one of the channels through which free trade has an impact on long-run growth. Other factors such as the trade environment, for example the institutional arrangements in a country, might have an impact on how fast accumulation of human capital takes place as well as the rate at which knowledge is disseminated.

Grossman and Helpman (1994) agree with Romer (1990) that often most technological innovations require a deliberate investment in R&D by profit maximizing firms. As a result the knowledge gained from R&D plays a central role in the long-run economic growth process. Furthermore, they emphasize that technological innovation is the catalyst for economic growth. They also highlight that trade will facilitate the diffusion of knowledge and as a result stimulate economic growth. In addition, they argue that firms competing in the global market place will face more pressure not only to adopt new knowledge at a faster pace, but also to produce more innovative ideas in order to stay competitive internationally. Ben-David (1998) makes similar points.

The theoretical model constructed by Grossman and Helpman provides the impression that firms might have a lot more to gain by venturing out into the international market due among other things to trade flows facilitating the diffusion of technology, knowledge and ideas. However, it is also clear that these firms must be able to cope with the additional pressure that comes with competing in the international market place. In addition, Ben-David (1998) supports Grossman and Helpman's view that trade allows diffusion of knowledge and has substantial positive flow-on effects. Although it is not the focus of this paper, Rodriguez and Rodrik (1999) cite empirical studies that have investigated the relationship between trade and firms' performance. These studies did not find evidence that support firms gaining technological or any other type of benefit from venturing into export markets. They argue that competitive firms tend to self-select into the international markets. As a result, causality appears to go from productivity to export market rather than vice versa. Dollar and Kraay (2003) make a similar point regarding the reverse causation. On the basis of these micro economic level studies, Rodriguez and Rodrik (1999) suggest that relating these empirical findings to trade policy should be a fruitful alternative researchers should explore further.

Romer's (1990) knowledge-driven model described above is based on a closed economy, and only towards the end Romer speculates, what will happen if two economies totally integrate. Subsequently, in models constructed by Rivera-Batiz and Romer (1991) they open up the economies, but limit the scope of the paper and only examine the integration of two similar economies. In this paper, they distinguish between trade in pure goods and trade involving information exchange i.e. ideas and knowledge. Based on their models they claim that if there is only trade in goods between the two economies then there will be a "one-off" impact on growth in both countries. On the other hand, if trade involves both information exchange and goods between the two economies, then the impact on the growth rate will be permanent. However, they also acknowledge the limitations of their models. The main limitations are: a) there is no explanation as to how information exchange between the two countries impacts on the productions of goods; and b) a number of details of R&D at the micro level have been overlooked in their analysis.

The model proposed by Grossman and Helpman (1990) illustrates the underlying forces by which trade ultimately contributes to economic growth. However, the model does not provide a definite answer as to whether trade intervention will increase or decrease the long-run growth rate. It depends on whether the country has a comparative advantage or disadvantage in R&D. Rivera-Batiz and Romer (1991) point out that the impacts of trade restriction on growth are very complicated. They specifically point out that:

There are some models in which trade restrictions can slow down the worldwide rate of growth. There are others in which they can speed up worldwide rate of growth (p. 532).

As Lee (1993), Harrison (1996), Baldwin (2003) and Yanikkaya (2003) stress that the theoretical foundation regarding the relationship between trade and economic growth is ambiguous. Furthermore, Yanikkaya (2003) argues that trade theory does not provide enough guidance with respect to the interaction between the effect of trade openness on growth and technical progress. According to Lee (1993) and Harrison (1996) there is a lack of a robust theoretical framework that clearly demonstrates and establishes how trade and trade policies are linked to long-term economic growth. Therefore, Harrison believes empirical literature will assist in providing a definitive answer. However, Lee argues that the main reason the relationship between trade and economic growth still remains an open question, and continues to be widely debated in the empirical literature, is due to the lack of a robust theoretical foundation. Furthermore, Sirinivasan states there are issues associated with growth regressions due to both trade policy and economic growth being endogenous variables. As a result there are difficulties in establishing causality. Nevertheless, recently Lee *et al.* (2004) have made an attempt to address the issues related to endogeneity.

Overall, it appears that there is a lack of a clear theoretical understanding of the trade-growth relationship. However, in general, as the endogenous growth theory also suggests, trade is expected to advance productivity growth via many different channels: allowing the realization of comparative advantage, facilitating diffusion of advanced technologies, knowledge and ideas, introducing and increasing competition, significantly increasing the market size and providing ways to utilize economies of scale. In addition, Alcalá and Ciccone (2001) find evidence that trade has a positive impact on average labour productivity through labour efficiency.

In the next section, we will provide a broad overview of the empirical studies that have investigated the impacts of free trade on economic growth.

BROAD OVERVIEW OF THE LITERATURE

Throughout history economists that have been interested in the wealth of nations have also been interested in trade (Frankel and Romer 1999). Therefore, economists have extensively debated the relationship between trade and economic growth (Edwards 1997; Ben-David 1998). Even today this topic still is subject to significant debate among economists and policymakers (Yanikkaya 2003). As Rodriguez and Rodrik (1999) point out, the impact of trade on economic growth has attracted major attention in the existing literature. Understanding the link between trade and economic growth has very important implications for policy

analysis. As a result, the impact of trade on growth is a widely researched topic. A number of major empirical studies (such as Dollar 1992; Sachs and Warner 1995; Edwards 1998; Lee 1993; Harrison 1996; Wacziarg 1998; Ben-David 1998; Frankel and Romer 1999; Vamvakidis 2002; Dollar and Kraay 2003; Wacziarg and Welch 2003) have attempted to explain and estimate the impact of trade on economic growth. The majority of the empirical studies have concluded that free trade advances economic growth. However, some of the studies have been subject to strong criticism by Rodriguez and Rodrik (2000), mainly due to a number of methodological shortcomings. Winters (2004) and Baldwin (2003) both agree that Rodriguez and Rodrik's critique for the most part is well justified. After undertaking an extensive review of the main contributions to the field and presenting a rigorous critique of these empirical studies, Rodriguez and Rodrik (2000) concluded that the issues regarding the relationship between trade policy and economic growth are not yet resolved. Lee (1993) and Harrison (1996) make similar points. In addition, Frankel and Romer (1999) argue that despite the considerable efforts made by researchers, there is still a lack of convincing evidence that explains the impact of trade on income.

The empirical trade-growth literature has presented different types of evidence. In their widely cited paper Sachs and Warner (1995) claim that no country that liberalized trade failed to show economic growth. Furthermore, Wacziarg and Welch's (2003) study shows that trade liberalisation has positive impacts on growth. In addition, Lee's (1993) study found that restrictive trade policy have considerable negative impact on growth rates and cause income divergence. Lee *et al.* (2004) investigate the impacts of openness and growth and conclude that openness has only a small positive impact on growth.

On the other hand, Vamvakidis (2002) used historical data from 1870-1990 to estimate the impact of trade protection on economic growth and found very mixed results. His results include a positive relationship between trade and economic growth only after 1970. Subsequently, Clemens and Williamson (2001) also found mixed results: their results showed, protectionism was positively correlated with rapid growth before World War II, but it was negatively correlated thereafter. According to the findings of Vamvakidis (2000) and Clemens and Williamson (2001) the positive impacts of trade on economic growth seems to be a post-1970 phenomenon (Berggren & Jordahl 2005).

Contrary to conventional beliefs, Yanikkaya (2003) strongly disputes that trade barriers can have a favourable impact upon economic growth particularly for developing economies. Overall, his main point is that the link between trade restrictions and economic growth is not straightforward and mainly depends on some country specific characteristics. He claims that he finds it difficult to comprehend why trade liberalisation is supported strongly in academic and policy discussions. On the other hand, Winter (2004) emphasizes that there is no robust empirical evidence that suggests trade restrictions advance economic growth. Berg and Kruger (2003) also make the same point. Although almost all empirical trade-growth studies have consistently reported that trade advances economic growth, it appears that as Vamvakidis (2002) pointed out, the relationship between free trade and economic growth is still controversial and remains an open question. Most recently Lee *et al.* (2004) made a similar point. Broadly speaking, two approaches have been applied to investigate the connection between trade and economic growth: cross-country statistical analysis and case studies. In the next section, we will briefly discuss the strengths and weaknesses associated with both cross-country statistical analysis and case studies.

TRADE POLICY INDICATORS, OTHER POLICIES & GROWTH

Most economists agree that free trade is not a sufficient condition for economic growth and the extent to which trade stimulates growth depends on other policies and good quality institutions. According to Dollar and Kraay (2003) countries that are more open to trade also have better quality institutions. In addition, they also argue that countries with favourable geographic characteristics trade more and have better quality institutions. Acemoglu (2004) points out that it is important to unbundle institutions or in this case policies in order to identify what types of specific institutions or policies matter most for achieving certain outcomes.

Acemoglu's point is an interesting one, because trade liberalisation is usually introduced with a wide range of other policy changes (Clemens and Williams 2001; Sachs and Warner 1995; Berggren and Jordahl 2005). However, unbundling specific trade policy indicators from other policies and examining their impact on growth is not an easy task. A single trade policy indicator does not adequately reflect the complex economic environment, whereas aggregated trade policy indicators are able to capture a wide range of information. As a result, aggregated trade policy indicators are also highly likely to capture the effects of other policies in the economy. A number of researchers argue that isolating the benefits of other policies from the impacts of trade liberalisation on economic growth is very difficult. This suggests that Acemoglu's (2005) idea of unbundling the impacts of specific dimension of institutions or policies is useful, but in practice not straightforward. On the other hand, Baldwin (2003) offers a new idea by arguing that the pursuit to isolate the impacts of trade liberalisation on economic growth from the impact of other policies is misguided. He suggests the quest should focus on how trade policy interacts with other sound macro economic and fiscal policies to generate growth.

Even though the impact of free trade on economic growth is still controversial, empirical studies conducted by some researchers appear to acknowledge that openness to trade advances economic growth. Miller and Upadhyay (2000) specifically point out that:

Openness fosters competition, encourages modern technology, increases the demand for high-skilled labour, and promotes learning by doing. Too little openness, therefore does not allow a country to leverage its stock of human capital. Human capital investment without liberalisation of the external sector may lead to the under-utilization of human capital (pp. 411- 412).

However, Yanikkaya (2003) claims that the positive growth–openness connections are grossly overstated in the economics literature. Likewise, Freeman (2003) argues that the importance of openness for growth has been highly exaggerated. In Addition, Rodriguez and Rodrik (1999) believe that there has been a tendency in the economics profession and in policy circles to overstate empirical findings in favor of free trade and openness. Nevertheless, there is an emerging consensus among researchers that openness to trade has positive impacts on a broad range of policies and institutions (Dollar and Kraay 2003). In that case, one of the important questions is, how one can isolate the effect of openness from good quality institutions, and above all, how do we define and correctly measure openness?

OPENNESS MEASUREMENTS

As discussed in the theoretical framework section, openness to trade is expected to lead to economic growth via many different channels. Pritchett (1996) defines 'openness' as: *"an economy's trade intensity"* (P. 309). However, at times the terms 'outward-oriented' or 'outward-orientation' are used synonymously with the term 'openness' see for example Edwards (1998). It is essential to note that the concept of 'openness' refers to a country's openness to free trade.

According to Edwards (1997) the literature on trade and economic growth has been considerably stalled by definitional and measurement difficulties. Moreover, not having a clear definition of openness is still a significant problem (Yanikkaya 2003). In his literature review Edwards (1993) points out the literature has been unsuccessful in terms of measuring or defining a country's trade orientation. Edwards (1997) raised his concerns regarding the "outward-orientation" index that was developed by the World Bank in 1987 and yet he used this index in 1997 along with five other openness measures. He also argues that trade dependency ratios that have been used in early cross-country studies are flawed, mainly because they are not automatically linked to policy. Furthermore, he questions the validity of the Heritage Foundation Index, because he argues, it is a "subjective" measure of trade orientation. Overall, Edwards (1993, 1997, 1998) appears to think that most trade-growth studies are critically affected by the complexity related in correctly measuring openness to international trade.

Openness to trade can be measured in many different ways (Alcala and Ciccone 2003). Consequently, applying different measures of openness will assign countries into diverse categories and as a result classifying a country according to their degree of openness is a complex task (Yanikkaya 2003). Moreover, Harrison (1996) points out that one of the reasons that make it easier to be skeptical of past empirical studies and their findings is that different studies apply different types of openness measures, and methodologies as well as different samples of countries. Therefore, she argues their findings may differ for a range of reasons. In addition, Baldwin (2003) points out that the conclusions of any study will be significantly affected by how broad or narrow the term openness is defined. I fully agree with Baldwin's point and he explains further:

One can interpret openness in narrow terms to include only import and export taxes or subsidies as well as explicit non-tariff distortions of trade or in varying degrees of broadness to cover such matters as exchange-rate policies, domestic taxes and subsidies, competition and other regulatory policies, education policies, the nature of the legal system, the form of government, and the general nature of institutions and culture (pp. 2-3).

Baldwin (2003) argues that the main reason there is a disagreement in the empirical studies regarding the relationship between openness and growth appears to be due to the definition of openness. In addition, Yanikkaya (2003) argues that the definition of openness has changed significantly during the years and unfortunately, it still remains unclear as to what exactly openness means and how it is measured.

Alcala and Ciccone (2001, 2004) explain, most empirical studies measure the impacts of trade on productivity based on the following openness measure: nominal imports plus exports relative to nominal GDP. Contrary to Rodriguez and Roderick (1999), Alcala and Ciccone (2004) argue that this measurement of openness provides misleading results about the productivity gains as a result of trade. Therefore, in their studies, they apply what they call measure of real openness. They define real openness as imports plus exports in exchange rate US\$ relative to GDP in purchasing power parity US\$. Nevertheless, according to Rodriguez and Rodrik (1999) in a situation where the tradable sector experiences productivity increases for reasons not directly related to trade, then measures of openness will show an increase even without an increase in trade. Therefore, they argue real openness measure leads to the acknowledgement of a link between trade and openness without justification. However, Lee *et al.* (2004) point out the issues that are associated with measurements of openness that are closely related to the level of income:

What most economists would consider good measures of the degree of openness of a country are, unfortunately, closely linked to the level of income. For example, measuring openness as the ratio between the sum of import plus exports to GDP clearly is a function of the growth rate of economy – both the numerator and denominator are linked to the GDP growth. What this implies is that not even the sign of the bias in the standard OLS regression can be assessed (Lee et al. 2004 p. 452).

In addition, O'Rourke (1997) argues that measuring openness based on the ratio of exports, or imports to GDP is unsatisfactory. He also thinks researchers' effort to measure a country's openness to trade have so far been unsuccessful.

In an attempt to solve the measurement and definitional problems of openness, Sachs and Warner (1995 p. 22) have developed five criteria to determine whether a country is open or closed. If one of the criteria is considered to be present in a country, then the country is deemed to be *closed*, otherwise *open*. The five criteria are:

1. Non-tariff barriers (NTBs) covering 40% or more trade.
2. Average tariff of 40% or more.
3. A black market exchange rate that is depreciated by 20% or more relative to the official exchange rate, on average, during the 1970s or 1980s.
4. A socialist economic system (as defined by Kornai).
5. A state monopoly on major exports.

The five criteria combine a wide range of trade restrictions. As a result, these criteria provide an opportunity to identify the different methods used by policymakers to close their economy to trade.

Edwards (1997) argues that Sachs and Warner's openness indicators are better than the ones that were used previously. However, he questions the classification of countries as either closed or open. Wacziarg and Welch (2003) acknowledge that it is too simplistic to classify countries into just two categories. The binomial nature of the openness categorization has attracted major criticism from a number of researchers such as James Duesenberry. In my view, this criticism is justified, because Sachs and Warner's openness indicators do not provide any information about the extent to which a country is open or closed to trade. As Stanley Fisher also pointed out: it is odd to have both India and Hong Kong classified as open in 1995, when their degrees of openness are so different (Sachs and Warner 1995 p. 103).

Rodriguez and Rodrik (1999) have demonstrated the openness indicators used by researchers such as (Dollar 1992; Edwards 1992; Sachs and Warner 1995) are not robust, because the indicators are either difficult as measures of trade barriers or they are strongly correlated with other explanatory variables. Dollar and Kraay (2004) agree with Rodriguez and Rodrik that measures of trade barriers are usually highly correlated with other variables that reduce growth performance. Furthermore, in her empirical study Harrison (1996) applied seven different measures of openness and found that half of her measures of openness were not robust when she included macroeconomic variables, while the other half appear to be robust. As a result, she speculates that either the openness measures are proxies for other type of changes in the economy or there is a possibility of severe multicollinearity between the variables in the right-hand side. If there is severe multicollinearity, then it may be very difficult to isolate the impact of different types of macroeconomic and trade openness measures. In addition, Vamvakidis (2002) points out that the positive relationship he found between openness and growth in his empirical study is sensitive to both the measurements of openness and other independent variables in the growth regression equations.

More recently, Berrgren and Jordahl (2005) have pointed out that there are benefits associated with applying the Area 4 Economic Freedom of the World Index (EFI). When studying the relationship between economic freedom and growth Haan and Sturm (2000) have used the average ratio of exports and imports to GDP as a proxy for openness. The studies performed by using the EFI were mainly focused on identifying the relationship between EFI and long-run economic growth, but some of the empirical studies have specifically concentrated on identifying which one of the disaggregated EFIs have positive and robust links to growth. Historically, the EFI is not widely used as proxy for openness or trade policy indicator in the trade-growth literature. However, Arnoldsson (2005) has recently compared the EFI with a wide range of trade policy indicators and he believes that the EFI may potentially assist in solving some of the measurement issues identified in trade-growth literature. His concluding remarks include that future research should explore the potential strengths EFI may have as a trade policy indicator.

According to Yanikkaya (2003), different openness measurements have different theoretical impacts on growth as well as different connection with growth. Consequently, lack of consistency in research findings is to be expected when a range of measures of openness are applied (Alcala and Ciccone 2003). Furthermore, Wacziarg and Welch (2003) argue that less complex openness measures or outward orientation indicators are too general to be able to capture all the essential aspects of trade policy. We agree, a simple openness measure will not be able to reflect the complex nature of the economic environment; however a highly complex measure of openness might make it difficult to draw definitive policy conclusions, so it is important to strike the right balance when constructing measures of openness.

CRITICAL EVALUATION OF THE LITERATURE

EMPIRICAL STUDIES

As mentioned in section 3 there is a large body of empirical work on the relationship between trade and growth. According to Rodriguez and Rodrik (1999) the papers published by Dollar in 1992 and Sachs and Warner in 1995 are two of the most widely cited empirical studies on the relationship between trade and economic growth. Accordingly, I will start my review with these two prominent empirical studies. In addition, I will also critically review the following four empirical studies: Edwards (1998); Ben-David (1998); Frankel and Romer (1999) and Dollar and Kraay (2003). My rationale for selecting these six empirical studies is: Firstly, they are widely cited in the trade-growth literature. Secondly, they have made different types of contributions to this field and have provided some new insights. Thirdly, they all apply different types of methodologies to identify the relationship between openness to trade and economic growth. As a result the literature provides a wide range of perspectives. Fourthly, these studies were published over a ten-year period, therefore this collection of literature is a good representation of the research that has been conducted in the trade-growth field over that time. Finally, these empirical studies also reveal the trends in this area of research and the current state of knowledge in this field without being superseded. The review of these empirical studies is structured in chronological order.

David Dollar (1992)

Dollar's (1992) empirical study is the most heavily cited paper in the trade-growth literature (Rodriguez and Rodrik 1999). Dollar (1992) investigated the causes of growth in 95 developing countries between 1976 and 1985, by developing two indices: i) "index of real exchange distortion; and ii) index of real exchange rate variability. These two indices have connection to "outward orientation" which he defines as:

Outward orientation generally means a combination of two factors: first, the level of protection, especially for inputs into the production process, is relatively low (resulting in a sustainable level of the real exchange rate that is favourable to exports); and second, there is relatively little variability in the real exchange rate, so the incentives are consistent over time (Dollar, 1992 p. 524).

Dollar (1992) implies that outward orientation brings about economic growth and countries that are outward oriented tend to have a stable real exchange rate and low level of trade protection. To find empirical evidence about the relationship between growth and outward orientation, he first corrects the variation in the indices, which are the result of factor endowment by regressing the price level on each country's endowments. Based on these residuals he develops a cross-country index of distortion in the real exchange rate. He then applies the Summer-Heston (1988, Mark 4.0) price levels to measure outward orientation. By regressing growth in per capita income in 95 developing countries averaged over the period of 1976-1985, he examines sources of growth based on the variables: rate of distortion, rate of variability and rate of investment.

Dollar finds that there is a significant negative correlation between growth per capita and real exchange rate distortion, after controlling for the rate of variability and rate of investment. He also finds that a higher level of exchange rate variability in a country is associated with a lower level of per capita GDP growth. He found that his outward orientations measure is strongly correlated with per capita GDP growth in the 95 developing countries he examined. As a result, he concludes that trade liberalisation and retention of an undistorted and a stable exchange rate will enable developing nations to significantly increase their economic performance. However, after investigating Dollar's (1992) distortion index, Levine and Renelt (1992) found Dollar's distortion index fragile to small changes and they suggest that:

One may want to interpret Dollar's index as a general measure of international distortions and not as a narrow measure of trade policy (P. 956).

In addition, Rodriguez and Rodrik challenge the appropriateness of Dollar's distortion index on theoretical grounds. They argue that, for distortion to be an appropriate measure of trade restriction three conditions have to be present and these conditions are highly unlikely to be present in reality. Similar to Levine & Renelt's (1992) findings, Rodriguez and Rodrik also argue that Dollar's regression results for the distortion index are not robust if one alters the growth equation. For example, when Rodriguez and Rodrik added regional dummies to the growth equation the distortion measure turned out to be statistically insignificant. Furthermore, they question the use of an exchange variability index. In their view, a variability index might be an indicator of the overall economic instability rather than trade restriction. Baldwin (2003) supports Rodriguez and Rodrik's arguments.

Dollar's findings are based on the volatile nature of the real exchange rate, whereas Sachs and Warner's (1995) results are based on a self-constructed index of openness. Undertaking comparative analysis of these two empirical studies is not straightforward, since the studies are looking at the relationship between openness and growth from different perspectives. In the next section, I will present Sachs and Warner's study.

Sebastian Edwards (1998)

The study conducted by Edwards (1998) is one of the best-known studies in this field. While the two empirical studies reviewed above i.e. Dollar (1992) and Sachs and Warner (1995) are focused on constructing respectively outward orientation measures and openness measurement indicators, Edwards (1998) attempts to take an alternative approach. Consequently, he focuses on investigating whether or not his econometric results are robust by using wide range of measures of openness. Edwards (1998) uses comparative data for 93 developed and developing countries to identify the link between openness and total factor productivity (TFP) growth based on nine readily available openness indexes. He regresses the nine indexes for ten-years average TFP from 1960-1990. By controlling for per capita GDP in 1965 and the average number of years' education in 1965, he shows that six of the nine indexes are statistically significant. After further investigation of the robustness of his findings, he concludes that there is a consistently significant positive relationship between openness and productivity growth. Therefore, countries that are more open seem to have faster productivity growth compared to countries that are more closed. Nevertheless, Rodriguez and Rodrik's (1999) close examination of Edwards' study reveals several weaknesses. Rodriguez and Rodrik question the reliability of Collected Taxes Ratio report of the IMF. They state:

We are puzzled by this data because many of the numbers for developing countries are implausible (p. 27).

Moreover, in order to deal with heteroskedasticity, Rodriguez and Rodrik used White's method and found that only the four openness measurement indexes out of nine provide statistical significant results that relate the growth rate to TFP. The four variables are: 1) The World Development Report Outward Orientation Index, based on subjective trade strategies. 2) The average black market premium on a country's official foreign exchange rate. 3) A subjective index of trade distortions formulated by the Heritage Foundation. 4) The ratio of taxes on imports and exports to total trade. As part of their review process, Rodriguez and Rodrik explore these four variables further. Accordingly, they recalculate one of the variables i.e. the ratio of taxes on imports and exports to total trade, based on recent data that was unavailable when Edwards performed his analysis, and they found it to be no longer statistically significant. Moreover, when they replicated Edwards' calculation of the Heritage Foundation Index based on data from the 1980s, again they found that it was no longer statistically significant. Furthermore, Rodriguez and Rodrik question the appropriateness of the Heritage Foundation Index and the World Development Index, because these two indexes are subjective measures and are therefore seriously prone to judgement bias. It is rather ironic, because Edwards (1993, 1997) himself has raised questions about the subjective nature of these two openness measurements.

In addition, Rodriguez and Rodrik criticize the use of the black-market premium in a similar way to the Sachs and Warner's study. They stress again that the black-market premium has shortcomings, because it captures a wide range of policy distortions rather than just being an indicator of trade policy. Yanikkaya (2003) has tested the impact of a black market premium in a regression analysis and his results confirm Rodriguez and Rodrik's view that the black-market premium measures a mixture of many different policy failures. On that basis he concludes, the black-market premium is neither a measure of trade policy nor of any other single policy. In addition, Levine and Renelt (1992) have argued that the black-market premium represents the interplay of a number of policies; therefore it is not easy to interpret this variable as an indicator of any one policy. Lee *et al.* (2004) make a similar point. In general, Edwards appears to have made a very good attempt to focus his attention on investigating the robustness of his econometric results rather than focusing on how appropriate the specific openness indicators are. Nevertheless, even though he claims his results are very convincing, Rodriguez and Rodrik are not convinced about his results. Consequently, their scrutiny has exposed the fragile nature of Edwards' results. This again is very ironic, because when Edwards (1993) reviewed the empirical growth studies, he criticized most of the empirical studies for presenting fragile and unconvincing results.

CONCLUSION

We have critically reviewed and evaluated the trade-growth literature with particular emphasis on six carefully selected empirical studies that were published between 1992-2003. In this survey, I have also presented and discussed the issues that are related to the various measures of openness. The impact of trade on economic growth is still one of the most researched and also a much debated topic. Even though most of the empirical studies have found a positive relationship between trade and economic growth, there are still on-going controversies around the methodologies applied and about the validity of the evidence presented in these studies. Despite the significant effort researchers have devoted to construct advanced measures of openness, so far it has been extremely difficult to construct measures of openness that are widely accepted in this field. The complexities that are associated with developing robust measures of openness, which are not prone to criticism, should not be underestimated. Openness is a function of a wide range of factors; therefore constructing the "perfect" openness measures is not an easy task. On the other hand, given the considerable efforts researchers have already devoted in constructing this particular measure, it is reasonable to predict that the quest for more advanced measures of openness will continue in the future. It is essential to remind the reader that most of the critics do not claim that openness to trade is associated with lower GDP or trade is detrimental for economic growth. However, they claim that the evidence presented in the empirical studies is not convincing, mainly due to inaccurate and sometimes even inappropriate and misleading methods. The relationship between openness and growth is not straightforward. In addition, it is important to keep in mind, although openness may be a necessary condition for growth, it

is not a sufficient condition. The determinants of economic growth still remain a complicated issue, involving technology transfer mechanisms, investments in R&D, investments in human capital, dissemination of knowledge and ideas, and many different institutional arrangements related to the organization of the economy. Therefore, in my opinion, the old question: *whether or not trade advances economic growth still remains open*, because the empirical evidence presented by researchers has not been persuasive. Nevertheless, I have no doubt that the quest for a definite answer to this question that has been raised for years will continue in the future. I suggest that such a renewed research effort should take the following issues as the point of departure: perhaps the lack of empirical support might be in part due to the ambiguous nature of the theoretical foundation regarding the relationship between trade and economic growth. Therefore, first and foremost there is a need for a better theoretical understanding of the trade-growth relationship. Moreover, future research should focus on developing new and sophisticated econometric techniques to address the questions of causality. The potential strength of EFI as a measure of openness has not yet been fully explored. Therefore, I suggest that future research should explore further this particular index in order to determine the full potential of the EFI. Last but not least, future research should help develop strategies and better instruments to analyze and correctly interpret how trade policy interacts with other macro economic and fiscal policies to advance economic growth.

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CORPORATE GOVERNANCE AND FIRM PERFORMANCE IN NIGERIA

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ABSTRACT

*This study examines the relationship between corporate governance (governance scores) based on data set provided by institutional investors (shareholders) services (IIS) and three firm performance indicators: return on equity (ROE), Net profit margin (NPM) and Dividend Yield (DY) of ten quoted companies in Nigeria. The study used the *r* and *t* –test at 5% level of significance in relation to time series and cross sectional data on the variables. The result shows a positive and significant relationship between return on equity (ROE) and corporate governance, Net Profit margin (NPM) and corporate governance, dividend yield (DY) and corporate governance. This paper advocate that better governed firms have higher divided yields, net profit margin and return on equity than poorly governed firms. However, minimum amount of information in line with the requirement on corporate governance should be provided by companies in Nigeria.*

KEYWORDS

Corporate Governance, Investment, Firm Performance, Nigeria.

INTRODUCTION

Corporate governance has, in recent years, become a topical issue both in business and academic circles. The concern in business arose out of the perceived importance that a tradition should be developed that supports moral and ethical conduct in business affairs which will create a general climate (both legal and social environment) that will promote good governance of firms.

In the academic world, it is established that business decisions are not made in a vacuum. Business decision makers have objectives outside the firms' objectives, for example managers are interested in their own personal satisfaction, in their employees' welfare, as well as in the good of the community (society) at large and these objectives impact on shareholders wealth adversely. (Fama and Jensen, 1983), (Sheifer and Vishny, 1997).

By definition, corporate governance is a system or an arrangement that comprises of a wide range of practices (accounting standards, rules concerning financial disclosure, executive compensation, size and composition of corporate boards) and institutions (legal, economic and social) that protect the interest of corporation's owners. According to Laporta et al (2000) "corporate governance is to a certain extent a set of mechanism through which outside investors protect themselves against expropriation by the insiders." Insiders are defined as both managers and controlling shareholders.

The corporate governance structures specifies the distributions of rights and responsibilities among different stakeholders in a corporation, like the board, managers, shareholders and others, and spell out the rules and procedures for making decisions on corporate affairs. This is in conformity with the view of Uche (2004) and Akinsulwe (2006).

Effective corporate governance reduces the "control right" conferred on managers and increases the chances that manager's investment decisions enhance the maximization of shareholders wealth. (Shleifer and Vishny, 1997). This however, suggests that better corporately governed firms have better operating performance. According to a study of Latin America's largest Banks, it is observed that, apart from the obvious reputation benefits of corporate adherence to ethical standards, there is another reason why firms should adhere to corporate governance standards: Companies tend to be unpopular with customers and thus easier political targets, especially as regulators, politicians; the media and investors increase their focus (attention) on corporate ethics and sustainability. The increasing cost associated with non-compliance and the rise of socially responsible investing has made ethics and corporate governance performance a higher priority to investors.

A UK study by the Association of British Insurers (ABI) has found a strong link between corporate governance standard and share price performance. It shows that a persistent imbalance in board composition tends to go hand-in-hand with a reduced ability to create value. It then follows that the corporate management's goal is stockholders wealth maximization which translates into maximizing the value of the firm, which is measured by the price of the firm's common stock. This further suggest that, properly governed firms are more valuable, pay out more cash dividend, have high return on equity and have higher sales growth than those poorly governed.

Bebchuck, Cohen and Ferrett (2004) show that firms with stronger stockholders' right have higher value. In a latter study that used Nigeria data on twenty firms, the result shows a positive and significant relationship between ROE and board size, between Return on Equity (ROE), board composition and Audit committee, between profit margin and chief executive status. It further shows that there is no significant relationship between profit margin and board size, board composition and audit committee. (Kajola, 2008). Corporate governance advocates argue that stock price collapse of some firms in the US such as Adelphia, Enron, Parmaleet, Tyco and Worldcomm was due largely to poor governance. (Gompers, et al 2003).

There is also a widely held view that better corporate governance is associated with better firms' performance, but the evidence is not sufficiently available in the Nigeria context. As such, providing an additional empirical evidence of the relationship between corporate governance standards and firms performances is cardinal to this study. The significance of the relation of firm performance is a function of the corporate governance provisions and the level of compliance to the set standard.

In order to chart present and future paths for firm's adherence to corporate governance standards, it is important to first determine its impact on firms' performance in the past. It is necessary to investigate the response or behavior of important performance indicators such as return on equity, dividend yield, net profit margin and sales growth in the light of the effects of various corporate governance provisions that rule the business world today. Unlike the earlier studies by the authors, this paper attempts to shed light on the critical response or behavior of firm performance indicators to corporate governance provisions

or standards in Nigeria. The logical point of departure is to determine the relationships between corporate governance index and firm performance indicators of ten quoted companies in Nigeria. It also attempts to investigate the extent of the relationship.

The findings of this study will be of importance to regulatory authorities in the Nigeria economy, investors (both private and institutional), academics, politicians and other corporate stakeholders as the knowledge will enable them to validate the benefit of good corporate governance in increasing return on equity, net profit-margin, dividend yield, sales growth and even the confidence of the investing public. (Donaldson, 2003). The result of this study also will add credence to the fact that good corporate governance can be associated with good firm performance.

LITERATURE REVIEW

According to Carol Bowie, Vice President of Institutional Investors (shareholders) Service (IIS) in a study on Governance Research based in the U.S.; the report demonstrates that companies are responding to shareholder concerns regarding board structure, independent leadership and board composition.

A UK study by the association of British insurers (ABI) which track 14 companies in 2004-2006 found a strong link between governance standard and share price performance. It shows that a persistent imbalance in board composition tends to move hand-in-hand with a reduced ability to create value.

Fosberg (1989) examined the relationship between the proportion of outsider directors and various performance measures such as expenses volume, sales, number of employees and return on equity. It was found that there exists no relationship between them. Bhagat and Black (2002) demonstrated that there is no relationship between the proportion of outsider directors (a corporate governance index) and return on assets, asset turnover and stock returns (firm performance measures). Kojola (2008) for instance, studied the impact of a relationship between board size, board composition, chief executive officer status (examined the separation of CEO and chairman of board); audit committee independence and firm performance indicators such as return on equity (ROE) and profit margin (PM). He however found a positive and significant relationship between ROE and chief executive status, between profit margin and chief executive status but there was no significant relationship between ROE, board composition and audit committees as well as between profit margin and board size, board composition and audit committee in Nigeria.

The proponents of agency theory, advocate that corporate governance should lead to higher stock prices or better long-term performance of firms because managers are better supervised and agency cost are reduced. However, Gompers and Metrick (2003) studied the effect of board membership and structure on firm performance and submit that the evidence of a positive association between corporate governance and firm performance may have little to do with the agency explanation. Empirical studies of the effect of board membership, and structure on firm value show better performances for firms with boards of directors dominated by outsiders (Weiback 1988, Resentein and Wyatt 1990 Mehran 1995, John and Senbet 1998). According to a similar study by Laing (2001) and Pinteris (2002), no relationship was found between the proportion of outside directors and various performance measures including profit. In the same vein Hermalin and Weisbach (1991) found no correlation between the degree of board independence, ownership characteristics, board size and four measures of firm performance. They opine that poorly performing firms were more likely to increase the independence of their board. Mac Avoy, Dana, Cantor and Peck (1983), Baysing and Butler (1985) and Klein (1998) found that firm performance is insignificantly related to higher proportion of outsiders on the board. Thus, the relationship between the proportion of outsider directors and firm performance is mixed. A study of 228 small private firms in China by Laing and Li (1999) shows that the presence of outside directors is positively associated with higher return on investment. Klein (2002) found a negative correlation between earnings management and audit committee independence while Mansi and Reeb (2004) found that independent audit committees have lower debt financing cost. Other related studies have been conducted to address the impact of the separation of CEO and chairman of the board on firm value. Yermack (1996), for instance, studied a sample of 452 firms in the annual Forbes magazine ranking of the 500 largest USA public firms between 1984 and 1991 and found that firms are more valuable when the CEO and the chairman of the board positions are occupied by different persons. He also posits that agency problems are higher when the same person occupies the two positions.

Attiye and Robina (2007) studied the relationship between corporate governance indicators and firm performance in Karachi Stock Exchange (Pakistan). Fifty firms were studied using their annual reports of 2003 to 2005. The result shows that listed firms that are likely to grow faster usually adopt better corporate governance practices. The coefficient of growth is significant and positive because higher growth is associated with higher value.

CORPORATE GOVERNANCE MECHANISMS IN NIGERIA

Taking cognizance of the cardinal importance of good corporate governance practice in business survival, business growth and in appreciating the value of the firm as well as its contagion effect on the Nigeria economy at large, the Federal Government of Nigeria instituted the arrangement to protect investors' fund from being mismanaged by the management of quoted companies in Nigeria. As such, the "Code of Corporate Governance Best Practices" was issued in November, 2003 to institutionalize the arrangement. The provisions include the roles of the board and management of quoted companies, the rights and privileges of shareholders and the role of the audit committee. The variables that may constitute the yardsticks by which corporate governance can be measured in an organization (with acceptance from each category of governance sub-index) are:

1. **Board of Directors:** The number of directors (Board Size) is one prominent yard stick. Empirical studies on board size show that there exist a negative relationship between board size and firm value. For instance, Mak and Yunto (2003) in a study in Malaysia and Singapore, demonstrates that firm value is highest when board sizes are relatively small. A Nigerian study by Sanda et al (2003), found that firm performance has a positive correlation with small and not large board size.
 - The composition of board of directors and a clear cut job definition of all board members is another index.
 - Separation of CEO from the chairman of the board of directors. Yermack (1996) shows that firms are more valuable when the CEO and the chairman of the board positions are manned by different persons.
2. **Audit Committee:** A study by Klein (2002) shows a negative correlation between earnings, management and audit committee independence. Anderson, Mansi and Reeb (2004), observed a significant relationship between independent audit committee and low debt financing cost.
3. **Bye-Laws:** Company either has no poison pill or a pill that shareholders approved.
4. **Director Education:** At least one member of the board should have participated in an accredited director education program.
5. **Executive and Director Compensation:** Directors should receive all or a portion of their fees in stock.
6. **Ownership:** All directors with more than one year of service should own stock.
7. **Progressive Practices:** There should be mandatory retirement age for directors.
8. **State of Incorporation:** Firms should be incorporated in a state without any anti-takeover provisions. The corporate governance provision by Institutional Investors Service (IIS) as at February 2007, form the basis of the firm's corporate governance scores.

METHODOLOGY

The study sought to determine the effects of corporate governance on firm performance using 10 firms based on 51 corporate governance provision provided by Institutional Investors Services (IIS) as at February 2007. We consider three performance measures from two categories: operating performance (return on equity, net profit margin), and shareholder payout (dividend yield).

The corporate governance score is constructed as follows: for every firm, 51 governance proxies or indicators are selected; these indicators are categorized into eight categories or sub-indices consist of indicators: Four factor for audit, seventeen for board of directors, seven for charter/byelaw, one for director education, ten for executive and director compensation, four for ownership, seven for progressive practices and one for incorporation. A maximum score of 1 is assigned if factor is observed, and 0 if factor is not observed. The average is taken out and we arrive at the rating of a sub-Governance score. By taking the average of the eight sub-indices we obtain Governance score for a particular firm.

In the same vein, the performance indicators: Return on equity (ROE), net profit margin (NPM), and dividend yield (DY) were derived through ratio analysis, using data in financial statement of the firms under study between the period of 2004-2008.

Below are the variables used in the computation of the performance indicators:

$$\begin{aligned}\text{ROE} &= \frac{\text{profit after tax}}{\text{Shareholders equity}} \\ \text{NPM} &= \frac{\text{profit after tax}}{\text{Turnover}} \\ \text{DY} &= \frac{\text{dividend per share}}{\text{MKT price per share}}\end{aligned}$$

We used data derived from the audited financial report of the firms quoted on the Nigerian Stock Exchange (NSE) between 2004 and 2008. The samples of ten firms were selected using simple random sampling technique. This ten firms cut across different sectors of the Nigeria economy ranging from banks, food, construction to oil companies.

The panel data methodology was adopted for the purpose of this study since it combined time series and cross sectional data. The study used the *r* and *t*-test at 0.05 significance. The data was analyzed using the simple linear regression. The governance score was correlated with each firm performance indicator after ordering the governance scores from the highest to the lowest (i.e. from best to worst governed firm) to see if firm performance differ.

THE MODELS

From the foregoing, we can hypothesize that (ROE) return on equity, dividend per share (DPS), and net profit margin (NPM) are positive functions of corporate governance index. Depending on the level of compliance of the firms, these variables could be postulated to be negatively related to the corporate governance indicators.

However, we state the hypothesis for this study in their null forms as follows:

1. There is no significant relationship between corporate governance index and return on equity of quoted companies in Nigeria.
2. There is no significant relationship between corporate governance index and net profit margin of quoted companies in Nigeria.
3. Compliance to corporate governance provisions is not important in predicting changes in dividend yield of quoted companies in Nigeria.

The empirical specification of model is patterned after Attiya and Robina (2007) model with modification to suit our purpose.

$$\begin{aligned}\text{ROE} &= a_0 + a_1 \text{CGS} + \text{ET} \dots\dots\dots(1) \\ \text{NPM} &= b_0 + b_1 \text{CGS} + \text{ET} \dots\dots\dots(2) \\ \text{DY} &= c_0 + c_1 \text{CGS} + \text{ET} \dots\dots\dots(3)\end{aligned}$$

Where:

ROE	represents	Return on equity
NPM	represents	Net Profit Margin
DY	represents	Dividend yield
CGS	represents	Corporate Governance score
ET	is the Error Term.	

STATISTICAL TOOLS EMPLOYED

This study employs two basic statistical tools which include; the simple regression (Pearson Product Moment Correlation *r*, coefficient of determination *r*²) and *t*-test of significance. The simple regression is adopted to test the strength of relationship between corporate governance and firm performance (Return on equity, net profit margin, and dividend yield). Both the simple regression and *t*-test values were calculated automatically using the Statistical Program for Social Sciences (SPSS).

DATA PRESENTATION

The data presented in the table below provides the basic inputs for this study.

TABLE 1: CORPORATE GOVERNANCE SCORES AND FIRM PERFORMANCE MEASURES

G. Score	ROE	NPM	D.Y
29.353	51.35	2.048	0.576
24.126	3.316	2.51	0.264
26.126	15.96	13.14	0.41
23.618	24.38	2.94	0.142
22.783	9.63	49.31	0.24
21.976	24.20	7.43	0.69
21.000	10.13	5.58	0.09
20.216	11.94	6.24	0.26
19.116	12.10	6.66	0.28
17.111	10.56	6.78	0.28

Source: (1) Company annual reports and account (2004 – 2008)
(2) Computed from survey data.

PRESENTATION OF RESULTS

The computational results of the simple regression and *t*-test values are presented below.

TABLE 2: CORRELATION OF GOVERNANCE SCORE WITH THREE (3) INDUSTRY-ADJUSTED PERFORMANCE MEASURES

Performance Variables	No. of companies	Expected direction	R	R ²	T cal	T critical
Return on equity	10	Positive	0.60	0.36	12	2.179
Net profit margin	10	Positive	0.64	0.4096	2.89	2.179
Dividend yield	10	Positive	0.51	0.260	2.19	2.179

Source: Computed from survey data, 2010

SIMPLE CORRELATION TEST

To test the hypotheses, our decision rule is to reject the null hypothesis if the computed value of the t-statistics for the correlation is equal to or above the critical value at our preferred 0.05 level of significance and degree of freedom. Accordingly, the null hypothesis in *Hypothesis I* and *Hypothesis II* were rejected because the t-critical values were less than the computed values. However, the null hypothesis of *Hypothesis III* was accepted.

DISCUSSION OF FINDINGS

The first hypothesis which stated that there is no significant relationship between corporate governance and return on equity was nullified by the experimental data with r , and t -test of significance at 0.05. The r and r^2 showed a value of 0.60, 0.36 (36%) respectively. The value of (r), 0.602 implies a positive relationship between corporate governance and return equity, while the t -test values indicate that there is a significant relationship between corporate governance and return equity ($t_{cal} 12 > 2.179$).

The findings above are in line with earlier findings by Kojola (2008), which found that there is link between four corporate governance mechanisms, (board size, board composition, chief executive status and audit committed) and return on equity. However, the findings are not in support of earlier findings by Farsberg (1989), Blagat and Black (2002) and Sanda et al (2005).

The result of the second hypothesis with r , 0.64 and r^2 (0.41) or 41% revealed a positive relationship between corporate governance measures and net profit margin. In the same vein, result from the t -test values revealed that there is significant relationship between corporate governance and net profit margin. This result is in agreement with previous empirical studies (see Yemack, 1996, Yuan 2003, Sanda et al 2005 and Kojoka 2008).

Finally, the result of the third hypothesis reveal that there is significant relationship between corporate governance and dividend yield since the t -calculated 2.19 is greater than t -critical 2.179 at 0.05% level of confidence.

CONCLUSION

There is no doubt that several studies have been conducted so far (and is still ongoing) to determine the relationship between firm performance measures and corporate governance mechanisms, however the outcomes of these studies are mixed.

All the performance measures are significant with their expected positive signs. That means, better governed firms have higher net profit margins, return on equity and dividend yield than poor governed firms. It was also observed that there is no uniformity in the disclosure of corporate governance practices made by the companies. Though they all disclose their corporate governance practices, what is disclosed does not conform to any particular standard. More so their disclosure on directors' remuneration is not extensive.

This study reveals that there is a positive and significant relationship between return on equity and corporate governance; there is positive and significant relationship between net profit margin and corporate governance; there is positive and significant relationship between dividend yield and corporate governance. Although our results show that corporate governance code potentially improves the governance and decision making process of firms listed on the Nigeria Stock Exchange, we need to point out that adequate firm governance standards cannot replace the solidity of the firm. The low production and bad management practices cannot be covered with transparent disclosures and good ethical standards.

Finally, we associate corporate governance with firm performance, but our results do not necessary imply causality. Our caveat regarding absence of causality is consistent with other studies (e.g Laker *et al* 2004) that recognize the impossibility of solving the endogeneity issue, especially given the very limited data. Far more data are needed before one can attempt to find causality, perhaps by using granger causality.

Corporate governance is advocated for reasons outside firm performance such as fairness, equity, and appearance of propriety. Some factors we do not find to be related to firm performance may be important for other purposes.

RECOMMENDATIONS

- The development of an effective legal framework that specifies the rights, and obligation of a company, its direction, shareholders, and specific disclosure requirements and provides for effective enforcement of the law is needed to promote strong corporate governance in the system.
- It was observed that there is no uniformity in the disclosure of corporate governance practices made by companies under study. Though they all disclose their corporate governance practices, what is disclosed does not conform to any standard. To this end, it is recommended that companies should provide a certain minimum amount of information requirement on corporate governance to allow uniformity and easy appraisal of the corporate practices. Particularly, the standard set out by OECD, Organization of Economic Council and Development adopted or CAMA provision should be follow to the letter.
- Board independence is recommended, however, proponents of board independence should note with caution the negative relation between board independence and future operating performance. Hence, if the purpose of board independence is to improve performance, then such efforts might be misguided. However, if the purpose of board independence is to discipline management of poorly performing firms, then board independence has merit.
- Senior policy makers and corporate boards in their efforts to improve corporate governance should focus on stock ownership of members – since it is positively related to both future operating performance, and to the probability of disciplinary management turnover in poorly performing firms.
- To further enhance corporate governance practice in the Nigerian companies, the executives should be subject to stock ownership guidelines, mandatory retirement age for director should exist and performance of the board should be reviewed regularly.
- Since independent of board of directors, nominating committees, and compensation committees are associated with good firm performance, the regulators (e.g Nigeria stock exchange) should consider requiring the presence of a separate corporate governance committee that meets at least once a year.
- Disclosures on director's remuneration and disclosures about employees' benefits should be extensive, so as to provide information on who gets what and for what purpose (directors' remuneration) and to show analysis of their emoluments by category and not just by number (Employees benefits).
- There should be effective structure to encourage companies to have well – developed and well-enforced, risk management system. Companies need corporate governance structure that promotes effective identification, monitoring and management of all business risks.
- The system (or the authorities) needs to develop and enforce robust financial disclosures requirements for companies.

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APPENDIX

1. Nig Bottling Coy Plc
2. Beta glass Coy Plc
3. Total Nig Plc
4. 7up Bottling Plc
5. Con oil Big Plc
6. First Aluminium Nig Plc
7. Oando Plc
8. PZ Industries
9. John Holts Nig
10. Plc Julius Berger Plc

LABOR FORCE VERSUS POPULATION GROWTH RATE - A STUDY OF UNEMPLOYMENT IN J&K STATE**GAURAV SEHGAL****ASST. PROFESSOR****BABA GHULAM SHAH BADSHAH UNIVERSITY****RAJOURI, JAMMU & KASHMIR****DR. ASHOK AIMA****DEAN****THE BUSINESS SCHOOL****UNIVERSITY OF JAMMU****JAMMU, JAMMU & KASHMIR****ABSTRACT**

The present study observes that there are some diversifying trends in the occupational pattern of J&K State. Occupational patterns of the State have shifted from Agricultural Sector (Primary) to Services Sector (Tertiary), without undergoing the development of the Manufacturing Sector (Secondary) – which provides the opportunities for creation of jobs on a larger scale. This shows that there exists lopsided path of economic development on one hand and agricultural backwardness on the other. This agricultural backwardness has created an alarming situation of unemployment in the State, as this sector does not have the capacity to absorb the ever increasing unemployed labor force of the State. This is due to the fact that there is limited technological advancements in this sector in the State, thus leading to limited employment opportunities for the unemployed youths of the State.

KEYWORDS

Labour, Unemployment, Population, Jammu & Kashmir.

INTRODUCTION

Unemployment is a major concern of both developed and under-developed countries. Much has been debated on this burning issue not only in India but world-wide. Also much has been written on this issue in India but widely varying estimates of unemployment have emerged. This is mainly because of the uses of several distinct concepts which have diverse meaning and interpretations. Since each concept has its relevance for employment policy; they have to be distinguished precisely for the understanding of the issue as a whole.

The aggregate estimates of employment and unemployment are highly inadequate to understand the nature and dimensions of the problem or to appreciate the argument for or against one or the other approaches to the problem. Unemployment is indicated by involuntary idleness, that is, the time for which individuals are available for work, but not able to find work. Measures of employment and unemployment used in India attempts to capture the varied complexities by adopting more than one concept, while the population census once in a decade has been generating available information about working population and labor force. It is however recognized that an operation as large as the population census in a country like India is not the most appropriate source of data to generate and predict estimates of detailed aspects of employment and unemployment, which otherwise requires a more intensive enquiry at each level of initial respondents.

The National Sample Survey Organization (NSSO) therefore has been conducting such surveys on employment and unemployment situation at both national as well as at state level. NSSOs survey is the most comprehensive measure for estimating employment and unemployment scenarios in India. This survey covers whole of India except Ladakh and Kargil districts of J&K State, 768 villages of Nagaland situated beyond 5 kms of the bus route, 172 villages of Andaman & Nicobar Islands. Also some other areas of J&K State are excluded from the survey due to unfavorable field conditions.

Yet another government agency dealing with the problem of employment and unemployment scenario is the Employment Exchanges. But the figures and database provided by this agency suffers from a lot of limitations. The Employment Exchanges do not get the accurate estimates of employment and unemployment rates because registration with Employment Exchanges in India is not mandatory either at State or even at the national level.

For the present research paper, the data from population census has been the main source. Though the source from which the data has been compiled suffers from the major limitation that generally such a census is conducted during 'slack season', that is, Feb – Mar which grossly effect the size and characteristic of labor force. Besides the use of this brief reference period in the census can be appropriate only for those activities whose status remains unchanged throughout the year (Sinha J.N., "Some Methodological Aspects of Employment, Unemployment and Under-Employment", Population Statistics in India, Vikas Publishing House, New Delhi. 1978).

Unemployment is, admittedly the most prominent and perplexing of all labor problems. The concept of unemployment varies according to approaches. It has been defined by different economists in different ways and gained importance in the Great Depression of the Thirties, when the Classical Economists had no solution to define the problem of unemployment. The neo-classical concept came into being with the conception of the labor market, where wages clear the market and the failure to get work is voluntary, and a deviation to this idea are measured by the definitions of involuntary unemployment.

It is worthwhile to mention that, unemployment is directional and selective, it strikes from underneath and effects particularly those who are at the bottom sections of the society. The real sufferer of unemployment are the labor force migrating from far-flung areas. Furthermore, unemployment is not due to any single factor, but it is a cumulative result of many causes.

Amongst different demographic aspects, occupational pattern of a country plays an important role in analyzing the population. Occupational distribution of a country's population provides the information regarding the radiance of occupation and main source of livelihood. It also indicates the production of GNP. A higher percentage of population engaged in the agricultural sector shows that the subsistence sector is the main sector of the economy, and henceforth forms the major proportion of GNP. Besides it also throws light on the extent of unemployed labor force and population engaged in different sectors of the economy. In developing countries like India where economic policies have been adopted to achieve the objectives of optimum utilization of resources, occupational pattern is an integral part of the policy or economic planning. A country's population is both a means-to and an-end of economic development. For the success of the comprehensive economic planning, scrutiny of different facts of occupational distribution of population becomes a pre-requisite.

In a broader sense, the various occupations can be divided into three categories, viz, primary, secondary and tertiary. Primary occupations are those which are concerned with land and its use and comprises of: Agriculture, Forestry, Fishing, Animal Husbandry, Poultry, Farming and Mining. These are referred to as primary occupations because the products of these occupations are vital for the very existence of human race. Whereas the Secondary occupations covers those whose finished products are based on raw materials from primary occupation sectors, and largely include: Large & Small Industries, Manufacturing units, Construction works. The tertiary occupations are also referred to as service sector occupations and generally include: Trade transport, Communication, Banking, Insurance. In general terms, the productivity in tertiary sector is as high as in secondary sector and sometimes even higher than that. Henceforth, migration of

population from primary occupation to secondary and eventually to the tertiary occupation sector is considered a reliable index of economic progress, but this too not with its consequences. Thus, this clearly explains that for the success of the comprehensive economic planning, scrutiny of different facts of occupational distribution of population becomes a pre-requisite.

UNEMPLOYMENT AND J&K STATE

The State of Jammu & Kashmir presents peculiar geographical and socio-economic settings. It occupies an important situation in the Indian subcontinent. The J&K State has a rugged topography and a very hilly and high altitude terrain. On one hand it imports skilled & unskilled labor to the tune of four lakhs and on the other hand claims a sensitive gravity of unemployment, as well. The unemployment problem in the State has acquired alarming dimensions. Every year thousands of educated and uneducated youth add to the list of unemployment largely due to economic distress and mismatch. According to the population census of India the population of J&K State has increased from 59.87 lakhs in 1981 to 101.44 lakhs in 2001. Moreover, as per the census data of 1981 the total workers of the State were 26,50,044 which has grown to 36,88,875 as per census data of 2001, which depicts a clear increase of 39.2% as against the population increase of 68.2%, which is an alarming disproportionate. Henceforth, one may also consider that the unemployment problem in J&K State is mainly responsible for social unrest and political disturbances. Though in order to overcome this situation the State government as well as centre government has introduced many fruitful schemes, such as, MGNREGA, SGRY, KVI, yet a lot needs to be done in this regard.

LABOR FORCE VERSUS POPULATION GROWTH IN J&K STATE

The growth rate of labor force depends on the growth rate of population, hence there is a positive correlation between the two, this means that as and when the population growth rate increases, the growth rate of labor also increases proportionally.

(A)
Table – 1 below depicts the pattern of labor force and population growth rate from 1951 to 2001 in the State of Jammu and Kashmir.

TABLE – 1: DECADAL POPULATION GROWTH RATE IN J&K STATE FROM 1951 - 2001

Census of	Total Population	Decennial Variation in Population	Decennial Population Growth Rate (in %age)
1951	32,53,852	--	--
1961	35,60,975	3,07,123	8.62 %
1971	46,16,632	10,55,657	22.86 %
1981	55,37,389	9,20,757	16.63 %
1991	Not Available	--	--
2001	1,00,69,917	45,32,528	45 %

Source: Census of India for respective years

In 1951 census the population of J&K State was 0.92% of the total country's population. Whereas, in 1961 census the population of J&K State was 0.81% of the total country's population, thereby registering an annual growth rate of 0.94%. Similarly, in 1971 census the population of J&K State was 0.84% of the total country's population and hence registering an annual growth rate of 2.96%. Therefore, between 1951-61 there has been approximately three times increase in the growth rate of population in the State of J&K and approximately two times for the period 1971-81.

A marginal decline in the growth rate of population was observed as per 1981 census. But as per 2001 census there was an abrupt increase in the population growth rate registered at 4.92%, therefore, in 2001 the State of J&K stood at a population growth rate of 0.98% of the total population of the country. Moreover, population growth rate has varied largely in the three regions of J&K State. The districts of Jammu region shows a declining trend in population growth rates from 3.09% in 1971-81 to 2.75% in 1991-2001. Whereas, Kashmir region has registered an increase in the population growth rate registering 2.87% to 3.19% during 1971-81 to 1991-2001. This increase has been still higher for the Ladakh region registering a 2.76% to 3.29% growth during 1971-81 to 1991-2001.

(B)
Table – 2 below depicts the working population growth rate from 1961 to 2001 in the State of Jammu and Kashmir.

TABLE – 2: WORKING POPULATION GROWTH RATE IN J&K STATE FROM 1961 - 2001

Census of	Total Population	Total Workers	Working Population (in %age)
1961	35,60,975	15,23,621	42.7 %
1971	46,16,632	13,73,901	29.75 %
1981	55,37,389	26,50,044	47.85 %
1991	Not Available	Not Available	--
2001	1,00,69,917	29,51,274	29.31 %

Source: Census of India for respective years

The number of working persons constitutes the working population of the country. It depends upon many factors, such as, age composition, sex composition, life expectancy, definition of workers attitude towards work, availability of work, willingness to work, and other such factors. Furthermore, such factors differ also in terms of demographic patterns and also upon time. Moreover, one should also note that - the proportion of population engaged in economic activity is called work participation rate.

The active labor force showed an increase of 41.30 % as per 2001 census. The growth rate of active labor force population is slower than the growth rate of population. In 1971 census the total labor force was 0.79% of the country's total labor force. Also as per 1981 census the total labor force showed an alarming disproportionate increase of 39.2% as against the population increase of 68.2%.

Table-2 clearly depicts that the work participation rate had declined from 1961 to 1971 and then showed an increase in 1981; also in 2001 there was a decline in the same. As per 1961 census the total work force growth rate was 42.7% which declined to 29.75% as per 1971 census.

(C)

Table-3 depicts the Sex wise Working Population in Jammu and Kashmir State from 1961 to 2001.

TABLE – 3: SEX WISE WORKING POPULATION IN J&K STATE FROM 1961 - 2001

Census of	Total Population		Total Working Population	
1971	Male	24,58,315	12,90,570	52.49 %
	Female	21,58,317	83,331	3.86 %
	Total	46,16,132	13,73,901	29.76 %
1981	Male	31,64,660	17,66,215	55.81 %
	Female	23,72,729	8,83,829	37.25 %
	Total	55,37,389	26,50,044	47.86 %
1991	Male	Not Available	Not Available	--
	Female	Not Available	Not Available	--
	Total	--	--	--
2001	Male	53,00,574	26,41,348	49.83 %
	Female	47,69,434	10,47,527	21.96 %
	Total	1,00,69,917	29,51,274	29.31 %

Source: Census of India for respective years

As per the census data of 1971 and 1981, male participation rate was 52.49% and 55.81%, which clearly represents an increasing trend, whereas for the period of 2001 there has been a decline of about 6%. The number of female working population shows a significant increase from 3.86% to 37.25% for the census period 1971 and 1981, thereby registering an abrupt increase of about 33.39%. Though as per 2001 census this trend showed a decline of about 15.29%, but when compared on an average for the period 1971 to 2001 this shows a positive trend with an average increase of about 21%.

(D)

Table-4 depicts the areas wise (Rural and Urban) Working Population in Jammu and Kashmir State from 1961 to 2001.

TABLE – 4: AREA WISE (RURAL AND URBAN) WORKING POPULATION IN J&K STATE FROM 1961 - 2001

Census of	Rural Workers			Urban Workers	
1971	Total Population	37,58,411	30.5 %	8,58,221	26.47 %
	Total Workers	11,46,681		2,27,220	
1981	Total Population	42,76,986	52.75 %	12,60,403	31.26 %
	Total Workers	22,55,967		3,94,077	
1991	Total Population	Not Available	--	Not Available	--
	Total Workers	Not Available		Not Available	
2001	Total Population	75,64,608	37.93 %	25,05,309	3.27 %
	Total Workers	28,69,319		81,955	

Source: Census of India for respective years

As per the census data of from 1971 to 2001 we observe that the participation of Rural workers have always exceeded the Urban workers participation. For the census 1971 to 1981 there has been a marginal change, where as 2001 census shows a drastic change in figures wherein the urban worker participation has shown a abrupt decline of 34.66%.

(E)

In order to understand the phenomenon of rapid increase in India's labor force as well as that of J&K State in recent decades, it is necessary to make disaggregate analysis of the growing labor force

Table-5 below depicts the composition of work force of J&K State for 2001.

TABLE – 5: CATEGORIES OF WORKERS IN J&K STATE AS PER 2001 CENSUS

		Male (M)		Female (F)		Total (M+F)	
Cultivators Work force	Rural (R)	9,94,104 (51.50%)	63.60%	5,67,694 (60.40%)	36.40%	15,61,798 (54.40%)	100%
	Urban (U)	29,045 (4.10%)	76.70%	8,813 (8.20%)	23.30%	37,858 (4.60%)	100%
	Rural + Urban (RU)	10,23,149 (38.70%)	64.10%	5,76,507 (55.00%)	36.00%	15,99,656 (43.36%)	100%
Agricultural Work force	Rural (R)	1,78,980 (3.90%)	77.90%	50,760 (5.40%)	22.10%	2,29,740 (8.00%)	100%
	Urban (U)	15,907 (2.20%)	84.40%	2,930 (2.70%)	15.60%	18,837 (2.30%)	100%
	Rural + Urban (RU)	1,94,887 (7.40%)	78.40%	53,690 (5.10%)	21.60%	2,48,577 (6.72%)	100%
House Hold Industry Work force	Rural (R)	86,454 (4.50%)	49.50%	88,221 (4.50%)	50.50%	1,74,675 (6.00%)	100%
	Urban (U)	32,541 (4.60%)	59.20%	22,394 (2.10%)	40.80%	54,935 (6.70%)	100%
	Rural + Urban (RU)	1,13,995 (4.50%)	51.80%	1,10,615 (10.50%)	48.20%	2,29,610 (6.22%)	100%
Other Work force	Rural (R)	6,69,700 (34.70%)	74.10%	2,33,406 (24.80%)	25.90%	9,03,106 (31.60%)	100%
	Urban (U)	6,34,617 (89.17%)	89.60%	73,309 (68.3%)	10.40%	7,07,926 (86.40%)	100%
	Rural + Urban (RU)	13,04,317 (49.40%)	81.00%	3,06,715 (29.40%)	19.00%	16,11,032 (43.67%)	100%
Total	R	19,29,238 (100%)	67.20%	9,40,081 (100%)	32.80%	28,69,319 (100%)	100%
	U	7,12,110 (100%)	86.90%	1,07,446 (100%)	13.10%	8,19,556 (100%)	100%
	RU	2,64,13,348 (100%)	71.00%	10,47,527 (100%)	29.00%	36,88,875 (100%)	100%

Source: Census of India for respective year

Figures in Brackets represent the percentage of total population

As per the census data of 2001 we observe that the category has gone down to four while it was eleven during 1981 census. Clearly from the table the share of rural and urban workers was 77.78% and 22.22% of the total workers respectively in the State. The total Cultivators Work force stood at 43.36% of the total workers of the State, out of which 97.63% belonged to rural are and the remaining 2.37% belonged to urban areas. The total Agricultural Workforce was 92.42% for rural and 7.58% for urban areas. The House Hold Industry Work force for the State stood at 6.22% of the total workforce, out of which 76% belonged to rural areas and 23.93% belonged to urban areas. Likewise, Other Work force stood at 43.67 of total workers of the State, out of which 56.06% belonged to rural areas and 43.94 belonged to urban areas.

The table also presents a picture on the sex wise distribution in the State for the four categories. The total number as regards to total male worker population for Male Cultivators Work force was 51.5% and 4.1% from rural and urban areas respectively, while that of female stood at 60.4% and 8.2% for rural and urban areas respectively. From the table figures it is apparent that in urban areas both male and female population is largely employed in the tertiary, that is, service sector.

CONCLUSION

From the above analysis we observe that there are some diversifying trends in the occupational pattern of J&K State. Occupational patterns of the State have shifted from Agricultural Sector (Primary) to Services Sector (Tertiary), without undergoing the development of the Manufacturing Sector (Secondary) – which provides the opportunities for creation of jobs on a larger scale. This shows that there exists lopsided path of economic development on one hand and agricultural backwardness on the other. This agricultural backwardness has created an alarming situation of unemployment in the State, as this sector does not have the capacity to absorb the ever increasing unemployed labor force of the State. This is due to the fact that there is limited technological advancements in this sector in the State, thus leading to limited employment opportunities for the unemployed youths of the State.

Thus for the sustainable development of the State it is necessary that the Agricultural Sector (Primary) of the economy should be promoted and developed, thereby providing suitable support to the manufacturing units (Secondary sector). Such an accelerated approach would help generate more employment opportunities for the unemployed youth of the State.

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VALUE ADDED TAX AND ITS IMPLICATION ON PROFITABILITY**DR. SAMBHAV GARG****ASST. PROFESSOR****M. M. INSTITUTE OF MANAGEMENT****MAHARISHI MARKANDESHWAR UNIVERSITY****MULLANA – 133 203****ABSTRACT**

The introduction of Value Added Tax (VAT) has brought a sea change in the Sales Tax Law. Though the primary objective of the Value Added Tax is to arrest the cascading effect of tax, it has a major impact on the price of the product and therefore the general public is also exaggerated by the new tax. The Value Added Tax will definitely help in achieving the uniformity in tax rate and classification of goods, at the same time it has a major impact on the profitability of entrepreneur and price of the goods. The present paper aims to analyze the impact of Value Added Tax on cost- price- profit of entrepreneur and revenue of the Government and also suggest ways and means to improve the profitability of the entrepreneurs.

KEYWORDS

VAT, Sales Tax, Multiple Taxation, Cascading Effect, Profitability.

INTRODUCTION

The existing sales tax structure faces the problem of multiple taxation of commodities where sales tax paid on purchases is also added to cost, resulting in a cascading tax effect. VAT is recommended in order to avoid this cascading effects and vertical integration of the multistage sales tax. Over 130 countries world wide have introduced VAT over the past three decades. It is levied at state level in India as a substitute to the existing sales tax system.

The important feature of the Value Added Tax is the deduction of the tax already paid. The trader can collect the Value Added Tax while selling the goods, but when he remits the tax collected to the Government, he can deduct the Value Added Tax already paid when he purchased the goods. The Value Added Tax is the difference between the taxes collected while selling the goods and the tax paid when the goods are purchased.

IMPACT OF VALUE ADDED TAX

The introduction of Value Added Tax has brought a major shift in the Government revenue, profitability of manufacturer, trader or distributor and price of the product. The following, example will explain how the above elements affected on the introduction of Value Added Tax.

EXAMPLE 1

Let us presume that the value of the product is Rs 50,000/- and the Value Added Tax is levied at 12% We presume that the said product is sold from one trader to another five times before reaching, the customer. We further presume that each trader add value at 10 percent of the price paid. The sales tax rate is also presumed at 12.5%. The following analysis is made to confirm how much Government could get as well as the five traders could get and price of the product. From the above analysis it is found that the price will reduce and the tax revenue of the Government and the profit of the traders will also reduced correspondingly. However, in the new method the tax evasion will be reduced to a maximum extent. Therefore, the revenue of the Government will not be much reduced, when all the tax payers' falls on the tax net.

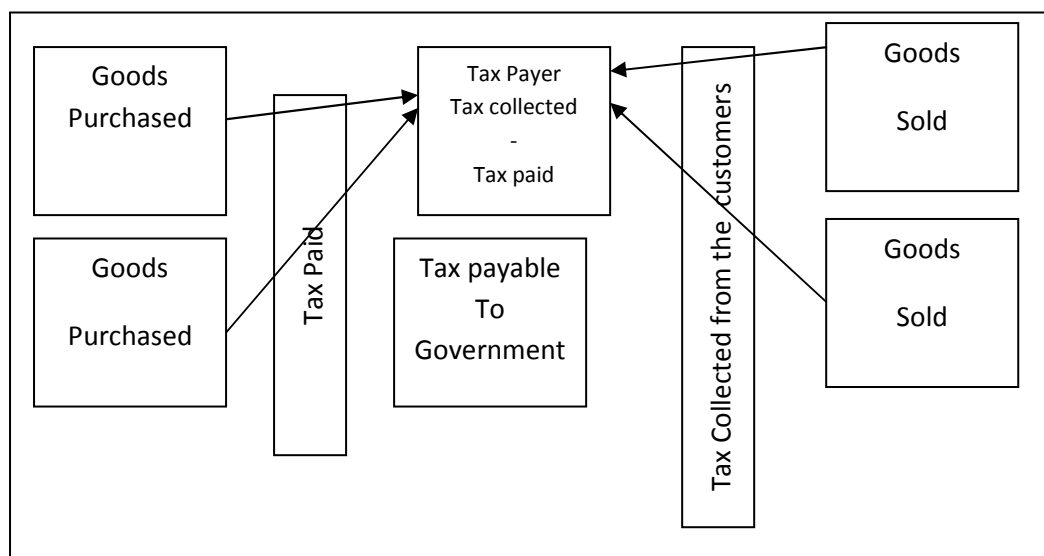
PROFITABILITY OF THE MANUFACTURER

From the above it is found that the introduction of Value Added Tax has brought a major impact on profitability of the trader. There is a major chance of losing revenue due to file implementation of the Value Added Tax. However by adjusting the price of the product it may be possible to prevent the contribution loss. By reducing the price, the demand of the product may raise. On the other hand, by reduction of the price of the product, the demand will be reduced. The optimum price level will enable the trader to get the maximum contribution. Therefore there is urgent need for the trader to revise the price of their product to bet the maximum and contribution and profitability.

Let x be price and y be the demand. Let k be variable material cost per unit. Let us assume that Selling and Distribution Cost depends upon the sales made and I be its percentage Incentive of Rs. p will be paid per rupee of the square of selling price to the selling agents of (the product Royalty of Rs. q has to be paid on the square of the demand to the trademark owner and F be the Fixed Cost.

Let n be the percentage of VAT already paid (input tax Credit) and m be the percentage of VAT collected from the customers.

The Value Added Tax administration mechanism is explained in the following diagram.



IMPACT OF SALES TAX AND VALUE ADDED TAX

Sales Tax Method			Value Added Tax Method		
When the product is transferred first time			When the product is transferred first time		
	%age	Value (Rs.)		%age	Value (Rs.)
Price of the Product		50000.00	Price of the Product		50000.00
Value Added	10%	5000.00	Value Added	10%	5000.00
Total		55000.00	Total		55000.00
Sales Tax	12.5%	6875.00	VAT	12.5%	6875.00
Selling Price		61875.00	Selling Price		61875.00
When the product is transferred Second time			When the product is transferred second time		
	%age	Value(Rs.)		%age	Value (Rs.)
Price of the Product		61875.00	Price of the Product		55000.00
Value Added	10%	6187.50	Value Added	10%	5500.00
Total		68062.50	Total		60500.00
Sales Tax	12.5%	8507.81	VAT	12.5%	687.50
Selling Price		76570.31	Selling Price		61187.50

When the product is transferred Third time			When the product is transferred third time		
	%age	Value (Rs.)		%age	Value (Rs.)
Price of the Product		76570.31	Price of the Product		60500.00
Value Added	10%	7657.03	Value Added	10%	6050.00
Total		84227.34	Total		66550.00
Sales Tax	12.5%	10528.42	VAT	12.5%	756.25
Selling Price		94755.76	Selling Price		67306.25

When the product is transferred fourth time			When the product is transferred fourth time		
	%age	Value (Rs.)		%age	Value (Rs.)
Price of the product		94755.76	Price of the Product		66550.00
Value Added	10%	9475.58	Value Added	10%	6655.00
Total		104231.34	Total		73205.00
Sales Tax	12.5%	13028.92	VAT	12.5%	831.88
Selling Price		117260.26	Selling Price		74036.88

When the product is transferred fifth time			When the product is transferred fifth time		
	%age	Value (Rs.)		%age	Value (Rs.)
Price of the Product		117260.26	Price of the Product		73205.00
Value Added	10%	11726.03	Value Added	10%	7320.00
Total		128986.28	Total		80525.50
Sales Tax	12.5%	16123.29	VAT	12.5%	915.06
Selling Price		145109.57	Selling Price		81440.56

IMPACT ON GOVERNMENT

	Sales Tax	VA T	Impact
When product is transferred first time	6875.00	6875.00	0.00
When product is transferred Second time	8507.81	687.50	-7820.31
When product is transferred third time	10528.42	756.25	-9772.17
When product is transferred fourth time	13028.92	831.88	-12197.04
When product is transferred fifth time	16123.29	915.06	-15208.22
Total	55063.43	10065.69	-44997.75

IMPACT ON PRICE

	Price (ST)	Price VAT	Price change
When product is transferred first time	61875.00	61875.00	0.00
When product is transferred Second time	76570.31	61187.50	-15382.81
When product is transferred third time	94755.76	67306.25	-27449.51
When product is transferred fourth time	117260.26	74036.88	-43223.38
When product is transferred fifth time	145109.57	81440.56	-43223.38
			-63669.00

IMPACT ON TRADERS

	Profit (ST)	Profit (VAT)	Impact on Profit
When product is transferred first time	5000.00	5000.00	0.00
When product is transferred Second time	6187.50	5500.00	-687.50
When product is transferred third time	7657.03	6050.00	-1607.03
When product is transferred fourth time	9475.58	6655.00	-2820.58
When product is transferred fifth time	11726.03	7320.50	-4405.53
	40046.13	30525.50	-9520.63

@ In Value Added Tax method, the tax paid was not be taken while fixing the price of the product.

Then Profit $Z = xy - ky - lx + mxy - kny - qy^2 - px^2 - F$

The optimum value of the function can be found by partially differentiating the above function with reference to price as well as demand. (I.e. with reference to x and y)

$$\frac{\partial Z}{\partial x} = y - ly + my - 2px$$

$$\frac{\partial Z}{\partial y} = x - k - lx + mx - kn - 2qy$$

$$\frac{\partial^2 Z}{\partial x^2} = -2p$$

$$\frac{\partial^2 Z}{\partial y^2} = -2q$$

$$(\frac{\partial^2 Z}{\partial x \partial y})^2 = (1+m-1)^2$$

$$(\frac{\partial^2 Z}{\partial x^2})(\frac{\partial^2 Z}{\partial y^2}) - (\frac{\partial^2 Z}{\partial x \partial y})^2$$

$$= 4pq - (1+m-1)^2$$

The maxima or minima will occur when

$$(\frac{\partial^2 Z}{\partial x^2})(\frac{\partial^2 Z}{\partial y^2}) - (\frac{\partial^2 Z}{\partial x \partial y})^2 > 0$$

$$\text{i.e. } 4pq - (1+m-1)^2 > 0 \text{ or } 4pq > (1-1+m)^2$$

Since P and q are positive the above inequality is possible.

Since p is positive $\frac{\partial^2 Z}{\partial x^2} < 0$ is negative and hence the function attains maximum at

$$x = \frac{(k(l+n)(l+m-1))}{((l+m-1)^2 - 4pq)}, \quad y = \frac{(2pk)(1+n)}{((l+m-1)^2 - 4pa)}$$

and when

$$2p > (1-1+m)^2$$

EXAMPLE 2

The price and demand of a product is given below:

Price Per Unit (Rs.)	Demand (In Lakhs)
25	75
35	65
45	55
55	40
60	35
65	30
79	20

A sum of Rs 18 per unit was spent for purchasing the materials. The Value Added Tax paid at 30%. The Selling and Distribution Cost is twenty one percent of the sales. The output product attracts 4% of Value Added Tax. The Fixed Production Cost is Rs. 15 lakhs and Administration Cost is Rs 12 lakhs. Confirm any price change has to be made for achieving the maximum benefit. Let us assume the Sales Tax rate is at 4%. Royalty of Rs. one paisa has to be paid for one Rupee on the square demand of the product. Incentive of Rs. one paisa also to be paid for one Rupee on the square price of the product. Confirm whether price of the product has to be modified on the introduction of VAT.

DETERMINATION OF PRICE LEVEL BEFORE IMPLEMENTATION OF VALUE ADDED TAX

The price to be fixed before the implementation of Value Added Tax is as follows, in order to get the maximum profit. The evaluation of the contribution at the various price levels is determined as follows. From the above table the maximum contribution of Rs 981 lakhs and profit of Rs. 954 lakhs occurs at do, price level of Rs 60/- In the above example whatever the sales tax collected from the customers, the manufacture has to pay to the Government. Therefore there is no benefit from the Sales Tax collected for the manufacturer.

DETERMINATION OF PRICE LEVEL AFTER IMPLEMENTATION OF VALUE ADDED TAX

The price to be fixed after implementation of Value Added Tax is as follows, in order to get the maximum profit. The evaluation of the contribution at the various price levels is determined as follows. In the above example, Value Added Tax paid to the Government could be reduced by the amount he has already paid at the time of purchase of raw materials. From the above table the maximum contribution of Rs 1240 lakhs and profit of Rs 1213 lakhs occurs at the price level of Rs. 55/-. It is also found that the manufacturer has to necessarily reduce the price from Rs. 60/- to Rs. 55/- in order to get optimum benefit.

DETERMINATION OF CONTRIBUTION AT THE VARIOUS PRICE LEVELS

Price (in Rupees)	Demand (in lakhs)	Sales	Purchase Cost	Sales and Distribution cost	Royalty	Incentive	Total Cost	Sales Tax Collected	Sales Tax paid	Contribution	Fixed Prod. Cost	Admn. Cost	Profit
25	75	1875	1350	394	6	56	1806	75	75	69	15	12	42
35	65	2275	1170	478	12	42	1702	91	91	573	15	12	546
45	55	2475	990	520	20	30	1560	99	99	915	15	12	888
55	40	2200	720	462	30	16	1228	88	88	972	15	12	945
60	35	2100	630	441	36	12	1119	84	84	981	15	12	954
65	30	1950	540	410	42	9	1001	78	78	949	15	12	922
79	20	1580	360	332	62	4	758	63	63	822	15	12	795
90	15	1350	270	284	81	2	637	54	54	713	15	12	686

Price (Rs.)	Demand (in lakhs)	Sales	Purchase Cost	Sales and Distribution cost	Royalty	Incentive	Total Cost	VAT-Collected	VAT-Paid	Net Benefit	Total Sales and VAT Benefit	Net Contribution	Fixed Production	Administration Cost	Profit
25	75	1875	1350	394	6	56	1806	234	14	221	2096	290	15	12	263
35	65	2275	1170	478	12	42	1702	284	12	273	2548	845	15	12	818
45	55	2475	990	520	20	30	1560	309	10	299	2774	1214	15	12	1187
55	40	2200	720	462	30	16	228	275	7	268	2468	1240	15	12	1213
60	35	2100	630	441	36	12	1119	263	6	256	2356	1237	15	12	1210
65	30	1950	540	410	42	9	1001	244	5	238	2188	1188	15	12	1161
79	20	1580	360	332	62	4	758	198	4	194	1774	1016	15	12	989
90	15	1350	270	284	81	2	637	169	3	166	1516	879	15	12	852

MARGINAL COSTING AND VALUE ADDED TAX

The nature of cost is the major criteria for ascertainment of cost in marginal costing. The major objective of the marginal costing technique is to analysis the behavior of cost and their impact on the profitability of the undertaking. The marginal costing technique is useful in ascertainment of cost and its effect on profitability of the various products or processes or cost centres by differentiating between the fixed costs and variable costs. In this paper a preliminary analysis is made in order to confirm whether the Value Added Tax has any impact while taking decisions by using mammal costing techniques. Various decision like buy or sell continue or shut down has to be taken based on the profitability are to be taken by wing this techniques. The shift in the Break Even Point will ultimately affect the decision of the entrepreneurs. Therefore, a preliminary analysis has been made in order to confirm whether any shift in the Break Even Point on the introduction of the Value Added Tax has been occurred. The Break Even Point in the marginal costing depends upon the Contribution, Fixed Costs and Sales. As the payment of Value Added Tax has an impact on the contribution and the Break Even Point also affected. Due to the introduction of Value Added Tax, it is found that there is a shift in the Break Even Sales.

Let us assume that S be the Sales, V be the Variable Costs and F be the Fixed Costs Contribution = S - V

Profit Volume Ratio = (S - V)/S

Break Even Sales = $(F \times S) / (S - A)$

In the Sales Tax Regime, the trader will not get an benefit from the tax collected. The trader has a bounden duty of paying the tax collected from his customer to the Government. Therefore in the Sales Tax Administration, the Break Even Sales will not be affected by the Sales Tax collected and subsequently paid to the Government.

On the other hand, in the Value Added Tax administration, the trader need not pay all the taxes he collected from his customers. He can deduct the Value Added Tax he had already paid while he purchased the raw materials. Therefore there is ultimate advantage to the trader compared the Sales Tax regime. Due to this impact, the contribution will be more in the Value Added Tax administration. Therefore the Break even Sales will be less in the Value Added Tax Administration compared to the Sale tax regime. The following example illustrates the above facts.

EXAMPLE 3

Let Sales be Rs 10,000 Variable Material Cost be Rs 6,000 Let Sales Tax Rate 12.5% and Value Added Tax Rate be 12.5% and the Fixed Cost Rs. 1,80,000. From the above example we see that the trader is able to achieve the Break Even Sales earlier in the Value Added Tax administration compared to the Break Even Sales achieved in the sales tax regime.

VAT AND SALES MIX

It is necessary for me entrepreneur to make a detailed analysis of the Value Added Tax while taking various decisions, The following example illustrates the above.

EXAMPLE 4

Let us assume that a company is producing two products X & Y. The Fixed Cost is Rs. 1600/- Let the VAT Rate be 12.5%. The Contribution statement of the above two products are given below.

	X (RS.)	Y (Rs.)
Selling Price	40	30
Variable Cost	32	26
Contribution	8	4

The company wants to earn the profit of Rs. 300/-

The Sales Mix before the implementation of Value Added Tax is evaluated as follows:

Required Profit	300
Fixed Cost	1600
Contribution	1900

Let x be the no. of units of product X produced, then $(300-x)$ will be number of units Y to be produced. Then $8x + (300-x) \times 4 = 1900$, which resulted in $x = 175$ and $y = 125$ to get the required profit. In the value added tax administration the contribution of X and Y are derived as follows:

	X (RS.)	Y (Rs.)
Selling Price	40	30
Variable Cost	32	26
VAT Benefit	1	0.50
Contribution	9	4.50

The required equation becomes $9x + (300-x) \times 4.5 = 1900$ which resulted in $x = 122$ units and $y = 178$ units. From the above example it is found due to Value Added Tax, the sales mix has to be changed in order to get the desired profit.

	Salex Tax Administration	Value Added Tax Administration
Sales	10000	10000
Variable Material Cost	6000	6000
Tax Collected	1250	1250
Tax Paid	1250	$(1250-750) = 500$
Net Benefit From Tax	Nil	750
Contribution	4000	4750
PV Ratio	$4000/10000 = 0.4$	$4750/10000 = 0.475$
Break Even Sales	$180000/0.4 = 4,50,000$	$180000/0.475 = 3,78,947$

PURCHASING AND SELLING STRATEGIES

In the Value Added Tax Administration, the input credit could be taken in respect of the goods purchased within States. The Central Sales Tax is still in operation and applicable in respect of the good purchased outside state. The entrepreneur has to take appropriate decisions to maximize his profit. The following example illustrates the above strategies.

EXAMPLE 5

A manufacturer wants to purchase raw material for manufacture his products. The said material is available in side as well outside state, Let us assume Central Sales Tax rate is 3% and Value Added Tax rate is 12.5% and after manufacturing the said product he could sell the product for Rs. 20000/-. Kindly confirm which is beneficial i.e. purchase within state or outside the state to the manufacturer. Assume the quality of the materials purchased within and outside state are same and no transportation cost is incurred.

	Purchase Outside State	Purchase Within State
Sales	20000	20000
Material Cost	10000	10000
Central Sales Tax Collected	300	2500
Central Sales Tax Paid (-)	300	1250
Net Cost	10000	10000
Net Tax Benefit	-----	11250
Profit	10000	11250

From the above it is concluded that an additional profit of Rs 1250/- could be obtained if the material is purchased within the state. Similarly the entrepreneur has to take various selling decision to maximize his profit. In selling his products he has these options. He can sell within state, or he can sell outside state. If he sells within the state, the Value Added Tax attracted. On the other hand if he sells outside state, Central Sales Tax at the rate of 3% attracts. Instead of these two options, lie can decide to export his products. There is possibility of getting refund if input credit exceeds the output credit. Therefore, before selling, he has to take appropriate decisions to sell his products within the state or outside the state or export them outside the country.

CONCLUSION

In any big organization, innumerable decisions are to be taken every day. The decisions taken are considered its good if it resulted in profit maximization or wealth accumulation. From the above discussion it is seen that Value Added Tax has a major impact on the profitability of the business. As each event in any business has to be analyzed independently after considering the various factors including tax impact, all the ways and means for the improvement of profitability or wealth accumulation could not be generalized. The examples given are only illustrative in order to create awareness of the impact of Value Added Tax or, the profitability of the business are not generalized one.

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A CASE STUDY OF WESTERN MAHARASHTRA

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ABSTRACT

Dairy farming is a subsidiary occupation of agriculture in rural India. Dairy cooperatives are considered as an instrument for rural development and national prosperity which are needed to stimulate and increase producers' access to technology, extension and related services, and thereby enhance efficiency production and marketing of dairy products. The present study was undertaken in Western Maharashtra to explore the role of Gokul Dairy Cooperative (Kolhapur, Western Maharashtra) in the development of dairy farmers with the specific objectives of investigating the role of cooperative in livestock service delivery. A pretested interview schedule was used to collect data from 150 dairy producer members of the cooperative by personal interview method supplemented by information from focused group discussion with dairy farmers, staff members and key informants. The group discussions with respondents, staff members, key informants and product buyers were also conducted to summarize the Strengths, Weaknesses, Opportunities and Threats (SWOT) of Gokul Dairy Cooperative. The study reported that Gokul cooperative provided 46 livestock services under seven broad heads. The cooperative has been successful in strengthening dairy production and marketing by effective livestock service delivery to dairy farmers. SWOT Analysis of the study revealed that, cooperative had strong and weak sides with respect to functioning for providing the services. Finally, to expand proven initiatives and strengthen good practice there was a need to improve upon the quality of the services and reduction in cost of services delivered so that farmers would be more content with the services provided by the dairy cooperatives to increase their production and marketing.

KEYWORDS

Dairy Cooperative, Dairy marketing, Dairy production, Livestock Services.

INTRODUCTION

Agriculture is considered as the backbone of India's economy with animal husbandry as the subsidiary occupation. The sector provides primary source of livelihood for more than 70 per cent of Indian rural households. Livestock contributes 4.7 per cent to the National GDP and 27 per cent to agricultural GDP of India (Gol, 2006). The dairy sector in India holds large potential to contribute for commercialization of agriculture sector due to its large livestock population, favorable climate for improved, high-yielding animal breeds, and relatively disease-free environment with potential for animal feeding. Even though the livestock sector in general, and the dairy sector in particular have a huge potential, it is constrained by shortage and fluctuation in quality and quantity of feed, poor and eroding genetic resource base, poor management practices, diseases, poor market infrastructure and institutional arrangements. The livestock sector also face human resource constraints, financial constraints, policy related and administrative constraints during the service delivery (Rathod *et al.*, 2010). To ameliorate the development constraints and realize the benefits from the huge and untapped livestock resource, efforts have been made in various aspects to develop the livestock sector.

The major step in this regards was to organize farmers through dairy co-operatives to have advantages over individual farming. First, co-operatives can improve or facilitate access to market information, reduce costs of marketing and can increase producers' access to technology, extension and related services, and thereby enhance efficiency in the process of production and marketing of dairy. Second, dairy marketing co-operatives can help to decrease transaction costs and price risks, and enhance bargaining power of dairy producers. These lead to increased return from commercial dairying which, in turn, stimulates innovation in the sector (Beekman, 2007). Hence, the focus of this study was to investigate the role of dairy cooperatives in stimulating dairy production and marketing of dairy farmers' by livestock service delivery with special emphasis to Gokul Dairy Cooperative in Western Maharashtra. The study also summarizes the Strengths, Weaknesses, Opportunities and Threats (SWOT) of Gokul Dairy Cooperative. The specific objectives of the study are:

1. To study socio-economic and personal profile of dairy farmers.
2. To study the livestock services delivered by Gokul Dairy Cooperative.
3. To summarize the Strengths, Weaknesses, Opportunities and Threats (SWOT) of Gokul Dairy Cooperative.

METHODOLOGY

The present study was undertaken in Western Maharashtra region of India. The state consists of six regions out of which Western Maharashtra (Pune region) was purposively selected for the study. In this region, livestock plays an important role in the development of agricultural economy. Livestock is considered as an integral part of production system in Western Maharashtra due to which the division possesses the highest livestock and poultry population which has led to fast growing smallholder dairy production system with strong milk marketing cooperative and privately owned dairy farms.

TABLE 1: ZONE AND SPECIES-WISE DISTRIBUTION OF LIVESTOCK POPULATION IN MAHARASHTRA

Region	Cattle Buffaloes	Sheep	Goat	Total livestock
Aurangabad	2346302	285239	1269328	3980301
Latur	2465495	146784	978400	3647588
Nagpur	3356301	66259	1268929	4773962
Nashik	4599078	1019687	2850099	8625764
Pune (Western)	4557362	1399465	2299532	8441067
Amaravati	2921946	133800	1322592	4453038
Total	22404968	3074573	10456242	36495412

(Government of Maharashtra, 2009)

With the effective utilization of available resources, Western Maharashtra division has highest milk production and procurement in the state which was the main reason for selecting this region for the study.

TABLE 2: REGION WISE MILK PRODUCTION & MILK PROCUREMENT

Divisions	Milk Production ('000' M.T.)	Milk Procurement ('000' M.T.)	Milk Procurement (%)
Mumbai	548.9	4.4	0.81
Nashik	1543.1	364.7	23.63
Pune(Western)	2124	828.1	38.98
Aurangabad	1059.9	181.8	17.15
Amravati	420.6	8.1	1.91
Nagpur	379.2	44.2	11.66

(Government of Maharashtra, 2004)

Kolhapur district has the potential for both crop and livestock production, which is mainly undertaken by smallholder farmers. Gokul dairy union is considered to be the biggest and advanced dairy cooperative in this region, both in terms of number of members and volume of production with its own feed and milk processing plants. The Dairy Cooperative namely "Kolhapur Zilla Dudh Utapadak Sangh Limited, Kolhapur" functioning in the brand name "Gokul" was being purposively selected due to its landmarks in Milk Procurement, Extension, Animal Health care, Breeding, Milk Processing, Product making and Marketing. The Cooperative which was established on 16 March 1963 presently can handle 11.25 Lakh Litres of milk per day. This Dudh Sangh covers 3788 village level dairy co-operatives on 238 milk routes for Milk procurement every day. The Gokul Dairy has the following infrastructural facilities:

- 37 Mobile veterinary routes for animal health care and management.
- 384 Cluster and 17 static A. I. Centres.
- 200 MT feed produced from Cattle Feed Plant and 100 MT from other Plant as per self formula and under Q. C. 300 MT supervision
- Marketing of 300 MT Feed/day.
- Extension support for cooperative development.
- Chilling centers with handling capacity of 3.75 Lakh Liters/day.
- Training Centre for core level training.
- Cattle Feed Plant of 300 MT capacity expandable to 500 MT is under execution.

Along with the above mentioned infrastructure facilities the cooperative also provides wide range of services which includes animal health care services, Farmer Orientation Programme, Artificial Insemination, calf rearing programmes, infertility camps, mass deworming and vaccination, fodder development, Gokul Gram Vikas Yojana, Women Dairy Cooperative Leadership Development Program, Milkotester and Training Center for Milk Producers and Dairy Cooperative Societies. Multistage random sampling was applied for selecting the respondents from the villages for the study which were under the purview of the selected Dairy cooperative. Fifteen respondents from each village were randomly selected based on the livestock status data making the sample size of 150 farmers. Keeping in view the objectives of the study, a pretested structured interview schedule was used to study the livestock services delivered by Gokul dairy Cooperative. The group discussions with respondents, staff members, key informants and product buyers were also conducted to summarize the Strengths, Weaknesses, Opportunities and Threats (SWOT) of Gokul Dairy Cooperative. Following the completion of data collection, the collected data were coded, tabulated, classified and further categorized for systematic statistical analysis. The descriptive statistical tools like mean, SD, frequency and percentage were used for data analysis. The results were interpreted accordingly.

RESULTS & DISCUSSION

SOCIO-ECONOMIC AND PERSONAL PROFILE OF DAIRY FARMERS

AGE

A perusal of Table 3 reveals that majority of the respondents (70.66 per cent) in the study area belonged to the middle age group. This was followed by 16 per cent and 13.34 per cent in young age and old age category respectively. The probable reason for such distribution might be that, old farmers had taken up livestock farming as a traditional and subsidiary occupation to agriculture over number of years, whereas, majority of the middle age farmers viewed dairy farming as a profitable avenue and took up as a commercial venture. Similar findings were also reported by RaviKumar *et al.* (2007) and Sri Haritha (2002) who concluded that majority of the farmers belonged to middle age group followed by old age and young age during their study.

TABLE 3: DISTRIBUTION OF RESPONDENTS AS PER SOCIO-ECONOMIC AND PERSONAL CHARACTERISTICS

SI No	Variables	Intervals	Frequency	Percentage
1	Age	Young (22-33)	24	16.00
		Middle (34-60)	106	70.66
		Old (61-84)	20	13.34
2	Education	Illiterate	31	20.67
		Primary	19	12.67
		High School	56	37.33
		College	44	29.33
3	Occupation	Agriculture	125	83.33
		Animal Husbandry	08	5.33
		Business	06	04.00
		Government Service	05	3.33
		Laborers	06	04.00
4	Knowledge Level	Low (60-61.77)	06	04.00
		Medium (61.78-68.15)	120	80.00
		High (68.16-73)	24	16.00
5	Landholding (Acres)	Small(0.25-0.39)	19	12.67
		Medium (0.40-5.61)	115	76.67
		Large (5.62-21)	16	10.66
6	Annual Income	Low (6000-10730)	31	20.33
		Medium (10731-128650)	103	69.34
		High (128651-500000)	16	10.33
7	Social participation	One organization	102	68.00
		More than one	46	30.33
		Office bearer	00	00
		Wide public leader	01	0.67
		Nil	01	01.00
8	Livestock/cattle Unit	Small (0-0.38)	00	00
		Medium (0.38-5.42)	131	87.4
		Large (5.42-25)	19	12.6
9	Innovativeness	Low (21-30.76)	17	11.33
		Medium (30.77-38.60)	113	75.34
		High (38.61-52)	20	13.33
10	Information Seeking	Low (27-33.08)	35	23.33
		Medium (33.09-37.88)	85	56.67
		High (37.89-40)	30	20.00
11	Decision Making Ability	Low (15-21.05)	18	12.00
		Medium (21.06-24.63)	123	82.00
		High (24.64-27)	09	06.00
12	Scientific Orientation	Low (12-15.20)	28	18.66
		Medium (15.21-17.04)	120	80.00
		High (17.05-18)	02	1.34
13	Economic Orientation	Low (12-14.56)	18	12.00
		Medium (14.57-16.52)	108	72.00
		High (16.53-189)	24	16.00

(Own Survey Data, 2010)

EDUCATION

A glance at the Table indicate that majority of the respondents (37.33 %) possessed higher schooling followed by 29.33 per cent in the college level education. The study also revealed that 20.67 per cent respondents were illiterate while 12.67 per cent respondents had primary education. This might be due to recent government policies which emphasized on literacy to the rural masses. The study conducted by RaviKumar *et al.* (2007) also reported that among total farmers, only 19.17 per cent were found to be illiterate which is in consonance with the present findings.

OCCUPATION

It was observed that large majority of respondents (83.3 %) had agriculture as their main source of livelihood proving the fact that agriculture forms the backbone of our rural economy. It was interesting to note that 5.3 per cent of the respondents were involved in animal husbandry as their major occupation. This was followed by 4 per cent of the respondents stating business as the source of income generation. The study also reported that 4 per cent and 3.3 per cent of the respondents were labors and government servants respectively. The respondents having agriculture as their primary source of income had livestock rearing as subsidiary occupation in majority of the cases. The findings are similar to the reports of Kaushik and Singhal (1992) and RaviKumar *et al.* (2007) who reported that majority of the farmers had agriculture as major occupation with livestock rearing as the subsidiary occupation.

KNOWLEDGE LEVEL

The important variable in the study was to access the knowledge level possessed by the respondents about dairy cooperatives. The study revealed that majority of the respondents (80 %) was found to possess medium knowledge level about the selected livestock services. It was followed by categories of high (16.00 %) and low (4.00 %) knowledge levels respectively. Thus from the above findings it can be concluded that majority of the respondents had moderate level of knowledge about various aspects of dairy cooperative. The respondents interviewed believed and relied upon the services delivered by cooperative and hence, very few had an urge to acquire knowledge and technical know-how. Average knowledge score (68 %) of cooperative members was also reported by Dakurah *et al.* (2005).

LAND HOLDING

The Table depicted that majority of the respondents (76.67 per cent) were medium farmers in the category of 0.5 acres to 5.5 acres of land. The distribution of land holdings was in the order 12.67 per cent and 10.66 per cent as small and large farmers respectively. The findings are in consonance with the study conducted by Jassi *et al.* (1997) who reported that 50 per cent of dairy farmers belonged to the small farmer's category possessing 2.5 to 5.5 acres of land. Similar findings were also reported by Oladele (2001) reporting that 57.1 per cent of respondents had the farm size less than 1.6 hectares.

ANNUAL INCOME

The income of the family is an important index of farmers' economic status. Majority of the respondents (69.34 %) belonged to families earning between Rs.10,700 to Rs.1,28,600 annually followed by 20.33 per cent of the respondents belonging to the low income (Rs 6,000 to Rs.10, 700) group. The remaining 10.33 per cent of the respondents were in the high income category (Rs 1,28,000 to 5 lakhs). The study conducted by Dakurah *et al.* (2005) and RaviKumar *et al.* (2007) also concluded that majority of the respondents had medium income followed by low and high income groups. Income through agriculture combined with livestock farming might be the reason for the farmers to generate moderate income.

SOCIAL PARTICIPATION

The distributional analysis pertaining to social participation of the respondents in Table indicated that a higher percentage of them (68.00 %) were the members of one organization. This was followed by 30.33 per cent of respondents possessing membership in more than one organization. The study also revealed that 0.67 per cent were wide public leaders while only 1 per cent did not participate in any social activities. The increased participation of respondents was mainly due to well established dairy cooperative and the village level societies which were operating in the study area. Similar conclusions were drawn by Dakurah *et al.* (2005) who reported that 61 per cent of the respondents were currently the members of cooperative while 14. 4 per cent were the previous members of the Cooperatives while Oladele (2001) reported that 37 per cent of farmers were members of one group followed by 26.9% having membership in more than two groups.

LIVESTOCK UNITS

An overview of table 3 depicts that majority of the respondents (87.4 %) maintained medium livestock units followed by large (12.6 %) livestock units. The study indicated that there were no small livestock units since respondents were selected only if they had dairy animals. The average herd size was found to be 2.9 livestock units. The probable reason for the respondents to maintain a medium to small herd size may be the fact that most of them were medium farmers. These farmers faced severe constraints like feed and fodder and increased cost of production in dairy farming which made the farmers difficult to maintain large herd size. This finding is in consonance with the findings of Subramanian (1992) and Surve (2007) who reported that dairy farmers had an average of 3.25 milch animals per household for their livelihood.

INNOVATIVENESS

The study revealed that majority of dairy farmers (75.34 %) belonged to medium level of innovativeness followed by 13.33 per cent and 11.33 per cent for high and low level of innovativeness respectively. Medium information seeking behaviour and disinclination to take risk for innovative practices might be the factors contributing for the medium innovativeness of livestock holders. The studies conducted by Jagadeeswary (2003) and RaviKumar *et al.* (2007) also concluded that majority of the farmers had medium level of innovativeness.

INFORMATION SEEKING BEHAVIOUR

The study found that majority of farmers had medium information seeking behavior (56.67%) followed by low (23.33 %) and high categories of information seeking behavior (20.00 %). This may be due to farmers' lack of awareness about different information sources from which they could obtain the information regarding livestock farming. The farmers relied upon village dairy cooperative societies and village level AI workers for getting the information and had less access for mass media sources. The findings are in consonance with the results of SureshKumar (1997) who previously reported that majority of the farmers had medium information seeking behaviour (40 %).

DECISION MAKING ABILITY

The distributional analysis pertaining to decision making of the respondents in Table 1 indicates that majority of the respondents (82.00 %) belonged to the medium level of decision making followed by 12 percent of respondents in the low level of decision making. A very meager per cent (6.00 %) of the respondents belonged to high level decision making behavior. The decision making pattern with regard to the different livestock practices revealed that majority of the decisions were being taken combinely by the members of the family. This might be due to the fact that they were disinclined to take risk for livestock practices without discussing with their family members. Similar findings were reported by Jagadeeswary (2003) and RaviKumar *et al.* (2006) in their studies with regards to livestock farming.

SCIENTIFIC ORIENTATION

A glance at the report depicts that majority of the farmers had medium scientific orientation (80.00 %) followed by low (18.66 %) and high (1.34 %) scientific orientation. Medium information seeking behaviour and medium level of innovativeness might be the factors contributing for medium level of scientific orientation in the study area. Similar findings were also reported by Reddy (1996) and SureshKumar (1997) who also observed that majority of the farmers had medium scientific orientation (60.0%).

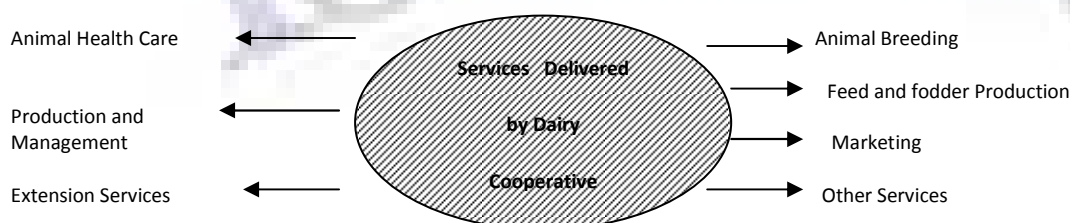
ECONOMIC ORIENTATION

The study concluded that 72 per cent of the farmers had medium economic orientation in the study area. The findings of the study also reported that 16 per cent of the farmers had high economic orientation followed by low economic orientation (12.0 %). Small animal units coupled with low profits of the small holders might be the cause for medium economic orientation of the respondents in the study area. The present findings are in consonance with the findings of Kumar (1992) and SureshKumar (1997) who also reported that majority of the farmers had medium economic orientation followed by high and low economic orientation.

LIVESTOCK SERVICES DELIVERED BY GOKUL DAIRY COOPERATIVE:

The livestock services delivered by Gokul Dairy Cooperative in promoting dairy production and marketing have been enumerated in the present study.

The study revealed that totally 46 livestock services were delivered by Gokul cooperative which were derived on the basis of experience gained through pretesting. The information about services delivered by Gokul Dairy Cooperative was also finalized by using secondary sources like departmental documents, records, reports and other sources. The secondary data were collected from the Assistant Managers of the concerned Cooperatives as well as from village level dairy societies and the milk collection centers located in the selected villages. Totally, 46 livestock services were delivered by Gokul Dairy Cooperative under the following seven heads.

FIG 1: LIVESTOCK SERVICES DELIVERED BY DAIRY COOPERATIVE**DELIVERY OF ANIMAL HEALTH CARE SERVICE**

Gokul Milk Union provided services for animal health care through 37 mobile veterinary routes with a team of 60 qualified and experienced veterinarians. The services were available for round the clock at the farmers door step. During 2009-10, the cooperative covered 3788 Dairy Co-operative Societies in 1506 villages and provided various health care services which included first aid, arranging deworming camps in the villages apart from various curative services. The union

also undertook disease surveillance and disease eradication programmes. During the period of investigation, vaccination/prophylactic services were being provided by state animal husbandry department under ASCAD (Assistance to state for control of Animal Diseases) project. The survey report is in resonance with the studies conducted by Alderman *et. al* (1987) and Uotila and Dhanapala (1994) who also reported that cooperatives deliver animal health care services for the rural masses.

DELIVERY OF BREEDING SERVICE

The other major dairy input which has been delivered by the union is breeding service, which included performing AI and conducting animal breeding and infertility camps. The staff of cooperative conducted pregnancy diagnosis and treatment of gynecological or obstetrical cases. During the year 2009-10 around two lakh cases were reported under 387 mobile AI centres. The villages currently had village level AI workers who were well trained by the union to act as fulltime AI technician in order to get higher fertility rates by inseminating in appropriate time. Similar findings were also reported by Uotila and Dhanapala (1994) who reported that dairy cooperatives provided animal breeding services.

DELIVERY OF PRODUCTION AND MANAGEMENT SERVICE

Discussion with the respondents revealed that, cooperative fulfilled members demand of feed supply with limited resources in the form of products like mineral mixture, milk replacer and calf starter. The staff of the union educated the farmers about the importance of balanced feeding and effective housing management. Apart from the above mentioned services, the cooperative also educated farmers for care and management of livestock. Similar findings were also reported by Barsati Lal (1992).

DELIVERY OF FEED AND FODDER PRODUCTION SERVICE

Gokul Milk Union has addressed the farmers' needs of increasing livestock productivity by fodder development programmes. Considering the feasibility of cultivation and existing season, the cooperative provided improved varieties of fodder seeds like Lucerne, Gajaraj etc. and also educated the farmers for cultivation of these fodder crops. Apart from the fodder seeds, Gokul Milk Union provided indigenous chaff cutters for utilizing cultivated fodder and minimize fodder losses. The fodder production services delivered by the dairy cooperatives were previously reported by Barsati Lal (1992) and Schillhorn (1999). Further, the union supplied balanced concentrate feed produced from its own feed processing plant under the brand name- "Mahalaxmi" at a reasonable price and proper quality. Apart from two varieties of concentrate feeds, the union also supplied Bypass Protein feed for high yielding animals for minimizing the cost of milk production. Similar findings were also reported by Dakurah Henry *et. al* (2005) who revealed that members preferred to purchase the products of the cooperative.

DELIVERY OF EXTENSION SERVICES

The interview and survey with group members of the cooperative revealed that the cooperative played a significant role to share dairy related information to its members in the form of various extension activities. The study showed that significant number of competent and reliable human resource team delivered extension services effectively in the form of training, advisory service, farmers educational tour, farm visits, exhibitions etc. The cooperative staff provided proper dairy related advisory services and undertook proper quantity and quality control of members supply. The cooperative provided continuous training on improved animal husbandry practices at primary society level and district level. Apart from the above services Gokul union had implemented women empowerment programmes. Refresher training programmes were also conducted for staff members at the societies and district level. Similar findings were also reported by Alderman *et. al* (1987) and Tefera (2008) that cooperatives addressed their role in sharing knowledge and information in dairy innovation.

DELIVERY OF MARKETING SERVICES

The cooperative collects milk two times a day, in the morning and evening time in the milk collection centers. The milk supply by farmers had increased due to establishment of milk collection centers on geographical basis. Milk collection records were maintained using computers and every regular milk supplier member of the cooperative has his/her own milk collection book/card. Members were paid on weekly basis for the milk they supplied to the society. The discussion with group members of the cooperative revealed that members were happy to get their payment once in week, which was slightly good accumulated money to fulfill their needs. In this regards, the respondents have replied that, payment system of the cooperative was regular and excellent without any troubles. The needy respondents were provided the market information by the societies. Similar findings were also reported by Kaushal (1996) and Owango *et. al* (1998) who reported that innovative step of cooperative had helped the farmers to compete effectively with the independent private sector.

DELIVERY OF OTHER SERVICES

The cooperative delivered various other related services for the benefit of the farmers. The members could purchase various products like concentrate feed and mineral mixture on credit basis. Even the charges for animal health services and breeding services were also provided on credit basis for the members. Apart from this, the members also purchased cross bred dairy animals and buffaloes on subsidies for increasing the milk production and create employment opportunities. The union also provided on farm consultancy services and round the clock services upon nominal charges for the farmers. Though Gokul union provided financial support in the form of 'KISAN' Insurance Package Scheme to rural milk producers, many farmers were unaware of such financial benefits provided by the cooperative. The present findings are in line with the study of Kaushal (1996) who concluded that dairy cooperative staff performed miscellaneous activities effectively.

SWOT ANALYSIS

Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis summarize the contributions of Gokul Dairy Cooperative in livestock production, service delivery, marketing and transfer of technology. The group discussions with respondents, staff members, key informants and product buyers were conducted to summarize the Strengths, Weaknesses, Opportunities and Threats (SWOT) of Gokul Dairy Cooperative.

STRENGTHS

MEMBERS' PERSPECTIVE

- Cooperative membership encouraged members to market their milk and helped them to get sustainable market.
- Milk processing through the cooperative was more efficient, less milk wastage and high quality dairy products becoming better marketable and available to everyone.
- Through the cooperative, members had more access to knowledge about dairy production, marketing and innovations in the dairy sector.
- Significant number of dairy farmers including women were encouraged to participate in the cooperative, and the cooperative prioritized training and employment for women. Moreover, women were getting income from the sale of milk which further enhanced their savings and investment.
- The cooperative has established geographical based milk collection centers and sites for the ease access of members to supply milk.
- The cooperative provided mobile AI, concentrate feed using its feed processing machine and animal health services.
- The existence of newly established processing machine encouraged members to supply more milk to the cooperative.
- The weekly milk payment system of the cooperative helped members to get accumulated money for further investment.
- The presence of the cooperative helped to undertake farmer to farmer extension in dairy production and marketing.

FROM FINANCE PERSPECTIVE:

- Developed computer assisted financial accounting system for easy accounting.

FROM HR AND MANAGEMENT PERSPECTIVE

- Educated board members with diversified experience and knowledge in the dairy sector.
- Significant number of educated and diverse experience of the management bodies in the industry as well as working in the same industry for long period.

FROM MEMBERSHIP PERSPECTIVE

- Committed members to the organization vision and voluntarily acting members. Educated members that share their capacity and experience with each other.

FROM FACILITY PERSPECTIVE

- Existence of basic communication facilities to lead the daily business operation of the cooperative.
- Currently owned land allows further expansion to the extent that can accommodate increased production.
- Milk and feed processing plants with technologically flexible capacity that can produce diversified products.
- Possess strategically located milk collection centers, chilling centre, feed manufacturing and various product storage units.

WEAKNESSES**MEMBERS' PERSPECTIVE**

- Shortage of professional manpower in the provision of service by the cooperative. The veterinarian has to visit at least twice per week instead of once.
- Low price for milk as compared to other private competitors.
- Poor internal communication and mutual trust between staff members and members.
- Unable to provide concentrate feed according to the demand of members and the under-capacity of the feed processing machine.
- Inadequacy in providing drugs and medicines during animal health services.
- Unable to give equal chance of training and employment opportunities.
- The training provided by cooperative are theoretical oriented rather than practical based.

FROM HR AND MANAGEMENT PERSPECTIVE

- Lack of structured and clear benefit packages available to keep up the motivation of employees.
- Inability of the existing organizational structure to accommodate existing and new programs vis-à-vis lack of trained and skilled technical and support staff members.

FROM MEMBERSHIP PERSPECTIVE

- Unwillingness of some members to participate in capacity building training and unnecessary interference of some members on the management of the cooperative.

ON INTERNAL POLICY

- Lack of promoting members to openly communicate with the board members in giving ideas and poor management of members' data.

OPPORTUNITIES**FROM CUSTOMERS AND PRODUCERS NEED**

- If they get the required quantity and quality products, then there are potential customers.

CUSTOMERS NEED

- Reliable and continuous supply with quality.
- Affordable prices for products at convenience supply.

DAIRY PRODUCERS NEED

- Genuine quality measures for the supplied milk, timely and convenient mode of payment system and competitive price for the supplied milk.
- Improved field level technical support services vis-à-vis organizing intermittent dairy farm management training to members as well as providing market information.
- The infrastructure like processing machine, chilling centres and feed manufacture units will encourage members and others to supply more milk to the cooperative.
- If the feed processing machine of the cooperative expands its operation, there is an opportunity for fulfilling the demand of members and the market.

THREATS**ENVIRONMENTAL**

- Challenge to waste disposal and cleanness.
- Packing plastics are not easily decomposable.

POLITICAL

- Lack of appropriate policy favoring the dairy sector with respect to feed policy and credit.

TECHNOLOGICAL

- Poor dairy, feed and AI technology service delivery institutes

CONCLUSION

The cooperative has been successful in strengthening dairy production and marketing by effective livestock service delivery to dairy farmers. SWOT Analysis of the study revealed that, the cooperative has strong and weak sides with respect to functioning for providing the services.

Finally, to expand proven initiatives and strengthen good practice there is a need to improve upon the quality of the services and reduction in cost of services delivered so that farmers would be more content with the services provided by the dairy cooperatives to increase their production and marketing.

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ORGANIZATIONAL CULTURE AND ITS IMPACT ON ORGANIZATIONAL LEARNING - A STUDY ON INSURANCE COMPANIES

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ABSTRACT

The organizations at present are functioning in a highly competitive and dynamic environment and there is a continuous challenge of survival and sustainability for all organizations. There is a need for all companies to learn new things from internal and external environment that will improve their competence and capability. This learning moves an organization towards the concept of Learning Organization. As such it could be seen that the competition before Insurance Companies are very large due to dramatic change in customer requirements and continuous entry of new private players. The only source of competitive advantage can be found in continuous innovation of the insurance products. To achieve this Insurance Companies need to become more effective Learning Organization. Moreover the companies should have the required characteristics to support and stimulate better learning that results in superior outcomes. This research has identified culture as an organizational feature that supports learning and explores how different types of culture stimulate different levels of learning. The research employed is survey design, deriving a sample of 378 respondents from 10 Insurance Companies. The quantitative design entailed two survey instruments: Organizational Culture Assessment Instrument (OCAI) and Organizational Learning Instrument (OLI). Canonical Correlation Analysis was done to study the impact of Organizational Culture on Organizational Learning. The findings of the study show a better understanding of the relationship between 4 types of culture and 2 levels of learning. Suggestions of the study have implications for both the researcher as well as for managers of Insurance Companies to create a culture that stimulates better learning and enables long term success for organizations.

KEYWORDS

Learning Organization and Organizational Culture.

INTRODUCTION

The continuous changes in the external environment have stimulated heavy competition between various organizations. Tremendous improvements in the customer requirements have become a great challenge and there is a need for all organizations to continuously improve the quality of their product and customer service to sustain in this competitive and dynamic environment. The organizations need to fulfill the essential requirements for continuous improvement like learning something new and a commitment to learn. There arises the need to create a Learning Organization. The purpose of creating a learning organization is to enable the organization to search for new ideas, new problems and new opportunities for learning from which competitive advantage can be culled in an increasingly competitive world (Jennifer Rowley, 1998). The success of creating a learning organization relies on understanding the factors that stimulates learning. An extensive study on the variables that stimulates organizational learning suggests that an organization's culture may facilitate or inhibit learning depending on its characteristics (Argyris, 1987 & Bate, 1990). Deshpande & Webster (1989) and Schien (1990) emphasize that it is important for an organization's culture to be supportive because it is difficult to develop and sustain appropriate learning behaviours if the corresponding organizational values are not in place. This suggests a synergistic relationship between the elements of culture and learning activities within the organization systems which support the learning organization.

THE LEARNING ORGANIZATION

The concept of "Learning Organization" acquired prominence in the UK with the work of Pedler and his co-workers in the late 1980's culminating in the publication of their book, "The Learning Company". Pedler and his team produced the oft-quoted definition of the learning organization, "...an organization which facilitates the learning of all its members and continuously transforms itself" (Pedler, Boydell & Burgoyne, 1992). One of the most influential commentators in the US context is Peter Senge (1990), who popularized the term "Learning Organization" by his book, "The Fifth Discipline". He described Learning Organization as, "organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together".

LEVELS OF LEARNING

It is usually assumed that learning generally has positive outcomes, that organizations have the capacity to learn collectively and that organizational learning occurs at different speeds and levels within the organization (Mabey and Salaman, 1995). Two types of organizational learning are most often cited; Single-loop Learning and Double-loop Learning (Argyris and Schon, 1978).

1. **Single-loop Learning (Argyris and Schon, 1978) or Adaptive learning (Peter M. Senge, 1990):** It is the more basic form of learning and occurs within a set of recognized and unrecognized constraints that reflect the organization's assumptions about its environment and itself (Pralhad and Bettis, 1986). The constraints limit organizational learning to the adaptive variety, which usually is sequential, incremental, and focused on issues and opportunities that are within the traditional scope of the organization's activities. The traditional values limit the organization to implement new and innovative ideas.
2. **Double-loop Learning (Argyris and Schon, 1978) or Generative learning (Peter M. Senge, 1990):** It occurs when the organization is willing to question long-held assumptions about its mission and capabilities, and it requires the development of new ways of looking at the world based on an understanding of the systems and relationships that link key issues and events. It appreciates the employees to bring out with new and creative ideas from various sources. The organization is more concerned towards involving their employees in new assignments other than their regular tasks. It is argued that generative learning is frame-breaking and more likely to lead to competitive advantage than adaptive learning (Slater and Narver, 1995).

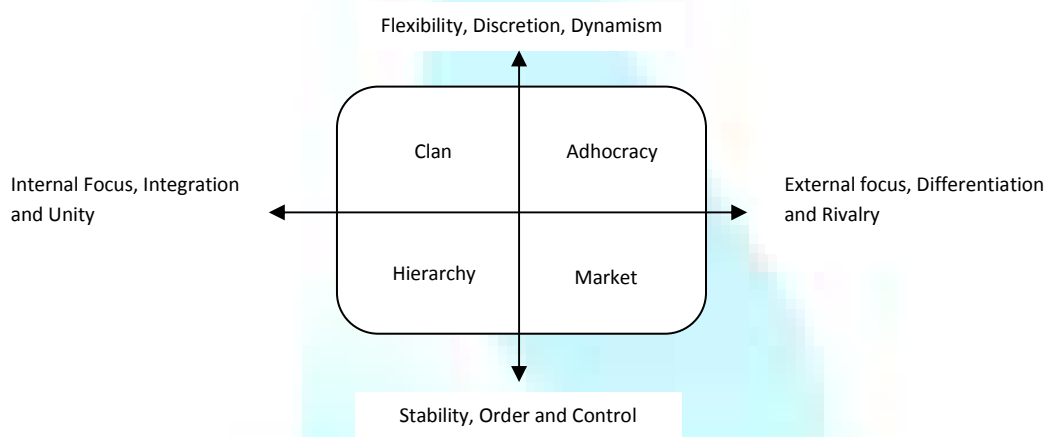
Previous reviews suggest the need for double-loop learning for an organization to become a Learning Organization. Argyris and Schon (1978) justifies saying that an organization can become a learning organization only when it stimulates double-loop learning. Argyris and Schon (1978) argue that organizations generally

perform single-loop learning well, but do not typically perform double-loop learning well at all. Ashok Jashpara (2003) identifies that organizational learning in the form of double-loop learning does lead to competitive advantage and provides evidence to support the assumption underlying the learning organization literature. Mohammad Rezaei Zadeh (2009) compels the need for double-loop learning for an organization to meet the changing demands of their customers. John Seddon and Brendan O'Donovan (2010), believes that double-loop learning is a necessary condition for the development of what Senge called 'generative learning' and thus essential in the progression towards becoming a 'learning organization'. Having understood that double-loop learning is more essential for a Learning Organization, it is also required to understand the factor that stimulates this learning. It is understood from the literature that Organizational Learning is embedded within the culture of an organization. Hence there is need to explore the concept of organizational culture and its relationship with learning.

ORGANIZATIONAL CULTURE

A key question underpinning the field of organizational learning relates to the conditions and climate that best promote learning processes. Such an inquiry seeks not only to identify the mechanisms underlying an organization's learning processes, but also considerations related to an organization's culture. According to Lawson and Shen (1998), Organizational Culture is not just any thoughts, values, and actions, but rather the unifying patterns that are shared, learnt, aggregated at the group level, and internalized only by organizational members. Schein (1990) defines Organizational Culture as a pattern of basic assumptions invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration. Organizational Culture includes those qualities of the organization that give it a particular climate or feel. The distinct qualities of an organization may manifest through two dimensions, where one dimension differentiates an orientation towards flexibility, discretion, and dynamism from an orientation toward stability, order, and control. The second dimension differentiates an orientation toward an internal focus, integration and unity of processes, from an orientation toward an external focus, differentiation and rivalry regarding outsiders. According to Cameron and Quinn (1999), these two dimensions form four quadrants, each representing a distinct set of organizational effectiveness indicators as shown in Figure.1.

FIGURE1: RELATIONSHIP BETWEEN THE TWO DIMENSIONS OF ORGANIZATIONAL CULTURE



Source: Diagnosing and changing Organizational Culture, Cameron and Quinn (1999).

Clan culture is called clan because of its similarity to a family-type organization. It is like an extended family. The major focus of this culture is on internal issues. The organization is held together by tradition and loyalty. Leaders are thought of as mentors and, perhaps, even as parent figures. The root of the word adhocracy is ad hoc that refers to a temporary, specialized, dynamic unit. This culture primarily focuses on external issues. Such organizations are in business to develop new products and services and prepare for the future. The goals of management are to generate vision, entrepreneurship, creativity, and activity on the cutting edge. The hierarchy culture values tradition, consistency, cooperation and conformity. Lines of decision-making, harmonized rules and procedures are valued as keys to success. The market culture gives significance to stability and control and concentrates more on external issues. The primary objectives are profitability; bottom line results, strong market niches, stretch targets, and secure customer bases. The leadership type includes that of hard-driving, competitive, and productive manager with an emphasis to win

CULTURE AND ORGANIZATIONAL LEARNING

Much of the discussion in the management literature is clearly written from the perspective that the learning organization can be designed and managed effectively to produce positive outcomes for the organization. Many commentators have attempted to specify what the learning organization culture should consist of. Burgoyne (1995), for example, talks about an appropriate learning culture as an attribute of a learning organization. He defines it as a culture which supports shared learning from experience. Although numerous authors (Garvin, 1993; McGill, Slocum & Sei, 1992; Senge, 1990) have considered the notion of a learning organization culture, there is no widely accepted theory or view on this issue. Cook and Yanow (1996) agree that organizational learning processes are rooted in culture. DiBella and Nevis (1998) relate culture and learning in organizations, saying that, "The nature of learning and the way [learning in organizations] takes place are determined to a great extent by the culture of the organization". Consistent with the view of Cook and Yanow (1996), DiBella and Nevis (1998) view learning processes as being embedded within an organization's culture, and note that they are relative, multiple, and complex. Josh Bersin (2008) in his research study identifies the key trends and drivers of high-performing learning organizations. He identifies 18 predictors of high-impact learning and one of the biggest predictors of high-impact learning is the learning culture. Hishamuddin bin Md.Som & Roland Yeow Theng Nam (2009) recommends the need to develop a culture which empowers individual learning and knowledge sharing as they have direct benefits toward the implementation of organizational learning and missions' attainment. Thus, organizational culture provides the context through which organizational learning occurs (Popper & Lipshitz, 2000).

RESEARCH GAP

Although some theorists have related the notions of organizational learning and organizational culture, such linkages have remained wholly prepositional (e.g., Cook & Yanow, 1996), leaving a surprising absence of empirical research linking the two concepts (Michael S. Garmon, 2004). "An important area for further research is to understand how features of the organization's culture facilitate learning processes and whether these cultural features lead to superior learning outcomes" was suggested by Thomas Garavan (1997). Michael S. Garmon (2004) suggests that future studies should also assess the direct influence of an organization's culture (as the independent variable) on organizational learning. This research tends to study the how the different types of culture that exists in an organization influence different levels of learning.

OBJECTIVE OF THE RESEARCH

To study the impact of 4 types of Organizational Culture on 2 levels of Organizational Learning.

METHODOLOGY

The samples for the study were drawn from 10 Private Insurance Companies in Salem, Erode and Coimbatore. Stratified Random Sampling was used to select the samples. Each insurance company was divided into 3 strata, Salem, Erode and Coimbatore and $1/3^{\text{rd}}$ of the total population from each stratum were chosen as samples for the study. Consultants and Operations Managers from each insurance company were chosen as samples for the study. The size of the sample is 378, where 160 respondents were Consultants, 189 were Operations Managers and 29 were others.

TEST OF EQUAL DISTRIBUTION OF SAMPLES

Chi-square statistics was calculated to ensure equal distribution of samples across all companies. The Chi-Square values for age ($\chi^2 = 2.450$; $df = 18$; $p = 1.000$), Educational Qualification ($\chi^2 = 3.161$; $df = 18$; $p = 1.000$), Place of Residence ($\chi^2 = 7.503$; $df = 18$; $p = 0.985$), Designation ($\chi^2 = 1.591$; $df = 18$; $p = 1.000$), Nature of Employment ($\chi^2 = 1.158$; $df = 9$; $p = 0.999$), Salary ($\chi^2 = 2.340$; $df = 18$; $p = 1.000$), Period of Service ($\chi^2 = 7.546$; $df = 27$; $p = 1.000$), shows that the distribution of samples under demographic characteristics is equal in all companies.

TOOLS FOR DATA COLLECTION

Organizational Learning was studied using the Organizational Learning Instrument (OLI) developed by Ashok Jashapara (2003). This instrument consists of 24 items, where the 2 levels of learning, Single-loop learning (SLL) and Double-loop learning (DLL) are measured by 12 items each. Organizational Culture was studied using the Organizational Culture Assessment Instrument (OCAI) developed by Cameron and Quinn (1999). This instrument consists of 24 items, where the 4 types of culture (Clan, Adhocracy, Hierarchy and Market) are described by 6 items each. Responses to both instruments were obtained in a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Both the questionnaires were tested for reliability using Cronbach Alpha to ensure internal consistency of the data. The reliability coefficients are shown in table 1.

TABLE 1: RELIABILITY COEFFICIENTS OF THE VARIABLES IN THE QUESTIONNAIRE

Questionnaire	Variables	No of Items	Cronbach Alpha Value
Organizational Learning	Single-Loop Learning	12	0.601
	Double-Loop Learning	12	
Organizational Culture	Clan	6	0.528
	Adhocracy	6	0.733
	Market	6	0.670
	Hierarchy	6	0.539

The reliability coefficients for all the variables are moderate to high which suggests a fair amount of consistency among the variables.

DATA COLLECTION PROCEDURES

Quantitative data for research was collected using questionnaires. Questionnaires were distributed to the employees in person by the researcher. The purpose and details of filling the questionnaire was explained to the respondents and they were assured confidentiality of their response. The filled in questionnaires were collected within a week. All the companies that participated in the research were highly co-operative to the researcher in collecting the data. Secondary data about the company was collected from company documents, websites, journals and magazines.

RESULTS AND DISCUSSION

TEST OF NORMALITY: Test of normality was performed before analyzing the data. The results are shown in table 2. It could be seen that none of the values are beyond -1 and +1 and hence the deviation from normality is not significant.

TABLE 2: STATISTICS TO SHOW THE NORMAL DISTRIBUTION OF DATA

Variables	N	Minimum	Maximum	Mean	Std. Deviation	Measures of normality	
						Skewness	Kurtosis
Single loop learning	378	36.00	53.00	44.754	3.495	-.098	.250
Double loop learning	370	33.00	52.00	42.556	4.009	-.289	.253
Clan culture	378	17.00	30.00	24.568	2.651	.590	.250
Adhocracy culture	378	18.00	30.00	25.193	2.712	-.020	.250
Hierarchy culture	378	19.00	30.00	25.190	2.563	-.307	.250
Market culture	378	17.00	30.00	24.809	2.610	.701	.250
Valid N (listwise)	370						

TEST OF HOMOGENEITY: One-way ANOVA was calculated to ascertain that the perceptions of the samples are homogeneous. The results are shown in table 3. It could be seen that except double-loop learning the other six variables do not show any significant differences in employee perception.

TABLE 3: COMPARISON OF MEANS OF THE VARIABLES ACROSS COMPANIES

ANOVA TABLE		Sum of Squares	df	Mean Square	F	Sig.
Single loop learning * Name of the organization	Between Groups (Combined)	28.661	9	3.185	.256	.985
	Within Groups	4577.458	368	12.439		
	Total	4606.119	377			
Double loop learning * Name of the organization	Between Groups (Combined)	342.949	9	38.105	2.454	.010*
	Within Groups	5590.359	360	15.529		
	Total	5933.308	369			
Clan culture * Name of the organization	Between Groups (Combined)	35.879	9	3.987	.561	.829
	Within Groups	2614.833	368	7.106		
	Total	2650.712	377			
Adhocracy culture * Name of the organization	Between Groups (Combined)	70.497	9	7.833	1.067	.387
	Within Groups	2702.405	368	7.343		
	Total	2772.902	377			
Hierarchy culture * Name of the organization	Between Groups (Combined)	21.490	9	2.388	.358	.954
	Within Groups	2456.796	368	6.676		
	Total	2478.286	377			
Market culture * Name of the organization	Between Groups (Combined)	25.483	9	2.831	.410	.930
	Within Groups	2542.802	368	6.910		
	Total	2568.286	377			

*. Correlation is significant at the 0.05 level.

TEST OF LINEARITY: Pearson's product moment correlation was calculated to test the linear relationship between all the 6 variables (CC, HC, AC, MC, SLL and DLL) included in the study. The results are shown in table 4.

TABLE 4: INTER-CORRELATION MATRIX OF VARIABLES

		Single loop learning	Double loop learning	Clan culture	Adhocracy culture	Hierarchy culture	Market culture
Single-loop learning	Pearson Correlation	1	.498**	.416**	.375**	.491**	.260**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	378	370	378	378	378	378
Double-loop learning	Pearson Correlation	.498**	1	.049	.187**	.215**	-.042
	Sig. (2-tailed)	.000		.346	.000	.000	.420
	N	370	370	370	370	370	370
Clan culture	Pearson Correlation	.416**	.049	1	.686**	.647**	.581**
	Sig. (2-tailed)	.000	.346		.000	.000	.000
	N	378	370	378	378	378	378
Adhocracy culture	Pearson Correlation	.375**	.187**	.686**	1	.771**	.625**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	378	370	378	378	378	378
Hierarchy culture	Pearson Correlation	.491**	.215**	.647**	.771**	1	.653**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	378	370	378	378	378	378
Market culture	Pearson Correlation	.260**	-.042	.581**	.625**	.653**	1
	Sig. (2-tailed)	.000	.420	.000	.000	.000	
	N	378	370	378	378	378	378

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

It could be seen in table 4, that all the six variables exhibits linear relationship between each other except few (marked in bold face). Basic statistical requirements of normality, homogeneity across organizations and linearity of all research variables were tested and found that the data is fit enough for parametric analysis. The subsequent section deals with answering the research objective.

OBJECTIVE OF THE RESEARCH: TO STUDY THE IMPACT OF 4 TYPES OF ORGANIZATIONAL CULTURE ON 2 LEVELS OF ORGANIZATIONAL LEARNING

While some organizational theorists have argued that Organizational Learning is rooted in an Organization's Culture (Cook & Yanow, 1996; Dibella & Nevis, 1998), this research has begun to address a gap in the extant research by relating different types of culture to different levels of learning. To study this

relationship, canonical correlation analysis was done. Canonical correlation analysis was done because there are more than one independent and dependent variables.

ASSESSMENT OF OVERALL FIT

Two canonical correlations were estimated and table 5 show the overall model fit. Both the correlations are statistically significant as shown by Wilk's Lambda and Chi-square statistics. The first canonical function has the correlation of .545 which explains close to 30% (29.7%) of variance in first set of culture and learning variates. The second function has the correlation of .314 which explains close to 10% (9.9%) of variance in the second set of culture and learning variates. Both the functions are statistically significant and account for substantial amount of variance. Hence both the functions are considered for discussions.

TABLE 5: MEASURES OF OVERALL MODEL FIT FOR CANONICAL CORRELATION ANALYSIS

Canonical Functions	Canonical R	Canonical R-sqr	Wilk's Lambda	Chi square	DF	Sig
1	.545**	.297	.633	166.909	8	.000
2	.314**	.099	.314	38.038	3	.000

** . Correlation is significant at the 0.01 level.

REDUNDANCY ANALYSIS

Redundancy analysis was done to study how much of variance in learning variables (dependent) is explained by canonical variate of culture variables (independent). The results are shown in table 6.

TABLE 6: REDUNDANCY ANALYSIS OF DEPENDENT AND INDEPENDENT VARIABLES FOR BOTH CANONICAL FUNCTIONS

STANDARDIZED VARIANCE OF THE DEPENDENT VARIABLE EXPLAINED BY THE INDEPENDENT VARIABLE					
Canonical function	Their own canonical variate (Shared variance)		Canonical R-sqr	The opposite canonical variate (Redundancy)	
	Percentage	Cumulative percentage		Percentage	Cumulative percentage
1	52.8	52.8	.297	15.7	15.7
2	47.2	100	.099	04.7	20.4

It could be seen in table 6, that 15.7% of variance is explained by the first culture variate on learning variables and 4.7% of variance is explained by the second culture variate on learning variables.

INTERPRETATION OF CANONICAL VARIATES

With the canonical relationship deemed statistically significant and the magnitude of the canonical root and the redundancy index acceptable the data is ready for making substantive interpretation of results. Interpreting the relationship between the canonical variates helps to better understand the influence of culture on learning. The canonical loadings and cross loadings are considered most appropriate to interpret the canonical variates. Table 7 gives the details of loadings and cross loadings of two sets of variables for the two canonical variates. Part A is very important because it helps to understand the nature of canonical variates. These values are simple correlation coefficients of the variate and the respective variables in the same set.

TABLE 7: CANONICAL LOADINGS AND CROSS-LOADINGS FOR THE TWO CANONICAL FUNCTIONS

Part A		Canonical Loadings	
		Variate 1	Variate 2
Correlations between the independent variables and their canonical variates			
1	Clan Culture	-.817	-.300
2	Adhocracy Culture	-.673	.244
3	Hierarchy Culture	-.933	.188
4	Market Culture	-.561	-.460
Correlations between the dependent variables and their canonical variates			
5	Single loop learning	-.979	.203
6	Double loop learning	-.311	.950
Part B		Canonical Cross-Loadings	
		Variate 1	Variate 2
Correlations between independent variables and dependent canonical variates			
1	Clan Culture	-.445	-.094
2	Adhocracy Culture	-.367	.077
3	Hierarchy Culture	-.509	.059
4	Market Culture	-.306	-.145
Correlations between dependent variables and independent canonical variates			
5	Single loop learning	-.534	.064
6	Double loop learning	-.170	.299

DISCUSSIONS

It could be seen in table7 that the loadings of independent variables in the first variate are sizable in the negative direction. This gives the impression that the first independent variate is negative culture variate. That is the respondents perceive the absence of clear cut pattern of beliefs or behavior in their organization. In their view the organization lacks a personality. Similarly the loadings of dependent variables are also negative and sizable. This gives an impression that respondents have perceived complete absence of any form of learning in the organization. Hence it could be understood that complete absence of culture in any form contributes to complete absence of learning. The results of this study are consistent with the thinking of (Hedberg, 1981) who states, that which has been learned by the organization is apparently preserved within its culture. It could be seen that when employees did not feel any consistent pattern of beliefs and norms to exist in an organization they also did not feel any learning to take place. This indicates that learning is directly influenced by the culture of an organization.

Loadings of independent variables in the second variate are statistically marginal but practically significant. The loadings show that market and clan culture contributes negatively and those of adhocracy and hierarchy contribute positively. Taken together this function suggests that some form of culture is perceived but they are not clan or market. There is a slight tendency towards adhocracy and hierarchy. When we examine the loadings of adhocracy and hierarchy culture, it could be seen that the correlation co-efficient of hierarchy is very weak ($r = .188$) and hence it is ignored. Whereas the loadings of adhocracy culture is positively higher than the loadings of all other types of culture ($r = .244$). Similarly the loadings of dependent variables suggest a strong presence of learning

more of double loop learning. For an organization to stimulate this double-loop learning there is a need for a culture that appreciates continuous innovation and empowers employees to question the long-held assumptions of the organization. These requirements are fulfilled by the presence of adhocracy culture as Cameron and Quinn (1999) suggests that adhocracy culture concentrates more on external issues and values a high degree of flexibility, individuality and discretion with key values of creativity and risk taking, instead of stability and control. The results of the study are consistent with the theory, suggesting a linear relationship between adhocracy culture and double-loop learning. That is when employees perceived the presence of adhocracy culture they perceive double-loop learning to take place.

CONCLUSION OF CANONICAL CORRELATION ANALYSIS

- Organizational Culture has a strong impact on Organizational Learning.
- When there is a complete absence of culture as perceived by the employees, there is also a complete absence of learning.
- When some form of culture is perceived by the employees especially adhocracy, they perceive double loop learning to take place.

MANAGERIAL IMPLICATIONS

The results of the study have important implications for the organizations that participated in the study as well as for other organizations. A significant implication from the result is that the insurance companies should understand the type of learning that is required to gain competitive advantage. It is also necessary for the insurance companies to create a culture that will support the required level of learning. Previous studies that were performed to identify the level of learning that is required in an organization to survive in this competitive environment, suggests that it is the cognitive dimension of double-loop learning that will aid organizations to sustain competitive advantage rather than the behavioral dimensions of single-loop learning Ashok Jashpara (2003). This double-loop learning could take place in an environment that is flexible, creative, competitive and result-oriented workplace where the employees are motivated to bring out new and creative ideas. While examining the characteristics of different types of culture suggested by Cameron and Quinn (1999) it could be found that such an environment exists in an adhocracy culture or market culture.

The result of the study showed that there is only a slight presence of adhocracy culture. Efforts should be taken by the insurance companies to enhance an atmosphere of adhocracy that values entrepreneurship and risk taking so that the employees feel that they are empowered and supported to question the norms of their organization. They should also be motivated and supported to experiment new and creative ideas for double-loop learning to take place. David A. Garvin (1993) suggests that experimentations create a difficult challenge to the managers, who are trapped between two extremes. They must maintain accountability and control over the experiments without stifling creativity by unduly penalizing employees for failures. This support given by the managers will appreciate employees to test many new experiments and will continuously stimulate fresh flow of ideas resulting in higher level of learning. As David A. Garvin (1993) states, experimentation fosters learning by pushing organizations up the hierarchy, from lower to higher stages of knowledge.

The results of the study further showed that there is no tendency towards market culture. This reveals that though the Insurance companies are highly focused towards the changing needs of the customers the employees do not bring more inputs from the external environment. This will reduce the opportunity to double-loop learning. The Insurance companies can provide monetary or non-monetary incentives to their front line employees to bring out new and creative ideas from other competing organizations. The Insurance Companies can also facilitate conversations with customers who can provide up-to-date product information, competitive comparisons, insights into changing preferences and immediate feedback about product service and patterns of use which invariably stimulates better learning about the external environment.

Thus the Insurance companies that are willing to become a learning organization should foster an environment that stimulates continuous innovation and creativity. This could be facilitated by experimentation of new ideas and organizing symposiums, which bring together customers, suppliers, outside experts and internal groups to share ideas and learn from external environment. All these efforts coupled with empowered workforce create an environment to boldly challenge and question the traditional norms of the organization and facilitate a higher level of learning that moves an organization ahead of its competitors.

SCOPE FOR FURTHER RESEARCH

While this study has contributed to the extant research on organizational learning and culture, the literature on these constructs remains mostly prepositional. This study has demonstrated that different levels of learning are influenced by different types of culture in an organization. Future studies could identify the reasons behind why a particular type of culture influences a particular level of learning. Qualitative data methods and analysis could be used to find out the reasons. This may be beneficial to an organization in bringing out the required changes to create a culture that can facilitate better learning opportunities. Future research can focus on studying how other aspects of an organization like organizational structure, leadership style, employee development, organizational size, role of teams, type of people, learning abilities of people influence learning and can also identify the dominant factor that influences learning to a great extent. Finally research in Indian context is very sparse. Future research studies could explore about the learning process in various Indian organizations. It would be interesting to see how learning varies across different industries and geographies in Indian setup.

CONCLUSION

The purpose of this study was to explore the relationship between organizational culture and learning. The notions of organizational learning and organizational culture are widely recognized in the management literature. However, there have been relatively few empirical studies relating these concepts. This research study has implications for theoreticians and practitioners to gain a deeper and more integrated understanding of the relationship between organizational learning and culture. The results of the study also provides insights for both the organization as well as the researcher to understand the need to create a strong culture that facilitates a higher level of learning and that which enhances organizational value to gain competitive advantage.

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A STUDY ON THE OPERATIONAL EFFICIENCY OF THE TAICO BANK THROUGH VARIOUS MODELS

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ABSTRACT

The Tamilnadu Industrial Cooperative Bank (TAICO Bank) started functioning from November, 1962 to cater fully to the credit needs of various industrial cooperatives and small scale industries. It has undergone various changes from its inception to till date. Therefore, an attempt has been made in this paper to know the factors influencing net profit through multiple linear regression analysis, to identify the transitional changes in the working of TAICO Bank through a Cluster Model, to understand the periodic changes in the functioning of the bank through Tukey Hamming Model, to evaluate the operational efficiency and time series changes through Auto Regressive Integrated Moving Average (ARIMA) Model and to identify the dominating ratios for measuring the efficiency of the TAICO Bank.

KEYWORDS

Bank, TAICO Bank, Small Scale Industries, Tamilnadu, Tukey Hamming Model.

INTRODUCTION

The Tamilnadu Industrial Cooperative Bank (TAICO Bank) started functioning from November, 1962. The main objective of the Tamilnadu Industrial Cooperative Bank is to provide a comprehensive range of financial assistance to the industrial cooperative societies working under the control of Director of Industries and Commerce and other cooperative societies with the prior permission of the Director of Industries and Commerce. It extends the banking services to the public on line with other cooperative banks.

The other objectives of this bank are to promote the growth of industries by financing industrial cooperatives and other cooperatives which the government or the Registrar may direct to be admitted as members and individuals, partnership firms, joint stock companies and so on engaged in small, tiny, cottage and village industries in the non farm sector. An attempt has been made in this paper to analyse the operational efficiency of the bank through various models.

OBJECTIVES OF THE STUDY

This research study is pursued with the following objectives:

1. To identify the significant factors influencing the net profit.
2. To know the transitional changes in the working of the bank
3. To evaluate the periodic changes in the functioning of the bank.
4. To measure the operational efficiency and time series changes in the working of the bank.
5. To analyse the dominating ratios for measuring the efficiency of the bank

REVIEW OF LITERATURE

The various studies relating to the operational and overall profitability performance are given as under:

S.Dasarathan¹ (1995) in his thesis, "A Study on the Operational Efficiency of Urban Cooperative Banks in Tiruchirapalli District" has analysed in detail the deposit mobilization, solvency, liquidity, profitability performance, loans and advances and overdues through ratio analysis.

Joy Joseph Puthusseri² (1998) studied "The Determinants of Profit in Primary Agricultural and Rural Development Banks in Kerala". The main objectives of the study were to examine the factors affecting the profitability of the primary agricultural and rural development banks and to examine the relationship between profitability and overdues. The interest expense was growing at the rate of 16.01 per cent while the interest income was growing only at the rate of 14.76 per cent. The total expenses was growing at a higher rate of 15.82 per cent than that of the total income of 14.88 per cent. The analysis clearly identified that the cost components were increasing at a higher rate than the income factors. The overdues also had substantially increased. These two factors had contributed to the negative growth of profit of the banks.

Samwel Kakuku Lopoyetum³ (2005) in his article elaborated that the profitability performance of the UCBs can be improved by strengthening the magnitude of burden ratio. The spread ratio can be increased by increasing the interest receipts faster than the interest payments. The burden ratio can be lowered by decreasing the manpower expenses, other expenses and increasing other incomes.

J.P. Singh, and S.K. Rawat⁴ (1999) conducted a discriminate function analysis in the loans of cooperative banks with special reference to Hamirpur District of Uttar Pradesh and stated that a linear discriminate function was used to predict whether a crop loan defaulter was likely to be wilful or non wilful defaulter. The relative importance of various factors namely operational size of holding, limited amount of loan, income from agriculture, family consumption expenditure, in regard to their power to discriminate between the wilful and non wilful defaulters were known with the help of discriminate functions.

R.P. Gupta⁵ (2003) in his article analysed the working of scheduled Urban Cooperative Banks in India and gave the following suggestions to improve their overall performances:

- to widen the activities of UCBs
- they should be given autonomy in deciding lending policy
- they should be allowed to increase the ceiling amount for the purchase of consumer durables from Rs.1 lakh to Rs.2 lakhs.
- for amalgamation or takeover of other weak cooperative banks, only permission from the RBI should be necessary and not from cooperative departments of the concerned state.

V.M. Selvaraj and Gayathri⁶ (2004) studied overall performance of Thalpathisamuthiram Primary Agricultural Cooperative Bank. The main objectives of the study were to analyze the deposit mobilization, pattern of deposits and their growth, to study the lending policy of the bank and to analyse the financial

performance of the bank. They concluded that on the whole, the deposit mobilization and credit deployment of the bank have been satisfactory. The general financial position of the bank is also satisfactory.

METHODOLOGY

This study is based on secondary data. The data required for the study have been collected from the annual accounts of the TAICO Bank, books, journals and the like. Discussions have also been held with the officials of the bank. The overall analysis has been done through S.P.S.S. Package – Version 14.1.

PERIOD OF THE STUDY

This study covers a period of 11 years commencing from 1998-99 to 2008-09.

ANALYSIS OF THE STUDY

FACTORS INFLUENCING THE NET PROFIT

For assessing the influencing factors on the net profit of the TAICO Bank, Multiple Linear Regression Analysis has been used and ten variables have been identified. In order to avoid the problem of multi-colinearity among the ten coefficient factors, the factors namely interest income, non interest income, non interest expenditure and total expenditure were dropped, since these factors are included and form a factor in the other coefficient variables. Hence, the independent variables taken up for running the regression analysis are: net profit, interest paid, total deposits, total income, burden, spread and net working funds. Table 1 indicates the overall details of above mentioned variables for the study period.

TABLE 1: INDEPENDENT VARIABLES FOR REGRESSION ANALYSIS (Rs. in Lakhs)

Year	Net Profit	Interest Paid	Total Deposits	Total Income	Spread	Burden	Working Capital
1998-1999	- 157.27	329.91	3290.31	664.19	314.04	500.55	1566.76
1999-2000	- 273.32	420.44	4467.54	737.62	291.42	590.93	1786.55
2000-2001	104.45	456.51	508657	943.02	466.54	609.74	2176.75
2001-2002	150.89	642.67	7408.57	975.01	307.35	609.74	1682.75
2002-2003	215.19	905.75	12665.96	1598.16	641.23	1157.54	2636.28
2003-2004	205.55	1311.19	17964.78	2234.79	840.58	1570.04	6251.65
2004-2005	243.19	1566.76	22076.06	2707.42	1053.39	1899.86	6429.61
2005-2006	169.84	1683.31	23733.75	2691.51	922.84	2034.89	7768.53
2006-2007	45.35	1854.86	26239.86	3021.44	1076.18	2295.48	6756.80
2007-2008	78.10	2515.31	31363.34	3571.44	946.83	3002.03	9240.64
2008-2009	91.04	2871.74	35888.67	3981.95	995.00	3577.83	8359.69

Source: Annual Accounts of the TAICO Bank.

It is inferred from the Table 1 that all the independent variables taken for the regression analysis show an increasing trend for all the years under the study period except the two variables namely net profit and spread. The functional form of regression model is as follows:⁷

$$Y = b_0 + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + b_6x_6$$

Where Y = Net Profit, x_1 = interest paid, x_2 = total deposits, x_3 = total income, x_4 = spread, x_5 = burden, x_6 = net working funds, b_0 = intercept and b_1 to b_6 are regression coefficients. The analysis is made through S.P.S.S.

Package – Version 14.1 and the results are given in Table 2.

TABLE 2: FACTORS INFLUENCING NET PROFIT – MULTIPLE REGRESSION ESTIMATES OF THE VARIABLES

Factors	Coefficient	T	Significance
(Constant)	- 0.020	- 1.314	0.280
Interest paid	- 0.001	- 1.332	0.275
Spread	0.998	1537.130	0.000
Burden	- 1.000	5532.100	0.000
Total Deposits	0.000	- 4.228	0.024
Total Income	0.001	1.157	0.331
Net Working Funds	0.000	12.428	0.001
R ²	1.000		
F	68671336		

Source: Computed Data from the Annual Accounts of TAICO Bank.

Table 2 exhibits the regression estimates of the influencing variables of net profit. Among the related six factors the coefficient of total deposits, spread burden and the net working funds show values which are less than 0.05 and hence are statistically significant. The coefficient of burden and spread are closely equal to 1 which shows that each unit increase in these factors will contribute a unit to net profit and hence the result is as per the expectation. The coefficient of the net working funds and that of total deposits are very negligible. The coefficient of the interest paid is negative. This negative influence of the interest paid is mainly due to two reasons. One is the level of short term deposits whose major portion is supposed to be idle. The second is the influence of fixed deposit on which the interest payable component is high. Only when this source is effectively utilized, it may contribute to high interest revenue and profits.

The growth in deposits had been higher than that of advances and hence the negative coefficient. However it is not found to be statistically significant. Even though the coefficients of total income and the interest paid are statistically not significant, the signs of the coefficient are upto the expectation in that the result shows a negative relationship between interest paid and net profit as well as a positive relationship between total income and the net profit. Thus it can be concluded that the factors such as total deposits, spread, burden, networking funds, interest paid and total income are the factors influencing the net profit of the TAICO Bank.

TRANSITIONAL CHANGES IN THE WORKING OF THE BANK – CLUSTER MODEL

K – Means cluster analysis is a technique which is used to know the transitional changes in the overall working of the TAICO Bank by considering the 47 ratios. The details regarding the 47 ratios are presented in Tables 3.

TABLE 3: RATIOS SELECTED FOR CLUSTER MODEL

Year	Loans per Employee (Rs. in Lakhs)	Deposits per Employee Ratio (Rs.in Lakhs)	Business per Employee Ratio (Rs.in Lakhs)	Total Outside Liabilities to Net Worth (Times)	Deposits to Equity (Times)	Deposits to Total Assets (in %)	Net NPAs to Net Advances (in %)	Total Liabilities to Owned Funds (Times)
1998-1999	21.21	24.37	684.49	2.96	2.36	59.47	30.10	3.97
1999-2000	28.27	28.27	692.63	2.65	2.60	61.16	31.36	4.18
2000-2001	36.34	36.34	751.47	3.30	2.51	53.81	25.73	3.19
2001-2002	48.54	48.54	937.02	4.45	4.10	68.89	15.81	5.95
2002-2003	83.14	83.14	1149.56	7.38	6.81	75.20	12.00	9.06
2003-2004	103.57	103.57	1883.91	9.76	8.96	75.75	10.40	11.78
2004-2005	134.05	134.05	2199.18	10.39	9.43	72.33	9.14	13.04
2005-2006	150.16	150.16	2217.12	10.05	9.02	80.90	8.99	11.15
2006-2007	182.98	182.98	2706.08	9.89	8.46	76.98	9.33	10.99
2007-2008	196.86	196.86	2918.77	10.38	9.33	81.59	6.10	11.43
2008-2009	224.53	224.53	3184.24	10.89	9.79	81.00	6.88	12.05

Source: Annual Accounts of TAICO Bank.

TABLE 4: RATIOS SELECTED FOR CLUSTER MODEL

Years	Total Assets to Equity Fund (Times)	Liquid Assets to Total Deposits (in %)	Cash to Reserve (Times)	Staff Cost to Total Income (in %)	Cash to Volume of Business (in %)	Net NPAs to Total Advances (in %)	Total Income to Total Assets (in %)	Total Expenses to Total Income (in %)
1998-1999	3.92	28.03	1.84	18.85	1.68	23.14	12.01	63.08
1999-2000	4.18	26.62	1.64	18.16	2.08	23.49	10.10	59.38
2000-2001	4.67	24.02	1.54	13.96	2.24	25.01	9.98	63.67
2001-2002	5.95	21.59	1.84	20.39	1.91	12.99	9.07	81.93
2002-2003	9.06	21.41	2.77	11.90	2.41	10.69	9.49	75.63
2003-2004	11.76	29.26	4.67	8.95	2.79	9.36	9.42	73.96
2004-2005	13.04	24.16	4.22	8.73	2.57	8.35	8.87	73.40
2005-2006	11.15	27.37	4.12	8.89	2.87	8.15	9.18	78.36
2006-2007	10.99	23.92	3.04	8.89	2.39	8.49	8.87	75.74
2007-2008	11.43	27.22	3.59	8.35	2.85	5.56	9.29	87.12
2008-2009	12.09	27.80	3.99	9.93	3.07	6.16	8.99	91.22

Source: Annual Accounts of TAICO Bank.

TABLE 5: RATIOS SELECTED FOR CLUSTER MODEL

Years	Total Expenses to Total Assets (in %)	Current Assets to Volume of Business (in %)	Returns to Average Assets (in %)	Liquid Assets to Total Deposits (in%)	Liquid Assets to Total Deposits (Times)	Operating Expenses to Total Expenses (in %)	Fixed Deposits to Total Deposits (in %)	Net Profit to Owned Funds (in %)
1998-1999	49.67	2.28	- 2.89	47.13	5.19	23.28	78.97	- 11.29
1999-2000	57.00	2.53	- 4.26	43.52	6.66	21.63	84.14	- 15.66
2000-2001	48.41	2.98	1.25	44.64	7.30	19.46	82.65	5.16
2001-2002	65.91	2.43	1.49	31.34	4.64	27.57	83.91	8.35
2002-2003	56.68	2.87	1.56	28.47	7.82	15.31	86.85	11.57
2003-2004	58.67	3.26	1.01	38.63	11.29	11.81	89.96	10.22
2004-2005	57.87	3.08	0.90	33.41	12.09	11.60	88.95	10.39
2005-2006	62.54	3.54	0.57	31.81	10.48	10.95	88.04	6.45
2006-2007	61.39	3.05	0.14	31.07	8.80	10.92	86.19	1.46
2007-2008	70.43	3.23	0.22	33.36	7.65	9.32	84.99	2.32
2008-2009	72.11	3.12	0.22	34.32	6.68	9.78	86.44	2.49

Source: Annual Accounts of TAICO Bank.

TABLE 6: RATIOS SELECTED FOR CLUSTER MODEL

Years	Net Profit to Total Deposits (in %)	Net Profit to Total Income (in %)	Net Profit to Working Capital (in %)	Net Profit to Total Assets (in %)	Net Profit to Total Spread (in %)	Spread to Total Income (in %)	Current Ratio (Times)	Total Income to Working Capital (in %)
1998-1999	- 4.78	- 23.68	- 10.03	- 2.84	- 50.08	47.28	3.90	42.39
1999-2000	- 6.12	- 37.05	- 15.30	- 3.74	- 03.79	39.51	4.10	41.29
2000-2001	2.05	11.08	4.80	1.10	22.39	49.47	3.59	43.32
2001-2002	2.04	15.48	8.97	1.40	49.09	31.52	2.31	57.94
2002-2003	1.70	13.46	8.16	1.28	33.56	40.12	2.59	60.62
2003-2004	1.14	9.20	3.29	0.87	24.45	37.61	4.61	35.75
2004-2005	1.10	8.98	3.78	0.80	23.09	38.91	3.80	42.11
2005-2006	0.72	6.31	2.19	0.58	18.40	34.29	4.67	34.65
2006-2007	0.17	1.50	0.67	0.13	4.21	35.62	2.85	44.72
2007-2008	0.25	2.19	0.85	0.20	8.25	26.51	4.48	38.65
2008-2009	0.25	2.29	1.09	0.21	9.15	24.99	3.02	47.63

Source: Annual Accounts of TAICO Bank.

TABLE 7: RATIOS SELECTED FOR CLUSTER MODEL

Years	Total Expenses to Working Capital (in %)	Burden to Working Capital (in %)	Cash to Current Liabilities (Times)	Working Capital to Volume of Business (in %)	Current Assets to Total Assets (in %)	Non Interest Income to Total Income (in %)	Interest Income to Total Income (in %)	Net Profit to Total Assets (in %)
1998-1999	33.24	31.95	2.87	1.70	38.09	3.05	96.95	25.17
1999-2000	34.52	33.08	3.37	1.91	32.35	3.49	96.51	23.90
2000-2001	30.23	28.01	2.70	2.15	31.93	2.12	97.88	21.42
2001-2002	57.88	56.40	1.81	1.38	27.56	2.56	97.44	16.80
2002-2003	45.85	43.91	2.18	1.76	25.48	3.20	96.80	11.04
2003-2004	26.44	25.11	3.94	2.55	33.67	3.71	96.29	8.48
2004-2005	30.91	29.55	3.17	2.27	28.58	3.22	96.78	7.67
2005-2006	27.29	26.19	3.79	2.78	33.69	3.17	96.83	8.97
2006-2007	35.31	33.97	2.23	1.98	30.54	3.00	97.00	9.10
2007-2008	33.67	32.49	3.94	2.51	30.95	3.06	96.94	8.75
2008-2009	44.18	42.80	2.98	2.08	28.21	2.91	97.09	8.27

Source: Annual Accounts of TAICO Bank.

TABLE 8: RATIOS SELECTED FOR CLUSTER MODEL

Years	Net Capital Ratio (in %)	Fixed Assets to Owned Funds (in %)	Current Assets to Net Worth (Times)	Spread to Total Assets (in %)	Cash to CA (in %)	Demand Liabilities to Total Liabilities (in %)	Credit Deposit Ratio (%)
1998-1999	95.67	10.24	9.76	5.68	73.58	5.40	87
1999-2000	106.14	8.61	11.62	3.99	82.28	4.00	85
2000-2001	103.70	7.48	13.37	4.94	75.21	3.29	96
2001-2002	106.40	8.57	11.67	2.86	78.35	4.65	85
2002-2003	104.92	8.38	11.94	3.81	84.02	2.74	85
2003-2004	108.72	8.18	12.23	3.54	85.52	2.59	75
2004-2005	114.50	7.56	13.23	3.45	83.40	2.00	78
2005-2006	100.88	6.96	14.36	3.15	81.19	2.61	80
2006-2007	100.89	5.86	17.06	3.16	78.31	2.72	88
2007-2008	100.48	9.14	10.94	2.46	87.97	3.56	79
2008-2009	100.31	17.19	5.82	2.25	98.54	4.18	79

Source: Annual Accounts of TAICO Bank.

For identifying the periodic changes in the overall functioning of the TAICO Bank, the interrelationship between the ratios become indispensable to rank the ratios suitable for the financial performance of the TAICO Bank. In this juncture a year-wise breakup for the financial performance is required for the ratios to identify the turning points or crisis in the span of 11 years. This helps the researcher to identify the transitional implications in TAICO Bank and this Cluster Analysis is brought back on the problem of the segmenting the transitional changes in 11 years. It is a technique used to know the transitional changes that have taken place in the overall functioning of the bank. The number of cases in each cluster are indicated in Table 9.

TABLE 9: IDENTIFICATION OF CHANGES IN PERFORMANCE – NUMBER OF YEARS IN EACH CLUSTER

Cluster 1 (1998-99 to 2002-03) – Five Years	5.000
Cluster 2 (2003-2004 to 2008-09) – Six Years	6.000
Validity	11.000
Missing	.000

From the Table 9, it is inferred that the 47 financial ratios are broadly classified into two groups, where they have made significant changes. It is found from the frequency distribution, in TAICO Bank, the conspicuous changes are found in two different stages namely 1999 to 2003 (1998-99 to 2002-2003) and 2004-2009 (2003-04 to 2008-09). This shows that the financial performance of TAICO Bank is consistent for the first 5 years (1999 to 2006) and a drastic change is realized in the overall functioning of the bank during the last six years from 2004 to 2009. Table 10 shows the grouping of 47 ratios under two clusters and its values.

TABLE 10: GROUPING OF RATIOS AND CLUSTER VALUES

Ratios	Clusters		Ratios	Cluster	
	1	2		1	2
TL to OF	5.27	11.74	TE to TI	56.13	63.84
FA to OF	8.66	9.15	TI to WC	49.11	40.58
CA to CL	3.30	3.90	TE to WC	40.34	32.97
NP to TA	-0.56	0.46	LA to TD	39.02	33.77
NP to OF	-0.37	5.56	NW to FA	1167.30	1227.26
TOL to NW	4.15	10.26	SPR to TA	4.26	6.37
TA to TD	87.89	79.82	DE to EQU	3.68	9.17
TA to TL	1.03	1.04	DE to TA	3.68	8.88
WC to VOB	1.78	2.36	II to TI	97.12	96.82
CA to VOB	2.62	3.21	IE to TI	55.53	63.84
CA to TA	31.08	30.94	SC to TI	16.65	8.96
CASH to CA	78.69	85.82	FD to TD	83.30	87.43
CASH to CL	258.61	334.22	Net NPAs to TA	25.64	13.48
CASH to VOB	2.06	2.76	TA to EQ	5.56	11.74
NP to TI	-4.14	5.08	NP to TI	-1.96	5.16
NP to SPR	-7.77	14.59	TI to TA	11.92	9.13
NP to WC	-0.68	1.98	NW to TA	2.88	3.18
BUS - EMP	843.03	2518.22	NII to TI	2.88	3.18
DEP - EMP	49.91	206.61	LA to DD	39.02	33.77
TLA - EMP	43.50	165.36	BUR to WC	38.67	31.69
LA to TA	6.32	25.89	OE to TE	21.45	12.54
DL to TL	4.02	2.94	Net NPAs to NA	23.00	8.47
CASH to RES	54.31	25.89			

From the above Table 10, it is found that thirty two ratios showed an increasing trend in the span of 11 years and fifteen ratios showed a decreasing trend in these years. That is, in the two blocks of years, an increase in the numeric values is found significantly for 32 ratios and a decrease in the numeric values is found significantly for 15 ratios during the study period.

On the whole, out of 47 ratios, two thirds (67%) of the ratios increased rapidly and one third (33%) of the ratios decreased rapidly. This implies that the financial performance of TAICO Bank has been increased for the past 11 years significantly and it has increased its liabilities, fixed assets and profitability position to a greater extent. At the same time, a decrease in expenditures, net profit and current assets is seen. This strategy is a peculiar financial strategy to safeguard the bank from the grips of NPAs.

PERIODIC CHANGES IN THE WORKING OF THE BANK – TUKEY - HAMMING MODEL

Tukey- Hamming Model is a statistical device used to analyse the periodic changes in the overall working of the TAICO Bank. The variables pertaining to net operating profit, operating expenses, capital employed, interest expenses and gross income has been analysed in this model and are presented in Table 11.

TABLE 11: SELECTED VARIABLES FOR TUKEY-HAMMING MODEL (Rs. in Lakhs)

Year	Net Operating Profit	Operating Expenses	Capital Employed	Interest Expenses	Gross Income
1998-1999	- 157.27	121.74	1392.72	329.91	664.19
1999-2000	- 273.32	129.85	1745.77	420.44	737.62
2000-2001	104.45	128.07	2024.48	456.51	943.02
2001-2002	150.89	268.53	1806.67	642.67	975.01
2002-2003	215.19	185.06	1859.14	905.75	1598.16
2003-2004	205.55	195.23	2010.40	1311.19	2234.79
2004-2005	243.19	230.51	2340.00	1566.76	2707.42
2005-2006	169.84	232.17	2631.47	1683.31	2691.51
2006-2007	45.35	260.54	3101.21	1854.86	3021.44
2007-2008	78.10	289.98	3362.64	2515.31	3571.44
2008-2009	91.04	361.24	3664.20	2871.74	3981.95

Source: Annual Accounts of the TAICO Bank.

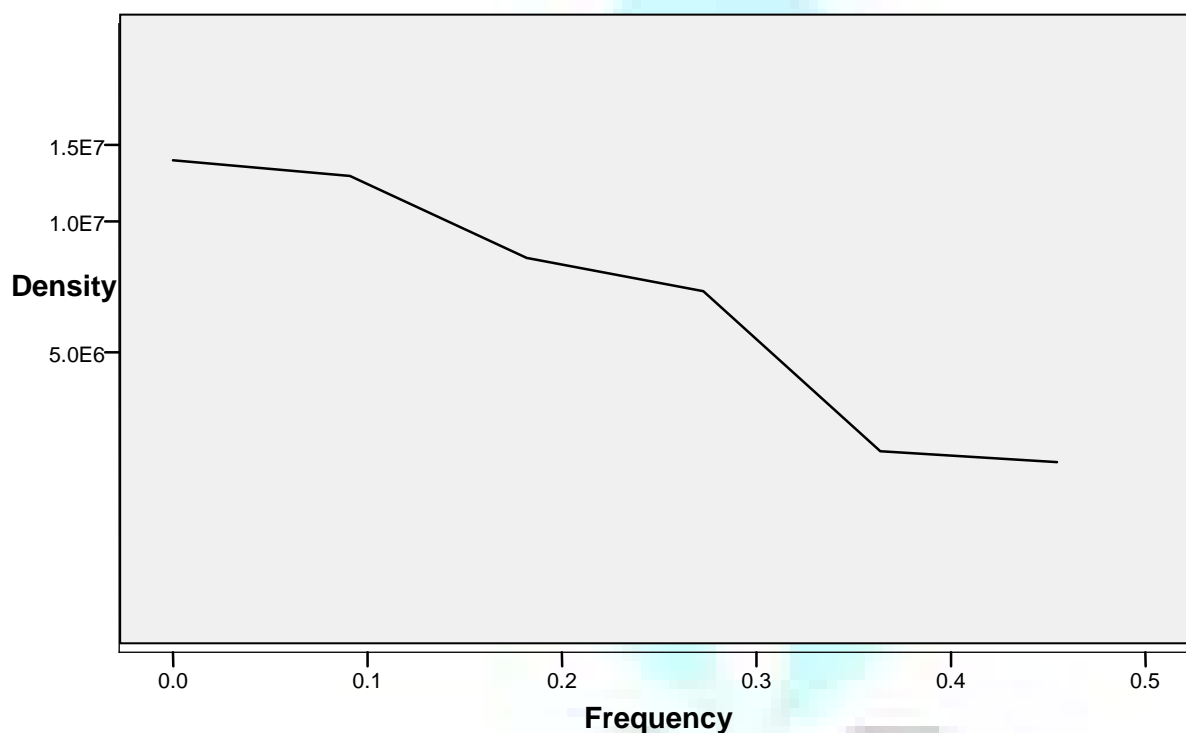
Table 11 shows that the three selected variables namely capital employed, interest expenses and gross income show an increasing trend and the remaining two variables namely net operating profit and operating expenses show a decreasing trend during the period of analysis.

The spectral density is useful to analyse the periodic changes in the above mentioned variables. It constructs suitable Sin and Cosin transform functions, periodogram value and spectral density estimates for each variable in every year. This would enable to identify strong seasonal components and the presence of longer cycles in the data. The analysis is done through S.P.S.S. Package – Version 14.1 and the results are presented in the model description Table 12 and Figure 1.

TABLE 12: PERIODIC CHANGES IN THE SELECTED VARIABLES–MODEL DESCRIPTION

Particulars		Tukey –Hamming Values
Model Name		MOD_1
Analysis Type		Univariate
Series Name	1. Operating Profit	VAR00002
	2. Operating Expenses	VAR00003
	3. Capital Employed	VAR00004
	4. Interest Expenses	VAR00005
	5. Gross Income	VAR00006
Range of Values		Reduced by Centering at Zero
Periodogram Smoothing	Spectral Window	Tukey-Hamming
	Window Span	5
	Weight Value	
	1. Operating Profit W(-2)	1.344
	2. Operating Expenses W(-1)	1.975
	3. Capital Employed W(0)	2.240
	4. Interest Expenses W(1)	1.975
	5. Gross Income W(2)	1.344

Figure 1
Spectral Density of VAR00004 by Frequency



Window: Tukey-Hamming (5)

From the Table 12, it is found that Tukey – Hamming values are all greater than one, which implies that there is statistical significance at 5 per cent level. Thus it is inferred that operating profit, operating expenses, capital employed, interest expenses and gross income are showing an increasing trend, especially the capital employed and gross income presented its data with longer cycles rather than the other variables. It is followed by two subsequent variables namely operating expenses and interest expenses. The spectral density values clearly indicated an increasing and positive trends for a span of 11 years from 1998-99 to 2008-09. Therefore, it can be concluded that in TAICO Bank, the capital employed depends upon its operating expenses and interest expenses. They have more proximity with capital employed. It is also found through spectral analysis that the operating profit in TAICO Bank constantly maintain a proportionality with gross income for the 11 years.

OVERALL EFFICIENCY AND TIMES SERIES CHANGES – ARIMA MODEL

The ARIMA Model is useful in identifying the Time Series changes and to estimate the forecasts about the overall functioning of the bank.⁸ It automatically identifies and estimates the best fitting Arima or exponential smoothing model for one or more dependent variable series. In this present research work, the researcher identified a number of 47 independent variables as quoted in the cluster model against the five dependent variables (operating profit, operating expenses, capital employed, interest expenses and gross income). The details of the five dependent variables are depicted in Table 13.

TABLE 13: SELECTED VARIABLES FOR ARIMA MODEL (Rs. in Lakhs)

Year	Net Operating Profit	Operating Expenses	Capital Employed	Interest Expenses	Gross Income
1998-1999	- 157.27	121.74	1392.72	329.91	664.19
1999-2000	- 273.32	129.85	1745.77	420.44	737.62
2000-2001	104.45	128.07	2024.48	456.51	943.02
2001-2002	150.89	268.53	1806.67	642.67	975.01
2002-2003	215.19	185.06	1859.14	905.75	1598.16
2003-2004	205.55	195.23	2010.40	1311.19	2234.79
2004-2005	243.19	230.51	2340.00	1566.76	2707.42
2005-2006	169.84	232.17	2631.47	1683.31	2691.51
2006-2007	45.35	260.54	3101.21	1854.86	3021.44
2007-2008	78.10	289.98	3362.64	2515.31	3571.44
2008-2009	91.04	361.24	3664.20	2871.74	3981.95

Source: Annual Accounts of the TAICO Bank.

Table 13 shows that the three selected variables namely capital employed, interest expenses and gross income show an increasing trend and the remaining two variables namely net operating profit and operating expenses show a decreasing trend during the period of analysis.

The ARIMA Model is executed in this context and the following result is obtained and is presented in Table 14.

TABLE 14: PROJECTION OF VITAL RATIOS - ARIMA MODEL VALUES

Fit Statistic	Mean	SE	Minimum	Maximum	Percentile						
Particulars	5	10	25	50	75	90	95	5	10	25	50
Stationary R-squared	.786	.353	.156	.968	.156	.156	.528	.951	.961	.968	.968
R-squared	.786	.353	.156	.968	.156	.156	.528	.951	.961	.968	.968
RMSE	214.067	32.839	172.294	247.293	172.294	172.294	183.366	209.686	246.959	247.293	247.293
MAPE	18.016	8.588	9.544	31.503	9.544	9.544	10.738	17.177	25.713	31.503	31.503
MaxAPE	61.015	33.477	17.293	97.786	17.293	17.293	26.981	68.401	91.357	97.786	97.786
MAE	168.895	33.118	124.599	207.752	124.599	124.599	138.922	164.473	201.078	207.752	207.752
MaxAE	332.251	57.986	280.190	421.543	280.190	280.190	281.106	329.834	384.603	421.543	421.543
Normalized BIC	11.149	.312	10.734	11.457	10.734	10.734	10.855	11.127	11.454	11.457	11.457

Source: Box, Jenkins and Reinsel, "An Over view of Multiple Regression Co-efficient", **American Journal of Sunsehes**, 1994, pp.141-170.

It gives out Stationery R^2 Values, Varying R^2 values, Root mean Square Error (RMSE), MEAN Absolute Error (MAE), Mean Absolute Percentage Error (MAPE), Maximum Absolute Error (MAE), Maximum absolute Percentage Error (MAPE), Normalised Bayesian Information. The modified ARIMA values are presented in Table 15.

TABLE 15: PROJECTION OF VITAL RATIOS - MODIFIED ARIMA MODEL VALUES

Fit Statistic	Mean	SE	Minimum	Maximum	Percentile						
Particulars	5	10	25	50	75	90	95	5	10	25	50
Stationary R-squared	.375	.414	-4.44E-016	.814	-4.44E-016	-4.44E-016	-1.11E-016	.333	.782	.814	.814
R-squared	.923	.035	.857	.956	.857	.857	.905	.931	.945	.956	.956
RMSE	6005.887	11668.442	341.950	29768.821	341.950	341.950	797.316	1122.609	9489.878	29768.821	29768.821
MAPE	17.697	6.733	11.780	29.019	11.780	11.780	12.844	14.761	24.253	29.019	29.019
MaxAPE	54.167	28.293	28.838	95.421	28.838	28.838	31.098	42.908	86.163	95.421	95.421
MAE	4353.603	8261.369	231.653	21157.208	231.653	231.653	584.499	867.894	7010.442	21157.208	21157.208
MaxAE	12691.656	25466.909	760.706	64584.272	760.706	760.706	1156.415	2226.779	19943.378	64584.272	64584.272
Normalized BIC	15.319	2.979	12.130	20.833	12.130	12.130	13.634	14.381	17.249	20.833	20.833

Source: Box, Jenkins and Reinsel, "An Over view of Multiple Regression Co-efficient", **American Journal of Sunsehes**, 1994, pp.141-170.

From Table 15, it is found that the Mean, Standard Error with maximum and minimum fit statistics are sharply estimated. Since the whole series is centered at mean values, it can be concluded that collectively the five variables totally exhibit 78.6 per cent variance in the past 11 years. The RMSE variance and NAPE variance are respectively 214.067 and 18.016 with normalized BIC variance 11.149. This implies that the five variables have made significant changes, that is 11.14 per cent each year on the average.

Thus it can be concluded that the variation is above 50 per cent in the span of 11 years for TAICO Bank. It shows that the TAICO Bank has performed financially well with respective increase in its operating profit and gross income. At the same time the increase in operative expenses and interest expenses, capital employed shows its significant financial development.

MEASUREMENT OF EFFICIENCY (DOMINATING RATIOS) - BOX'S M AND WILKS' LAMBDA MODEL

In this present research work, the researcher has identified a number of 47 independent ratios as quoted in the cluster analysis.

Further microscopic analysis is required to point out the predominant ratios affecting the financial performance and these predominant financial ratios need to be performed well to determine the financial performance of TAICO Bank.

Box's M and Wilks' Lambda Test are subsequently applied to point out the steps to extract predominant ratios. Table 17 shows the steps involved in Box's M and Wilks' Lambda Model.

TABLE 16: DOMINATING RATIOS - STEPS INVOLVED IN BOX'S M AND WILKS' LAMBDA MODEL

Step	Entered	Wilks' Lambda				Extract F			
		Statistic	df1	df2	Df3	Statistic	Df1	Df2	df3
1.	TL to NW	.137	1	1	9.000	56.906	1	9.000	.000
2.	TI to WC	.033	2	1	9.000	118.253	2	8.000	.000
3.	CA to CL	.011	3	9	9.000	217.834	3	7.000	.000
4.	WC to VB	.004	4	1	9.000	370.180	4	6.000	.000
5.	CA to TA	.001	5	1	9.000	1.258E3	5	5.000	.000

At each step, the variable that minimises the overall Wilks' Lambda is entered.

- Maximum Number of steps is 94
- Minimum partial F to enter is 3.84
- Maximum partial F to remove is 2.71
- F level, tolerance or VIN insufficient for further computation.

From the Wilks' Lambda Test, it is found that the five steps, predicted five ratios namely total liabilities to net worth, total income to working capital, current assets to current liabilities ratio (current ratio), working capital to volume of business and current assets to total assets. Table 17 shows significant ratios for measuring the financial performance of the bank.

TABLE 17: SIGNIFICANT RATIOS FOR MEASURING FINANCIAL PERFORMANCE OF THE TAICO BANK

Years	Total Liabilities to Owned Funds (Times)	Total Income to Working Capital(in %)	Current Ratio (Times)	Working Capital to Volume of Business (in %)	Current Assets to Total Assets (in %)
1998-1999	3.97	42.39	3.90	1.70	38.09
1999-2000	4.18	41.29	4.10	1.91	32.35
2000-2001	3.19	43.32	3.59	2.15	31.93
2001-2002	5.95	57.94	2.31	1.38	27.56
2002-2003	9.06	60.62	2.59	1.76	25.48
2003-2004	11.78	35.75	4.61	2.55	33.67
2004-2005	13.04	42.11	3.80	2.27	28.58
2005-2006	11.15	34.65	4.67	2.78	33.69
2006-2007	10.99	44.72	2.85	1.98	30.54
2007-2008	11.43	38.65	4.48	2.51	30.95
2008-2009	12.05	47.63	3.02	2.08	28.21

The Wilks' Lambda test is achieved through five steps. In the first step, total liabilities to net worth is predicted in all the steps,⁹ followed by total income to working capital in four steps, current ratio in three steps, working capital to volume of business in two steps and current assets to total assets in only one step. At the fifth step, all the five ratios are obtained. The F value and Lambda values are 56.906, 118.253, 217.834, 370.180, 1.258 E 3 (1.258×10^3). They are statistically significant at 5 per cent level. Their standardized canonical discriminant coefficient are also found significantly in the following Tables 18 and 19.

TABLE 18: STANDARDIZED CANONICAL DISCRIMINANT COEFFICIENT VALUES FOR THE DOMINATING RATIOS

Step		Tolerance	F to Remove	Wilks' Lambda
1.	TL to NW	1.000	56.906	
2.	TL to NW	.318	165.202	.708
	TI to WC	.318	25.389	.137
3.	TL to NW	.116	384.586	.593
	TI to WC	.024	42.673	.075
	CA to CL	.047	14.611	.033
4.	TL to NW	.034	416.797	.284
	TI to WC	.009	103.764	.074
	CA to CL	.036	13.142	.013
	WC to VB	.108	9.756	.011
5.	TL to NW	.007	1456.741	.232
	TI to WC	.001	354.751	.057
	CA to CL	.010	51.005	.009
	WC to VB	.019	59.025	.010
	CA to TA	.039	20.400	.004

Source: R.E. Frank, W.E. Massey and D.G.Morrison, "Bias in Multiple Discriminant Analysis", *Journal of Marketing Research*, Vol.2 No.3, 1995, pp.250-258.

TABLE 19: STANDARDIZED CANONICAL DISCRIMINANT COEFFICIENT VALUES FOR THE DOMINATING RATIOS

Ratios	Function
	1
CA to CL	-0.454
TL to NW	-11.640
WC to VB	7.000
CA to TA	4.562
TI to WC	27.358

Source: R.E. Frank, W.E. Massey and D.G.Morrison, "Bias in Multiple Discriminant Analysis", *Journal of Marketing Research*, Vol.2 No.3, 1995, pp.250-258.

From the above Tables 18 and 19, it is inferred that among these five groups, the following order is vital in determining the financial performance. In a span of 11 years it is concluded that the above mentioned five ratios are considered as important financial ratios affecting the financial performance of TAICO Bank. They concentrate more on current assets, total liabilities; working capital required for management and also gave more importance to volume of business. Total income is found indispensable and it is further shared with working capital. Thus the above mentioned five ratios namely, total liabilities to network, total income to working capital, current ratio, working capital to volume of business and current assets to total assets are considered as the important ratios to measure the overall financial performance of the TAICO Bank.

CONCLUSION

The bank has been really rendering tremendous services by providing various types of loans to the industrial cooperatives, small scale industries and the like in Tamilnadu. It is advisable for the bank to take effective steps to maintain the increasing and growing trends in the overall functioning the bank in the future years.

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IMPACT OF ADVERTISING ON CHILDREN AND ADOLESCENTS

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ABSTRACT

Advertising exerts pervasive influence on children and adolescents. Young people view more than 40,000 ads per year on television alone and increasingly are being exposed to advertising on the Internet, in magazines, and in schools. There are multiple negative outcomes like childhood obesity, poor nutrition, and cigarette & alcohol use. Media education has been shown to be effective in mitigating some of the negative effects of advertising on children and adolescents.

KEYWORDS

Adolescent, Advertising, Children, Endorsements, Media, Psychology.

INTRODUCTION

European countries severely curtail advertising to children; on the other hand, selling to children is simply “business as usual” in US.¹ The average young person views more than 3000 ads per day on television (TV), on the Internet, on billboards, and in magazines.² Advertisers are targeting younger children in an effort to establish “brand-name preference” at an early age³ because they spend \$180 billion, and influence perhaps another \$200 billion of their parents’ spending per year.^{4,5} Increasingly, advertisers are seeking to find new and creative ways of targeting young consumers via the Internet, in schools, and even in bathroom stalls.

THE EFFECTS OF ADVERTISING ON CHILDREN AND ADOLESCENTS

Research has shown that young children—younger than 8 years—are cognitively and psychologically defenseless against advertising.⁶⁻⁹ They do not understand the notion of intent to sell and frequently accept advertising claims at face value.¹⁰ However some Western countries like Sweden and Norway forbid all advertising directed at children younger than 12 years,¹¹ but other countries need to take stringent decisions in this direction.

ADVERTISING IN DIFFERENT MEDIA

• TELEVISION

Children and adolescents view 40,000 ads per year on TV alone.¹² This occurs despite the fact that in many western countries, the Children’s Television Act of 1990 (Pub L No. 101-437) limits advertising on children’s programming to 10.5 minutes/ hour on weekends and 12 minutes/hour on weekdays. However, much of children’s viewing occurs during prime time, which features nearly 16 minutes/hour of Advertising.¹³

• MOVIES

A 2000 FTC (Federal Trade Commission) investigation found that violent movies, music, and video games have been intentionally marketed to children and adolescents.¹⁴ For instance, M-rated video games, which according to the gaming industry’s own rating system are not recommended for children younger than 17 years, are frequently advertised in movie theaters, video game magazines, and publications with high youth readership.¹⁵ Also, movies targeted at children often prominently feature brand-name products and fast food restaurants.¹⁶

• PRINT MEDIA

According to Consumer’s Union,¹⁷ study more than 160 magazines are targeted at children across the globe. Earlier Young people were exposed to 45% more beer ads and 27% more ads for hard liquor in teen magazines than adults do.¹⁸ Despite the Master Settlement Agreement with the tobacco industry in 1998, tobacco advertising expenditures in 38 youth-oriented magazines amounted to \$217 million in 2000.¹⁹

• THE INTERNET

An increasing number of Web sites try to entice children and teenagers to make direct sales. Teenagers account for more than \$1 billion in e-commerce dollars,²⁰ and the industry spent \$72.6 million on Internet banner ads alone in 2010. More than 100 commercial Web sites promote alcohol products.²¹ Content of these sites varies widely, from little more than basic brand information to chat rooms, “virtual bars,” drink recipes, games, contests, and merchandise catalogues. Many of these sites use slick promotional techniques to target young people.²² In 1998, the Children’s Online Privacy Protection Act (Pub L No. 105-277) was passed, which mandates that commercial Web sites cannot knowingly collect information from children younger than 13 years. These sites are required to provide notice on the site to parents about their collection, use, and disclosure of children’s personal information and must obtain “verifiable parental consent” before collecting, using, or disclosing this information.²³

MARKETING TECHNIQUES

Advertisers have traditionally used techniques to which children and adolescents are more susceptible, such as product placements in movies and TV shows,²⁴ tie-ins between movies and fast food restaurants, tie-ins between TV shows and toy action figures or other products, and celebrity endorsements.²⁵ Tooth pastes, soaps, mobile services etc., are currently being marketed to 6- to 12-year-olds, with the potential for directing specific advertisers to children and preteens.

Coca-Cola reportedly paid Warner Bros. Studios \$150 million for the global marketing rights to the movie “Harry Potter and the Sorcerer’s Stone,”²⁶ and nearly 20% of fast food restaurant ads now mention a toy premium in their ads.²⁷ Certain tie-in products may be inappropriate for children (e.g. action figures from the World Wrestling Federation). In the near future, children watching a TV program will be able to click an on-screen link and go to a Web site during the program.²⁸ Interactive games and promotions on digital TV will have the ability to lure children away from regular programming, encouraging them to spend a long time in

an environment that lacks clear separation between content and advertising. Interactive technology may also allow advertisers to collect vast amounts of information about children's viewing habits & preferences and target them on the basis of that information.²⁹

SPECIFIC HEALTH-RELATED AREAS OF CONCERN

TOBACCO ADVERTISING

Tobacco manufacturers spend \$50 million/day (\$18.8 billion/year) on advertising and promotion.³⁰ Exposure to tobacco advertising may be a bigger risk factor than having family members and peers who smoke³¹ and can even undermine the effect of strong parenting practices.³² Couple of studies have found that approximately one third of all adolescent smoking can be attributed to tobacco advertising and promotions.^{33,34} In addition, more than 20 studies have found that children exposed to cigarette ads or promotions are more likely to become smokers themselves.^{35,36} Recent evidence has emerged that tobacco companies have specifically targeted teenagers as young as 13 years of age.³⁷

ALCOHOL ADVERTISING

Alcohol manufacturers spend \$11 billion/year on advertising and promotion.³⁸ Young people typically view 2000 beer and wine commercials annually,³⁹ with most of the ads concentrated in sports programming. During prime time, only 1 alcohol ad appears every 4 hours; yet, in sports programming, the frequency increases to 2.4 ads per hour.^{40,41} Research has found that adolescent drinkers are more likely to have been exposed to alcohol advertising.⁴²⁻⁴⁸ Though certain Advertising regulations were incorporated to curtail direct alcohol brand promotion, the corporations were promoting other product with same brand name (E.g.: Royal stag CD's, Mc Dowell's purified drinking water bottles etc.)

DRUG ADVERTISING

"Just Say No" as a message to teenagers about drugs seems to be failure given that \$18 billion/year is spent on cigarette advertising, \$11 billion/year is spent on alcohol advertising, and nearly \$7 billion/year is spent on prescription drug advertising.⁴⁹ Drug companies now spend more than twice as much on marketing as they do on research and development. The top 10 drug companies made a total profit of \$35.9 billion in 2002— more than the other 490 companies in the Fortune 500 combined.⁵⁰ Is such advertising effective? A recent survey of physicians found that 92% of patients had requested an advertised drug.^{51,52} In addition, children and teenagers may get the message that there is a drug available to cure all ills and heal all pain, a drug for every occasion (including sexual intercourse).³⁹

Food Advertising and Obesity Advertisers spend more than \$5 billion/year to promote restaurants and another \$4 billion to promote food products.⁵³ On TV, of the estimated 40 000 ads per year that young people see, half are for food, especially sugared cereals and high-calorie snacks.^{29,54} Healthy foods are advertised less than 3% of the time.⁵⁵ Increasingly, fast food conglomerates are using toy tie-ins with major children's motion pictures to try to attract young people.⁵⁶ Nearly 20% of fast food ads now mention a toy premium in their commercials (Eg: McDonald with SHREK cartoon).²⁹ Several studies document that young children request more junk food (defined as foods with high-caloric density but very low nutrient density) after viewing commercials.⁵⁷⁻⁶⁰ In a study, the amount of TV viewed per week correlated with requests for specific foods and with caloric intake.⁶¹ At the same time, advertising healthy foods has been shown to increase wholesome eating in children as young as 3 to 6 years of age.⁶²

SEX IN ADVERTISING

Sex is used in commercials to sell everything from beer to shampoo to cars.⁶³ New research is showing that teenagers' exposure to sexual content in the media may be responsible for earlier onset of sexual intercourse or other sexual activities.^{64,65} What is increasingly apparent is the discrepancy between the abundance of advertising of products for erectile dysfunction (ED) (between January and October, 2004, drug companies spent \$343 million advertising Viagra, Levitra, and Cialis)⁶⁶ and the lack of advertising for birth control products or emergency contraceptives on the major TV networks. Ads for erectile dysfunction (ED) drugs give children and teens inappropriate messages about sex and sexuality at a time when they are not being taught well in school sex education programs.^{67,68} Research has definitively found that giving teenagers increased access to birth control through advertising does not make them sexually active at a younger age.⁶⁹⁻⁷⁶ American advertising also frequently uses female models who are anorectic in appearance and, thus, may contribute to the development of a distorted body self image and abnormal eating behaviors in young girls.^{77,78,79}

ADVERTISING IN SCHOOLS

Advertisers have slowly but steadily infiltrated school systems around the country. The "3 Rs" have now become the "4 Rs," with the fourth R being "retail."^{80,81} Ads are now appearing on school buses, in gymnasiums, on book covers, and even in bathroom stalls in metropolitan cities.⁸² More than 20000 schools nationwide have signed exclusive contracts with soft drink companies.⁸³ In addition, there are many fast food and ice cream chains in school cafeterias around the country.⁸⁴ There is some good news, however. In May, 2006, the nation's Ministry of Human resources Development agreed to halt nearly all sales of soft drinks to public schools and sell only water, unsweetened juice, and low-fat milk in elementary and middle schools.⁸⁵ Advertisers pay \$200 000 for advertising time and the opportunity to target 40% of the nation's teenagers for 30 seconds.⁸⁶

CONCLUSIONS

Clearly, advertising represents "big business" across the world and can have a significant effect on young people. Unlike free speech, commercial speech does not enjoy the same protections under the First Amendment of our Constitution. Cigarette advertising and alcohol advertising was banned as they play significant effective on public health, and ads for junk food could easily be restricted. One solution that is no controversial and would be easy to implement is to educate children and teenagers about the effects of advertising literacy. Curricula have been developed that teach young people to become critical viewers of media in all of its forms, including advertising. Media education seems to be protective in mitigating harmful effects of media, including the effects of cigarette, alcohol, and food advertising.

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RECRUITMENT OF TEACHERS VERSUS ADEQUACY - EFFORTS NEEDED TO PURGE THE GAP**DR. PURNA PRABHAKAR NANDAMURI****ASST. PROFESSOR****ITM BUSINESS SCHOOL****WARANGAL – 506 001****DR. K. V. RAO****PROFESSOR****DEPARTMENT OF COMMERCE AND BUSINESS ADMINISTRATION****ACHARYA NAGARJUNA UNIVERSITY****GUNTUR****ABSTRACT**

There is an increasing awareness around the world for incorporating professional management into traditional public services hitherto dominated by the governments to achieve resulted pro rata to the investments. Similar trend has been encompassing the school education sector. Many countries have been initiating reforms to facilitate school based management. It would be appropriate to analyze the prevailing practices of school management in the context of similar reforms being initiated in India. This paper is an integral part of the doctoral dissertation – 'A study of Management Practices of Secondary Schools'. The main objective of this paper is to explore the prevailing human resource practices in school management in terms of teacher adequacy, shortage and recruitment. A sample of 188 secondary schools – about 34% of the population in Krishna district of Andhra Pradesh in India, was selected through stratified sampling technique. The primary data was collected through self designed questionnaire and interview schedules. Chi-Square Test and simple percentages were used to analyze the data with the help of SPSS-17. The findings reveal that the teacher recruitment is not done basing on the pupil-teacher ratios and shortage analysis. Moreover, teachers are mass-recruited on occasionally making no difference from recruitment of other clerical staff. The schools don't have a voice in recruitment.

KEYWORDS

School Based Management, Professional Management, Human Resources Management, Teacher shortage, Teacher recruitment, Pupil-Teacher Ratio.

INTRODUCTION

f-late, professional management has been extended to more traditional areas of service management to achieve better results. School Based Management (SBM) is one such experiment in the area of education sector. Many countries – developed as well as developing, have been benefitting from such management oriented reforms in education sector ensuring fast development. India also has witnessed a phenomenal educational development since Independence. The public expenditure on education has gradually been increasing from a slightly less than 0.8% of the GDP during 1951-52 to about 4.02% during 2001-02 and 3.57% of the GDP in 2006 -07, aiming at meeting the targeted expenditure of 6.0% of the GDP (GOI,2004) as early as possible, as recommended by the Kothari Commission in 1966. However, as Kingdon (2007) observes, the story of India's educational achievements is one of mixed success. On the down side, India has 33% of the world's illiterates and is home to a high proportion of the world's out of school children and youth. On the positive side, it has made encouraging progress in raising schooling participation and emerged as an important player in the worldwide information technology revolution and thus emerged as a knowledge hub.

School management reforms, being practiced in many countries, are challenging the conventional education governance structures aiming at increasing school autonomy and empowering localized decision making. It aims to strengthen incentives for schools to deliver services that are responsive to the needs of the communities they serve. Advocates of this innovative system of school management point-out a wide range of potential benefits. They argue that the devolution of decision-making authority to schools can facilitate and enhance participation – a core strategy in the Dakar Framework for Action (2000). A stronger parental voice and more participation in school management will lead to greater incentives for education providers to offer more efficient services. Moving decisions away from remote planners and closer to those working at the schools who know much about the learners and their educational needs, as well as about local values and realities, is seen as a route to a more responsive system.

The origins of school management reforms can be traced to the United States in 1980s and Australia, Canada and the United Kingdom in 1990s. Similar programs have also been adopted in some developing countries viz. Latin America and South Asia, though sub-Saharan Africa also figures with increasing prominence. In India also, many committees on education and specifically, school education, have referred to the aspect of school management reforms. Indian government has been making efforts to implement these recommendations through some reforms. By strengthening the management aspects through reforms, at both the organizational as well as institutional level, the school education sector can be improved on par with the developed economies. Raju (2006) recommends autonomy not just for the private institutions and the self financed institutions, but also for the institutions which are under the government either fully or partly financed by the government. The type of autonomy should ensure that the stakeholders are protected, particularly the students, against dilution in quality. Concerning autonomy, the law must delegate the necessary decision making power to the institution – for changes in curricula and teaching methods, for internal self-governance, for interaction with other organizations nationally and internationally and for economic transactions. It is also very important that accountability must follow autonomy.

HUMAN RESOURCE ASPECT OF SCHOOL MANAGEMENT

Since education is people oriented, staffing function gains a greater importance in management. Many research reports point out that only optimized human contribution can bring efficiency in this sector. As it is widely known, more than 97% of the educational budget at primary level and more than 92% at secondary level is spent towards staff cost. Therefore, managing education implies managing workforce. The approach a system uses for staffing can strengthen or weaken the quality of education offered to students of a particular school (Neville and Alan, 2002). Birch and Calvert (1974) reviewed the academic staffing formulae developed on the basis of the institution's teaching commitment rather than its recruitment of students in the UK and concluded that they are useful more as situation analysis tools than as resource allocation devices. Alan (1975) attempted to widen the scope of the model of Birch and Calvert, by considering approaches based on student enrolment and by adding a further workload model. Charters and Roland (1973) spent a full school year conducting on-site observational studies of four schools in the U.S. in their first year of implementing differentiated staffing and summarized the chronic problems of change revealed by the observations. Rees (1983) examined the level of staffing in educational administration in Swiss Government and established that Swiss authorities employ substantially fewer staff than comparable units in the United Kingdom. He further described how voluntary effort lightens the burden on the cantonal bureaucracy and how inter-cantonal cooperation has to take the place of federal supervision. Ratsoy and others (1978) examined differentiated staffing

model and attempted to improve instruction through use of professional and paraprofessional staff performing all the tasks traditionally assigned to the classroom teacher. Peter and Herbert (1971) documented the parameters of differentiated staffing and the problems that are likely to be associated with its introduction in a logical and systematic manner. English (1970) provided a detailed model for the development of a differentiated staffing program through defining the roles and responsibilities of the various staff members. Blank and others (1994) conducted 'The Schools And Staffing Survey' (SASS) in 1990-91 to provide data on the U.S. elementary and secondary school teaching force, aspects of teacher supply and demand, teacher workplace conditions, characteristics of school administrators, and school policies and practices and illustrated a state's current status relative to other states' policy, funding, and program issues. Martin (1994) examined incentives to attract and retain teachers in remote schools, forms of teacher monitoring and appraisal, and the extent to which Australian parents and community members were involved in school administration. Rajaram (1992) found that the criteria of selection of the District level officers, being selected from outside, was not satisfactory.

STATEMENT OF THE PROBLEM

It has been widely felt that Indian school system has continuously been failing to produce results in consonance with the resources allocated. The education sector in India has not yet fully internalized the developments in the field of management and continues to look at educational planning, administration and organization as aliens. The 'Challenges of Education', the 'National Policy on Education - 1986', the 'Program of Action - 1992' and many subsequent documents and reports brought this mutual exclusivity into focus and emphasized the need for professionalization of educational management. These reports realized that success in implementation of the National Policy on Education would be a function of its management process. According to Jean Drèze and Gazdar (1997), 'the most striking weakness of the schooling system in rural Uttar Pradesh is not so much the deficiency of physical infrastructure but the poor utilization of the existing facilities. It is, in fact, important to note that in the context of development of India, the management of services sector assumes not only importance but is central to the development process itself. Education as a critical service sector and the agencies of education, a critical face of this angle, has been suffering from lack of professional management.

A study conducted by the Centre for Civil Society, New Delhi, (Singh, 2006) stressed that the major problem lay not in the level of financial allocations, but rather in the organizational inefficiencies, lack of accountability and mis-utilization of funds. The effectiveness of education depends largely on how well its units of service are managed. Education can be made more relevant to the user through incorporating professional management at school level. The National Knowledge Commission of India (2009) has proposed to encourage decentralization, local autonomy in management of schools, flexibility in disbursement of funds to improve quality and generate accountability, improving school infrastructure and revamping school inspection with a greater role for local stakeholders. Karpade, Ashok and Meghanathan (2004) made 'an extensive study of successful school management in India: Case studies of Navodaya vidyalayas' and found that successful schools adopted systematic and participative management system in running day-to-day activities of schools. The study also revealed that people in managerial positions were delegated autonomy but also made them responsible for successful completion of the tasks. The study observes that by following systematic management process, the heads of schools could set higher and higher goals for themselves and for their schools and achieve them with team work and efficient managerial practices.

As India is progressing in achieving the goals of accessibility and enrolment in school education, this is the time to shift concentration towards the management issues for making the system result oriented. Better models of management can be derived for Indian school system by analyzing the school based management practices followed around the world. Thus, concentration on management of schools serves as a tool for 'turn around' of school education sector in India.

OBJECTIVE OF THE STUDY

The principal objective of the study is to study the adequacy levels, shortage and recruitment system of teachers in the select secondary schools.

HYPOTHESIS

That the recruitment of staff is as per norms and all the schools are provided with adequate number of staff in order to ensure that the inadequacy does not impinge on the quality of education.

METHODOLOGY

Stratified sampling has been utilized to draw the sample from the finite universe of 557 secondary schools operating under four major types of management in Krishna District of Andhra Pradesh in India. The sample has been made largely representative by selecting 188 secondary schools accounting for around 34% of the population and representing 49 out of a total of 50 mandal administrative units. The primary data is collected through self designed questionnaire and interview schedules from the Headmasters / Principals of the select secondary schools. The data is analyzed through Chi-Square Test with the help of SPSS version 17, to establish the consistency of the responses.

RESULTS AND ANALYSIS

Recent international surveys (Maria, 2002) show that despite substantial progress in recruiting new teachers since 1990, demographic pressures, the need to reduce the high out of school population and relative unattractiveness of teaching are making the situation worse in many countries. Education for All (EFA) goals by 2015 are threatened by current or prospective teacher shortages, hence the need to better understand and develop policies and concrete measures to address these shortages in the interests of universal access and provision of quality basic education. Teacher shortages will not have the same profile everywhere. They may result from overall lack of teachers, a low percentage of qualified teachers according to government standards, an uneven distribution by geographic area (sufficient or excess numbers in urban or richer areas, shortages in rural or disadvantaged areas), lack of teachers at a particular level (primary or secondary) or subject area (sciences, maths, etc), or a combination. With this background, the present study attempts to explore the prevailing nature and practice of staffing function at secondary level of Indian school education system. The survey results are discussed in terms of adequacy, shortage and recruitment of teachers in the select schools.

1. ADEQUACY OF TEACHING STAFF

The first thing to take care of in any human oriented service like education is the adequacy of human resources. Meeting the requirements of the Government for delivery of an adequate education for students requires a sufficient number of teachers to ensure both the direct delivery of curriculum to children in the classroom, and the management structures and systems to support this delivery. Improving the adequacy of staffing levels in schools and the consequent reduction in teacher workload can therefore link directly to improvements in student outcomes.

Because there is no universally accepted standard for adequacy of teachers in the schools, the adequacy level of staff at each school, each block or mandal and each zone or district must logically be arrived at by giving due importance to individual school needs. This can become the basis for decision making in recruitment and selection. An enormous increase in the number of teachers will also be required to achieve the alternative scenario, i.e. eliminating drop outs and reducing the pupil-teacher ratio down to around 1:20, which is the UMI reference level. Together, this will require an additional three million primary school teachers, more than twice the number currently employed. Similar increases will be required at middle and secondary school levels. (Raju, 2006) As The Hindu (2004) reports, a massive shortage of principals, vice-principals and teachers had hit the working and functioning of the government and aided schools in the Indian Capital- New Delhi. The schools were facing a shortage of 4,000 teachers, a situation that has led to a lot of discrepancies. In this context, the study attempted to find out the existing situation of staff adequacy in the select schools.

DISCUSSION

There is no clearly defined standard for assessing adequacy or otherwise of teachers in the schools. The norms regarding pupil-teacher ratio are the only guidelines serving as the norms for teacher adequacy at schools. The respondents from all the categories of schools unanimously agreed that the only norm they were aware of was the one related to the pupil-teacher ratio, rather than the specific norms towards the adequacy of teachers in the schools.

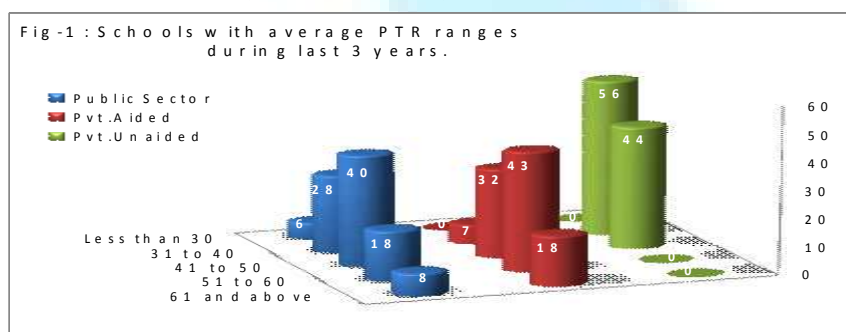
2. PUPIL-TEACHER RATIO

Education is people intensive and around 95% of them are working in the classrooms. The single most expensive factor in a school budget is, then, pupil-teacher ratio. (William, 2009) The quality of education also depends on teachers' numbers, distribution, skills and competencies. One of the commonest indicators of the quality of education is the pupil-teacher ratio. Pupil-teacher ratios are consistently higher at the secondary level. Across the Asia Pacific region, the average ratio is 20 in 2006. (UNESCO, 2008) Developing countries have been quite successful at expanding enrollments in education, especially at the lower levels. But for any given level of efficiency, increased enrollments require increased resources, in order to maintain quality. If these resources are not forthcoming, the increase in educational quantity may come at the expense of quality. Many studies have concentrated on investigating educational expenditure and pupil-teacher ratio to see how these two factors can influence the quality of education. Duraisamy, Estelle, Julia and Jee-Peng (1998) explored the negative impact of the enrollment expansion unaccompanied by increased numbers of teachers on school conditions and learning, using a cross-district time series analysis in the State of Tamil Nadu and proposed alternative policies which can be used to avoid such negative effects by more efficient use of existing public resources and by expansion of over-all educational resources through greater reliance on private management and finance. Cheung and Chan (2007) examined the two educational factors – educational expenditure and pupil teacher ratio, from a different perspective. If educational expenditure and pupil-teacher ratio really have a significant impact on the quality of education as many studies have claimed, it is important to step back and understand why some regions choose to have high/low educational expenditure and high/low pupil-teacher ratios. This study found that culture has an important impact on these two educational factors. Robert (2006) found that students in small classes exhibited significantly fewer instances of disruptive behavior and had significantly more square feet per student than did the students in pupil-teacher-ratio class settings.

It is important to note the opinion of Mr. Shane Ross, (2008) the Irish Senator, during a parliament debate on pupil teacher ratio in Irish schools, 'Every survey I have seen has found that if one does not educate people at primary level with a low pupil-teacher ratio it is very difficult to compensate later by reducing class sizes at secondary level. It must permeate throughout all classes and all parts of the educational system. We must start young and continue it. The government's failure to do this is a betrayal of future generations and teachers. There are great practical problems with overcrowded classrooms. If classrooms are overcrowded, education will suffer and the environment in which pupils are educated will suffer.' In a traditional Montessori class, as Maria Montessori envisioned it, one teacher is in charge of 20-25 children. That's because the teaching philosophy and the way the class activity is structured around freedom of choice and independent work creates a child-centered environment rather than a teacher-centered environment. Optimal pupil teacher ratio, specifically at school level, is essential since the number of students in the classroom influences teacher morale. And teacher morale influences student achievement.

DISCUSSION

The category- wise average pupil-teacher ratio among the sample secondary schools prevailed during the past three academic years is given in Figure-1.



Around 60% of the public sector schools have PTRs higher than the prescribed i.e., 1:40. The private aided schools are the worst sufferers as around 80% of them have PTRs higher than the prescribed ratio. Among the private unaided schools, more than 50% are maintaining PTR between 31 to 40 students while the remaining are operating between 41 to 50 students per teacher. The governmental educational administrators at higher level are deciding the ratio based on the student enrolment at schools.

The data collected regarding the desirable PTR is analysed with Chi Square Test to establish the consistency and similarities.

TABLE-1: DESIRABLE PUPIL-TEACHER RATIO (CROSS TABULATION)

Category	Desirable Pupil- Teacher Ratio					Total
		Up to 20	21-30	31-40	41-50	
Government	Count	0	0	3	1	4
	% within category	.0%	.0%	75.0%	25.0%	100.0%
	% within column	.0%	.0%	3.8%	9.1%	2.1%
	% of Total	.0%	.0%	1.6%	.5%	2.1%
Local Body	Count	18	36	52	7	113
	% within category	15.9%	31.9%	46.0%	6.2%	100.0%
	% within column	62.1%	52.2%	65.8%	63.6%	60.1%
	% of Total	9.6%	19.1%	27.7%	3.7%	60.1%
Private Aided	Count	2	9	12	3	26
	% within category	7.7%	34.6%	46.2%	11.5%	100.0%
	% within column	6.9%	13.0%	15.2%	27.3%	13.8%
	% of Total	1.1%	4.8%	6.4%	1.6%	13.8%
Private Unaided	Count	9	24	12	0	45
	% within category	20.0%	53.3%	26.7%	.0%	100.0%
	% within column	31.0%	34.8%	15.2%	.0%	23.9%
	% of Total	4.8%	12.8%	6.4%	.0%	23.9%
Total	Count	29	69	79	11	188
	% within row	15.4%	36.7%	42.0%	5.9%	100.0%
	% within column	100.0%	100.0%	100.0%	100.0%	100.0%
	% of Total	15.4%	36.7%	42.0%	5.9%	100.0%

TABLE-2: CHI-SQUARE TEST RESULT (SPSS OUTPUT)

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.562*	9	.029
N of Valid Cases	188		

* 0.05 Significant.

** 0.01 Highly Significant.

*** 0.001 Very Highly Significant.

Among the Government schools, 75% opined the optimal PTR to be in the range of 31 to 40 students per teacher. Of the Local Body schools, 16% preferred the ratio to be up to 20 students per teacher; 32% desired for 21 to 30 students; and another 46% voted for the range between a range of 31 to 40 students. In the Private Aided category, 8% preferred the optimal ratio to be up to 20 students; while 35% of them considered 21 to 30 students as optimal; 46% opted for a ratio in the range of 31 to 40 students; and only 11% accepted the ratio up to 50 students. Among the Private Unaided schools, 20% preferred 1:20 while 53% opted for a ratio between 21 to 30; and 27% of them accepted the ratio to be up to 40 students per teacher. Within the column ranges, the ratio between 31 to 40 students per teacher attracted the highest preference of the Government, Local Body and Private Aided schools with 75%; 46% and 46.2% respectively. The Chi Square value (18.562) is significant at 0.05 level.

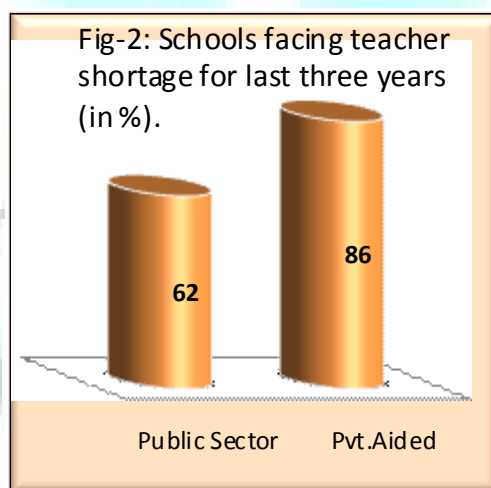
The average Pupil Teacher Ratio for All India is 1:42. Bihar has the worst ratio at 1:83 (UNICEF, 2006). Though enrolment rates have gone up, there has not been a corresponding increase in the number of teachers. The problem of teacher shortage can't be overcome without recruiting more number of teachers into the schools.

3. STAFF SHORTAGE AND ATTRITION

As the world makes gains in providing quality basic education for all children, the role of teachers becomes increasingly pivotal for achieving, consolidating and sustaining progress. The quality of an education system cannot exceed the quality of its teachers. (Barber and Mourshed, 2007) Few educational problems have received more attention in recent times than the failure to ensure that elementary and secondary classrooms are all staffed with qualified teachers. Contemporary educational theory holds that one of the pivotal causes of poor performance of students is the inability of schools to provide adequate staff. Contemporary theory also holds that these staffing problems are primarily due to the shortage of teachers, which, in turn, are primarily due to recent increase in teacher retirements and student enrollments. Education is supposed to be the first step in nation-building. But India simply doesn't have enough teachers. The country already faces a shortage of 8 lakh teachers in primary and middle schools. And the situation is going to get even worse. About 10% of teachers at this stage (i.e. in 2008) are above 55 years of age. With 6.5% of teachers expected to retire or leave the profession each year, some 35 lakh teachers will be left at the primary and middle level by 2011- a colossal shortfall of almost 25 lakh teachers (Verma, 2008). The inability of schools to adequately staff classrooms with qualified teachers has since been cast as a major educational problem and received widespread coverage. It is high time that the NCTE focuses on this issue and conducts a detailed survey in the States as to the staff shortage in the primary and secondary schools.

Education is a major engine of economic and social development. The expansion of educational systems became a high priority for many Governments in the decades following the Second World War. Between 1970 and 2000, the percentage of the population aged 15 and over who had completed primary school increased from 23 to 43% in 73 developing countries (UNO, 2001). Achieving 'Education For All' depends on having enough teachers. On 21 February, 2005, the Prime Minister of India, while speaking to the representatives of UNICEF, said that he was pained to note that 'only 47 out of 100 children enrolled in class I reach class VIII, putting the dropout rate at 52.79%'. This, he said was 'unacceptably high' and attributed the high dropout rate to 'lack of adequate facilities, large-scale absenteeism of teachers and inadequate supervision by local authorities'. As per the data of District Information System for Education (DISE) 2003-04, 19% of the total primary schools are single teacher schools in India catering to nearly 12% of the total enrolment in primary classes (DISE, 2004). Systemic factors such as lack of teachers, teacher absenteeism, irregular classes and overcrowded classrooms have diminished the quality of teaching-learning process. Experts predict that over the next ten years the nation will need 2.2 to 2.4 million teachers. The shortages continue to rise because of retirement of teachers and some new teachers leaving the profession in the first few years.

As a matter of fact, many research studies called for efforts to reduce the class size which requires still more teachers. The Education International's study (2008) in six Sub-Saharan African Countries revealed that there had been a serious shortage of qualified teachers at both primary and secondary levels and seemed to be more acute in remote rural areas and in special subject areas, such as mathematics and science. The average rate of teacher attrition in these countries was put at 4%. Most of the attritions were attributed to retirement, resignations, death and dismissals.



DISCUSSION

As observed from Figure-2, around 60% of the public sector and more than 80% of the aided schools have been facing teacher shortage during the past three years. The teacher shortage is assessed by comparing the actual number of teachers working against the total sanctioned posts at each school. The deviations in the enrolment are not considered in adjusting the sanction of posts yearly. Hence, some (even though a few) schools have the lowest PTR i.e., less than 30 students per teacher while some others have the highest ratio i.e. more than 60 students per teacher. The issue of teacher shortage is not applicable to the private unaided schools since they can recruit teachers whenever required. The schools experiencing teacher shortage have been overcoming the problem by thrusting more work load on the existing teachers, clubbing two sections whenever possible and by recruiting para-teachers (vidya volunteers). There is no staff attrition among the Government, Local body and Private Aided schools. But, teacher attrition has been a major problem in the private unaided schools. They attributed the problem to the reasons like getting government employment, pursuing higher education, getting married and family relocation.

4. TEACHER RECRUITMENT

A student during his school life up to higher secondary level spends 25,000 hours in the school campus. His life is, more influenced by the teachers and the school environment. Therefore, the school must have teachers of high caliber with ability to teach and build moral qualities among pupils. Teachers should become role models, said Dr.A.P.J. Abdul Kalam. Dr Sarvepalli Radhakrishnan's dream was that 'Teachers should be the best minds in the country.' The remarks of Abraham Lincoln, former President of USA, in his letter to the Headmaster of his son's school are worth mentioning here. He went on record saying: 'Teach him it is far more honourable to fail than to cheat; Teach him to sell his brawn and brain to the highest bidders; but never to put a price tag on his heart and soul; Teach him to close his ears to a howling mob... and to stand and fight if he thinks he's right; Teach him always to have sublime faith in himself because then he will always have sublime faith in mankind.'

The National Policy on Education-1986 states that the status of the teacher reflects the socio-cultural ethos of a society; it is said that no people can rise above the level of their teachers. The government and the community should endeavour to create conditions that will help motivate and inspire teachers on constructive and creative lines. The efficiency and quality of education ultimately depends on the people in the system. The key issues considered appropriate are discussed hereunder.

It is evident that high quality teachers matter for students' success. But the question is how to select a qualified teacher? The goal of any recruitment and selection system should be to hire the best qualified person for the job. The entire process should be fair and equitable. Teacher recruitment and selection is one of the most important duties befalling educational administrators. The character of a school, the nature of its curriculum and even its moral tone is largely shaped by the teachers. In addition to recognizing that the teachers can indeed mould the character and nature of a school, it must be realized that the major portion of the educational budget is spent on staff cost. It is then essential to know how administrators can recruit and select teachers more effectively. Unfortunately, there is no one program or single criterion best suited to staff selection in education. Any such activity must be adapted to the particular and peculiar needs of the community. In developing criteria for teacher selection, consideration should be given to the complex interaction of teacher behavior, learner behavior and environmental factors in the teaching-learning process. (Bolton, 1973) The selection must be based on realistic criteria. Investment in every school employee is considerable and, in addition, future educational leadership is related to present recruitment policies. It is obvious that the potential for waste of every kind is enormous and especially so if recruitment programs are inefficient and ineffective. Recruitment programs must, therefore, be continuously evaluated and updated to ensure that they are accomplishing their intended goals, both long and short terms. The recruitment and selection process being practiced in Indian school system has been most conventional and highly centralized. The study attempted to analyze the process in terms of the norms of minimum qualifications and the procedure of recruitment.

Research has shown that students taught by the most qualified and effective teachers achieve at higher levels, and that teacher quality should be a major focus to improve our schools. (Fergusson, 1991) Over the past decade, a number of education stakeholders have come to agree that educator quality is an important determinant of student achievement, outside of home and family influences. Efforts to address educator quality and student achievement encompass a number of factors, conditions, policies, and institutions. The P-16 Committee on Educator Quality in U.S (2007) chose to address issues known to impact the quality of educators in the field which can be grouped into three broad categories: recruitment and selection, preparation, and retention.

DISCUSSION

Teacher recruitment and selection are highly centralized and concentrated in the hands of State Government. Teacher appointment process is not different from that of any other public sector recruitment. Mass recruitment drives for teachers are conducted during the past few years in the State of Andhra Pradesh. These decisions are rather politically motivated. Teacher recruitment to the private aided schools is banned by the State Government more than a decade ago. Teacher appointment process in public sector doesn't provide any role for the concerned school heads or the school community; whereas the heads of private schools play a considerable role in the process of teacher selection to their schools.

CONCLUSION

Teachers constitute the single largest group of educated and professionally qualified workers in India. Recruiting suitable persons into the profession is difficult and should be unique. But the present practice of mass recruitment of teachers, just like any other public sector clerical employment, doesn't reflect the essential spirit of the profession. Research findings reveal that a majority of the teachers chose the career on the rebound when they could not pursue their preferred career choice or as a stop-gap arrangement while preparing for other careers or otherwise as a permanent employment opportunity and source of livelihood and many educated women as they had nothing else to do or else as a source of financial support to their families. Very few teachers made a conscious choice because of the 'nobility' of the profession or inspiration from parents or teachers. Thus any person having prescribed qualifications can enter the profession through the present subject-testing type of hiring system followed by the governments in India. There is no mechanism to identify and hire the prospective candidates who are interested in and whole-heartedly opt for teaching profession. Moreover, the recruitment process considers only the subject knowledge rather than managerial skills in addition to professional qualifications where teachers are supposed to contribute their share for efficient management of the school and have to take up full time managerial responsibilities at some stage of their career.

Hence there is a great need to revamp the centralized recruitment and selection procedures so that the people dreaming about the profession opt to teaching on their own volition rather than as a mere employment. Teacher recruitment must be delinked from the time bound mass recruitment drives of the governments. Rather it can be designed as a continuous process throughout the year by considering subject knowledge as well as managerial skills through a transparent process. Political decisions are the most influencing factors of teacher recruitment now-a-days in India. Efforts must be initiated to make this activity immune to political pressures and gains. The recruitment process is to be decentralized and handed over to the local community, whose wards the school is expected to groom. Hiring should be done against a position in a specific school rather than a vacancy in the general to ensure maximum contribution through appointing a person who is 'local' to the school. Same procedure can be applied for private aided category of schools while relaxing the ban on teacher recruitment. There is a great responsibility on the part of the Government to reduce the schools with higher PTRs to enhance the quality of public education.

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JUNK FOOD VS. ORGANIC FOOD: VALIDITY EXAMINATION THROUGH CULINARY SCIENCE & AGRICULTURE MANAGEMENT FOR A SUSTAINABLE FUTURE STRATEGY

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ABSTRACT

Undoubtedly, organic food is replacing the choice of the elite consumers' today world over against the junk and non-healthy food. Change in the food choice seems natural and obvious, rather a social and knowledge compulsion. This growing trend has controversies between developed and developing economies, nations and policies and consumers in the cost factor. Organic farming is treated as social countermovement born out of the crisis of between the second food regime of 1945 to 1970 and the birth of third food regime, of 1980, & is a politico-economic approach to food with a special reference. Neoclassical economy defines itself from the heart of the market. Key components like demand and supply, price and cost and producers and consumers are components measurable. Modern society of interdependent people with anonymous exchange, no obligation other than contractual obligation is complex. Adam Smith's concept of 'invisible hand' in 'The Wealth of Nations' ascribes to the hidden interdependence of a commercial society and its anonymous exchange. The story of the butcher and the baker goes on with its chain of operations. Karl Marx also has highlighted on the aspect of agriculture production same as Adam Smith. Eco-friendly character of the consumer is fast catching up. This is a growing trend and strong as an option for the human civilization to go organic in food habits in near future soon.

KEYWORDS

Organic Food, Junk Food, Organic Farming, Integrated Farming System, Ecological Balance.

ORGANIC FOOD – A GROWING POPULAR CHOICE: LATE ADAPTATION

The organic food culture has recently become a practice in the field of dieting. This has revolutionized a preferential dieting phenomenon in many; who are health conscious. It has also happened in the domain of junk food eaters too. Today junk food eaters are also imbibing conscious for organic food items. Contemporary first paced society of the globe is heading towards a dead alley of chemically treated food products. (Food Standards Agency, 2003) Modern man has invented 10 million new chemicals, thousands of which are added to our food products.

Initial phases of agriculture revolution were bereft of pesticides and manures; which is rampantly prevalent now. It is eventually making the soil toxic, poisonous and barren. Though fertility of the soil is enhanced by virtue of artificial manure; it is infusing chemicals into the body constituent of the soil. It makes the water, food and air etc. filled with toxic substances, which are packed as edibles; although being junk. In these cases, soil condition give vent to artificial germination of plants; and give birth to inorganic blends of fruits, vegetables, paddy, gram and other food produce which becoming dangerous for intake in the body (Murray, 1991).

Countries worldwide have adhered to the formula of mass productivity by use of using chemical pesticides; at the cost of the good health. Reductions of agriculture land in many of the countries have come up with multiple cropping and un-seasonal productivity unnaturally cultivated. These are fed to the teeming millions of the country who require the basic need of food. Eat a diet rich in organic food and take nutritional supplements is important (FAO/WHO, 1994).

TECHNO-ECONOMICS OF NON-ORGANIC FARMING

Green revolution was a great hope of improving the farming economy in India. Green revolution has forced several farmers into deep debts, which the country has well experienced and discussed in the media to entertainment industry. These debts were at first not so scary for the farmers because they were able to get a good yield. But as time passed and progressed with an aim of increasing the yield more chemicals and pesticides were dumped in to the soil. This dumping of chemicals in to the soil over some time spoiled the air, water, soil and many beneficial micro organisms, insects and birds which were helpful to farmers. The increase in application of chemical fertilizers in turn led to increase in debts and with soil reaching saturation, the yield became poor with the results of poor farmer finding himself entangled in debts unable to repay. Unable to repay the debts accumulated resulted in committing suicides. The common thread, which runs in all the suicides, is that most of these farmers have grown pure crops in large areas. Tempted with the hope of huge profits, they grow hybrid seeds and borrow money at high interest rates to plant in all the available area. Majority of them have no idea of what schemes and credit facilities available. Banks prefer to play safe and want the farmers pledge his jewels or land documents for availing agricultural loans. Even if the farmer gets a bumper harvest he prefers to spend the money on purchasing another piece of land or buying new machinery rather than repaying. If we are serious about preventing further suicides, farmers should be educated on hands-on risk management, working capital management, and marketing and social marketing and bravery issues. Farmers have become lazy and prefer urea than cow's dung and urine to grow their crops. Some factors, which contribute to the risk include, high input costs, mono-cropping,

market price fluctuation, pests and diseases, unpredictable weather and insufficient water for irrigation. (Prabu, 2007) How does an ordinary farmer with limited resources manage and mitigate their risks?

Against this background, organic farming seems to be the only answer to the panacea which is troubling farmers at present. Organic farming requires no external input and all the necessary items required for cultivation of the crop are present in the farm itself. Organic farming has been getting a lot of attention from researchers, policy makers, scientists and farmers in recent times because it reduces the input costs thereby minimizing the farmers' dependence on fertilizers and is labour intensive, that is, it generates plenty of rural employment. Currently, there are about 30,000 organic farmers and 8,000 organic farms in the country. Till 1970, about 25 percent agricultural land was used to grow cash crops. Currently cash crops are being cultivated in nearly 60 percent of the land and food crops cultivation has come down by 50 percent. (Ramakrishna, 2007) Farmers are moving away from the normal food grain and fruit, vegetables cultivation to more remunerative crops such as teak, casuarinas and bamboo etc. exclusively plantation of wood and industry related plants. In addition, migration of people from villages to cities has created severe manual labour shortages leading to problems.

ORGANIC FARMING & ECOLOGICAL BALANCE: THE CONCERN OF THE MASSES

Chemical fertilizers and hybrid seeds are high earning resources. Though for some time it may be profitable; in the long run these chemicals and hybrids fails to produce the desired results. The current agricultural scenario is depressing. Production cost is high, selling cost is low. The soil has become barren due to indiscriminate use of chemicals. Organic farming is the alternative solution. In fact, after the spate of suicides in Vidharba, a number of farmers in Maharashtra took to organic cultivation. Currently there are nearly 10,000 organic farmers in Maharashtra. Compared to chemical farming, organic farming is economical as there is minimal input cost. The cultivated crops are healthy and free from toxic chemical residues, which affect human health. At present, about 30 percent Indian farmers are organic. They can create awareness among others on the organic benefits. According to estimates available with the International Federation of Organic Agriculture Movement (IFOAM), the total organically managed area in the world is about 26 million acres. Organic farming is being practiced in about 150 countries. The market for organic products is growing steadily in countries such as Europe, North and South America, Finland, Canada, U.S., Denmark and Sweden. By the end of 2010 the global market for organic products will be 35 to 40 billion US dollars. Indian agriculture is at a critical juncture at present. Some organic farmers voice an opinion that they do not need hybrid seeds. What they need is a small working capital and the conviction to cultivate crops organically. Recession impact on the basic price hike of the edible products has provided a satisfactory provision for organic farming, but price fluctuation acts as the biggest hindrance to support further. Another factor is the absence of a comprehensive seed legislature bill, which could provide punishment to spurious seed manufacturers. (Prabu, 2007) Many small farmers are apprehensive about switching to organic farming. They feel it is a risky experiment and can suit only big farmers. But they fail to understand that they can the same or better harvest without spending much on chemical pesticides and fertilizers. Cattle-based integrated farming system (IFS) is ideal for small and medium scale farmers. It is not only eco-friendly, but also more economical for farmers to raise animals in an integrated farm. The waste obtained from the animals not only provides organically rich manure but also helps in manufacturing biogas. Biogas technology provides an alternative and cheap source of energy that meets the basic need of cooking fuel in rural areas.

Organic marketing is different from regular marketing. Further reliable information is on organic products are hard to obtain unlike European countries. Vermicompost is the basic ingredient for successful organic farming. More than 85 percent organic crop cultivation depends on it. Usually farmers across the country build a roof either with thatched straw or asbestos sheets as a cover for their vermicompost manufacturing unit.

ROLE OF COMMUNICATION IN ORGANIC FARMING

In fact, this is the high time that Government makes a shift in its agriculture policies to divert more funds to encourage organic farming. Public and private support required to improve buying trends and subsidies to be provided to organic farming like non-organic practices. Efficient channels of communication must be created to bring awareness in general public on positive and healthy benefits of consuming organic food. At present inadequate policies, legal formalities are not well defined due to shortfalls in the legislature to encourage organic farming. Another factor is to see that bio-fertilizers, bio-pesticides and bio-manures are readily available in market similar to chemical fertilizers.

WORLDWIDE CHOICE OF ORGANIC FARMING

Advanced countries like US, UK and Japan have ensured the use of bio-fertilizer to reduce the toxic content of the food produce by virtue of certain rules enforced by the Government. United Nations in its GATE & GATT norms; it has stipulated the permeable limit of pesticides for international use by the population. To manage the shortfall striking a balance in the economies of scale (Keegan, 2006). Countries have adopted the regulations in their own spirit. But in the transitional economies and developing economies, leaving apart the basket cases, it is seen that reckless maneuvering of agriculture lands for substantial productivity has poisoned the soil to the extent of 1700 per cent; which itself is detrimental to health living. Yet our human body is able to absorb the toxic food produce and maintain the metabolism for a living condition. To maintain the sanctity, World Health Organization (WHO) has issued an International Code of Marketing of Food Products to check the relentless negligence. WHO and the United Nations Children's Fund (UNICEF) released a joint statement on the Ten Steps to Successful Breastfeeding of mothers.

FAST FOOD GIANTS AND TAKEAWAY FOODS

The recent spurt of junk food markets otherwise known as take away foods have stolen the market from the traditional restaurants, hotels and other regular food cafes across the globe. Mass branding by KFC and McDonald as fast food chains, Wal-Mart and JC Penny Carrefour and other shopping malls have organized the unorganized market and have created a strong market niche for themselves. They mobilized the buyer community to resort to the luxury of style and guiles. The KFC and McDonald by virtue of its chain of restaurants worldwide have ensured the concept of readymade food in the food retails; which are being alleged for being providing chemically treated food used with slow poisoning preservatives. Chemical flavours added to the food; served to the customers afresh; has an undertone with respect to the health hazard of the bubbly consumer. (James, 2007) The consumer is unconcerned because of the gadgetry of fast paced life in the metros and cosmopolitan cities of the nation. It is becoming a lifestyle with young stars; which shall be translated in their posterity.

MIGRATION, INFLUX OF WORKFORCE AND JUNK ADDICTS

Presently due to the inevitable migration of people in search of work to the metros, time constraints for attending to highly placed and volatile job responsibilities of the corporate executives and commitment to time, the employees are forced to accept fast food as an alternative to quench their hunger. Besides, the teenager community is attracted by the fast food giants by virtue of attractive audio-visual media promotion and psycho-somatic advertisement glares. Media hypes create an indelible mark in the mind tree of the youngsters resulting in becoming brand loyal and a life time purchaser. They resort to frequent buying of edible stuff which have innate inorganic properties in them; which are hazardous to the health of children, youngsters and consumers at large (Gibson, 1990). This has become a passion with the buyers' psychology and is implanted in the mind, body and soul.

MINERALS AND VITAMINS

Organic food have an implication which is wanted by health conscious people, but take away food has become a substitute due to time constraints and has created an equity in the food market (Goulding, 1990). Foods have to contain certain valuable ingredients like carbohydrates, dietary fibers, vitamins (especially folate), vitamin-A available from yellow and green vegetables and vitamin-C available from dark green vegetables and most fruits, potatoes. Moreover minerals like magnesium, calcium, iron, zinc and selenium (wholegrain products) and potassium are essential for the body. Vitamins-B and vitamins: E (rich in wheat germ), Vitamins: B12, niacin and thiamin are beneficial for the body. These are available in the organic foods produced by the farms and are seldom available in the junk foods.

MANAGING SHOPPING MALLS AND MARKETING

Shopping malls retail rations, fruits and other consumables. They procure food material from unorganized markets in the requisite quantum, processed through organized service providers producing house products. These are procured with respect to the visual looks of the edible product like rice, wheat and maize, rather than based on the organic properties of the produce. It is collected with out wanting to know in which kind of firm it has been harvested. The quality of the produce is organic or not. Management by the shopping malls in arranging the requisite produce; packaged in the right way is important.

CONNOISSEURS OF HEALTH AND POWER RELATIONS

In the present context; organic food has become an interest for the connoisseurs and health savvy intelligent community. It has propelled a group of farmers to cultivate their produce in the organic methods; using the traditional manures, fertilizers and bi-fertilizers. These drastic changes in the minds of the conscious buyers have been changing the mind of the farmers. It is for that the prices of the organic agriculture products are going higher (Barnett, 2004). They are being sold in the specific identified vending zones at a cost which is three to four times higher than the usual harvesting made by the other farmers.

Organizing market places; call for the principles of management and marketing. They analyze, calculate and assess the critical quotient of the buyers to resolve at a decision. They arguably are analyzing the power relations of the buyer and the seller, between the vendor and the vendee, between the retailer and the consumer.

SOCIETAL TRANSITION

Societies are undergoing transformational changes in the different spheres of activities. It is due to the economical changes in the per-capita income of people. Cross-currents of changes are happening in the industrial arena too. It happens due to the procurement of manpower from lesser countries; at a lesser pay. They mingle to create a cultural mix in the society existing (Appadurai, 1988). Cross-cultural dimensions of life are changing for a lifestyle requirement at par with the living conditions of the market places.

In fact, Official National Food Surveys show that many people fail to get the Recommended Daily Intakes (RDIs) for a variety of nutrients due to junk food habits. According to the 15 years of research study by Emmanuel Cheraskin and his colleagues at University of Alabama, 13,500 people have been tested and found that the nutrient intake of most healthy individuals are often 5-10 times. We may be living longer, but other measures of our health like cancer incidence, infertility, mental health, low energy levels, depression and allergies worry us for life due to irregularities of food.

ETHICS WITH TRADITION AND PSYCHOLOGY

Traditional society of different countries across the globe is in a process of churning into a level; wherein they are unable to relate and juxtapose ethics with tradition. Tradition is condemned to be obsolete and values are becoming unethical and a new equity in the social climate has been emanating (Desmond, 1998).

Societies having low context culture, medium context culture and high context culture have undergone a huge change and the ideology of the segments is changing with respect to the food habits. New generation is thinking of burger, pizzas and hot dogs as a substitute for the conventional breakfast. Fast food giants have moulded the societal food requirements into the mould in which they want the customers to be standardized (Brown, 1996). They want the customer to procure the product as the way they are expecting to be served by the food giants.

CULTURAL DIFFERENCES

Cultures across the world in different geographical places have evolved with the passage of time. Cultures have become uniquely different from each other with respect to the climatic variance and regional altitude. It has been mundanely unique at per the environment of the region or locality. Cultural nuances and subtle variances occur in places adjoining the epicenter of the culture and slowly diffuse centrifugally melting into cross cultural breeding grounds (Abel, 2001).

Culture is a changing phenomena, people shifting from one place to other part of the globe acquire new culture and forego old culture and create an eclectic culture which is peculiar. These of the peculiar assimilation of cultures with respect to food items have become prevalent in the civilization of the west and the east, north and the south. Amongst all US as a dominant force have enforced its ideology on food and mobilized the markets by virtue of equitable investments in the food market and has uprooted the concept of organic produce; enabling farmers to harvest for making profit and more profit at the cost of the health of the customer.

The factors of differences in the platforms of culture have been thronging inevitable results which are consequentially throwing health hazards and new set of diseases that doctors need to experiment to cure.

HISTORY IS EVIDENT

If we take a historic reference to the literature of food habits of the ancient times in different parts of the world, we see that they were eating out of the natural forest produce, agriculture lands, farm houses and courtyards prepared in the traditional way of cuisines. Traditional food menu have been typical in response to the socio-cultural background of the region; depending on the taste and preference of climate and species available. It has all along been a organic process of the preparation of food items which made people live long. They did not have to go for surgery and medicine for that matter.

Under the back drop we can realize that organic food fraternity can only bring considerable benefits and reduce risks to health. Dr Vyvyan Howard, toxicologist from the University of Liverpool, finds that we each of us have some 500 toxins in our systems that our grandparents did not have because they did not exist 50 years ago. These have created lifestyle-related diseases like diabetes, hypertension, obesity, breast cancers and coronary heart diseases among people (Simmons, 1996).

CHANGE IN THE LIFESTYLE

Advancement of science and technology; innovations of transportation facilities in the roadways, sea-routes and air ways have opened corridors for business executives to travel in the quest of business deals. Smooth transportation of travelers; unlike the early years traveling on horse back; made people travel from place to place comfortably free from risk. Horse drawn carriages were slowly replaced by super-sonic sky-liners networking the geographical corners; making people travel within the shortest possible time. Dust and distances, jet-setters, globe-trotters and global customer swiftly became a buzz world in the corporate atmosphere.

Coca-Cola founded in 1875 transported in horse drawn carriage is being believed to the most popular brand sold in 200 countries of the globe; maintaining a flavours matching to the pallet of the ethnic taste buds of people. Things have to move ahead and with it hearth have to guard at the cost of alluring advertisements of marketing czars. Organic food market is picking up as a concept for the rich who is available in the remote corners of the globe deprived of the facilities of pompous life and plenty.

CONCLUSION & RECOMMENDATIONS

Organic food has been of vital interest to all people around the globe, but its non-availability has bolstered the market forces to launch preserved products. Science of preservation have resulted in maintaining for the durability of products and there by packaging. To drive the market by attracting potential customers companies are creating sensation in their promotional plans. (Murray, 1994) They create market share and reach to the heart share of the buyer.

Junk foods have all the disadvantages for the customer but it is an inevitable requirement. Countries concerned about the health and hygiene of the nationals, consciousness look for regulations to nab the perpetrators of law, yet the rules have their slackness in many ways.

People as buyers; need to be conscious of the purchase they make and food they eat. They need to have the social responsibility to report the authorities in case of any violation meted by the plethora of retailers small or big scattered all around. There cannot be any substitute for organic food. Good health is all about good food and marketing ethics. In the power relations implicit in market forces; buyers prevail at the end of the game and they need to prepare themselves to be conscious to wage a war against junk food and ensure a proper order in the market places.

The two facets of organic food consumption and organic farming have controversies in the third world countries and the developing countries. United Nations role is inevitable in bridging the gap and covering the issue in favour of the mankind is indispensable. Role of intellectual masses and the opinion leaders' role for a healthy world can only encourage the organic farming and shift of the consumer choices towards the organic food. Eco-balancing is not confined to the developed countries only, positive media role has contributed towards the development of the consumer choices. Role play by the culinary professionals needs to reach the common man kitchen in this drive of organic food choices of the masses. Life is valuable; life must be protected and safeguarded.

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GLOBALISATION AND STATUS OF WOMEN IN INDIA - ISSUES AND CHALLENGES**NAGASANTHI.S****ASST. PROFESSOR****DEPARTMENT OF COMMERCE****J. J. COLLEGE OF ARTS & SCIENCE****PUDUKKOTTAI - 622 422****DR. S. KAVITHA****PROFESSOR****DEPARTMENT OF COMMERCE****J. J. COLLEGE OF ARTS & SCIENCE****PUDUKKOTTAI - 622 422****ABSTRACT**

Globalisation has given women a scope to carve new roles to build new positive self-identities outside the domestic chores. Moreover, as members of various socio-economic movements they find a way to cope with role-paradox. It has come as a platform for female empowerment – an instrument through which women have the possibility to better their own living conditions and that of their children. It has also encouraged “transnational mothering” as women leave for better paying jobs in foreign countries and send home money to someone who cares for their children. Apart from the above possibilities which globalization has credited in India, which is bounded by traditional norms and values, and highly patriarchal in character, has added spice in it and has over burdened them. Women of developing countries are bearing the brunt of economic globalization. It sharpens the division between the two sexes. The contradictory effects of globalization have been both empowerment and disempowerment for women. It has entrenched gendered hierarchies in the labour force as well as increased the percentages of women living below the poverty line. Globalization is actually welcomed by institutions led by men, craving for new technologies and hence, they become skilled labour. Thus integrating the larger force into global production, but in a fragmented form, with contradictory consequences. The aim of the study is to discuss in detail the globalization and status of women in India: issues and challenges. Some tips for improving the status of women in India have also been suggested here.

KEYWORDS

Globalisation, Status, Women.

INTRODUCTION

India is the second largest populated country in the world and so is its female population. According to 2011 census, the female population of India is 586.46 million out of the total population of 623.72 million (Refer Table No.1). Women constitute a significant part of the work force of India but they lag behind men in terms of level and quality of employment. The majority of women workers are employed in rural areas. Amongst rural women workers, 87 percent are illiterate and employed in agriculture as labourers and cultivators (Refer Figure No.1). Amongst the women workers in the urban areas, 80 percent are employed in unorganised sector like household industries, petty trades and services and building construction etc (Refer Table No.2, 3, 4 and Figure No.2, 3). Before globalization, feminism and labour movement were not considered together for defining self-identity. Thus, consequence of the spread of capitalism abroad has resulted to globalization of feminism. Today, globalization has positive and negative implications within the male-dominant society. Business enterprises in most of the developing countries employ women because of the labour market flexibility. Despite that, shifting women to new roles all over and striving greater equality to men; globalization seems to have perpetuated the same stereotypes that suppress women. Thus, globalization has set the stage for the feminist movement to join with the labour movement to revolutionise and redefine ideologies and protect human rights within labour.

POSITIVE IMPLICATIONS OF GLOBALISATION

Globalisation has contributed in bringing about vast changes in the lives of women who have been able to avail of the opportunities, which have opened up in the various sectors of development. Economic globalization has opened up tremendous opportunities for women and girls to have greater access to productive resources such as human and physical capital access to formal employment and geographical mobility. Prospects of higher and quality education have become feasible for those women who can afford them, economically and socially. Employment in technological and other advanced sectors, having global bearing, have been opened up for suitably qualified women. With changing attitude towards women, especially in the urban areas, women enjoy more egalitarian set of gender relationship.

Augmentation of women's movements through exposures at the international level will help bring about major changes in the economic, social and political lives of women contributing to the creation of new association of women and the strengthening of their networks to offer mutual support and resources. Positive approach to economic and cultural migration will facilitate women to be exposed to better prospects at the international level. Reduction in gender inequalities will have positive effect on women's empowerment in the socio-economic context. Information and communication technology have improved the access to women to micro credit, employment opportunities and information in general.

NEGATIVE IMPLICATIONS OF GLOBALISATION

Globalization has negative implications too for Indian women. Most of them are working in the occupations which need low education and provide less salaries and work in hazardous, unhygienic and extensive conditions with the changing process and demands of global capital where work is often insecure, temporary or part-time with no protection. According to estimates from World Development Indicators, “Women work two-thirds of the world's working hours, produce half of the world's food, but earn only ten percent of the world's income, and own less than one percent of the world's property. The most serious problem faced by the working class in the era of globalization is the increasing threat to job security. Availability of work is irregular, when work is available, they have to work for long hours. Contract, casual, temporary, part-time, piece-rated jobs and home-based work etc are increasingly replacing permanent jobs. Due to lack of acceptance from the male dominant society, Indian women suffer immensely. Women are responsible for bearing and bringing up children. Yet they are malnourished and in poor health. Women are also overworked in the field and complete all the domestic work. Women working in the organized and unorganised sector do not have any child-care facilities. They are forced to leave their children at home, under the care of their elder children, or old people or neighbours. This causes great anxiety and emotional strain. Sexual harassment is another serious problem faced by working women. It has been a pervasive problem for working women in numerous occupations. It has serious physical, psychological and economic consequences. The courts are continuing to define harassing behaviours and employer obligations.

TABLE - 1: SEX RATIO AND LITERACY RATE – CENSUS OF INDIA 2011

State/ UT Code	India/State/Union Territory ^a	Total Population	Males	Females	Percentage Decadal Growth 2001-2011	Sex ratio	Density (persons per sq.km.)	Child Population 0-6 Years	Child Sex Ratio (0-6 Years)	Literacy rate Persons	Literacy rate Males	Literacy rate Females
	INDIA	1,210,193,422	623,724,248	586,469,174	17.64	940	382	158,789,287	914	74.04	82.14	65.46
01	JAMMU & KASHMIR	12,548,926	6,665,561	5,883,365	23.71	883	124	2,008,642	859	68.74	78.26	58.01
02	HIMACHAL PRADESH	6,856,509	3,473,892	3,382,617	12.81	974	123	763,864	906	83.78	90.83	76.60
03	PUNJAB	27,704,236	14,634,819	13,069,417	13.73	893	550	2,941,570	846	76.68	81.48	71.34
04	CHANDIGARH ^b	1,054,686	580,282	474,404	17.10	818	9,252	117,953	867	86.43	90.54	81.38
05	UTTARAKHAND	10,116,752	5,154,178	4,962,574	19.17	963	189	1,328,844	886	79.63	88.33	70.70
06	HARYANA	25,353,081	13,505,130	11,847,951	19.90	877	573	3,297,724	830	76.64	85.38	66.77
07	NCT OF DELHI ^b	16,753,235	8,976,410	7,776,825	20.96	866	11,297	1,970,510	866	86.34	91.03	80.93
08	RAJASTHAN	68,621,012	35,620,086	33,000,926	21.44	926	201	10,504,916	883	67.06	80.51	52.66
09	UTTAR PRADESH	199,581,477	104,596,415	94,985,062	20.09	908	828	29,728,235	899	69.72	79.24	59.26
10	BIHAR	103,804,637	54,185,347	49,619,290	25.07	916	1,102	18,582,229	933	63.82	73.39	53.33
11	SIKKIM	607,688	321,661	286,027	12.36	889	86	61,077	944	82.20	87.29	76.43
12	ARUNACHAL PRADESH	1,382,611	720,232	662,379	25.92	920	17	202,759	960	66.95	73.69	59.57
13	NAGALAND	1,980,602	1,025,707	954,895	-0.47	931	119	285,981	944	80.11	83.29	76.69
14	MANIPUR	2,721,756	1,369,764	1,351,992	18.65	987	122	353,237	934	79.85	86.49	73.17
15	MIZORAM	1,091,014	552,339	538,675	22.78	975	52	165,536	971	91.58	93.72	89.40
16	TRIPURA	3,671,032	1,871,867	1,799,165	14.75	961	350	444,055	953	87.75	92.18	83.15
17	MEGHALAYA	2,964,007	1,492,668	1,471,339	27.82	986	132	555,822	970	75.48	77.17	73.78
18	ASSAM	31,169,272	15,954,927	15,214,345	16.93	954	397	4,511,307	957	73.18	78.81	67.27
19	WEST BENGAL	91,347,736	46,927,389	44,420,347	13.93	947	1,029	10,112,599	950	77.08	82.67	71.16
20	JHARKHAND	32,966,238	16,931,688	16,034,550	22.34	947	414	5,237,582	943	67.63	78.45	56.21
21	ORISSA	41,947,358	21,201,678	20,745,680	13.97	978	269	5,035,650	934	73.45	82.40	64.36
22	CHHATTISGARH	25,540,196	12,827,915	12,712,281	22.59	991	189	3,584,028	964	71.04	81.45	60.59
23	MADHYA PRADESH	72,597,565	37,612,920	34,984,645	20.30	930	236	10,548,295	912	70.63	80.53	60.02
24	GUJARAT	60,383,628	31,482,282	28,901,346	19.17	918	308	7,494,176	886	79.31	87.23	70.73
25	DAMAN & DIU ^b	242,911	150,100	92,811	53.54	618	2,169	25,880	909	87.07	91.48	79.59
26	DADRA & NAGAR HAVELI ^b	342,853	193,178	149,675	55.50	775	698	49,196	924	77.65	86.46	65.93
27	MAHARASHTRA	112,372,972	58,361,397	54,011,575	15.99	925	365	12,848,375	883	82.91	89.82	75.48
28	ANDHRA PRADESH	84,665,533	42,509,881	42,155,652	11.10	992	308	8,642,686	943	67.66	75.56	59.74
29	KARNATAKA	61,130,704	31,057,742	30,072,962	15.67	968	319	6,855,801	943	75.60	82.85	68.13
30	GOA	1,457,723	740,711	717,012	8.17	968	394	139,495	920	87.40	92.81	81.84
31	LAKSHADWEEP ^b	64,429	33,106	31,323	6.23	946	2,013	7,088	908	92.28	96.11	88.25
32	KERALA	33,387,677	16,021,290	17,366,387	4.86	1,084	859	3,322,247	959	93.91	96.02	91.98
33	TAMIL NADU	72,138,958	36,158,871	35,980,087	15.60	995	555	6,894,821	946	80.33	86.81	73.86
34	PUDUCHERRY ^b	1,244,464	610,485	633,979	27.72	1,038	2,598	127,610	965	86.55	92.12	81.22
35	ANDAMAN & NICOBAR ISLANDS ^b	379,944	202,330	177,614	6.68	878	46	39,497	966	86.27	90.11	81.84

Notes:

- The figures for India and Manipur, include by sex, the estimated population, 0-6 population and literates of Paomata, Mao Maram and Purul sub-divisions of Senapati district of Manipur for Census 2001 and 2011.
- For working out density of India and the State of Jammu & Kashmir, the entire area and population of those portions of Jammu & Kashmir which are under illegal occupation of Pakistan and China have not been taken into account.
- For Census 2011, the population of "Others" has been clubbed with the "Males" for working out population, 0-6 population, literates and related rates and ratios.

FIGURE – 1

Literacy rates by gender and male-female gap in literacy rates, India: 1951-2011

• Literates constitute 74 percent of the total population aged seven and above.

• A decline of 31,196,847 among illiterates is noted in Census 2011, a significant milestone!

• Out of 217,700,941 literates added during the decade, females (110,069,001) outnumber males (107,631,940).

• Literacy rates for males and females work out to be 82.14 percent (+ 6.88) and 65.46 percent (+11.79) has increased compared to 2001. The gender gap in literacy rate has reduced.



Literacy rates for 1951, 1961 and 1971 Censuses relate to population aged five years and above. The rates for the 1981, 1991, 2001 and 2011 Census relate to the population aged seven years and above.

TABLE – 2: LABOUR PARTICIPATION RATES BY GENDER AND BY AGE GROUP, INDIA, 2000 AND 2008

AGE	2000		2008	
	Women	Men	Women	Men
15-19	23.1	47.6	20.6	45.0
20-24	30.9	83.6	29.3	82.3
25-29	36.4	95.7	37.7	95.9
30-34	41.6	97.8	42.9	97.1
35-39	44.4	97.6	47.9	97.7
40-44	45.1	97.4	46.3	96.5
45-49	43.2	96.8	45.8	96.3
50-54	39.9	93.8	39.6	93.4
55-59	34.8	87.9	35.4	84.8
60-64	10.6	74.7	7.8	72.7

Source: ILO Laborsta

FIGURE – 2: LABOUR PARTICIPATION RATES BY GENDER AND BY AGE GROUP, INDIA, 2000 and 2008

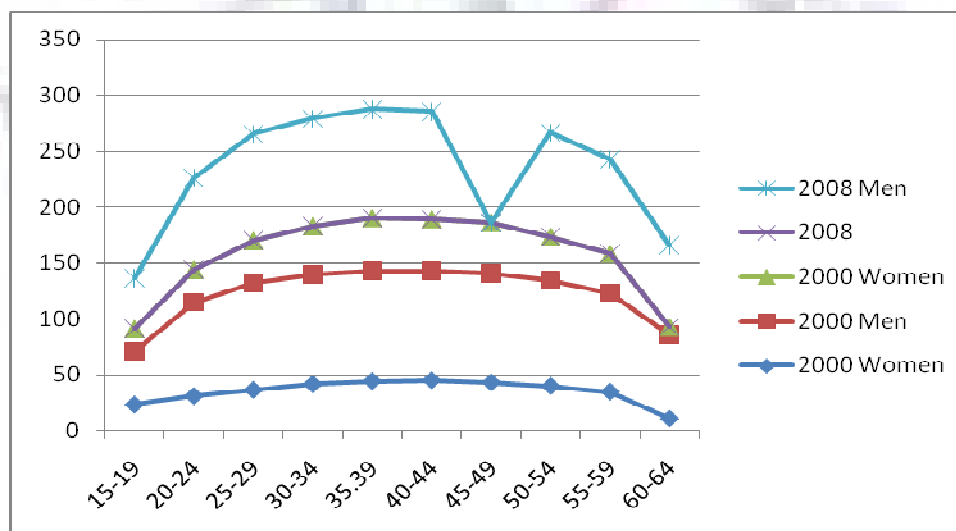


TABLE - 3: UNEMPLOYMENT RATES BY GENDER AND BY AGE GROUP, INDIA, 2006

AGE	MALE	FEMALE
14-19	22.3	21.2
20-29	15.3	17.0
30-39	9.0	8.5
40-49	2.2	2.4
50-59	0.4	0.6
60 and above	0.1	0.1

Source: ILO, Laborsta

FIGURE – 3: UNEMPLOYMENT RATES BY GENDER AND BY AGE GROUP, INDIA, 2006

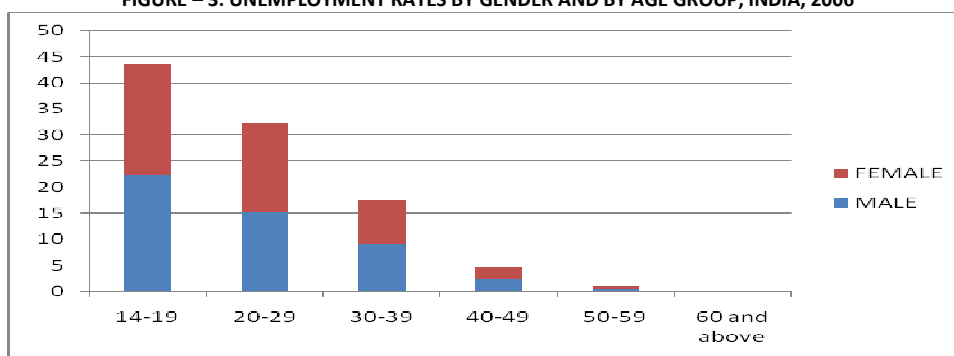


TABLE - 4: EMPLOYMENT BY INDUSTRY AND GENDER, EMPLOYEES (ORGANISED SECTOR), INDIA, 2005

SECTORS	All		Women		Men	
	mln.	%	mln.	%	mln.	%
Agriculture, forestry, fishing	1,48	5.6	0,48	9.6	1,00	4.7
Mining	1,09	4.1	0,08	1.5	1,01	4.7
Manufacturing	5,62	21.3	0,94	18.7	4,78	22.2
Utilities	0,91	3.4	0,05	1.1	0,86	4.0
Construction	0,96	3.6	0,07	1.3	0,89	4.1
Transport, Storage, Communication	2,84	10.7	0,19	3.8	2,65	12.3
Wholesale, retail, restaurants, hotels	0,56	2.1	0,05	1.0	0,51	2.4
Finance, real estate, business services	1,93	7.3	0,30	6.0	1,63	7.6
Community, social, personal services	11,07	41.9	2,85	56.9	8,22	38.3
Total	26,46	100	5,02	100	21,44	100
Of which private sector	8,45	31.9	2,10	41.8	6,35	29.6
Public sector	18,01	68.1	2,92	58.2	15,09	70.4
Of which Central	6,22	23.5	0,61	12.2	5,61	26.2
Regional	9,67	36.6	1,73	34.4	7,93	37.0
Local	2,12	8.0	0,58	11.6	1,54	7.2

Source: ILO, Laborsta

GLOBALISATION AND INDIA

Globalization has created an environment for change. These changes have influenced all sectors of human life. The changes have taken place in political, economic, social, cultural, as well as personal realms of everyday life. The intervention of mass media (satellite television in specific) coincides with the economic liberalization. Satellite television gives importance to western values. It is in conflict with the Indian value system. It has created tension in an average Indian family. What the people are seeing on television is no more consistent with the native Indian expectations. However, the positive effects of globalization may have outnumbered the negative. People are more wary of the world events and have a direct opportunity to participate in world politics and economy. As a result of this, a new middle class has emerged. This class is a fusion of Indian and western value systems. It is unique and characteristic of globalization.

GLOBALISATION AND WOMEN IN INDIA

Globalization has given women a stronger voice. People are aware of women's rights. Globalization has relaxed moral attitude. There has also been an increased emphasis on women's rights at the grass roots level. There has been a shift towards some women becoming more traditional in their dress and language, while at the same time, they are progressing towards empowerment. Other women, empower themselves by becoming more Western in their style of dress. Dating is also more acceptable, depending on the parents. Smoking and drinking is more accepted for women, so much to the point that such behavior by women has become a symbol of empowerment.

TIPS FOR WOMEN EMPOWERMENT IN GLOBALISATION

A very small positive change in thinking can solve the biggest problem. When you ask the right questions of Life, Life will answer. There are many ways to make our changes. We could analyse honestly our flaws not by looking at what is wrong with us, but to see the barriers that we have put up with in childhood. They never were true for us. We merely accepted someone else's belief system. If we learn these thoughts once, then we can now unlearn them. We acknowledge that we are willing to learn to love ourselves. And then we develop a few guidelines.

- 1. Women have to Stop Criticism** – It is a useless act; it never accomplishes anything positive. Don't criticize yourself; lift that burden from yourself. Don't criticize others either, as the faults usually find in others are merely projections of the things we don't like in ourselves. Thinking negatively about another person is one of the greatest causes of limitation in our own lives. We can judge only ourselves, not Life, not God, not the Universe.
- 2. Women be Bold** – Too often we terrorize ourselves with our own thoughts. Women can only think only one thought at a time. Let's learn to think in positive affirmation. In this way, women thinking will change their lives for the better.
- 3. Be Committed to their Relationship** – Women are committed to other relationships, but they tend to toss themselves away.

- 4. Treat themselves as Though they Are Loved** – Respect and cherish and love themselves will be more open to love from others. The Law of Love requires that they focus their attention on what they do want, rather than what they don't want.
- 5. Take Care of their health** – Human body is a precious temple. If people are going to live a long, fulfilling life, then they want to take care of themselves now. Women want to look good, and most of all, feel good and have lot of energy. Nutrition and exercises are important. So they want to keep their body flexible and moving easily throughout their life.
- 6. Educate themselves** – If money is a consideration, then use the library. Find a self-help group. They are listed under Community Services in the yellow pages of the telephone book. They know learning is an unending process. They can update their knowledge through E-learning and Distance education.
- 7. Build a Financial Future For their career** – Every woman has a right to have money of her own. It is part of their self-worth. They can always start on a small level. The important thing is that they keep saving.
- 8. Fulfill their Creative Side** – Creativity can be any activity that fulfills women. It can be anything from baking a pie to designing a building. Give priority to express themselves. If the women have children and time is short, find a friend who will help and take care of their children, and vice versa.
- 9. Make Joy and Happiness the Center of their World** – Joy and happiness are always within human beings. Build life around this joy. When we are happy, we can be creative, we don't sweat with the small stuff, and we are open to new ideas.
- 10. Have Integrity** – Keep Your Word for honour and respect themselves, the women must have integrity. They should keep their word. They should not make promises.

CONCLUSION

It may be held that, it is not enough to advocate a large share of the market for women and more equal access for women and men to the opportunities brought about by global economic liberalization and integration. The need of the hour is a well-designed strategy including a more transformative agenda and a more radical thinking of current priorities. Women's organizations all over the world have been advocating and demonstrating alternative approaches. A change has to be brought about by changing societal attitudes and community practices through active participation and involvement of both, men and women on the one hand, and the expansion of state's role in funding public goods and proving social security. Manifestations and attempts to transform the stipulation of patriarchy should be initiated in order to bring the changes in the ways of thinking and cultural aspects towards women. Attitudes of people in society have to be altered before equality can become real for women. The legal system should be strengthened, aiming at elimination of all forms of violence against women and the girl child. It is important to create an environment through positive economic and social policies for full development of women to enable them to realize their full potential. Equal access to participation and decision making of women would help in social, political and economic life of the nation. It is important to create feminized culture based on caring, nurturing mutual help and change the masculine culture of competition, efficiency and power which is the culture of globalization.

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STUDY ON THE RELATIONSHIP OF WORK RELATED STRESS ON ORGANISATIONAL EFFECTIVENESS

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ABSTRACT

Stress depends on the individual and the organizational management dealing with the problem and targeting towards organizational effectiveness. Role stress effects the organizational effectiveness. Role erosion, role overload, Role stagnation and Inter role distance are the most common role stressors in an organization. Stress can be Eustress or distress. Eustress can motivate an employee to work with full potential or can distress an employee or demotivate him and thus effect on the organization Effectiveness. Role Efficacy improves the organizational effectiveness. There is a need for the companies to sustain in this competition. However, it is important to remember that individuals have finite mental and physical resources, and cannot always deal appropriately with the challenges they face. Employees, from time to time, need support and training which has faced a tremendous setback due to recession. Organisation excellence and individual success are achieved through well managed stresses.

KEYWORDS

Dimensions, Organizational effectiveness, role efficacy, role stress, role stressors.

INTRODUCTION

 Stress is a part of modern life; with increasing complexity of life, stress is likely to increase. Various events in life cause stress, starting with the birth of a child and ending in the death of a dear one. Stress is a dynamic condition in which an individual is confronted with an opportunity demand related to what he/she desires and for which an outcome is perceived to be important. Stress in organization is becoming an increasingly important concern in both academic research and organizational practices.

According to Selye (1956), any external or internal drive which threatens to upset the organism equilibrium is stress. He has defined stress as the non-specific response of the body to any demand made upon it. Some of the reasons of stress in organization is changes in the Environment, Economic Changes, Technological changes, Management challenges in the changing scenario, Changing Gender roles, Job Conditions That May Lead to Stress, Rethinking Companies Reaching the limits, Cultural differences

Thus, organizational stress is defined as the organizational state or condition when organizational demands exceed organizational capability.

Job stress may be caused by a complex set of reasons. Organized workplaces are going through metamorphic changes under intense economic transformations and consequent pressures. Reorganizations, takeovers, mergers, downsizing and other changes have become major stressors for employees. Role is defined as the position a person occupies from the expectations from significant persons, including the persons himself

Role Efficacy is the role that integrates a person with the role that ensures a person's effectiveness in an organization. If the role does not allow the person to use his competence, the effectiveness is likely to be low. Role efficacy is the potential effectiveness of an individual occupying a particular role in an organization.

Organization effectiveness has attained considerable attention during the past few years. Some has defined it in terms of productivity, some in terms of attainment of organizational goals and exploitation of its potentialities in proper direction. Organizational effectiveness is the maximization of return to the organization by all means.

RATIONALE OF THE STUDY

Organizational stress occurs as the individual level is caused by Organizational demand placed upon the individual. Therefore, the proper management of stress involves working to arrive at this optimum stress level for different individuals and organizations. Effective stress management will result in Eustress and the various benefits in performance, satisfaction and functioning.

The most serious consequences of employee stress.

(a) Absenteeism. (b) Grievances (c) Accidents (d) Errors of judgment and action (e) Conflict and interpersonal problems (f) Violence (h) Customer service problems (g) Resistance to change (h) The loss of Intellectual Capital By helping their employers recognize the cost of employee stress, risk managers can help their organizations take the first step in dramatically reducing their exposures and operating costs, while at the same time cultivating a happy, healthy, productive work force.

OBJECTIVE OF THE STUDY

The Objective of the study was

1. To explore the experience of role stress among the executive level of employees of the organization.
2. To determine the relationship between role stress and role efficacy
3. To investigate the coping measures of individuals and organization in this regard.

HYPOTHESIS

To accomplish the objectives of the study, the following hypothesis were formulated

1. There is a negative correlation between role stress and role efficacy
2. There is a relation of role stress and role efficacy with Organizational Effectiveness.

RESEARCH METHODOLOGY

Universe of the study were two manufacturing Public Ltd companies in Delhi NCR. 250 Middle management and Executives of both the companies were taken as sample for the study. Both Primary and secondary data has been used during the course of the research. Three Structured questionnaires were used in the study questionnaire based on likert scale was used to measure the job stress of employees towards the main aspects that is organizational effectiveness which are as follows:

In order to study role stress, role efficacy, organizational effectiveness and their interrelationships, the data obtained were statistically analyzed.

A. ORGANISATIONAL ROLE STRESS (ORS) SCALE

ORS developed by Dr. Udai Pareekh was administered among the respondents. ORS scale is a five-point scale indicating how true a particular statement is for the role. Thus, the score for each role stress range from a minimum 0 to a maximum of 20. ORS Scale have 50 items. The score of each role stress may range from 0 to 20, and the total organizational role stress score may range from 0 to 200. The ratings of the respondents can be added row wise to give the scores as the ten role stress dimensions. A high score on particular dimensions indicates that more role stress is experienced in that area. ORS scale measures the role stress experienced by an individual in a work situation on the following ten dimensions:

The following are the role stressors defined by Dr. Udai Pareekh

(1) Inter-role distance (IRD): It is experienced when there is a conflict between organizational and non-organizational roles.

(2) Role stagnation (RS): It is the feeling of being stuck in the same role.

(3) Role expectation conflicts (REC)

(4) Role erosion (RE)

(5) Role overload (RO)

(6) Role isolation (RI)

(7) Personal inadequacy (PI)

(8) Self-role distance (SRD) (9) Role ambiguity (RA) (10) Resource inadequacy (RI)

B. ROLE EFFICACY SCALE (RES)

According to Udai Pareekh (1980), the performance of people working in an organization depends on their own potential effectiveness. The closer that role taking (responding to the expectations of various other people) moves to role making (taking the initiative in designing the role creatively so that the expectations of others as well as of the role occupant are integrated), the more the role is likely to be effective. Pareekh calls this potential effectiveness "efficacy." This Scale was designed by Udai Pareekh to determine how much role efficacy a person has, the strengths of the ten aspects of role efficacy. It is a structured instrument consisting of twenty triads of statements. These three alternatives are pre-weighted. There are two statements for each dimension of role efficacy and the scoring pattern (+2, +1, or -1) is followed. The ten dimensions of Role efficacy are

(1) Centrality (C), (2) Integration (I), (3) Proactivity (PR), (4) Creativity (CR), (5) Inter Role Linkage (IRL), (6) Helping Relationships (HR), (7) Super ordination (SU), (8) Influence (INF), (9) Growth (GH), (10) Confrontation (CONF)

The higher the individual's role efficacy, the more likely that the role and the individual are effectively integrated.

C. ORGANISATIONAL EFFECTIVENESS (OE) SCALE

This is used to measure the nine dimensions / soft criteria of organizational effectiveness. The main 46 item Likert's type scale, measures dimensions-organizational commitment, job involvement, innovation, organizational attachment, self control, Independence, legitimatization, consensus and satisfaction of organizational effectiveness. This questionnaire was developed by C.N Daftuar.

STATISTICAL ANALYSIS OF DATA

In order to study Role stress, role efficacy, organizational effectiveness and their interrelationship, the data obtained were statistically analyzed.

Mean and standard deviations for each role stress factors, role efficacy factors and organizational effectiveness factors were calculated. Paired "t" value of Role Stress factors, Role Efficacy factors and organizational effectiveness factors were also calculated.

Correlation coefficients were worked out for the total sample to determine the relationship between Organizational Role Stress and Role Efficacy, Organization Role Stress and Organizational Effectiveness, Role Efficacy and Organizational Effectiveness.

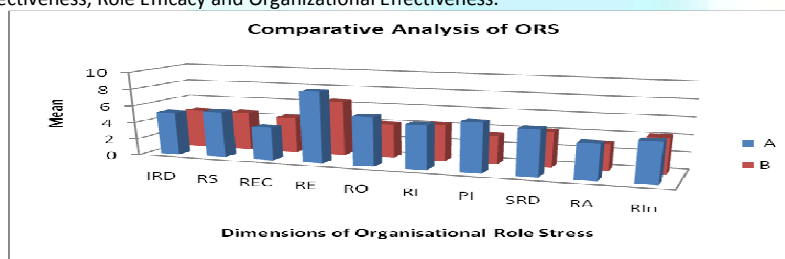


Figure 1- Comparative analysis of Mean of the dimensions of Organization Role Stress of the Employees of Company A and B. X axis represents the dimensions of role stressors and Y axis is the mean.

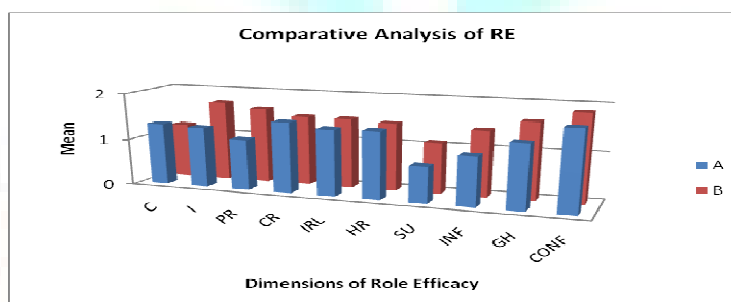


Figure 2- Comparative analysis of Mean of the dimensions of Role Efficacy in the Employees of Company A and X axis represents the dimensions of Organizational effectiveness and Y axis is the mean

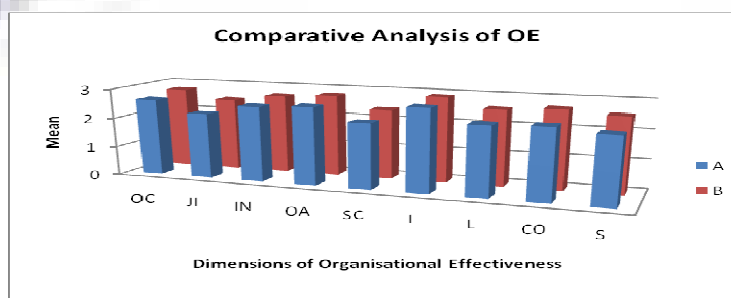


Figure 3- Comparative analysis of Mean of the dimensions of Organizational Effectiveness of the Employees of Company A and B .X axis represents the dimensions of Organizational effectiveness and Y axis is the mean

RESULT AND DISCUSSION

It was observed that Role Stagnation, Role erosion, Role Isolation, Role Overload, and Personal Inadequacy and Self Role Distance more frequently than other role stressors of ORS.

Analysis of the study in the two organizations depicted that employees of both the organization had Organization role stress but the organization having higher Role Efficacy showed higher Organizational effectiveness. This depicts that with higher role efficacy in the organization, the employees were more effectively integrated and there is better potential effectiveness of the employees.

To observe the relation between Role Stress, Role Efficacy and Organization Effectiveness a correlation between dimensions of Organization Role Stress and Organization Effectiveness of total sample of both employees were taken. It was found that there is a negative correlation between most of the dimensions of role stress and dimensions of Role Efficacy which supports the hypothesis1.

- Role Efficacy has positive relation with Organizational effectiveness
- Role stress effects the organizational effectiveness .Role erosion, role overload, Role stagnation and Inter role distance are the most common role stressors in an organization.
- Role Erosion, Role Overload, Role Ambiguity has positive correlation with Helping relationship. The analysis proves that a strong social support network can be critical to help through the stress of tough times. Whether one had a bad day at work or a year filled with loss or chronic illness. This is being cultivated into important relationships. Cobbs, (1976) defines social support as information "leading the subject to believe that he is cared for and loved..... that he is esteemed (and) that he belongs to a network of communication and mutual obligation". Thus important components of social support are Ego Support/ emotional support which enhance self worth and raise morale.
- Role Isolation also has negative correlation with proactivity .This is seen that where there is an absence of strong linkages of one's role with other roles, the employee does not initiate himself in the role. This has an affect on the initiative one takes for the job. Stress can be Eustress or distress. Eustress can motivate an employee to work with full potential or can distress an employee or demotivate him and thus effect on the organization Effectiveness.

The employees' of company who had opportunity to be effective in the role ,they feel that their roles allow them to use their knowledge, technical competence, skills, managerial experience the role efficacy was higher. Role efficacy is the potential effectiveness of an individual occupying a particular role in an organization. Role efficacy was found to reduce role stress (Pestonjee) It was also observed that correlation between most of the role efficacy dimensions and role stress factors were found to be weak negative and positive as per the data collected and not significant in some cases. However Creativity decreases with stress. Some kind of stressors are essential for creative work and growth , each individual needs a moderate amount of stress to be alert and capable of functioning effectively in organization within tolerance limit and help in creating healthy environment (Kets de Vries).ppportunities in the role may decrease role stress.

As noted each individual needs a moderate amount of stress to be alert and capable of functioning effectively in an organization. This may prove as it is within the tolerance limits and helps in creating healthy competition

- Role Expectation conflict was positively correlated with Organization Commitment. This can be related to loyalty with the company. When individuals are loyal to the company, whenever there is a problem they collaborate and work towards organizational commitments.
- Positive stress also helps in Organizational effectiveness. It depends on the degree of anxiety, which depends not only on the type of stress but also on the personality structure of an individual, that shapes the pattern of anxiety. The tolerance limit to cope with the anxiety varies from person to person and as a result under the same environment, different individuals may behave differently. Their coping strategies may be different, even the categorizations of stresses may be distinctly different. Selye (1974, 1978) uses two separate "Eustress" and "Distress" to distinguish between positive and negative life consequences of stress for the individual, even though chemically the two forms of stress are exactly the same. Eustress, he says is the stress of achievement, triumph, and exhilaration. According to Norfolk (1977), when stress is handled effectively it provides the motivation, which provides encouragement to overcome the obstacles that separate an individual from his hopes and goals.

The attitude of employees can definitely affect the productivity and growth of the organization. It was also to be observed from the findings that Integrations in role has moderately positive correlation with Consensus. With integration in the job there is consensus decision making for all the major projects in the organization. Employees are given central positions and integration in jobs for the betterment of the organization and consensus decisions are taken for collaborative efforts and higher achievements of target.

- Personal Inadequacy arises when the occupant does not have necessary skills and training to perform effectively. This inadequacy is bound to happen in organizations were periodic training on technical and management is not provided to them in this fast changing within and outside the organization.
- Centrality (dimension of Role Efficacy)has positive correlation with Organizational Commitment and Job Involvement(dimensions of Organizational Effectiveness) individuals are in the central position and provided secured jobs, their commitment and job involvement increases which is observed within the two organization of study. This shows that employees perceive they are important on job and want power through central positions in job and integration of roles.
- Integration (dimension of Role Efficacy)has negative correlation organizational Attachment, positive correlation with Consensus and Legitimization(dimensions of Organizational Effectiveness) which is found to be significant. Proactively (dimension of Role Efficacy) has negative correlation with Legitimization (dimension of Organizational Effectiveness) which is found to be significant.

Disciple/ force can help employees be proactive and productive for organizational excellence. Modernist organizational learning is a result of the legitimating power of the person who describes an organizational change event as learning --to impose his or her reality on others and falsely claim that he or she can represent the whole.

The major influence on effectiveness is the employee themselves. In fact, the members of an organization probably represent the most important influence on effectiveness because their behavior is over the long term that either facilitates or inhibits organizational goal attainment. An awareness of the nature of individual differences among employees is essential because different employees respond in different ways to attempts by management to secure goal – directed efforts. Knowledge of these differences allows managers to tailor their approaches to organize and leading people at work, thereby improving the chances of cooperation and mutual support for organizational objectives. Organizations need their managers to readily adapt their organizations to changes in the environment. In fact, adaptation and innovation have been seen by many as the hallmark of effectiveness itself (Bennis, 1962)

CONCLUSION

The aforesaid findings of the study have several implications for the organization interested in enhancing their effectiveness. The results clearly indicated that employees are experiencing various level of stresses produced by different factors and by and large they are left to their own devices to cope with stresses. Employee's assistance programs must be initiated in order to provide employees with the constructing way of dealing with job stress. Teaching stress related skills such as the instant calmness techniques can also help employees to reduce job stress and consequently enhance organization effectiveness. The findings emphasized the need for role interventions needed so that they could relate more meaning fully with the organization in their own capacity.

RECOMMENDATIONS TO ORGANIZATION WHERE EMPLOYEES ARE UNDER STRESS ARE AS FOLLOWS

- *Integration of Self goals with Organisational Goals.*

- *Communication Processes*
- *Encourage Job Rotation and Job Enrichment and Enlargement*
- *Encourage Interpersonal Feedback*
- *Employee Counseling*
- *Collaboration*
- *Develop Self Effectiveness Training*
- *Encourage Mentor and Mentee Relationship*

Training and counseling is recommended in bringing the required change in role perception. The process-oriented method is also suggested for the future research to understand more about the problem. Continuous refinement, updating and learning new technical competencies and continuous training is needed. An integrated program has to be initiated in all seriousness for creating a spirit of self awareness, motivational development for inculcating motive in particular, value clarification and assertion and helping the individual to analyse his conceptual system in a positive light and reinterpret his and others actions accordingly. Integration of self goals with the organisation goals will lead to better Organisation commitment thus effectiveness. Open communication should be fostered and developed over time through the use of a variety of upward, downward and horizontal communication strategies and techniques. Job Rotation and Job Enrichment and Enlargement should be regularly taken up by the superiors and the HR department. Proper Interpersonal feedback can reinforce and strengthen measures to increase motivation.

All the aspects mentioned above converge on collaborative action. Which satisfies achievement; affiliation / extension and influence (power) needs of the individual for betterment of the organization, and denotes participative management against rule bound, authoritarian management. Its main focus is on role efficacy and effective role behavior by joint action (approach style), thus stimulating self actualization needs also.

RECOMMENDATIONS TO ALL CORPORATES FOR PREVENTIVE ACTION

STEPS TOWARD PREVENTIVE ACTION

Step 1 Identify the Problem

Step 2 Design and Implement Interventions.

- Target source of stress for change.
- Propose and prioritize intervention strategies.
- Communicate planned interventions to employees.
- Implement interventions.

Step 3 - Evaluate the Interventions.

- Conduct both short- and long-term evaluations.
- Measure employee perceptions of job conditions, stress, health, and satisfaction.
- Include objective measures.
- Refine the intervention strategy

APPROACH IS TO CONSIDER VALUE OF THE FIVE "I'S"

- Interesting Innovative work
- Information
- Involvement
- Independence
- Increased visibility

SUGGESTION TO EMPLOYEES

- Continually be prepared for changes to avoid stress and survive in the competitive world.
- Develop positive attitudes towards stressful situations in life
- Find and protect whatever time you get to refresh, re-energize and re-motivate yourself.
- Avoid giving in to alcohol, smoking and other substance abuses while under constant stress.
- In case of chronic stress consult a health professional
- Try creative visualization
- Re-evaluate your goals and prioritize them

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UNDERSTANDING PREDISPOSITION OF CONSUMERS TOWARDS PRIVATE LABELS IN INDIAN GROCERY RETAIL CONTEXT

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ABSTRACT

In recent years, the quality of private label products and their market shares have grown to such an extent that most consumer goods manufacturers and retailers cannot afford to ignore them. What consumers think about private labels? It all depends on consumer perception and attitude towards emerging private labels. We carried out a survey of 102 respondents who are aware of private labels in grocery stores. The results showed that perception, education, income, occupation, marital status, earning members in the family and family size significantly influence their attitude towards private labels. Our study provides insights in Indian grocery retail context.

KEYWORDS

Demographic Characteristics, Indian Grocery Retail, Private Label, Perception.

MOTIVATION FOR THE STUDY

Brands are considered units of meaning in the language of the consumer market culture (Pennington 2000). Brand perception is consumers' ability to identify the brand under different conditions, as reflected by their brand recognition or recall performance (Kotler and Lane 2006). Brand recall refers to consumer's ability to retrieve the brand from the memory (Keller 1993). The brands success depends on the degree of its significance to consumers and how they use them. Although brands tend to be created by attachment to products, they are not identical to products. They provide consumers with a level of quality and a name that can be trusted. Since brands provide additional value, they are priced higher.

Consumers interested in saving money at grocery retailer often attempt to do so by taking advantage of two different options. The first option is to purchase a national brand offered "on deal" (e.g., coupons, discounted prices). The second is to consider a private label brand, which is typically priced below non-price promoted national brands on an everyday basis. While consumers choosing either one of these options have a common goal of saving money, they have different attitudes and purchase behaviors regarding national brand and private label brands.

Food selection and consumption are complex phenomenon influenced by a multitude of factors. They are transposed to consumer perception through a process of interaction of product characteristics and personal, socio-demographic, economic, psychographic, behavioural and cognitive determinants (Alvensleben 1997, Mowen 1993, Tuorila et al. 1998).

Keller (2002) identified the following key functions of the brand for consumers: identification of origin; definition of responsibility of producer; risk reduction; search cost reduction and a virtual contract with producer (promise, guarantee). While Deliza and MacFie (1996) put the main focus of brand on informational cue. Consumers combine actual information from shopping environment with past experiences and use them to make purchase decision, but they strive for a "cognitive efficiency" and try to use minimum of information. As a result, they use a brand as a simplifier of a decision making process and hence the foundation of brand power. Filser, (1994) and Schifferstein (2001) pointed out that the effect of a brand in the food choice is largely dependent on individual characteristics of consumers and it is possible to distinguish them according to their sensitivity to brand and loyalty to the brand (the persistent buying of a specific brand within a well defined context and having a positive attitude towards it).

Many grocery chains and standalone stores now sell primarily private label products. Private-label products are one of the ways a grocery chain can stand out when all of its competitors sell the same national brands. Plus, profit margins are higher on private-label goods because national brands need to include the cost of advertising in their prices; whereas grocery stores' advertising costs are distributed among everything in the store, not just the private label products.

PRIVATE LABELS CONCEPT

Private label products have become a global phenomenon and are of increasing interest to practitioners and academics alike. Private labels have gained a sizeable share of global grocery sales and further growth is predicted for the future (Ailawadi et al. 2008). These brands, owned and controlled by retailers, have become a significant threat to national brand manufacturers as the quality gap between the two closes (Herstein and Gamliel 2004). From the retailer's perspective, private labels are seen as a strategy to improve profitability and store image (Quelch and Harding 1996). The image of a store in turn is regarded as critical to retail success given the impact it is considered to have on store patronage, loyalty and profitability (Hansen and Solgaard 2004).

According to the ownership, two types of brands are distinguished. Manufacturer brand (also producer brand, national brand), which is owned and coordinated by a producer and sold through, a specific chain of stores and private label (also retailer's brand, own label) being owned, coordinated and sold exclusively by a retailer (Baltas 1997) as well as produced by a contracted manufacturer under license (Berthon et al. 1999). Kumar and Steenkamp (2007) have defined store brands to be any brand that is owned by the retailer or distributor and is sold only in its own outlets.

Originally, manufacturer brands dwarfed retailer brands in size and, through extensive marketing and sales by suggesting their brands were synonymous with "trust, quality and affluence" (Nirmalya 2007). However, in the early 1970s the balance of power began to shift in favour of retailers. Due to rapid expansion, retailers seized this power advantage and the inevitable negotiating prowess. With this size advantage, private label brands began to gain a stronger foothold in the market.

Private label brands which were first introduced over 100 years ago in few product categories, had seen an impressive growth in past few decades (Tarzijan 2004) and private label share is expected to grab almost 22 per cent of sales in developed markets by 2010 (Badhe 2010). Private labels proliferated in a number of product categories and garnered major market share as retailers perceived numerous benefits by their introduction. Apart from providing higher retail margins in comparison to national brands (Ashley 1998), private labels added diversity to the product line in a retail category (Raju et al. 1995). Added benefits accrued to the retailer in terms of differentiating its offerings from competing retailers as well as having greater leverage with manufacturers of national brands (Quelch and Harding 1996).

The presence of private labels nowadays is increasing rapidly and they are becoming one of the major factors in the developed food market from one side, and from the other are being considered as a significant threat to producers' brands and manufacturers' profitability (Baltas 1997, Guerrero et al. 2000). Viewed in another way, the retailers are transforming themselves from the role of pure customers to the manufacturers to the role of direct competitors to the manufactures (Dhar and Hoch 1997).

According to Images Retail Report 2009, as quoted in "Indian Retail: Time to Change Lanes" by KPMG; private label brands constitute 10-12% of organized retail in India and private-label market is expected to touch a value of Rs 6,500 crore by 2010-11. Of this, the highest penetration of private label brands is by Trent at 90%, followed by Reliance at 80% and Pantaloons at 75%. Big retailers such as Shoppers Stop and Spencer's have a penetration of 20% and 10% respectively.

PURPOSE

National and private label products have been in competition for decades. But the battle for market share has intensified in recent years due to a variety of reasons including changes in the marketplace, evolution in the channel of distribution and the proactive strategic options taken by national and manufacturers as well as private label retailers.

Both the manufacturers' brands and private label brands are fighting to attract the consumers on these factors. In the past, lower priced private label brands were equated with lower quality products when they were first introduced (Steiner 2004). However, in recent times, major retailers have increased the quality level of their private label brands to near or, in some cases, even better than that of the national brand leaders (Quelch and Harding 1996). There are evidences that quality private label brands can help differentiate a retail store and create store loyalty (Corstjens and Lal 2000, Sudhir and Talukdar 2004). Sudhir and Talukdar (2004) also find that a retailer's profit can go up when the sale of private label brands increases.

Major retailers see consumers as the main driving force for the continued existence and future development of private label brands (Chronsell and Naucler 2006). Given this context, it is important to understand consumer's predisposition towards private label brands and the antecedent perceptions towards private labels in grocery retail stores. Therefore the purpose of the study is to study the perception and attitude of grocery buyers towards private label brands? In addition, do consumers' profiles influence their attitudes towards private label grocery products?

Toward this, the researcher proposes specific research objectives based on the literature in marketing and consumer behavior.

- To investigate the relationship between consumers' perception and attitudes towards private label grocery products.
- To understand whether consumer demographics influence attitude towards private labels.

REVIEW OF LITERATURE

Large research attention has been devoted to the effect of brand on overall liking and sensory evaluation of food (Cardello 1994, Deliza and MacFie 1996). Filser (1994) and Schifferstein (2001) pointed out that the effect of a brand in the food choice is largely dependent on individual characteristics of consumers and it is possible to distinguish them regarding to their sensitivity to brand and loyalty to the brand (the persistent buying of a specific brand within a well defined context and having a positive attitude towards it).

With the rise of well-organized retail chains, private labels have emerged as a key weapon in the battle between manufacturers and retailers over channel control and consumer loyalty (Patti and Fisk 1982). Quelch and Harding (1996) argued that the strength of private label varies with the economic conditions and generally increase when the economy is weak and decrease during better economic condition.

Private label attitude is —a predisposition to respond in a favourable or unfavourable manner due to product evaluations, purchase evaluations, and/or self-evaluations associated with private label grocery products (Burton et al. 1998, p.298). These researchers reported that consumers with highly favourable attitudes to private labels purchased fifty percent more private label products than those who gave low ratings to private labels, indicating that favourable private label attitude translates to purchase behaviour. Consequently it is important to understand the drivers of those perception and attitudes.

Mills (1995) poses the question "Why do Retailers Sell Private Labels?" and finds that private labels increase the channel's overall profits, while the incentive to introduce private labels is a direct consequence of the retailers' increase in their share of total channel profits. It is noticeable that store brands can be found mainly in products having a low added value, which seems to indicate that consumers rather than looking to save money are aiming to minimize the risk (Mendez 1997).

Raju et al. (1995) assert that retailers have become more proficient at managing their private label brands. However, Esbjerg et al. (2004) note that retailers face conflicting demands in their brand architecture decisions, when the combination of private labels, national brands and generic products are all offered together by the retailer. On the one hand retailers attempt to differentiate themselves by offering products that are unique to their stores, yet on the other hand they need to meet consumer expectations by offering national brands that are available elsewhere.

Similarly other studies support that private labels result in increased retailer's profits (Hoch and Banerji 1993, Raju et al. 1995), provide a strategic weapon to elicit concessions from the national brand manufacturers (Narasimhan and Wilcox 1998), assist in developing loyalty to a retailer and in the creation of a distinct corporate identity for a business (Herstein and Gamliel 2006) and to compete with leading national brands by creating brand loyalty by differentiating the retailer (Hoch et al. 2002, Labeaga et al. 2007)

Fernie et al. (2003) have identified various advantages to retailers for the development of a private label brand: (1) increased profitability through cost saving and increased margins; (2) increased store loyalty and creation of a distinct corporate identity; (3) opportunities to seize new market ventures; and (4) increased bargaining leverage with suppliers. A further key motivation is to create competitive advantage through store differentiation by offering products unique to the store (Juhl et al. 2006).

Herstein and Gamliel (2006) contend that a private label brand can provide retailers with the ability to better control shelf-space and increase bargaining leverage with suppliers.

PRICE AND QUALITY OF PRIVATE LABEL

Consumer perceptions of private labels have changed as retailers have repositioned them over time. The reduction in the gap between own labels and national brands in terms of price and quality, together with the increasing promotion of retailer names and their own brands, has changed consumer perceptions of own labels and reduced perceived risk associated with their purchase (McGoldrick 1984). Nevertheless, studies continue to show that private labels are perceived as inferior in quality to national brands. —Private labels suffer from a lack of a strong, quality image (Vaidyanathan and Agrawal 2000).

Early studies offered mixed evidence about consumer perceptions of private label price and quality. Some indicated that users of private labels had more favourable perceptions than non-users. In Myers's (1967) study nearly one half of respondents considered private labels to have lower prices and lower quality than national brands, but regular private label users considered private labels to be the same quality as national brands. Similarly, researchers (Murphy and Laczniak 1979, Rosen 1984, Wheatley 1981) reported that buyers of generic products perceived their price to be lower than that of national brands, but that they perceived the quality of generics to be comparable to that offered by national brands.

Private labels were seen as offering the best value for money, although on most other attributes they were perceived as sitting between national brands and generics (Bellizzi et al. 1981). In contrast, Cunningham et al. (1982) found that shoppers shared similar perceptions of both private labels and national brands on all product characteristics such as quality, reliability, nutrition, appearance and taste regardless of which they purchased. However, private label users perceived private labels to be more favourably priced and national brand users rated national brands higher on quality. Interestingly, national brand buyers perceived the prices of national brands and private labels to be similar even though they were not, suggesting that their purchase decisions were driven by non-price factors. Dick et al. (1995) found that private label prone consumers rate the quality and value for money of private labels higher than consumers not prone to private labels.

Studies (for e.g., Hoch and Banerji 1993, Miranda and Joshi 2003, Sethuraman 2003) have found that quality is more important than price in terms of consumer satisfaction with private labels, the decision to purchase private labels and private label market share.

National brands were perceived to be less variability in product quality than private brands. The greater variability in quality across the private label products increases the risk that a given private label will not perform in a satisfactory manner (Bettman 1994, Montgomery and Wernerfelt 1992). Such result suggests that consumers who are more risk averse would be less receptive.

DeVecchio (2001) found private label quality perceptions to be higher in categories where functional risk is low, specifically, where consumers believe products are less complex to produce, and where they perceive there is little variation in functional quality or product performance across brands. Similarly, Zielke and Döbelstein (2007) found that consumers are more willing to trial new private labels in categories where perceived risk is low, and conversely less willing in categories with high perceived risk. Where social risk is high, premium private labels are preferred over classic private labels and generics.

Hoch and Lodish (1998) reported that as the price gap between private labels and national brands increases, consumers perceived value for money (quality in relation to price) increases although the degree of value diminishes as the price gap gets larger. While some studies indicate that consumers who associate quality with price have less favourable attitudes to private labels (Burton et al. 1998, Garretson et al. 2002). The latter found that consumers who have strong price-quality associations in a category tend not to buy private labels in the category, and that this affect is moderated by perceived risk.

A number of studies have shown that attitudes to private labels are positively affected by price consciousness (for e.g., Anselmsson and Johansson 2007, Burton et al. 1998, Sinha and Batra 1999). Sinha and Batra (1999) also found that perceived category risk reduces price consciousness and hence reduces private label purchase in the category. In other words, consumers are willing to pay the higher prices for national brands in categories perceived as being higher risk. Other studies confirmed that private label prone consumers are price conscious (Baltas and Argouslidis 2007, Burger and Schott 1972), although interestingly Martinez and Montaner (2008) found that while the most price sensitive consumers are more prone to private labels, they are not characterized as budget-constrained.

Some studies have found that private label prone consumers are price conscious but not quality conscious (Ailawadi et al. 2001, Martinez and Montaner 2008), although this finding is apparently contradicted by studies that found perceived quality is an important factor in private label preference (Baltas and Argouslidis 2007, Richardson et al. 1994, Veloutsou et al. 2004). As a result consumers are more willing to try a new private label when there is a small or a large price differential between the private label and the national brand, but least willing when there is only a medium differential (Zielke and Duberstein 2007). However, Anselmsson and Johansson (2007) reported that consumers are more concerned with the value of private labels than with quality per se.

PRIVATE LABEL AND STORE IMAGE

We review studies investigating the relationship between private labels and store image. Livesey and Lennon's (1978) study found that the degree of private label acceptance is store-specific. Richardson et al. (1996) investigated the effect of one aspect of store image - store aesthetics - on consumer evaluations of private label grocery products. They found that whereas consumers judge the quality of national brands to be the same regardless of store aesthetics, evaluations of private labels are influenced by store attractiveness. Guerrero et al. (2000) found that the perception of private label quality depends on the store, which again suggests that store image plays a role in private label attitudes. The research indicates that consumers who purchase private label brands regularly do not only become loyal to that particular brand but also to the retailer through which it is sold (Collins and Burt 2003).

Collins-Dodd and Lindley (2003) drew on cue utilization theory and the brand extension construct to posit that consumer perceptions of stores can be generalized to specific private labels. Their study confirmed the hypothesis that consumer perceptions of store image and specific private labels are positively associated. The authors also posited that because retailers are positioned differently in consumers' minds, perceptions of specific private labels also differ across stores. This hypothesis was not confirmed, however, since private labels were perceived most favourably by consumers who shopped most at the store.

Consumers tend to associate the retailer with its respective private label brand. Therefore negative perceptions of the retailer may impact negatively on its fascia (that is store) brand and vice versa (Ailawadi and Keller 2004, Veloutsou et al. 2004). Semeijn et al. (2004) found that consumer judgements of private labels are influenced by their perceptions of store image as it can act as a risk reducer by reducing functional and psychosocial risk associated with buying private labels in certain categories. Adding to these findings, Vahie and Paswan (2006) reported that consumer perceptions of the quality of private labels in the apparel market are influenced by the store image dimensions of store atmosphere and store quality.

Liu and Wang (2008) found that store image is a strong predictor of general attitudes to private labels while store image does not affect attitudes to national brands. Looking specifically at service, Huang (2009) found that the quality of service offered by retailers is a strong predictor of the perceived quality of private labels. Against these positive findings, however, Lee and Hyman (2008) found that store attitude had only a weak effect on attitudes to private labels, although the authors note that the significance of the relationship may depend on which stores and store image factors are studied.

THE RESEARCH GAP

Past studies on private labels have mostly concentrated on mature markets like United States and United Kingdom where private labels are well established. There has been relatively little research of emerging markets where private labels are not so well established or where they are in earlier stages of development (Anselmsson and Johansson 2007). Perhaps in response to this gap, recent studies have examined private labels in these countries, for example Greece, Scotland, Spain, Sweden, Israel and Taiwan. These studies largely found that consumers in different countries have different perceptions of private labels.

Furthermore, research of attitudes to private labels has largely examined attitudes to private labels in general, even though there is some evidence to suggest that attitude to specific private labels category is more important than generalised attitudes. Consequently the research problem to be addressed in the current study is: How does perception and attitude affect customers purchase behaviour.

RESEARCH DESIGN

To achieve and test the objectives an empirical study was conducted. Consumer survey was undertaken to collect the data. A self-report measure was employed by designing a simple structured questionnaire.

SAMPLE

Research reveals that the proximity of a store to a consumer's home exerts a significant influence on the consumer's evaluation and patronage of the store (Eppli and Shilling 1996). W collected data from consumers residing in a single neighborhood. A researcher personally contacted each household at their

residence. The family member responsible for household grocery purchases was asked to complete the questionnaire. The questionnaires were subsequently collected in person from each household.

DATA COLLECTION TOOL

The questionnaire was divided into two sections. The first section assessed shopping behaviour. The second section of the questionnaire assessed perception and attitude towards private labels using a 7-point likert scale anchored by (1) strongly disagree (7) strongly agree.

Several questions were asked to measure the general perception on private label and several items from Richardson et al. (1996) and Burton et al. (1998) concerning national and store brands in general were used to gauge overall attitude towards store brands. These were: always purchase store brands, purchase store brands in certain categories, purchase national brands only when on sale, purchase store brands when economical, store brands offer substantial savings. A pre-test was completed with 30 respondents to test for the reliability and appropriateness of the questionnaire before the main study was carried out.

RESULTS

PROFILE OF RESPONDENTS

Consistent with the previous research findings in the Indian context, majority (76 percent) of the respondents were female. Nearly 33.33 percent of respondents were in the age group between 31-41 years of age. Majority of the respondents (55 percent) were post graduates. 22.55 percent of the respondents belonged to annual family income group of less than Rs. 2.5 lakh, with majority of 38.24 percent in the income group between Rs. 5 lakh to Rs. 10 lakh, and only 9.8 percent of respondents in the income group of below Rs. 1 lakh. Majority of the respondents who were responsible for grocery buying were unemployed house wives (42.16%) and followed by private employees (27.45%). Most of the family were nuclear family with 3 and 4 members in the family i.e. 41.18% and 22.55% respectively.

SHOPPING BEHAVIOUR

Analysis of the shopping behaviour of the respondents revealed the all respondents were aware of the availability of the private labels in the grocery category in general and private labels in the store the shop. Major categories of the private labels bought by the respondents are staple food and spice items (82.35%) with bakery items being 8.82%. Shopping for the grocery items once in a month is a common phenomena among the majority of respondents (65.69%) followed by weekly fill-in shopping (25.49). Only 3.92% of the respondents shop grocery items on daily basis.

Among the respondents 61.76% do their shopping in the evening time followed by afternoon by (17.65%). In today's scenario grocery shopping is a family activity with 58.82% of the respondents shop with their spouse, similar to the findings of McKinsey Quarterly report 2007 where 70 percent of respondents shop in groups. Majority of the respondents carry shopping list (68.63%).

For most of the respondents (38.24%) 'Other Sources' other than advertisement, family and friends act as a major source of information. Friends were the source of information for 19.61% of the respondents. 55.88% of the respondents were associated with the same shop for 1-5 years and for 58.82 % of the shopper's monthly expenses on grocery is less than Rs.4000.

DATA ANALYSIS

In this section we first examine the reliability of the factors under consideration. Correlation and analysis of variance (ANOVA) is performed to understand differences in perception and attitude towards private label across demographic characteristics. And finally regression analysis is carried out to test the relationship between perception and attitude towards private label.

RELIABILITY

Reliability refers to the extent to which a scale produces consistent results if repeated measurements are made (Malhotra 2004). Cronbach's alpha (or coefficient alpha) is the most commonly used measure to judge the internal reliability of factors or constructs (Bryman and Bell 2003). The Cronbach's alpha generally varies from 1 to 0 and a value of 0.60 or above is normally regarded as satisfactory for internal reliability (Malhotra 2004). The reliability tests show that each of the identified factors was 0.705 and 0.716 for perception and attitude about private label and were within the acceptable range.

PERCEPTION AND ATTITUDE TOWARDS PRIVATE LABELS ACROSS DEMOGRAPHIC CHARACTERISTICS

The aim of this section is to explore how respondents differ in terms of their perception and attitude towards private label across demographic characteristics. To achieve this aim, correlation test and one-way analysis of variance (ANOVA) were performed. In the case of ANOVA, perception and attitude were utilized as the dependent variables and age, gender, income level, educational qualification, occupation, marital status, family size and earning members in the family are considered as independent variables.

TABLE 1: RESULT OF CORRELATION BETWEEN PERCEPTION, ATTITUDE TOWARDS PRIVATE LABEL ACROSS DEMOGRAPHIC CHARACTERISTICS

Demographic variables	Perception		Attitude	
	Pearson Correlation (r)	p	Pearson Correlation(r)	p
Family size	-.081	.421	-.171	.086
Earning Members in the Family	-.081	.421	-.100	.316

The correlation result showed that there was no significant correlation between perception towards private label and family size ($r = -.081$, $n = 102$, $p = .421$), earning members in the family ($r = -.081$, $n = 102$, $p = .421$). Similarly there was no correlation between attitude towards private label and family size ($r = -.171$, $n = 102$, $p = .086$), earning members in the family ($r = -.100$, $n = 102$, $p = .316$). The result is summarized in Table 1.

TABLE 2: RESULT OF ANOVA BETWEEN PERCEPTION AND ATTITUDE TOWARDS PRIVATE LABEL ACROSS DEMOGRAPHIC CHARACTERISTICS

Demographic Variables	Perception		Attitude	
	F	p	F	p
Age	3.910	.005	15.127	.000
Gender	6.424	.013	.719	.398
Annual Family Income	1.907	.115	7.580	.000
Educational Qualifications	4.538	.013	7.201	.001
Occupation	3.940	.005	13.538	.000
Marital Status	9.821	.002	10.807	.001

The ANOVA result (Table 2) showed significant difference in perception towards private label across age ($F_{(4, 97)} = 3.910$, $p < .05$), gender ($F_{(1, 100)} = 6.424$, $p < .01$), educational qualification ($F_{(2, 99)} = 4.538$, $p < .01$), occupation ($F_{(4, 97)} = 3.940$, $p < .05$), and marital status ($F_{(1, 100)} = 9.821$, $p < .05$), but no significant difference across annual family income ($F_{(4, 97)} = 1.907$, $p = .115$). Similarly ANOVA result showed significant difference in attitude towards private label across age ($F_{(4, 97)} = 15.127$, $p < .001$), annual family income ($F_{(4, 97)} = 7.580$, $p < .001$), educational qualification ($F_{(2, 99)} = 7.201$, $p < .001$), occupation ($F_{(4, 97)} = 13.538$, $p < .001$), and marital status ($F_{(1, 100)} = 10.807$, $p < .001$), but no significant difference across gender ($F_{(1, 101)} = .719$, $p = .398$).

REGRESSION ANALYSIS

Regression analysis was used to investigate the relationship between private label perception, consumer demographics and attitude towards private label.

TABLE 3: REGRESSION RESULTS FOR ATTITUDE TOWARDS PRIVATE LABEL

Variables	Adjusted R Square	β	t-value	P
Attitude towards Private Label	.689			.000
Perception		.475	6.906	.000
Age		-.025	-.324	.747
Family size		-.175	-2.499	.014
Gender		-.060	-.825	.411
Marital Status		.193	2.971	.004
Earning Members in Family		.235	2.846	.005
Income Level		-.244	-3.301	.001
Education level		.199	2.996	.004
Occupation		-.374	-5.435	.000

To investigate which of the identified antecedents of attitude towards private label were salient in determining the attitude, a multiple liner regression analysis was performed. In the analysis, attitude was used as the dependent variable and perception, age, family size, gender, marital status, earning members in the family; income, educational level, and occupation of the respondents were used as the independent variables.

The results (Table 3) of the multiple regression using enter method, shows that attitude towards private label is significantly ($F_{9, 92} = 25.842$; $p < .001$), and adjusted $R^2 = .689$. Perception ($\beta = .475$, $p < .001$), family size ($\beta = -.175$, $p < .05$), marital status ($\beta = .193$, $p < .01$), earning members in the family ($\beta = .235$, $p < .01$), income level ($\beta = -.244$, $p < .05$) education level ($\beta = .199$, $p < .05$) and occupation ($\beta = -.374$, $p < .001$) are significantly influencing attitude towards private label. However age ($\beta = .025$, $p = .747$) and gender ($\beta = -.06$, $p = .411$) are not significant in predicting attitude towards private label.

CONCLUSIONS AND MANAGERIAL IMPLICATIONS

The objective of the study was to observe grocery shopping behavior and determine the effect of consumer perception dimensions and demographics on attitude toward private label brands among grocery consumers. The result of the multiple regression analysis shows that perception of private label brand has the major influence on attitude towards private label brands. Among the demographic characteristics age and gender of the respondents did not influence but family size, income and occupation negatively influenced the attitude towards private label brands among grocery buyers'.

There are several implications for the retailers who are willing to target consumers with through private labels. First, the study finds that perception is an important instrument in developing attitude toward private label brands among consumers. This implies that retailers should engage in generating positive reviews about their private label brands and at the same time counter any negative perception of their private label brands. They could accomplish this through in-store promotions, store image building and advertising.

Other factors that were found to be important are consumers' education level, earning members in the family and marital status. Retailers should, therefore, focus on targeting these segments. Our results showed that occupation, income and family size of the respondents had an indirect effect on attitude toward private label brands.

This seems to stem from the fact that better occupational level and higher income level of the consumers result in them not considering private label brands as providing value for money and symbol of status. Thus, the retailers should engage in promotional activities to promote their private label brands as providing value for money.

LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

The current study focuses on the grocery consumers. As the current study does not consider the effect of product categories on attitude toward private label brands the results cannot be generalized to other consumer. Differences in product categories have been found to affect the purchase behavior of private label brands (Batra and Sinha 2000, Chen, 2005, Sinha and Batra 1999). Future research could expand the current research across product categories to investigate whether consumer perception influence on attitude toward private label brands as found in the current study. Another area that has not been investigated is the influence of antecedents of perception of private labels. For example, reputation dimension factors, consumer orientation and motives could have an impact on perception. Marketing construct and deal proneness construct which can also affect attitude toward private label brands. Research could expand the current study to include these constructs.

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COW TO CONSUMER VIA COOPERATIVES AND COMPANY --- QUALITY INITIATIVES FROM ORIGIN TO END CONSUMER – A STUDY IN BANGALORE DAIRY

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ABSTRACT

Milk is nature's ideal food for infants and growing children in all parts of the world. Milk is a balanced diet and has high nutritive value. Hence the quality initiatives right from the source till it is ready for consumption is of utmost importance. The aim of this study is to explore the entire supply chain of milk from the cow to consumer and the quality measures introduced at each stage. The White Revolution in India in the 1960s saw the increase in the production, productivity and quality of milk. The National Dairy Development Board initiated major policy changes in the dairy sector to achieve self sufficiency in milk production. The Karnataka Milk Federation is on the lines of AMUL in Gujarat. The scope is to cover Bangalore Dairy though there are 13 dairies under KMFL. The research is more exploratory in nature. The primary data is collected from the customers with the help of the questionnaire and also interviewing the personnel at the cooperatives and the dairy. The secondary data is collected from the documents and records of the organization as well as their website. The data collected is analyzed using basic statistical technique. Also covered in this paper is the conceptual framework on Quality and Quality Management Systems. The author concludes that the reasons for higher market share for Nandini -- the brand of KMFL - and also a higher level of customer satisfaction is due to the processes and controls deployed at each stage.

KEYWORDS

Customer Satisfaction, Process, QMS, Quality.

INTRODUCTION

The important place milk occupies in our diet has been recognized since Vedic Times and all the latest research all over the world has only reinforced and strengthened this fact. Milk is now considered not only desirable but an essential intake from the moment the child is born. The National Institution of Nutrition has recommended a minimum of 300 grams intake of milk for children between 1 to 3 years of age. Milk has high nutritive value. It supplies proteins, bone forming minerals, health giving vitamins and fats.

The quality of milk consumed by the children has a direct effect on their physical and mental health. Hence it is very important that controls are effected at each stage i.e. from cow to cooperatives to company to consumer.

Karnataka Milk Federation started in the year 1965 is modeled on the lines of AMUL at Gujarat and their brand Nandini enjoys a higher market share compared to their competitors in Karnataka. A detailed study is made at Bangalore Dairy and some of their milk cooperatives to understand the QMS adopted by them at various stages to ensure timely availability of good quality milk to the consumers across Karnataka and some neighboring states.

LITERATURE REVIEW

The review of existing literature pertaining to the research study enables one to analyze the research carried out in different dimensions. With the help of the same, the gaps in that particular area can be identified.

Kopecky (2008) in his article in Quality Digest details ten steps to creating a culture of quality. These are very much applicable to the food industry as well as the milk dairies. The ten steps detailed by him are as follows.

1. Guarantee that processes are controlled across the entire supply chain.
2. Create a risk-based system for gauging and ranking suppliers.
3. Realize that quality problems always exist.
4. Implement proper escalation procedures.
5. Determine the root causes of issues in the supply chain.
6. Apply effectiveness checks in a closed – loop system.
7. Ensure companywide corrective and preventive action policies.
8. Institute a proper process for customer complaint and inquiry management.
9. Adopt the philosophy of Six Sigma with its proven record for continuous improvement and its ability to improve processes by removing defects.
10. To confront these challenges, organizations must create a culture of quality that receives support at the top and permeates the supply chain.

Saxena (2008) in his thesis titled Total Quality Management Initiatives in Fluid Milk Industry: A Case Study of Udaipur Dairy talks about the various initiatives taken by the Udaipur Dairy for implementing TQM and strive towards customer satisfaction.

Foong (2006) goes about detailing how to interpret the eight Quality Management Principles to ISO 9001:2000 QMS. All Quality Management Systems are based on eight Quality Management Principles such as Customer Focus, Leadership, Involvement of People, Process Approach, Systems Approach, Continual Improvement, Factual Approach to Decision Making and Mutually Beneficial Supplier Relationships.

Kulkarni (2004) in a case study on AMUL – Gujarat Cooperative Milk Marketing Federation published in a book on Supply Chain Management talks more on the supply chain aspects. In this case study, they have also covered the concepts such as Kaizen, Hoshin Kanri, Small Group Activities etc. Automatic Quality checks at all levels right from collection from the farmers to the manufacturing of the finished product ensures that quality remains standard at all the stages through which the product moves.

Ghatnekar (2000) in an article Quality Management – The need of the hour for dairy industry have mentioned that in the quest for higher quality and more profitability, the dairy business is passing through revolutionary upgradation and that the need for such upgradation has been well realized. Since the dairy industry in India plays an important role in the national economy and also because it is likely to have a major share in exports, it is imperative for the dairy industry to adopt various quality standards.

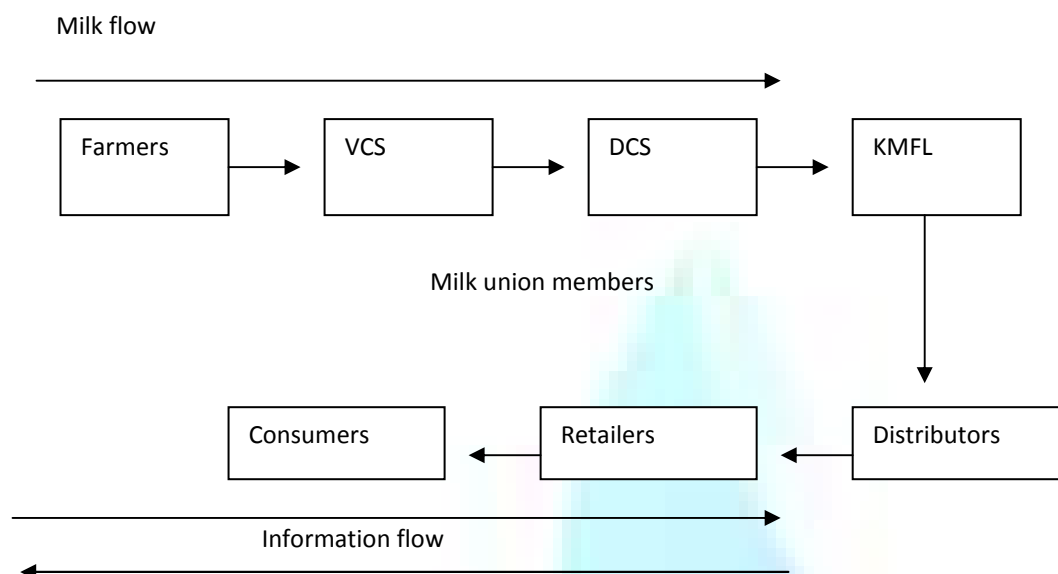
Gaps Identified In Existing Research – It is observed that there is no detailed and exhaustive study on Quality Management in Milk Dairy covering all stages i.e. from Cow to Consumer. Also there is no detailed research on the customer satisfaction through surveys by collecting data from the users of various dairy products.

MILK SUPPLY CHAIN & MANUFACTURING PROCESS

It is basically a four-tiered structure in which the farmers or individual milk producers organize themselves into dairy cooperative societies at the village level. These village level cooperatives are further organized into district level unions. The individual milk producers and the village level cooperative societies jointly share the responsibilities of animal health, animal feed and their breeding.

After the milk is collected at the dairies, they undergo quality checks before they are taken up for processing and packaging. Then they are distributed through the State Milk Marketing Federation and reach the consumers.

The supply chain can be represented diagrammatically as follows:



Some of the features more specific to the supply chain of milk as opposed to the supply chain for engineering products are as follows:

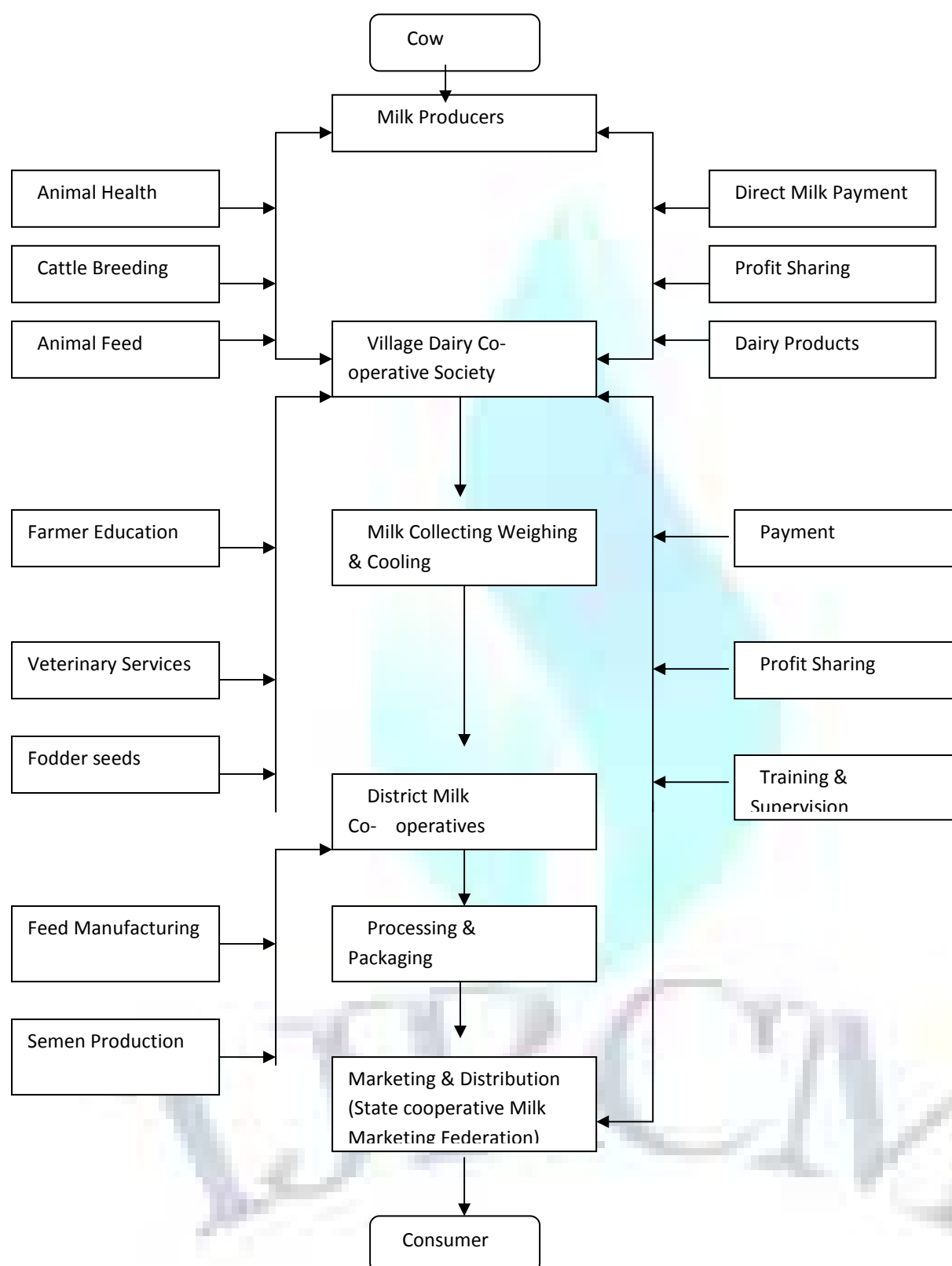
- The shelf life is very limited. Hence the actions at each stage need to be coordinated very closely.
- Special refrigerated vehicles are required for the transportations of milk.
- People in the upstream of the supply chain i.e. the village cooperative members may not be highly educated. Hence need to be treated with more care and personal attention.
- The time available in the last stage of the supply chain is also limited. Almost all the customers want the supply of milk at the same time.

Information flow is in both directions and is an essential part of this supply chain. Also usage of information technology and computers has become a way of life. The computers run the automatic milk collection system, which ensures immediate preparation of milk payment bills, transparency of operations and greater efficiency of milk collection.

The milk is milked from Cow by the farmers and is bought to the Co-Operative Society. The milk is tested for fat content and if it is greater than 3.5% it is accepted and if not it is rejected. Once the milk is collected from the farmers at the Co-operative society collection centers, it is transported to chilling units within 4 hours to prevent it from perishing. It is then transported to Mega Dairy through vehicles, which contains sealed containers. The moment it reaches the main Dairy, the milk is again tested for Fat content and specific gravity. After the testing it is sent to the processing unit where pasteurization, cream separation & rinsing are done simultaneously. Then the milk is sent to packaging unit for packing.

At the processing and packaging stage in the dairy, more automation is introduced which takes care of problems that can arise due to too many manual intervention by the operators. Also Quality assurance measures are introduced at each stage during processing & packaging of milk.

COW TO CONSUMER FLOW CHART



QUALITY MANAGEMENT AT BANGALORE DAIRY

QUALITY CONTROL LABORATORY

The Quality Control Laboratory constantly engages themselves in the development of quality standards and upgradation of the quality standards from time to time for the NANDINI products. The QC lab is also responsible for controlling the quality at various stages. The quality standards are designed to meet the latest quality parameters in the industry.

The quality control assesses the quality of milk and milk products manufactured by the member milk unions. They ensure the conformity to the required standards and advise on the quality parameters to be achieved.

FOUR STAGE QUALITY CONTROL

Before the Milk is distributed the quality of the Milk is tested four times.

1st Stage:-

The Milk is collected from the villages and then it is sent to the chilling centers. The milk is chilled at 3 to 4 degree Celsius. In these chilling centers the quality of the milk is checked and it is filtered.

2nd Stage:-

The milk is then brought to the Dairy in insulated milk tankers in which a temperature of 3 to 4 degree Celsius is maintained. The quality is then checked in the silos, with each silo having a capacity of 1,00,000 liters.

3rd Stage:-

The milk is then sent for processing, pasteurizing and standardizing. In the pasteurizing process the milk is heated at 70 to 73 degree Celsius to kill the bacteria if any. They use latest technology machinery for pasteurizing, processing and standardizing.

4th Stage:-

After the processing is over the milk is then sent to the packaging department. After the packaging is done they check the final quality of the product before sending it to the suppliers and distributors.

EQUIPMENTS USED IN QUALITY CONTROL

➤ Electronic Milk Control Meter:

It is used to check the fat content in the milk.

➤ Lactometer:

It is used to check the density of the milk.

➤ Rinse Balance Tank:

The waste milk is reprocessed in this tank by which the quality is assured.

➤ Ultra High Temperature Equipment:

It is used to heat the milk at 135 degree Celsius to kill the minute particles or bacteria which cannot be seen with the naked eye. After the milk is heated in this equipment, the milk can be used for a further period of 40 days.

➤ Computerized cleaning

Special technology is used to cleaning the milk tankers and silos.

➤ Cream Separator:

The cream separator is used for separating the cream from the milk for making the butter. In this process, the cream separator removes the dust particles and bacteria which cannot be seen through naked eyes.

ANALYSIS AND INTERPRETATIONS

A sample size of 100 was chosen as a pilot study and a questionnaire got filled up by them. Based on their response, the following observations made:

1. Out of the 100 customers, 79 are buying Nandini mil. Based on this, the market share of Nandini in South Bangalore is approximately 79%.
2. A question was asked regarding the number of times the milk got spoiled at the time of boiling during 2010. Out of the 79 customers, 41 replied that not even once it happened during 2010 and 31 replied that it happened between 1 to 3 times. The remaining 7 customers said that more than 3 occasions they found the milk getting spoiled on boiling. Hence 91% of the customers were satisfied with the freshness and quality of milk.
3. Another question was asked regarding the number of times the polybags containing milk were received in leaking or torn condition. Out of the 79 customers, 43 replied that not even once it happened during 2010 and 29 replied that it happened between 1 to 3 times. The remaining 7 customers said that it happened on more than 3 occasions. Hence 91% of the customers were satisfied with the packing and handling of milk.
4. Another question was asked regarding the date on the polybag being more than a day old on the date of receipt of the milk at their end. Out of the 79 customers, 69 replied that not even once it happened during 2010 and 10 replied that it happened between 1 to 3 times. Hence 87% of the customers were totally satisfied that they were receiving the milk from the latest production batch.

SUGGESTIONS FOR FURTHER IMPROVEMENT

Following suggestions were offered based on the observations at the Dairy.

1. Continuous training and education at the farmer and village cooperative levels.
2. Inculcate the concept of triple role i.e. internal customer, internal supplier & process owner.
3. Adopt the QMS principle "Mutually beneficial supplier relationships" and develop long term relationships with the individual farmers as well as the village cooperatives.
4. Educate the farmers on modern cattle rearing methods.
5. Help the farmers to get loans from bank to setup satellite farms and purchase cows.
6. Monitor and trace the movements of cows with the help of GPS.
7. Seek customer feedback actively and incorporate the same in product improvement.

CONCLUSION

The interaction with the customers using a questionnaire and subsequent analysis confirmed the fact that the efforts taken by KMFL to maintain quality and service have really borne fruit in the form of improved customer satisfaction. This is the main reason for their improving their market share.

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AN EVOLUTIONARY OUTLOOK OF WAL-MART'S GROWTH IN A GLOBAL SCENARIO

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CHENNAI – 48

ABSTRACT

Retail Internationalization has become a trend in the recent years as many foreign retail players are looking for opportunities in the developing countries due to the already saturated markets in their home country. Wal-Mart, the dominant retailer in the United States has also emerged as the largest retailer of the world. Wal-Mart has been ranked number one among the Fortune 500 companies. The retailer started its international operations in early 1990's and has established itself in almost 15 countries today. The retailer's expansion across the United States and other countries has suffered extensive criticism in different perspective. Many researches were conducted in the United States to understand the overall impact of Wal-Mart across different segments. Initial studies (Stone, 1988; Peterson and McGee, 2000; Artz and McConnon, 2001) proved that Wal-Mart's retail expansion had affected the revenue generation of the local retailers offering the same merchandise as Wal-Mart. On the contrary, it has also paved way for an increase in customer foot traffic in the trade area which increased the sales volume of other local businesses selling complimentary products. However, Wal-Mart's experience in the international market was never the same as that of the domestic market. Wal-Mart's international operations have seen mixed results in terms of performance. Wal-Mart was able to replicate its business model in few countries, while in other countries the retailer faced huge competition from the domestic organized retailers. Wal-Mart has been successful in countries which were influenced by American culture. Some of them include Canada, Mexico, United Kingdom, Brazil, Puerto Rico and China. The main reason behind success in these countries was the acceptance of Wal-Mart's traditional retail format, while in Germany and South Korea the same format did not make much of an impact. As a result, Wal-Mart had to pull out its operations from these two countries. The primary purpose of the current research is to review studies aimed at exploring Wal-Mart's experience as an international retailer. An attempt to study Wal-Mart's impact on local businesses is also initiated. The study has also highlighted the challenges that Wal-Mart would face in India. This study would provide insight and direction for future research in the area of international retailing.

KEYWORDS

Impact, Retail Format, Retail Internationalization, Traditional Retailers, Wal-Mart.

INTRODUCTION

Wal-Mart Stores Inc. ("Wal-Mart") is the largest retail store in the United States and is larger than any other retail chain in the world. It has been ranked number one on the Fortune 500 Index by Fortune Magazine. Wal-Mart operates retail stores in different formats around the world. Wal-Mart reported sales of \$405 billion for the fiscal year ending January 2010 and employs more than two million associates worldwide. Wal-Mart is committed to provide wide range of quality merchandise and services at every day low prices ("EDLP") to customers. Wal-Mart provides general merchandise: family apparel, health & beauty aids, household needs, electronics, toys, fabrics, crafts, lawn & garden, jewelry and shoes. Also, the company runs a pharmacy department, Tire & Lube Express, and Photo processing center as well (www.walmart.com).

The first Wal-Mart discount store was opened by the founder Sam Walton in the year 1962, in the city of Rogers, Arkansas. In the first year of its operations, the store registered sales of over \$1.0 million. At the initial phase, Sam Walton opened the Wal-Mart stores in small towns and introduced various innovative concepts such as self-service. By the year 1967, Wal-Mart had opened 24 stores and registered a sales turnover of \$12.6 million. In 1972, Wal-Mart was listed on the New York Stock Exchange. Wal-Mart continued to grow in the 1970s, because of its highly automated distribution network and its cross docking system, which apparently reduced the transportation costs and time. Wal-Mart's growth has also been attributed to its computerized inventory system, which speeded up the checkout and reordering of stocks. The use of information technology and the cross docking system led to the replenishment of the shelves of Wal-Mart stores within twenty four hours. In the 1980s, an increase in the consumer base and strong customer demand in small towns led to the rapid growth of Wal-Mart (www.walmartstores.com).

Wal-Mart's business model involves selling high quality and brand name products at the lowest price. In order to give low prices to its customers, the company reduces costs by the use of advanced information technology and cross docking system. Wal-Mart has also a strong supplier base across countries and negotiates deals for procuring merchandise directly from manufacturers, eliminating the middleman. The reason for the huge success of Wal-Mart in smaller towns was that it offered low prices and catered to the specific needs of small towns. It offered the kinds of products that customers most needed, and maintained working hours according to the customers' convenience. This allowed Wal-Mart to become more popular than many local stores which offered limited selection of goods and had high mark-ups in terms of pricing. All these strategies have positioned Wal-Mart as the largest retailer in the world. Today, Wal-Mart has its presence in three business segments namely Wal-Mart U.S., Wal-Mart International and Sam's Club. Wal-Mart operates 711 discount stores, 2,898 Supercenters, 181 Neighborhood Markets and 4 Marketside stores in the United States. In addition, Sam's club is in 608 locations across the United States (www.walmartstores.com).

INTERNATIONAL EXPANSION

The need for retail internationalization was realized in the mid 1980's when many of the retail formats had reached saturation point in countries like United States. Alexander (2000) claimed that the saturation of domestic markets precipitated the internationalization of retailing and the major retailers were able to finance international expansion with profits from domestic markets. Wal-Mart's international expansion began as an attempt to generate sales growth outside the United States. Its expansion strategy internationally has been very aggressive and powerful. Wal-Mart's global expansion has been achieved through a combination of green-field investments, acquisitions of existing stores, and joint-ventures. These strategies have contributed to market penetration and effectively positioned the company for future growth (Gandolfi & Strach, 2009).

Wal-Mart became an international company in the year 1991, when it opened a Sam's Club near Mexico City. Currently Wal-Mart has its presence across 15 countries. Wal-Mart's international segment consists of wholly-owned subsidiaries in Argentina, Brazil, Canada, Japan, Puerto Rico and the United Kingdom, majority-owned subsidiaries operating in five countries in Central America, and in Chile and Mexico, joint ventures in India and China and other controlled subsidiaries in China (Wal-Mart's Annual report, 2010).

WAL-MART IN MEXICO & CANADA

Wal-Mart's international venture began in Mexico in the year 1991, through a joint venture with Cifra, the leading chain of self-service stores in the country. Wal-Mart opened the Sam's club warehouse stores in Mexico which was a huge success in the Mexican market. In 1997, Wal-Mart purchased a majority stake in Cifra and established itself as a dominant retailer thereafter. Wal-Mart operates as Walmex in Mexico and currently has 1,606 stores all over Mexico.

After its successful retail venture in Mexico, Wal-Mart expanded into the Canadian market by acquiring 122 stores of the local retailer, Woolco, in 1994. Wal-Mart converted all the 122 Woolco stores to its own format and renovated them. Currently, Wal-Mart operates 323 retail stores in two formats namely: Discount stores and Supercenters. Wal-Mart's retail expansion was very successful and has retained a dominant position in these two countries (www.wal-martstores.com).

A study was conducted by Tilly (2005) to highlight the secrets of success and limits to the growth of Wal-Mart in Mexico. The study found that the introduction of EDLP policy in Mexico and different formats of retail outlets appealed to various classes of consumers, especially lower income consumers in Mexico. Wal-Mart also had an advantage of its connection with the automated distribution network from its parent company in the United States due to its proximity from Mexico. The study indicated that the price leadership strategy, technology enabled distribution network and extensive negotiation with its suppliers worldwide for discounts are the major factors for the huge success of Wal-Mart in Mexico. In addition, Wal-Mart also had a first-mover advantage as a foreign retailer in Mexico which was under-stored in the 1990's.

On the other hand, the study also highlighted some of the limiting factors to the success of Wal-Mart in Mexico. The major domestic retail players competing with Wal-Mart have started offering some modified version of EDLP formula and introduced wide range of retail formats to face competition. These retailers have also imitated the highly automated distribution and tracking systems of Wal-Mart and started demanding huge discounts from their suppliers. Thus, by adopting the best practices from Wal-Mart, these retailers were able to sustain their business and contain Wal-Mart's growth in Mexico. The study has also identified other reasons that impose limits to Wal-Mart's growth in Mexico which include unbalanced income structure of the Mexican consumers, and the economic crisis and stagnation in the region which is driving many consumers back to traditional retail stores.

WAL-MART IN BRAZIL

Prior to Wal-Mart, Carrefour, the French retailer and the pioneer in hypermarket concept started its operation in 1975 by acquiring Ultracenter. Later, the hypermarket formats were imitated by many other large local retailers in Brazil. During Wal-Mart's entry, the Brazilian retail market had already many large retailers competing with each other. Wal-Mart entered into the Brazilian market in the year 1995 through a joint-venture with Lojas Americanas, the largest discount chain store in the country. Wal-Mart's entry into the Brazilian market was made easy due to the personal rapport Sam Walton, the founder of Wal-Mart had with Jorge Lemann, one of the major shareholders of Lojas Americanas. Initially, Wal-Mart opened two Supercenters and three Sam's Clubs in Brazil. Wal-Mart also introduced Todo Dia stores, which is a neighborhood format designed for the Brazilian customers. Wal-Mart expanded in Brazil by acquiring 118 Bompreço stores in 2004 and acquired 140 Sonae stores in 2005. Wal-Mart currently operates 461 stores across Brazil.

Da Rocha and Dib (2002) studied the impact of the entry of Wal-Mart in Brazil and in turn the competitive responses from the local retailers. In their study, the authors highlighted many operational problems faced by Wal-Mart in Brazil such as large number of visitors to the store, door delivery of white goods, credit facility to Brazilian working class in terms of post dated cheques and its relationship with the suppliers.

However, the authors indicated that despite of all these problems, Wal-Mart was able to bring in many structural changes in the Brazilian retail market. These structural changes were due to the competitive reactions in the Brazilian market. The authors explained four different competitive responses in the Brazilian retail market that include balancing competitor's actions, building competitive advantage, redefining market boundaries and changing the ownership structure. The local retailers made major efforts to neutralize Wal-Mart's actions in terms of exerting pressure on suppliers, trying to impose legal sanctions by charging the new entrant with dumping and self regulating the oligopolistic nature of the Brazilian retail industry. The study found out that the competitor's responses were very strong in Brazil retail market and almost all their actions were directed towards building competitive advantage which in turn contributed to modernization of Brazilian retailing.

WAL-MART IN ARGENTINA

Wal-Mart started its operations in Argentina in the year 1995 with a Sam's Club in Avellaneda, near Buenos Aires. In 2007, Wal-Mart acquired three of the Auchan stores in Argentina. Similar to its experience in Brazil, it was not easy for Wal-Mart to establish its operations in the Argentinean retail market. In an article published by Stats (2007), the author indicated that it was a great struggle for Wal-Mart in Argentina as the nature of supermarket industry in the region was totally different from the United States. Wal-Mart used its approach of offering low prices to Argentinean consumers. However, the competitors in Argentina reacted immediately by opening new stores and adopting Wal-Mart's discounts and advertising campaign. Also, Wal-Mart did not take into account the cultural differences between the U.S. market and Argentinean which had resulted in a negative effect on Wal-Mart's operations in Argentina.

The author also highlighted that, the Argentinean consumers spend one close to one third of their incomes on food items. At the beginning, Wal-Mart controlled 2.5% of food market in Argentina compared to 16.5% of non-food products. It was a very weak point of Wal-Mart because there was a small chance that consumers that just went out shopping for food would go to Wal-Mart to buy non-food products. However, the retailer managed to overcome the difficulty and tried to gain some market share and currently operates 53 stores across Argentina.

WAL-MART IN CHINA

Wal-Mart's operation in the Chinese retail market started in the year 1996 when it opened its first Supercenter and Sam's Club in Shenzhen. Currently, Wal-Mart operates a variety of store formats in China including Supercenters, Sam's Clubs, and Neighborhood Markets (www.wal-martchina.com). Although, Wal-Mart entered the Chinese retail market way back in 1996, it had adopted a slow expansion strategy in the country. Wal-Mart began to expand rapidly in the Chinese market, when the Chinese Government eased restrictions on foreign retailers in the year 2004. Wal-Mart established itself as a successful retailer in China and currently operates 311 units in China. In addition to Wal-Mart, many other foreign retailers also started their operations in the Chinese retail market. The entry of these foreign retailers brought many structural changes in the Chinese retail industry.

In an article published in a Chinese local daily (Heng Li, 2001), it was reported that the Chinese retailers experienced huge pressure due to massive inflow of foreign capital into China's retail market. It was reported that, the traditional department stores were unable to sustain in the market and were gradually elbowed out by colorful foreign forms such as supermarkets, round-the-clock stores, shopping centers and chains, stockroom-style supermarkets, etc. The report also explained that the less competitive businesses were weeded out from the market and at the same time due to increased competition from the foreign hypermarkets, the domestic retailers were forced to improve their performance.

WAL-MART IN GERMANY

Wal-Mart made its foray into the German market in December 1997 by acquiring 21 hypermarket stores from Wertkauf, a local retailer. One year later, the company acquired 74 stores from the German retail group Spar Handels AG. Wal-Mart's strategy for Germany was to improve in-store appearance and ambience in addition to applying its conventional strategies of price leadership. Wal-Mart's attempt to apply the company's success formula in an unmodified

manner to the German market, turned out to be a disaster (Knorr and Arndt, 2003). As a result, Wal-Mart disposed off its operations to Metro AG, in Germany in July 2006 with a loss of around \$918 million (Wal-Mart's Annual report, 2007).

Fernie and Arnold (2002) conducted a study to assess the opportunities for Wal-Mart in the European market that revealed the impact of Wal-Mart in Germany. The research paper highlighted the background of Wal-Mart's failure in Germany. According to the authors, German retail market is a complex, competitive and highly regulated market in Europe. Wal-Mart tried to attract the German customers by introducing various customer service features. It also attempted to break customer perceptions away from their narrow focus on price as the attribute for store patronage. The supply chain systems were also revamped. Wal-Mart created a fiercest price war in the German retail market. In spite of all its efforts it was very difficult for Wal-Mart to achieve success in the German market. The reduced prices by Wal-Mart prompted similar actions from the hypermarket chains of the competition such as Metro, Globus and Kaufland. These are national players in Germany and have greater geographical penetration in Germany. They adopted "zone pricing" tactics (different prices in different zones) to match Wal-Mart prices in areas where they are a key competitor. In addition to these the legal environment and the nature of ownership of the targeted companies for acquisition also restricted the growth of Wal-Mart in Germany.

The above findings were further confirmed by Knorr and Arndt (2003). The researchers tried to explore the facts behind Wal-Mart's failure in Germany. The study revealed that in addition to the factors such as flawed entry-by-acquisition strategy, management by "hubris and clash of cultures" and repeated infringements of German laws and regulations, the local competition by its first and foremost competitor Aldi, inhibited the growth of Wal-Mart in the German retail market. Aldi, the domestic retailer, defended its position throughout as German's undisputed cost and price leader. Other domestic retailers such as Lidl, Rewe and Edeka were also able to match the pricing strategy of Wal-Mart. It was also observed that the assortment provided by Wal-Mart was not even cheaper than the traditional retailers' offerings. All these factors led to the fall of Wal-Mart in Germany, confirming the fact that Wal-Mart's conventional strategies may not work well in all the countries.

WAL-MART IN SOUTH KOREA

Wal-Mart's experience in Germany did not stop there. Wal-Mart had similar experiences even in the Asian countries. Wal-Mart was not able to capture the South Korean retail market as it expected and had to take back its operations from South Korea. Wal-Mart entered South Korea in 1998 when the South Korean Government opened up retail markets to foreign investments (Ramstad, 2006b). Wal-Mart acquired four stores from Macro, a Netherlands-based membership club and six undeveloped sites in South Korea. South Korean retail market witnessed the entry of five major foreign retailers in 1998 along with numerous domestic rivals. Wal-Mart was not able to compete with the domestic South Korean retailers as they were already well established in the minds of people for their quality and low price. As a result, Wal-Mart disposed off its operations to Shinsegae Co., Ltd., in South Korea in October 2006.

Gandolfi and Strach (2009) analyzed the causes and antecedents of Wal-Mart's failure in South Korea. In their research paper titled Retail Internationalization: Gaining Insights from the Wal-Mart Experience in South Korea, the authors have described the entry of Wal-Mart in South Korea and its successive withdrawal from the country. The study highlighted that Wal-Mart was unable to effectively apply its U.S. business model in South Korea. The study has also pointed out Wal-Mart's inability to understand and respond to the common South Korean consumer. The authors claimed that Wal-Mart is only one among a growing number of firms that have underestimated the role of conducting proper consumer due diligence prior to entry into a foreign country.

The study also revealed various other reasons for Wal-Mart's failure in the South Korean market. As in the United States, most of the Wal-Mart outlets in South Korea were placed outside instead of in the cities. South Koreans, however, were used to easily accessible shopping facilities without the need to travel. South Korean consumers expect to see local products presented in a localized fashion. E-Mart, an established discounter in South Korea, has a different, more localized approach to selling products, with a more local feel to their stores. Wal-Mart, the world's largest retailer was not able to compete with the established discounter E-Mart in South Korea.

In yet another direction, Kim (2008) analyzed the challenges that Wal-Mart had faced in the South Korean market. The study claimed that Wal-Mart had chosen a wrong time to enter into the South Korean market. Wal-Mart was not able to capture logistically efficient locations since these locations were already occupied by Korean retailers. The study highlighted that, when the foreign retailers were allowed to enter the Korean market in 1997, the Korean retail market was already saturated. The study also revealed the consumer's response to Wal-Mart's EDLP strategy. Wal-Mart's EDLP was perceived to be insufficient "value" in the minds of Korean consumers. Korean consumers were quality conscious and tend to be more brand-loyal, less likely to switch to less expensive products. Korean consumers were unwilling to compromise the customer service and the quality for the low price, and expected to see sales people in each aisle of the retail stores and aggressive promotion in the value of service and products offered by the retailers (Ramstad, 2006b).

WAL-MART IN UK

Wal-Mart entered the UK market in 1999 with the acquisition of ASDA, the third largest grocery chain store in the country. ASDA was the pioneer of superstores in the UK. It was easy for Wal-Mart to penetrate into the UK market due to its acquisition of ASDA, which had already incorporated Wal-Mart's principles into their own organizational culture.

In their study to assess the opportunities for Wal-Mart in the European market, Fernie and Arnold (2002) highlighted that Wal-Mart had made an impact on the British market and had changed the nature of retail competition. Wal-Mart's EDLP strategy changed the store choice attributes in the UK to a greater price focus. Though, the market leader in UK, Tesco was able to match the EDLP strategy, other key players in the grocery market had to revise their strategies. Among the top five retailers, J. Sainsbury and Safeway tried to come out with strategies to compete with ASDA and Tesco. However, the last retailer among the top five, Somerfield, had dropped out of the superstore race. This picture clearly shows that Wal-Mart has made an impact on the existing retail stores in the UK.

The above study has also raised some concerns for Wal-Mart's growth in Europe. The study explained that the large retailers in the European region have met the challenge of Wal-Mart by reducing their net margins. Though, the change in the retailers has been incremental rather than radical, they were able to survive the competition. The authors concluded that Wal-Mart only has a toehold in the European market.

WAL-MART IN JAPAN

Wal-Mart entered the Japanese retail market in 2005 by acquiring Seiyu. Immediately after, it built a 145,000 square foot, two-level store next to a main commuter train station for Tokyo. In an article published by Holstein (2007), it was stated that despite of locating its store in a prominent location in Tokyo, Wal-Mart continued to struggle in the Japanese market. The author reported that Wal-Mart made some poor early decisions that put a bad taste in many Japanese mouths. It fired 25 percent of headquarters staff, including 1,500 employees and managers, when it took over Seiyu. Mass firings were not normal occurrences in Japan, and the country as a whole took great offense. In the same vein, many Japanese believe that Wal-Mart was trying to force American values on them, such as mandating that stores stay open 24 hours per day. Consequently, Wal-Mart received a lot of bad press, causing the retailer to lose customers. Also, the author claimed that the low price model would not be the best fit for the Japanese market as the Japanese consumers are quality conscious and are willing to pay for the quality.

WAL-MART IN CHILE

Bianchi and Mena (2004) described the actions taken by Chilean retailers to defend themselves effectively against the attempts of foreign retailers to operate in their market. Many of the foreign retail firms like Carrefour, Sears, J.C Penney and Home Depot withdrew their operations from the Chilean retail market. The study highlighted that the Chilean market is different from other South American Countries. The study found that the largest retailers in Chile are local family businesses that have established themselves as legitimate organizations. The study explored the overall Chilean retailing industry's reaction towards threats from foreign firms. The study exposed the defensive strategies of the local retailers which include increased level of consolidation, concentration, improved retail offer for consumers, and incorporation of best retail practices from foreign retailers. It was also claimed that local retailers from all sectors have taken

advantage of their knowledge of the local consumer by implementing strategies and using the tools developed by international retailers. The local retailers also learnt new concepts like logistics, consumer service, technology, and merchandising, among others related to the industry.

Wal-Mart entered into the Chilean market, by acquiring a majority stake in Distribucion y Servicio D&S S.A., Chile's leading grocery retailer in January 2009. Wal-Mart owns 267 stores across Chile. Though the foreign retailers had already exited from the Chilean retail market, Wal-Mart waited for years make the right entry by acquiring the leading retailer D&S. An article published in the Business Chile (March 2009), explained that overseas retailers experienced difficulties in the Chilean market due to large number of already existing local supermarkets. It was very difficult for the new entrants to get into this market due to higher market penetration and deeply ingrained shopping habits of the Chilean customers. Though, Wal-Mart is not starting from scratch and Wal-Mart is operating the stores under the D&S brand name, the Chilean retail market would be a real challenge for Wal-Mart.

WAL-MART IN INDIA

The Indian retail industry is also facing the heat of retail internationalization with the entry of Wal-Mart, Carrefour and other single brand retail outlets. Though the government has taken firm steps to protect the domestic retailers in terms of FDI regulation, it still gets more pressure from the foreign retailers to open up more avenues for them to establish their presence in India. The Indian retail market might look very attractive for the foreign retailers due to an increase in disposable income and consumer spending; however, there are many challenges that need to be addressed by these companies in general. A study conducted to reveal the major challenges faced by retailers in general indicate that there are five major challenges that constitute strategic choice for the future of retailers and each have specific operational consequences. These challenges include the branding issue, the people issue, the growth issue, the customer issue and the performance issue (Knee, 2002).

In addition to the general challenges faced by the foreign retailers in the Indian soil, there are other major country specific challenges that would hinder their growth. In fact these challenges are seen as a threat to the growth of Indian Economy. These challenges include, poor infrastructure and power supply, high wastages in transit and high cost logistics, differential and high taxes, inconsistency in government policies, soaring cost of real estate and restrictions on foreign direct investment (FDI) and, therefore, on investment in the sector (CUTS International, 2008).

As the Indian retail economy remains protected from foreign competition by rules that mostly prohibit direct investment by foreigners, foreign retailers like Wal-Mart entered the retail market with international retail joint ventures. In case of Wal-Mart, the joint venture between Wal-Mart and Bharti will manage the supply chain together while Bharti Enterprises will be franchised to run the retail portion. These joint ventures have a synergy of already experimented retail formats of a foreign retailer and the experience of a local retailer in its own soil. However, we cannot always say that a successful format in one country will be successful in other country. Also, when developing a format, there are dangers in over-formalizing the format development process. Winning formats emerge from an opportunistic and incremental process, sometimes based more on intuition than rational analysis. In addition, success often comes from "capturing the moment" rather than detailed planning (Reynolds, J. et al, 2007).

To supplement the above concept, Kishore Biyani, CEO of the Futuregroup explained that there isn't a single formula for success in the Indian retail market. He also added that the businesses that succeed are those with the biggest ideas and the right tools to execute them. The retailer has continually adapted new business models at each stage of the industry's development. In doing so, the retailer demonstrated an uncanny instinct for the retail business, business models, and alternative formats, as well as an unwavering belief in IT as an enabler of change.

The international retail joint ventures might have problems related to coordination between both the parties. A recent study conducted to investigate the problems encountered in international retail joint ventures indicated that in a market-driven joint venture activity, retailers appear to have a shorter and intensive adjustment period to effectively co-ordinate operational activity and bridge the corporate and behavioral differences between themselves and the partner (Owens and Quinn, 2007).

In 2008, Halepete, et al. explored the challenges that Wal-Mart may face as it expands into the Indian retail market. The study discussed the failure stories of Wal-Mart in Germany and South Korea. The study explained that to be successful in India, Wal-Mart will have to learn from their German and South Korean experiences, and make suitable changes to meet the need of the Indian consumer. The study also highlighted the recent growth of organized retailing in India and the entry of Indian Business majors into the retail industry. In addition, the study revealed that Wal-Mart would face many ownership as well as location disadvantages in India. These significant challenges need to be well-understood and suitably addressed for its success in the Indian market. If Wal-Mart is successful in managing the issues related to ownership and location disadvantages, it is definitely going to have a great impact on the Indian Economy.

CONCLUSION

The above study is intended to provide the experience of Wal-Mart as an international retailer in a single snapshot. The study has reviewed various journal articles and articles from reputed local newspapers in order to give an idea of Wal-Mart's successes and failures in the international market and the reasons behind. It is very clear from the above study that though at the beginning, Wal-Mart's entry was feared from different angles in all the countries where it tried to enter, it was not true always. It is to be understood that Wal-Mart was successful in countries like Mexico, Canada and the UK, as these countries have culture similar to the American culture. In countries like Brazil, Argentina, Chile and China where there is an influence of the American culture, Wal-Mart was able to achieve only a moderate success. However, in countries like Germany, South Korea and Japan, Wal-Mart was not able to sustain due to its imposition of the US model. In fact, Wal-Mart was forced to pull out its operations in Germany and South Korea.

It is also to be noted that, though the retailer was successful in many countries, the initial competition by the local retailers such as in Brazil, Chile and China were enormous. In addition, the domestic retailers were able to compete with Wal-Mart by adopting their strategies to the strategies of Wal-Mart. Therefore, when we analyze the Indian retail scenario, Wal-Mart will have to face many challenges in the Indian soil. At the same time, we couldn't neglect the impact that Wal-Mart would have on the Indian retail market, if the Indian Government opens up the restriction on Foreign Direct Investment in the retail sector. The major reason behind this is that the Indian culture is being influenced by the American culture. However, the Indian retailers are capable of adopting the best practices and reading the minds of an ordinary Indian consumer. The Indian retailers should come out with different formats and try to establish their presence in almost all parts of the country before Wal-Mart establishes itself in the Indian sub-continent. Lessons are to be learnt from the Korean retail industry where E-Mart, the local retailer established itself as the retailer of the soil by the time the Korean Government opened up foreign direct investment in retailing.

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INTRUDERS ALTERING THE PERCEPTION OF CUSTOMERS IN THE LIFE INSURANCE SECTOR OF INDIA – A COMPARATIVE EMPIRICAL STUDY BETWEEN PUBLIC & PRIVATE LIFE INSURANCE COMPANIES

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COIMBATORE - 46

ABSTRACT

The insurance sector, Along with other elements of marketing, as well as financial infrastructure, have been touched and influenced by the process of liberalization and globalization in India. The customer is the king in the market. Life insurance companies deal in intangible products. With the entry of private players, the competition is becoming intense. In order to satisfy the customers, every company is trying to implement new creations and innovative product characteristics to attract customers. Keeping this in mind, the present study is designed to analyze the innovation in Life insurance sector in India.

KEYWORDS

Perception, Life Insurance, Public, Private.

INTRODUCTION

Insurance is defined as a cooperative device to spread the loss caused by a particular risk over number of persons who are exposed to in and who agree to ensure themselves against that risk. Risk is uncertainty of a financial loss. A well developed and evolved insurance sector is needed for economic development as it provides long term funds for infrastructure development and at the same time strengthens the risk taking ability. It is estimated that over the next ten years India would require investments of the order of one trillion US dollar. The insurance sector, to some extent, can enable investments in infrastructure development to sustain economic growth of the country. The growing number of wealthier as well as aging Indian middle class is set to offer a strong business potential for the country's untapped life insurance market. Insurance is a federal subject in India. There are two legislations that govern the sector- The Insurance Act – 1938 and the IRDA Act- 1999. IRDA has till now provided registration to 12 private life insurance companies. The insurance sector in India is like a full circle from being an open competitive market to nationalization and back to a liberalized market again. Tracing the developments in the Indian insurance sector reveals the 360 degree turn witnessed over a period of almost two centuries. As the twentieth century has come to a close and we have move into the third millennium, we can see many developments and changes taking place around us with all the industries and firms within each industry trying to keep pace with the changes and diverse needs of the people.

Though for decade together, marketers have regarded 'customer' as the king and evolved all activities to satisfy him or her, giving this concept a momentum it is necessary to understand the Perception and Expectations of the customer in respect various aspects & attributes so as to service. This can largely be attributed to the prevailing market situation. Not only has competition become intense but over and above with the market being flooded with many me- too products, the challenge before the marketer is to understand the diversity of consumer expectations and offer goods/ services accordingly. Today the company image is built and made known by its customers.

Thus the success of the insurance firm will be determined by how effective it has been in meeting the diverse consumer needs and wants by treating each customer as unique and offering products and services to suit his or her needs. Therefore today all the firms are engaged in a process of creating a lifetime value and relationship with their customers, a step towards developing knowledge regarding its customers needs is the utmost important. The current study is an attempt to measure the various parameters as perspective by the customers and to help the insurance company (both public and private sector) in serving its customers in a much better and efficient manner.

LITERATURE REVIEW

- With increase in population and income there is a wide scope in insurance sector and it was found that LIC plays an important role and has maximum share in this sector. Recently banking sector has also moved towards insurance sector since they would get better dividends than the commission they would get by entering into partnerships with other major insurance market players. (Singh Binod Kumar. 2010)
- Retaining a customer is four times cheaper than acquiring a new one. The retention of the customers is of utmost importance in the insurance industry in specification. Insurance business is of the relationship building process where one customer leads to the building of other one. A satisfied customer is like a word of mouth advertisement for the company. The needs of the existing customers should be identified and satisfied well rather than only concentrating at the new accounts. All possible measures needs to be taken to retain the customers as it is lesser costlier as well as provides stability to the business. (Imtiyaz, H Ltd VASI DO. Insurance Times Feb 2007)
- It is found there is need to improve the features of the insurance products to make them more liquid or short term schemes could be increased. In is shown that although rewards implied by the insurance products particularly by the tax benefits are quite close to those observed in banks and small savings scheme of the governments. The survey indicates that it may not be very difficult to win over the confidence of small investors towards insurance policies if good marketing techniques are adopted to educate the targeted population about the uses of insurance policies from investment point of view. (Sampada Kapse & D. G Kodwani, May 2003)
- The customer perception towards the life insurance providers and their product are varies with their income and age group. The buying of Life Insurance policies is dependent on income. Unit linked life insurance policy is preferred the most. All the insurance company must advertise more in the market because not all people know more about life insurance policy. Most number of people wants guaranteed returns so company must focus on this for the customer investment. Most of the responded purchase insurance policy through agents. (Richa Vohra, MBA, 2008- 09)
- This paper concludes that companies should also innovative to come up with better products that would suit the Indian population and should also try to market and sell their products through of distribution that can be effective in selling their products to the masses. (Kunji Bihari Paliwa, 2007- 09)

- Insurance is one product which is not demanded by a customer, but supplied to him by massive education and drive marketing. Insurance ought to be bought not sold. The new concept of demand side innovation focuses more on customer's social and economic reality striving to deliver maximum value to the customer at an affordable price. (Samuel B. Sekar, July 2006)

Objectives of the study

- To study customer's preference for innovative products offered by public and private life insurance providers.
- To explore the reasons of investment in public and private life insurance
- To study the problems faced by life insurance policy holders

LIMITATIONS

In spite of every care taken on the part of the researcher there were certain limitations which could not be overcome and are as follows

- Some of the persons were not so responsive
- Possibility of error in data collection because many of investors may have not given actual answers of my questionnaire
- Sample size is limited to 100 customers
- The sample size may not adequately represent the whole market
- Some respondents were reluctant to divulge personal information which can affect the validity of all respondents

The above are some of the aspects which posed real problems in the way of completion of the research work but the majority of respondents were cooperative and my gratitude are to them.

RESEARCH METHODOLOGY

DATA SOURCES

Research is totally based on primary data. Secondary data can be used only for the reference. Research has been done by primary data collection, and primary data has been collected by interacting with various people through questionnaire. The secondary data has been collected through various journals and websites.

SAMPLING PROCEDURE

The sample was comprised of the customers of public or private life insurance providers. It was also collected through personal interview, by formal and informal talks and through filling up the questionnaire prepared. The data has been analyzed by using Statistical tool.

SAMPLE SIZE

The sample size is limited to 100 people only. Out of which 76 customers were of Public life insurance company (LIC) and 24 customers were of Private life insurance companies.

SAMPLING METHOD

Judgement convenience method was used to select sample

STATISTICAL TOOLS USED

Statistical tools like averages, percentages, Z- test, mean and standard deviation are used for the analysis of data.

DATA ANALYSIS AND INTERPRETATION

ANALYSIS OF DATA

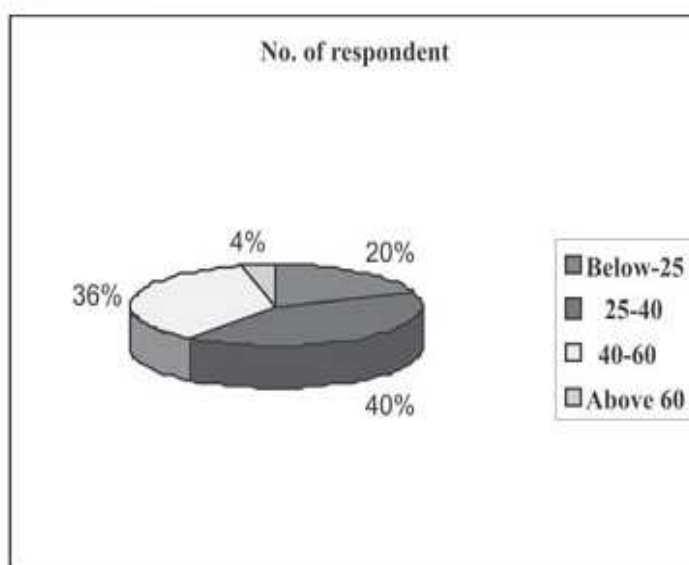
The demographic profile of the respondents analyzed on the basis of age, educational qualification, occupation and annual income.

TABLE 1- AGE GROUP DISTRIBUTION

Age Group	Below 25	25 - 40	40- 60	Above	Total
No. of Respondent	20	40	36	4	100
Percentage (%)	20	40	36	4	100

Source: Primary Data

Chart -1



INTERPRETATION

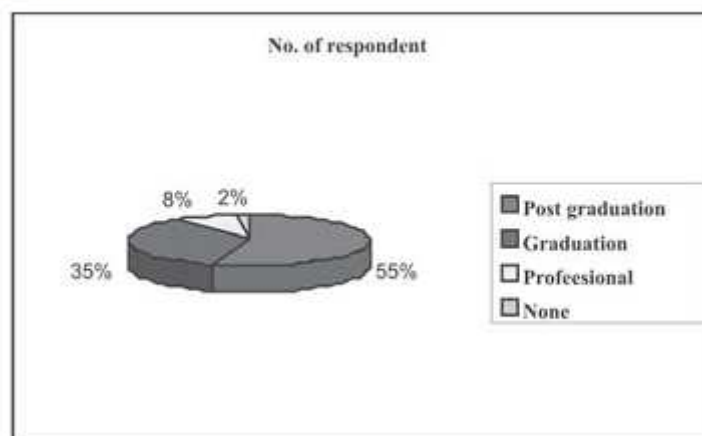
It is clear from Table 1; a vast majority of respondents (76%) fall in the age band of 26- 60 years. Out of 100 respondents 40% are between 25-40 years and 36% are between 40-60 years of age and very less 4% are above 60 years of age.

TABLE 2 – EDUCATIONAL QUALIFICATION OF RESPONDENTS

Educational Qualification	Post Graduation	Graduation	Professional	None	Total
No. Of Respondent	55	35	8	2	100
Percentage (%)	55	35	8	2	100

Source: Primary Data

Chart-2

**INTERPRETATION**

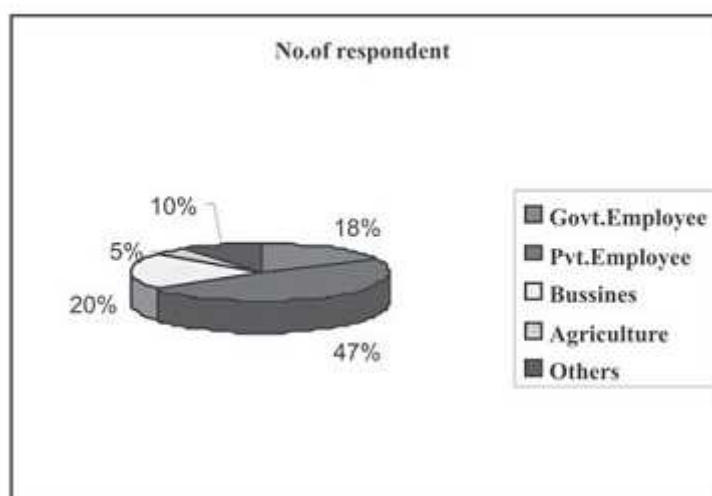
It is revealed from the Table 2 that 55% of the respondents are Post Graduate, 35% are Graduate, Remaining 8% are professionally qualified.

TABLE 3 – OCCUPATION DISTRIBUTION

Occupation	Govt.	Private	Business	Agriculture	Other	Total
No. Of Respondent	18	47	20	5	10	100
Percentage (%)	18	47	20	5	10	100

Source: Primary Data

Chart-3

**INTERPRETATION**

It is clear from the Table 3 that 47% respondents are employees of Pvt. Sector, 20% belongs to business class, 18% respondents are from Govt. Sector and remaining are from Agriculture or other occupation.

TABLE 4 – ANNUAL INCOME OF RESPONDENTS

Annual Income	Below 50,000	50,000- 1,50,000	1,50,000- 2,50,000	2,50,000- 3,50,000	Above 3,50,000	Total
No. Of Respondent	38	25	19	5	13	100
Percentage (%)	38	25	19	5	13	100

Source: Primary Data

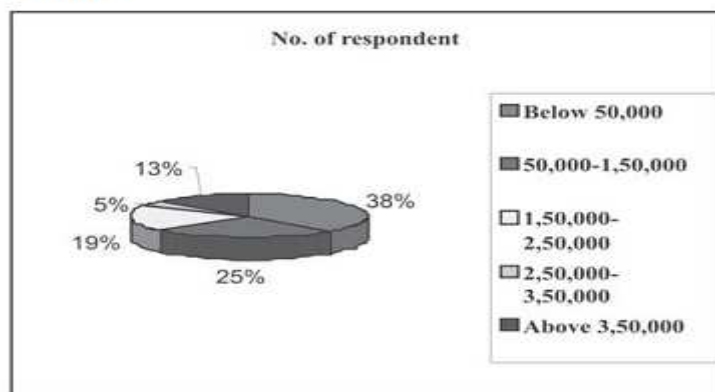
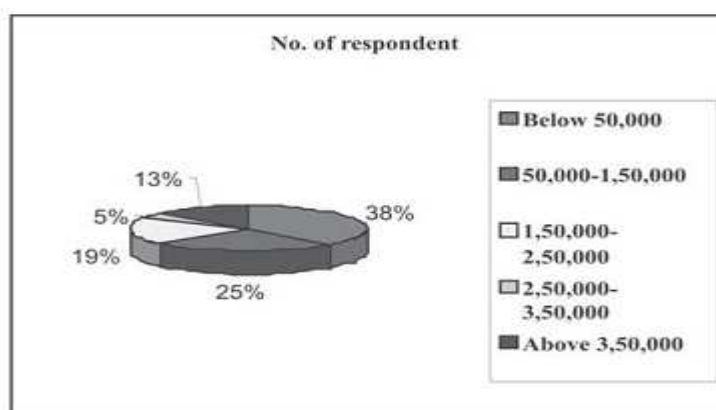
Chart-4**INTERPRETATION**

Table no.4 shows that 38% respondent have an annual income below 50,000, 25% respondent have an annual income in the range between 50,000- 1,50,000, 19% have an annual income in the range between 1,50,000- 2,50,000, 5% respondent have an annual income in the range between 2,50,000- 3,50,000 and remaining 13% have an annual income below 50,000.

TABLE 5 – POLICIES OWNED BY THE RESPONDENTS

Type of the Company	LIC	Private Company	Both	Total
No. Of Respondent	65	13	22	100
Percentage (%)	65	13	22	100

Source: Primary Data

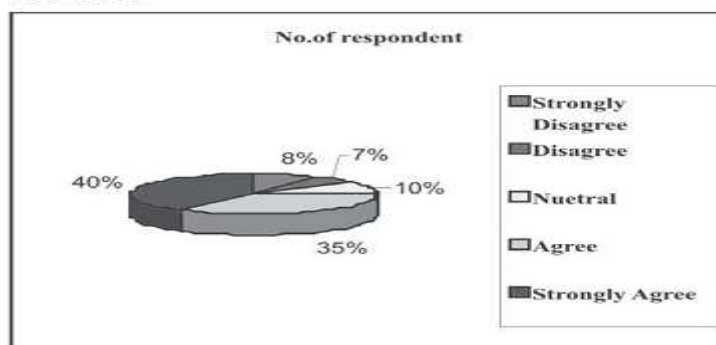
Chart-5**INTERPRETATION**

It is clear from the above Table 5 that 65% of the respondents are having policy of LIC and 13% respondents are having policy of Pvt. Companies and 22% of the respondents are having policy of both i.e. LIC and Pvt. Companies.

TABLE 6 – COMPARISON OF VARIOUS POLICIES IS IMPORTANT BEFORE SELECTING ONE

Response	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
No. Of Respondent	8	7	10	35	40	100
Percentage (%)	8	7	10	35	40	100

Source: Primary Data

Chart-6**INTERPRETATION**

It is clear from the above Table 6 that 75% respondents are Agree and Strongly Agree for comparing various policies before selecting one.

HYPOTHESIS TESTING

1.) **Ho-** There is no significant difference regarding influencing factors for investment decisions between public and private life insurance policy holders.

Life Insurance Companies	Mean of Respondents	Standard Deviation of Respondents	Size of Sample
LIC	4.3891	.3066	76
Pvt. Companies	4.1428	.3098	24

a.) Level of Significance = 5%

b.) Computed Value of Z- test for above table = 1.791

INTERPRETATION

Computed value of Z- test i.e. 1.791 is less than the tabulated value which is 1.961, so null hypothesis is accepted. That means there is no difference regarding influencing factors for investment decisions between public and private life insurance policy holders i.e. company's image, CRM, Promotional strategies, attractive schemes, variety of products, services provided and presale communication, all have equal influence on customers of public and private insurance companies.

2) **Ho-** There is no significant difference between the motives of getting insurance decisions between public and private life insurance policy holders.

Life Insurance Companies	Mean of Respondents	Standard Deviation of Respondents	Size of Sample
LIC	3.6778	.5994	76
Pvt. Companies	3.434	.7027	24

a.) Level of Significance = 5%

b.) Computed Value of Z- test for above table = 1.3072

INTERPRETATION

Computed value of Z- test i.e. 1.3072 is less than the tabulated value which is 1.961, so null hypothesis is accepted. That means there is no difference regarding the motive of getting insurance decisions between public and private life insurance policy holders i.e. the reasons behind selecting insurance company is same whether it is for safety or for investment purpose or for tax benefits or to procure loan in future.

3) **Ho-** There is no significant difference between customer's preference for selecting a plan of buying public life insurance policy and private life insurance policy.

Life Insurance Companies	Mean of Respondents	Standard Deviation of Respondents	Size of Sample
LIC	4.0027	.62236	76
Pvt. Companies	4.097	.22932	24

a.) Level of Significance = 5%

b.) Computed Value of Z- test for above table = -.54

INTERPRETATION

Computed Value Z- test i.e. -.54 is more than the tabulated value which is -1.961, so null hypothesis is accepted. That means there is no Significant difference between customer's preference for selecting a particular plan offered by public and private life insurance company.

4) **Ho-** There is no significant difference between the problems faced by the customers of public life insurance and private life insurance.

Life Insurance Companies	Mean of Respondents	Standard Deviation of Respondents	Size of Sample
LIC	3.293	.2482	76
Pvt. Companies	2.997	.2383	24

a.) Level of Significance = 5%

b.) Computed Value of Z- test for above table = 2.398

INTERPRETATION

Computed Value Z- test i.e. 2.398 is more than the tabulated value which is 1.961, so null hypothesis is rejected. That means there is significant difference between the problems's faced by the customer's of public and private life insurance companies.

CONCLUSION

The entry of private sector insurance companies into the Indian insurance sector triggered off a series of charges in the industry. Even with the stiff competition in the market place, it is evident from the study that the public sector giant LIC dominates the Indian insurance industry. Thus, it can be inferred that though public sector dominates as per customers preference but at the same time, private players as intruders have got golden opportunity to prove themselves and acquire major market share with the strength & unique quality of simplified & timely claim settlement, formalities, procedures and accessibility of agents which is of utmost importance in life insurance sector where public sector is lacking.

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OPINION ON VALUES AND THEIR IMPACT ON INDIVIDUAL EFFECTIVENESS AND SATISFACTION: A STUDY OF PROFESSIONAL STUDENTS

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ABSTRACT

Today's workforce is required to be well qualified so as to make a difference in the organization. However, qualifications – knowledge, experience and abilities of the workforce will not be sufficient in these ever changing conditions. Change is a constant phenomenon and the only unchanged quality that makes every individual to achieve greatness is the internal fiber – values. But now-a-days this is utmost neglected. It is in this back drop that this paper is attempted. The study is conducted with 147 students of various colleges. The opinion of students on values, its impact on effectiveness and satisfaction is studied. The major findings of the study are that among the given values, the students felt that self actualization, gratitude and purity of mind are very important. Both MBA and MCA students had similar rankings for the values. Caste was considered least by them. Students revealed that values play a major role on the effectiveness of individuals. Demographics did not have a significant role on the opinion of the students. Thus male and female students had the same opinions. The course offered also did not have an impact on their opinions. In spite of the differences in the year of study, they had similar opinions. In spite of a positive opinion on values, students did not believe that society would reward people with values. They felt that the present day society considers material possessions more important than values. Hence did not have a conviction of their values in the society.

KEYWORDS

Individual effectiveness, Individual satisfaction, values.

INTRODUCTION

The best practices for a good manager are the same that society believes to be ideal qualities of a genuinely good man. Authentic altruist is a gift to an organization. When one is genuinely altruistic one could easily be firm at the same time. To succeed in this one should not laugh at, weep at, or hate human action but try and understand human action. For this the manager needs internal fiber – values.

Management students who are future managers should learn the ancient method of management where the heart gains superiority over the head in matters of decisions. It doesn't mean that a manager should be emotional. It only means that qualities of the heart – values should be strengthened so that he becomes stronger in decision making. Then he can command respect instead of demanding respect. Managers should combine a strong head with a large heart to enjoy all facets that life throws up.

VALUES

Ancient India was rich not only materially but also intellectually and spiritually. This has given Ancient Indians a strong head and heart. But today's generations lack a strong heart. While the West looks towards India for many solutions, we are not utilizing heritage of our ancient mind management in achieving effectiveness and efficiency. Material achievement and consumerism has left West unhappy resulting into high rate of divorce, child abuse, lack of trust and exploitation of the poor (Dabas-1997). Values developed in an age where there were no computers, no robots, no planes and satellites, are now considered to be irrelevant in the competitive world of today. But these values have given our forefathers the power of building the great civilization of Indus, Ancient Medicine and Surgery, Architecture, the great Ujjain University which we are not able to replicate now.

The term 'values' is indicative of the following: i) worth or degree of worth ascribed to an object or class of objects; ii) a moral flavour and thus, carries with it, the individual's ideas, decisions and actions about what is right; iii) an enduring conviction that a specific mode of conduct is personally and socially preferable or desirable to the alternative mode of conduct; iv) a standard set of criteria in terms of which evaluation of behaviours are made; v) a conviction which guides judgements/actions across situations in order to realize ultimate goals of life; vi) a set of internalization as part of ones' identity with which one scans the environment for steps that are appropriate in his/her view; then one makes the final choice of actions and finally he/she reviews the aftermath of his/her actions. Values are also associated with ethics, work values, world views, societal norms, culture and traditions. Values have both content and identity attributes. The content attribute suggests that a mode of conduct or end state of existence is important. The intensity attribute specifies how important/preferable it is. The set of values of an individual, when ranked in terms of their intensity, result in that persons' value system (Robbins, 1997). Each person's unique value system is developed and reinforced through socialization from parents, religious institutions, friends, personal experiences and the society in which he/she lives. As such a person's value system is stable and long lasting (Meshane and Von Glinov, 2005). One study found that the value systems of a sample of adolescents were remarkably similar twenty years later when they became adults (Lubinski, 1996).

Values are important factors in understanding the attitudes and behaviours of individuals. Human values represent what is desirable (Aygun and Imamoglu, 2002). Values are basic convictions that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence (Rokeach, 1973). Values have been defined as desirable trans-situational goals, varying in importance, that serve as guiding principles (Schwartz, 1994). The study of values is central for understanding both individuals and cultures. Thus, at the individual level, value priorities are key to one's beliefs, attitudes and behaviours specifying what are desirable. Values are also explicative for understanding the foundation of attitudes and behaviours of individuals in organizations and often serve as a way in which individuals integrate personality and regulate behaviour (Carver and Scheier, 1982; Posner and Munson, 1979). Values are not typically considered to be constant and static entities (Wright and Wright, 2001). In short, values are meanings that are developed by individuals through a screening of experience, accumulation and knowledge gained during their life-cycle, and whose objectivity and nationality show relative difference from individual to individual.

Values generally influence perceptions, attitudes, motivation and behaviours and hence they lay the foundation for understanding organizational behaviour. Individuals enter an organization with preconceived notions of "what ought to be" and "what ought not to be". Of course these notions are not value free. On the contrary, they contain interpretation of right and wrong. Further more, they imply that certain behaviours or outcomes are preferred over others; as a result, values cloud objectivity and rationality (Robbins, 2004).

Individuals in the same occupation (profession) tend to hold similar values (Munson and Posner, 1980 and Fredrick and Weber, 1990). It is argued that individuals who have similar values will show similar kinds of behaviours (Chatman, 1989; Schneider, 1983; Weiss and Adler, 1984). Also, it is possible to state that the attitudes and behaviours of individuals are considerably constant even under changing organizational settings (Staw et al, 1986, Staw and Ross, 1985).

There are the evidences given by research studies conducted in India that values based on Indian Ethos have a very long lasting impact on managerial excellence. S.K.Chakraborty (1987) opines that values such as Karma, Samskaras, Gunas, Karmayoga of Bhagvad Gita would promote quality of work life, ethical managerial behaviors and provide better motivational basis for Indian executives.

Chakraborty (1983) suggested that purity of mind and self-transcendence would enhance the quality of decision making in the organizations. England and Lee (1974) examined the relationship between the personal values and managerial success in the US, Japan, India and Australia and despite country differences in the relationship between values and success, the findings across the four countries were similar.

Bhatt (1998) opined that once self realization is achieved everything falls in its proper place. Singh (1998) conducted a research study to measure the satisfaction level among employees. The low satisfaction level proved that human satisfaction is independent of the material wealth that an organization can give to an individual. It was concluded that satisfaction lies in the mind of the person or is dependent upon the values of a person.

The emphasis in the study by Glover, Sandra Hasben(1992) was placed on the value of honesty/integrity and its influence on individual. The study found that there was a high impact of this value on individual satisfaction.

The study by Rishikesh T Krishnan and C. Manohar Reddy(2002) opined that majority of the respondent students (62%) disagree with the notion that personal conscience and values ought not to come in the way of business decisions. The study also observed that respondents were ready to leave the organization if they were forced by their employer to do something against their conscience. At the same time, more than 56% believed that to achieve success in business dealings, one may occasionally have to indulge in a certain degree of dishonesty and half-truths.

McWilliams and Nahavandi (2006) report that until the 20th Century, one of the main objectives of college education was to develop ethical and moral members of society, beginning with the development of the moral character of students. In this regard, Williams and Dewett (2005) advocate a business ethics education to equip students to later act with moral courage when confronted with business pressures.

As noted by Granitz and Loewy (2007), unethical students can later become unethical managers. The question, therefore, needs to be asked on whether those tasked with teaching and graduating future business leaders can do anything to influence this occurrence.

Zopiatis and Krambia-Kapardis (2008) note that prior to their study, no research into the ethical judgments of students in tertiary education had been conducted in the Republic of Cyprus. Thus the study explored student attitudes towards ethics.

The role of student values in prevention of plagiarism was emphasized in a study by Liddell and Fong V. (2008), The study stressed the role of honour codes to foster, student centered culture of honesty and integrity. It quoted that such culture will garner a "life long benefit of learning the value of living in a community based on trust".

THE PRESENT STUDY

If we want to understand the direction of this nation, examine the people who will lead the country during the first years of the next century where do we find these people? In our graduate schools.

The purpose of this paper is to explore the perceptions of professional students on human values and their applicability. The present paper is an effort to have a more empirically grounded picture of the values of our students which can be a base to mould them to adapt to the competitive environment with mental conviction of values. Thus the study is undertaken to know how far the present day students who are future generation leaders are influenced or directed by values and to know their opinion on the impact of these values in their effectiveness and efficiency.

METHODOLOGY

The present study was conducted among students of various professional (MBA & MCA) colleges to know about the values they hold and its impact on themselves. The primary data were collected through a structured questionnaire developed from past research modified for the present study. The questionnaire consists of three parts – opinion of respondent students on values, opinion on its impact on student effectiveness and opinion on its impact on student satisfaction. The respondents were asked to judge the values on a seven point scale (7-Very very important to 1-Very very unimportant) for the first part. The statements of other two parts were asked to judge on five point scale (5 –Strongly Agree to 1-Strongly Disagree). About 350 students of various colleges were approached with the questionnaire. Only about 147 students responded to fill in the questionnaire completely. The secondary data was collected from various journals and books. Apart from this, data was also collected from interviews so as to get an understanding of their opinions. Data collected were analyzed using SPSS package. Mean, Standard Deviation and t-test values were used to analyze the data. In order to avoid misunderstanding of the values given in the first part of the questionnaire, the general meanings of it were given at the end of the questionnaire.

OBJECTIVES

The objectives of the present study are

- To study the values of professional students
- To know the impact of these values on student effectiveness
- To know the impact of these values on student satisfaction.

HYPOTHESES

After studying various other related research and based on the study the following hypotheses are framed.

- The ranking of human values is the same for all the professional students.
- There is a positive impact of high values on student effectiveness.
- There is positive impact of high values on student satisfaction.
- There is influence of demographics like gender, course and year on student opinions.

DISCUSSION OF THE FINDINGS

On analysis of the data collected the following findings emerge from the study.

STUDENT OPINION ON VALUES

All the students were of the view that self-actualization and purity of mind were very important (mean 5.73 and 5.66 respectively) for them (Table 1). They had a neutral opinion on values like dependence and cosmic causation. As students, they were not able to judge these values as either important or unimportant. Caste was considered an unimportant aspect in their lives. All other values were viewed important by the students.

TABLE 1: VALUES OF PROFESSIONAL STUDENTS (N=147)

Values	mean	std. deviation
Self-actualization	5.73	1.23
Gratitude	5.49	1.25
Purity of mind	5.66	1.42
Rest/leisure	5.01	1.35
Purity of motive	5.32	1.30
Modesty	4.71	1.50
Personal relationship	5.33	1.46
Status	4.80	1.47
Compassion	4.95	1.27
Love	4.99	1.60
Equanimity	4.97	1.44
Absence of hatred	4.87	1.54
Liberation	4.95	1.36
Wealth	4.97	1.50
Forgiveness	5.12	1.28
Code of life	5.29	1.34
Benevolence	4.86	1.44
Power	5.12	1.61
Caste	2.95	1.88
Loyalty	4.95	1.62
Aggressiveness	4.67	1.63
Dependence	3.90	1.45
Non Violence	4.54	2.11
Truth	4.37	1.49
Cosmic causation	4.25	1.39

Scale: 7-Very very important 6- Very important 5 -Important 4 –Neutral 3-Unimportant 2 - Very unimportant 1-Very very unimportant.

TABLE 2: RANKING OF VALUES (N=147)

VALUES – MBA (N=88)	Rank	VALUES – MCA (N=59)
Self-actualization	1	Purity of mind
Purity of mind	2	Self-actualization
Gratitude	3	Gratitude
Purity of motive	4	Code of life
Personal relationship	5	Truth
Truth	6	Personal relationship
Power	7	Forgiveness
Code of life	8	Compassion
Wealth	9	Purity of motive
Forgiveness	10	Benevolence
Rest/leisure	11	Liberation
Equanimity	12	Love
Status	13	Power
Loyalty	14	Rest/leisure
Love	15	Loyalty
Absence of hatred	16	Equanimity
Liberation	17	Absence of hatred
Compassion	18	Wealth
Aggressiveness	19	Non Violence
Modesty	20	Modesty
Benevolence	21	Status
Non Violence	22	Aggressiveness
Cosmic causation	23	Cosmic causation
Dependence	24	Dependence
Caste	25	Caste

Table 2 shows the ranking of values by MBA and MCA students. The first three values ranked by the MBA students are self actualization, purity of mind and gratitude. MCA students also have the same three values ranked but purity of mind was given first priority and self actualization as second value. The last three values were ranked same by the students. Dependence and caste were looked down by all the students. Thus it is clear that both MBA and MCA students have the same ranking for the values. Hence the hypothesis “the ranking of human values is the same for all the professional students” is accepted.

IMPACT OF VALUES ON STUDENT EFFECTIVENESS

Values have an impact on the individuals as shown in table 3. When asked on the impact of values on the individual effectiveness, majority (87.75%) of the students (combining agree 52.38% and Strongly Agree 35.37%) that values have given control on themselves. 73.47% of the students had the feeling that values bring individual development. 68.71% believe that their values have also brought about group development. 71.43% agreed that values create a positive attitude in life. 63.27% of the respondents agreed that values bring about mental satisfaction. Majority (79.59%) of the respondents felt that values play a major role on effectiveness of individuals. Thus the professional students hold a very positive opinion of values and its impact on their effectiveness. Hence the second hypothesis “there is a positive impact of high values on student effectiveness” is also accepted.

TABLE 3: INFLUENCES OF VALUES ON RESPONDENTS (N=147)

Factors	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Deviation
I feel my values have given control on my self	6(4.08%)	4(2.72%)	8(5.44%)	77(52.38%)	52(35.37%)	4.12	0.94
I feel values in life brings individual development	8(5.44%)	2(1.36%)	29(19.73%)	60(40.82%)	48(32.65%)	3.94	1.04
I feel values also brings group development	4(2.72%)	12(8.16%)	30(20.41%)	64(43.54%)	37(25.17%)	3.80	1.00
I feel values create positive attitude	6(4.08%)	8(5.44%)	28(19.05%)	66(44.90%)	39(26.53%)	3.84	1.01
I feel values bring about mental satisfaction	2(1.36%)	16(10.88%)	36(24.49%)	59(40.14%)	34(23.13%)	3.73	0.98
I feel that values play a major role in effectiveness of individuals	2(1.36%)	8(5.44%)	20(13.61%)	77(52.38%)	40(27.21%)	3.99	0.87

Scale: 5 –Strongly Agree, 4-Agree, 3-Neutral, 2-Disagree, 1-Strongly Disagree

TABLE 4: INFLUENCES OF VALUES - ACROSS COURSE (N=147)

Factors	MBA(N=88)		MCA(N=59)		t - value
	mean	std. deviation	Mean	std. deviation	
I feel my values have given control on my self	4.30	0.85	3.06	1.01	0.006*
I feel values in life brings individual development	3.89	1.14	4.02	0.86	0.455
I feel values also brings group development	3.84	0.91	3.75	1.12	0.573
I feel values create positive attitude	3.80	1.06	3.92	0.93	0.483
I feel values bring about mental satisfaction	3.66	1.03	3.83	0.91	0.302
I feel that values play a major role in effectiveness of individuals	3.93	0.97	4.07	0.69	0.354

*Significant at 0.05 level. Scale: 5 –Strongly Agree, 4-Agree, 3-Neutral, 2-Disagree, 1-Strongly Disagree

Table 4 reflects the opinion of MBA and MCA students on the impact of values on their effectiveness. The 't' values shows that both of them vary significantly (at 5% level) on the opinion that values have given control on themselves. MBA students agree that values have given control on themselves, but MCA students held a neutral opinion on this aspect. On all other aspects they agreed that values have an impact on themselves. Over all MBA and MCA students did not have any significant difference in their opinion. Thus the course opted by the students did not have any influence on their opinion.

Senior and junior professional student's opinion on the impact of the values on effectiveness are shown in the Table 5. Agreement is expressed by both on all their opinions. But junior students held a neutral opinion on the creation of a positive attitude of life by their values where as senior students agreed that values create a positive attitude of life. Also juniors held a neutral opinion on the impact of values on the effectiveness of individuals. Senior students agreed that values play a major role in effectiveness of individuals. Hence the level of the students influence their opinions.

Table 6 shows the opinion of male and female students on the impact of values on their effectiveness. Both have similar opinions as there is no significant difference in the 't' values. The male and female students agree that values have a positive impact on their effectiveness. It has given them control on themselves and has created positive attitude and mental satisfaction. Values thus have a major role in the effectiveness of individuals. They also have agreed that values bring about individual and group development. But gender did not significantly influence their opinions.

TABLE 5: INFLUENCES OF VALUES - ACROSS LEVEL (N=147)

Factors	JUNIOR (N=76)		SENIOR (N=71)		t - value
	mean	std. deviation	mean	std. deviation	
I feel my values have given control on my self	4.24	0.91	4.00	0.96	0.126
I feel values in life brings individual development	3.92	1.04	3.96	1.03	0.831
I feel values also brings group development	3.84	1.02	3.76	0.98	0.622
I feel values create positive attitude	3.08	1.09	4.01	0.90	0.048*
I feel values bring about mental satisfaction	3.74	0.94	3.72	1.03	0.91
I feel that values play a major role in effectiveness of individuals	3.48	0.87	4.20	0.82	0.004*

*Significant at 0.05 level. Scale: 5 –Strongly Agree, 4-Agree, 3-Neutral, 2-Disagree, 1-Strongly Disagree

TABLE 6: INFLUENCES OF VALUES - ACROSS GENDER (N=147)

Factors	MALE(N=63)		FEMALE(N=84)		t - value
	mean	std. deviation	mean	std. deviation	
I feel my values have given control on my self	4.13	1.07	4.12	0.83	0.960
I feel values in life brings individual development	4.08	0.83	3.83	1.16	0.155
I feel values also brings group development	3.95	0.99	3.69	0.99	0.116
I feel values create positive attitude	3.92	1.13	3.79	0.92	0.425
I feel values bring about mental satisfaction	3.84	0.99	3.64	0.98	0.227
I feel that values play a major role in effectiveness of individuals	3.91	0.89	4.05	0.85	0.325

*Significant at 0.05 level. Scale: 5 –Strongly Agree, 4-Agree, 3-Neutral, 2-Disagree, 1-Strongly Disagree

TABLE 7: INFLUENCES OF VALUES ON SATISFACTION OF RESPONDENTS (N=147)

Factor	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Deviation
I feel that now a days people in society do not give importance to values	6(4.08%)	24(16.33%)	42(28.57%)	53(36.05%)	22(14.97)	3.71	1.06
In real life people with values are considered ineffective in this competitive world	14(9.52%)	3(2.04%)	30(20.41%)	56(38.10%)	17(11.56)	3.62	1.18
Only people with aggressive or tit for tat nature or considered in the society	15(10.20%)	26(17.69%)	54(36.73%)	40(27.21%)	12(8.16)	3.05	1.09
One can live happily only if they have power	22(14.97%)	45(30.61%)	28(19.05%)	38(25.85%)	14(9.52)	2.44	1.24
Money makes many things in the society	12(8.16%)	10(6.80%)	30(20.41%)	53(36.05%)	42(28.57)	3.70	1.19
Selfishness and greed is the order of the day	18(12.24%)	29(19.73%)	34(23.13%)	46(31.29%)	20(13.61)	3.14	1.24

Scale: 5 –Strongly Agree, 4-Agree, 3-Neutral, 2-Disagree, 1-Strongly Disagree

IMPACT OF VALUES ON STUDENT SATISFACTION

Almost 51.02% (taking agree and Strongly agree combined) of the students agreed ($M=3.71$) that they feel now a days people in the society do not give importance to values (Table 7). Also they agreed (3.62) that in real life people with values are considered ineffective in the competitive world. About 64.62% of the students agreed ($M=3.71$) that money makes many things in the society. Students took a neutral stance on their opinion on people with aggressive nature selfishness and greed in the society. Thus it is clear that the same students, who have a positive opinion on values, do not seem convinced that society rewards values. This is because of lack of conviction of their values and the general perception on the society being partial. Thus the hypothesis “*there is positive impact of high values on student satisfaction*” is rejected.

Table 8 shows that MBA students and MCA students differ in their opinion that now a day's people in the society do not give importance to values. MBA students held a neutral opinion on that. But MCA students agreed that now a day's people do not give importance to values. MBA students were neutral by saying that in real life people with values are considered ineffective. Whereas MCA students agreed that in real life people with values are considered ineffective in this competitive world.

Senior and junior students varied significantly in their opinion on their feeling that in real life people with values are considered ineffective (Table 9). Juniors were neutral in their opinion. But seniors agreed that people with values are considered ineffective in this competitive world. Junior students also said that they have a neutral opinion on the role of selfishness and greed in the present day world. Senior students agreed that selfishness and greed is the order of the day.

Table 10 shows that Male and female students have a similar view on the satisfaction that their values have given in their life. But both vary significantly in their opinion that now a days people in society do not give importance to values. Male students had a neutral opinion on that where as female students agreed that people do not give importance to values. Also male students held a neutral opinion that in real life people with values are considered ineffective in this competitive world. But female students agreed to this view.

TABLE 8: INFLUENCES OF VALUES ON SATISFACTION - ACROSS COURSE (N=147)

Factors	MBA(N=88)		MCA(N=59)		t - value
	mean	std. deviation	mean	std. deviation	
I feel that now a days people in society do not give importance to values	3.25	1.05	3.66	1.03	0.021*
In real life people with values are considered ineffective in this competitive world	2.98	1.14	3.58	1.15	0.002*
Only people with aggressive or tit for tat nature or considered in the society	3.02	1.20	3.10	0.90	0.668
One can live happily only if they have power	2.71	1.19	3.05	1.29	0.096
Money makes many things in the society	3.66	1.29	3.76	1.04	0.607
Selfishness and greed is the order of the day	3.00	1.25	3.36	1.26	0.088

* Significant at 0.05 level. Scale: 5 –Strongly Agree, 4-Agree, 3-Neutral, 2-Disagree, 1-Strongly Disagree

TABLE 9: INFLUENCES OF VALUES ON SATISFACTION - ACROSS LEVEL (N=147)

Factor	JUNIOR (N=76)		SENIOR (N=71)		t - value
	mean	std. deviation	mean	std. deviation	
I feel that now a days people in society do not give importance to values	3.34	1.18	3.49	0.91	0.390
In real life people with values are considered ineffective in this competitive world	3.00	1.18	3.55	1.14	0.020*
Only people with aggressive or tit for tat nature or considered in the society	3.11	1.10	3.00	1.08	0.560
One can live happily only if they have power	2.82	1.28	2.87	1.19	0.779
Money makes many things in the society	3.68	1.27	3.72	1.11	0.863
Selfishness and greed is the order of the day	3.42	1.26	3.55	1.15	0.004*

* Significant at 0.05 level. Scale: 5 –Strongly Agree, 4-Agree, 3-Neutral, 2-Disagree, 1-Strongly Disagree

TABLE 10: INFLUENCES OF VALUES ON SATISFACTION - ACROSS GENDER (N=147)

Factor	MALE(N=63)		FEMALE(N=84)		t - value
	mean	std. deviation	mean	std. deviation	
I feel that now a days people in society do not give importance to values	3.01	0.98	3.53	1.12	0.021*
In real life people with values are considered ineffective in this competitive world	2.94	1.35	3.53	0.99	0.002*
Only people with aggressive or tit for tat nature or considered in the society	3.16	1.15	2.98	1.04	0.668
One can live happily only if they have power	2.83	1.09	2.86	1.35	0.096
Money makes many things in the society	4.03	0.97	3.45	1.28	0.607
Selfishness and greed is the order of the day	3.40	1.17	2.95	1.26	0.880

* Significant at 0.05 level. Scale: 5 –Strongly Agree, 4-Agree, 3-Neutral, 2-Disagree, 1-Strongly Disagree

From the above findings it also seems that demographics did not have any significant influence on their opinions. Hence the last hypothesis “*there is influence of demographics like gender, course and year on student opinions*” is rejected.

IMPLICATIONS OF THE STUDY

Values were considered important by the professional students. Self actualization and purity of mind were considered very important by them. This finding is similar to that of Chakraborty's (1983), which suggested that purity of mind was considered important in enhancing quality of decisions in organizations. Bhatt (1998) also opined that once self actualization is achieved everything falls in its proper place. It was interesting to note that professional students gave least importance to caste. It was considered unimportant by them. Both MBA and MCA students had similar rankings for the values. Self actualization, purity of mind and gratitude were the values which they said are important in their view. They felt that these values are the basic ones which bring in behavioural changes in them. Also they opined that these would bring about a sense of happiness internally.

Values have an impact on the individuals. Majority of the professional students agreed that values have a positive impact on individual efficiency. They felt that values gave them control on themselves and it has brought individual and group development. They said that values have helped them to be positive in attitude. These findings are similar to the study by S.K.Chakraborty (1987). His study found that values would have an impact on excellence. Both MBA and MCA students had similar views on the impact of the values on themselves. They held the opinion that values have a positive impact on individual effectiveness. Similar was the opinion of senior and junior students. Still seniors were more convinced of their opinion where as juniors held a neutral stance on the role of values on individual effectiveness. Male and female students also had the same opinion. No significant difference was seen in their opinions. Both male and female students agreed that values had a positive impact on their effectiveness. They considered values are the major factors that have a control on them. Their belief on values also made them to improve individually. They said that they developed a positive attitude towards life because of their values. Thus they agreed that their values create mental satisfaction in times of conflict and confusion.

Though professional students held values in high esteem and had positive opinion on the role of values on individual effectiveness, their opinion of values in creating satisfaction is not positive. Students opined that the present day society gives importance to money and people with values are not valued in the

society. Singh (1998) concluded that satisfaction lies in the mind of the people and is dependent on values of a person. The study by Glover, Sandra Hasben (1992) placed a high impact of the values on individual satisfaction. Values are also associated with world views, societal norms and traditions. In the present study students had a high opinion of values and its impact on individuals. But when it came to satisfaction, it can be seen that students were having a view that society does not reward people with values and society gives more to material possessions and achievements.

MBA students compared to MCA students held positive views on the importance given to values in the society. Similarly junior and male students were of the same opinion. Thus juniors and male students held a neutral stance in their opinion on the impact of values on satisfaction in society. Senior and female students agreed that society does not care about values. It does not reward people with values properly. Thus these findings of the present study are not in line with the earlier research. May be the happenings in the present day society have created this dissatisfaction among students.

Hence it can be concluded that students hold a positive opinion on values and its impact on effectiveness. But they have a strong feeling that people with values are seen inefficient in the present day society. Society gives importance to money but not to values. It is a positive sign to see that professional students who are future citizens hold a positive outlook on values. But they need to strengthen their conviction on values and positive belief that society gives importance to values otherwise they may not reinforce their values which would lead to unethical behaviour. Values are given importance but putting it into practice is not taken care. Students are not convinced that the society rewards values. They view that greed and selfishness is the order of the day. People have lost the sensitivity to values. In practice, students lack conviction of their values. Even though they believe that values are important, their mental models of society have not given the belief that society would repay their values. This would not reinforce their values and may weaken their belief in values as time passes.

FUTURE RESEARCH

As today's students are the future pillars of the society, they need to be streamlined with values. This would give them the real strength to fight this confused and competitive world. Values generally influence perceptions, attitudes, motivation and behaviours. Hence they lay the foundation for understanding behaviour. Values and value systems of individuals are the result of many factors. There is ample scope for research in this direction, to know how these values are formed and how it influences motivation and behaviour. Research can focus on one single value and its impact. Also further cross-sectional studies can add to the existing research so that knowledgebase is available to the society. And this is where that we, as parents, teachers and society as a whole, have to rethink in building our social and educational systems. Main objectives of education are to develop ethical and moral members of society, beginning with the development of the moral character of students.

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STUDY OF RURAL CONSUMER BEHAVIOR IN RELATION WITH WASHING POWDER

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ABSTRACT

Rural markets are always alluring markets for many companies. The huge market size and unexplored nature of the market are the major stunning points for the marketers. Many marketers perceive that the rural markets are the protrusions of the urban slums or poor markets. The truth is that the rural consumer's concept of value is different from the urban consumers. The culture of rural is not of show of the wealth and modality. The rural consumer purchase only when it is extremely needed by them not because of persuasive promotional offers. The rural market in India is quite charming and demanding in spite of all the difficulties existing. The potential is enormous. In case of detergents as a product rural consumer expect much more than offered. This paper is an attempt to understand what exactly rural consumer needs.

KEYWORDS

Consumer behavior, brand wise consumption, selection parameters.

INTRODUCTION

The rural markets are the most tempting markets for many companies; as vast number of studies talk about the huge population and less exploration. The companies who enter the rural markets without understanding the rural consumers and markets can face the problems.

Rural consumer is different than the urban consumers in many ways but specially the socio cultural way. The psyche of rural consumer is not to spend unnecessarily. Do not display the wealth and need base purchase.

To understand the consumers it is needed to understand what consumer behavior is.

CONSUMER BEHAVIOR

Consumer behavior is the study of human responses to product services marketing of products and services. The term consumer behavior refers to the consumers display in searching for purchasing, using, evaluating, and disposing of product or services that they expect will satisfy their needs. We define consumer behavior as those actions directly involved in obtaining, consuming, and disposing of products and services, including the decision process and follow action.

REVIEW OF RELATED LITERATURE

The size of the detergent market is estimated to be Rs. 12,000 Cr. Household care segment is characterized by high degree of competition and high level of penetration. With rapid urbanization, emergence of small pack size and sachets, the demand for the household care products is flourishing. The demand for detergents has been growing but the regional and small unorganized players account for a major share of the total volume of the detergent market. In washing powder HUL is the leader with 38 per cent of market share. Other major players are Nirma, Henkel and Procter & Gamble.

Rural India accounts for more than 700 Million consumers, or 70 per cent of the Indian population and accounts for 50 per cent of the total FMCG market. The working rural population is approximately 400 Millions. And an average citizen in rural India has less than half of the purchasing power as compare to his urban counterpart.

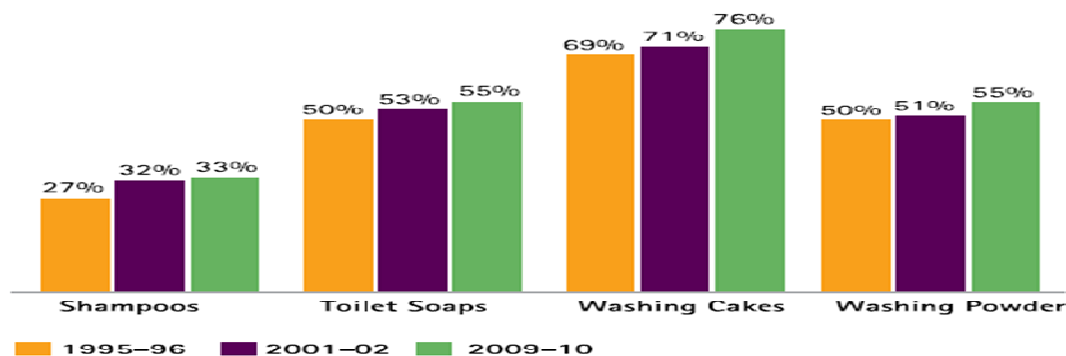
Still there is an untapped market and most of the FMCG Companies are taking different steps to capture rural market share. The market for FMCG products in rural India is estimated 52 per cent and is projected to touch 60 per cent within a year. Hindustan Unilever Ltd is the largest player in the industry and has the widest market coverage.¹

The size of the Indian detergent market is roughly estimated to be 12,000 Cr. Characterized by immense competition and high penetration levels the Indian detergent segment is ruled by players like Hindustan Unilever Limited, Henkel and Procter & Gamble.

As a result of rapid urbanization the demand for better quality household products is constantly on a rise. To cater to this increasing demand of quality washing powders most of the top detergent brands in India are continually introducing better packaged detergents that are offering a host of benefits in a single wash.²

The Indian washing powder markets in 2010 was 3,364 000 tones.³

The Indian rural demand for washing powder has increased by 83 percent in last ten years.⁴



Source: National Council for Applied Economic Research (NCAER)

RESEARCH METHODOLOGY

For the present study the exploratory type of research is used. The primary data is collected from 70 different villages from seven different districts of Maharashtra by using structured questionnaire.

OBJECTIVE

To understand the consumer behavior related with detergents.

HYPOTHESIS

The rural consumer purchase detergent for different purposes.

RATIONAL OF THE STUDY

This study is useful for the companies operating in the rural markets of Maharashtra to develop appropriate product as well as marketing mix.

DATA ANALYSIS AND INFERENCE

Detergent got the grip in the washing or laundry products in the last couple of decades. The rural people were using the Nirma as the synonym for the detergent. The Nirma enjoyed the monopoly within the rural markets.

TABLE 1: BRAND WISE CONSUMPTION OF DETERGENT POWDER

Brands	Aurangabad District	Kolhapur District	Nagpur District	Nanded District	Nashik District	Pune District	Ratnagiri District	Total
Nirma	57	66	64	44	74	40	52	397
Wheel	14	24	17	25	9	27	19	135
Surf	22	6	18	5	8	8	29	96
Ariel	0	10	0	0	6	0	0	16
Rin	0	2	0	0	3	9	0	14
Other available brands	6	3	1	7	0	9	2	28
Tide	0	3	0	0	2	0	0	5
Not applicable	10	3	9	1	10	2	3	38
Total	109	117	109	82	112	95	105	729

Source: Data collected through survey

The brand wise consumption study shows that the Nirma holds the number one position in all the studied districts. It is followed by wheel and surprisingly the premium category brand followed as it is mentioned in table Surf, Ariel and Rin. Surf brand is preferred in Ratnagiri, Nagpur and Aurangabad region. Ariel is preferred in the Nashik region. Rin is preferred in Pune Nashik and Kolhapur region. The premium brand consumption shows that the rural consumers can afford the premium brands if the breaking of the bulk offered properly.

The study of the 67 different village markets of Maharashtra for the consumer behaviour understanding helped researcher to put forward the observations related to the selection parameters in case of the detergent powder. The study of the selection parameters found to be useful to formulate the rural marketing mix for FMCG. The observations are furnish below.

TABLE 2: SELECTION PARAMETER FOR DETERGENT POWDER

Responses for Detergent powder Features	Aurangabad District	Kolhapur District	Nagpur District	Nanded District	Nashik District	Pune District	Ratnagiri District	Total
Features	87	50	80	57	23	61	88	446
Price	5	34	7	8	60	19	9	142
Availability	0	2	10	11	11	5	1	40
Influence	1	15	0	7	7	22	2	54
Not applicable	10	3	9	1	10	2	3	38
Total	103	104	106	84	111	109	103	720

Source: Data collected through survey

Quality of the detergent, generation of lather, cleaning ability are considered by the consumers. It is clear that for different regions the marketing mix need need to be different as it can be cleared through the table. In Aurangabad, Ratnagiri and Nagpur the product features are the most prominent for selection of the product so the marketing mix need to the product centric for these regions.

The Nashik region marketing mix need to be developed keeping price at the centre as the price is the parameter applied by the respondents of Nashik region while purchasing the product. The price and quality equation can be achieved by offering the product in sachet. The price driven consumers can be targeted by the price related promotional strategies.

Availability is the major issue for the Nagpur, Nashik and Nanded regions after the price. Influence plays major role in selection in Kolhapur and Pune region. The marketers need to consider the influence while going in these regions.

The consumer behaviour for detergent is classic examples of need based purchase. The consumers are ready to pay more to get the desired cleaning effect. It was also observed that rural consumers mix premium brand with economy detergents to get the optimum results. This way consumers show innovation in using the products. By innovatively using the product consumers are creating a new segment for rural detergent market.

The statistical tool used for proving the hypothesis is Chi-Square test. Following are the application and calculations of the chi square test.

TABLE 3: DETERGENT POWDER BRANDS -OBSERVED VALUES

Detergent Powder Brands	Nirma	Wheel	Surf	Arial	Rin	Others	Tide	NA	Total
Aurangabad	57	14	22	0	0	6	0	10	109
Kolhapur	66	24	6	10	2	3	3	3	117
Nagpur	64	17	18	0	0	1	0	9	109
Nanded	44	25	5	0	0	7	0	1	82
Nashik	74	9	8	6	3	0	2	10	112
Pune	40	27	8	0	9	9	0	2	95
Ratnagiri	52	19	29	0	0	2	0	3	105
Total	397	135	96	16	14	28	5	38	729

TABLE 4: DETERGENT POWDER BRANDS -EXPECTED VALUES

Detergent Powder Brands	Nirma	Wheel	Surf	Arial	Rin	Others	Tide	NA	Total
Aurangabad	59.359	20.185	14.354	2.392	2.093	4.187	0.748	5.682	109
Kolhapur	63.716	21.667	15.407	2.568	2.247	4.494	0.802	6.099	117
Nagpur	59.359	20.185	14.354	2.392	2.093	4.187	0.748	5.682	109
Nanded	44.656	15.185	10.798	1.800	1.575	3.150	0.562	4.274	82
Nashik	60.993	20.741	14.749	2.458	2.151	4.302	0.768	5.838	112
Pune	51.735	17.593	12.510	2.085	1.824	3.649	0.652	4.952	95
Ratnagiri	57.181	19.444	13.827	2.305	2.016	4.033	0.720	5.473	105
Total	397	135	96	16	14	28	5	38	729

$$= (7-1) \times (8-1) = 42$$

At 95% level of confidence Table value of Chi square at n=42 is 58.124.

Chi square value observed here is 187.491498 which is greater than table value.

This proves the hypothesis "The rural consumer purchase detergent for different purposes."

FURTHER JUSTIFICATION OF THE HYPOTHESIS

Researcher on 16th Dec 2009 accessed 'http://www.equitymaster.com /research-it/sector-info/Consprds/consprds-products.html' for international consumption of detergent powder in developing and developed countries to reveal that developing countries like Indonesia, China and Thailand have per capita consumption of detergent powder around 2000gm.

In case of Malaysia if per capita consumption of detergent powder is 3700gms then same for USA is 10,000gms. These are much more than consumption of rural market of Maharashtra.

As per ORG for period 2002-03 per capita consumption of detergent powder for urban area was 2523gms and for rural area it was 872gms. This indicates that even in 2007-08 for consumption of detergent powder in rural Maharashtra, 63 per cent were still behind than per capita consumption of urban counterpart in 2002-03. Not to forget the fact that there are still non users totaling to 6 per cent.

CONCLUSION

There are different brands present in the rural markets indicates the oligopoly. Nirma is first detergent which was introduced in the rural markets. The brand wise consumption shows the No.1 position of Nirma. Nirma is followed by the wheel. Wheel was designed as economy class detergent which is in the similar category as Nirma and priced keeping Nirma in front.

There are premium category detergents present in rural markets like Surf, Rin, Arial etc. The small pack size brought up the revolution in the rural markets. The sachet gives the chance to the rural consumers who are willing to purchase the premium product and unable to produce the bulk. The sachet gives the chance to the rural consumers to experiment and experience. In the rural markets the detergents are more than just a fabric wash.

Detergents are even used for the various purposes by the rural respondents like **Utensil cleaners, Toilet cleaners, and Floor cleaners**. The brand selection of the rural consumers depends on the needs in case of the detergent as consumers use different brands for different types of cloths the school uniforms and office wares need to clean and are needed to be taken care of. For day today clothes and home decors they use the economy type of the detergents.

The marketers need to develop detergents as a multi utility product. All in one is the need of rural consumer.

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CHALLENGES FOR TALENT RETENTION

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ABSTRACT

The business world has become one with the advent of the term globalization. This has created a pool of talent which is ready to be grabbed by various organizations. The demand for talent in this country has increased due to Competitive Environment, Necessity of Continuous Growth, Survival of the Fittest, Changes in the Economic Policy by Government, Better Market Growth as well as Market Share. To achieve success organizations are striving to get good talented people from the country. They are visiting various institutes trying to get good talented people and in this process they are also looking at the future requirements. To attract good talent the organizations are using following things Good Pay Packages, Providing better working conditions, Better Incentive Schemes, Good Promotional Policy. The research paper will discuss the challenges to retain these talents in the organization so that it can move from better to best. The basic challenges are - Regular amendment in Compensation Package, Providing better Employee Welfare facilities, Providing ESOPs (Employee Stock Option Plans), Promotional Policy in relation to the overall industrial scenario.

KEYWORDS

Talent Retention, HRM, Institutes, Employee.

INTRODUCTION

An effective HR manager focuses on heads that count rather than counting heads. As somebody has said, "Talent is like a pool in which organizations have to jump to get the best fish." In order to get good talent it takes a Herculean task on the part of the organization and organizational policies.

Retaining a person is more difficult than recruiting and in this context I am presenting this paper, in which I will be putting forth certain HR tools that will help organization to retain people and reduce attrition rate. The organizations experience shortage of employees due to employee mobility in the organization structure itself. The mobility can be due to Job Rotation, Transfers, Promotion and some leave the organization to join some other organization with better package.

Believe it or not, despite the years of downsizing, layoffs, re-engineering and reorganization we will soon face a major labour crunch! By 2012, we will experience a 33% shortfall of degreed candidates – approximately six million graduates short to fill new jobs and replace retirees (Society for Human Resource Management HR News, October 2002)

So, if you've been lucky enough to find goods people....heck, even people who could be good given just a little encouragement, it's in your best interest to hold onto them! We can no longer afford an attitude that "there's more where they came from" when Sally or Bob give their notice.

Retaining in education sector is also important because good teachers are in short and we don't employ a decent system for retaining them we will not have students. The students are attracted towards a particular institute with reference to the faculty profile. It is very important that to attract good students you should have good teachers and vis-à-vis.

The Society for Human Resource Management cites the following three organizational behaviors that lead to employee turnover –

➤ **Failure to make talent supply a long term priority**

Progressive organizations know that engaging in reactionary hiring binges with subsequent mass layoffs not only demoralizes top producing talent, but also earns them a reputation in the "community" as unpredictable and unreliable. Establish a Project Team to consistently scour the industry for quality people and make room for them as they become available. You may not get a second chance once the labor shortage hits.

➤ **Failure to make turnover costs clear**

I'd stake my reputation that 99% of frontline supervisors and managers have absolutely no idea what it costs the organization each time a person gives notice and walks out the door! Turnover costs extend well beyond just placing an ad in the newspaper. There are certainly the "hard costs" of advertising, interviewing, background checks etc. but there are also "soft costs". These can include key clients who follow the employee over to the competition, morale and productivity dips when a popular employee leaves, the time it takes to get the replacement up and running. Turnover costs can easily range anywhere from 1.5 times the person's salary for an entry level position to 6 or 7 times for a highly skilled manager.

➤ **Failure to recognize that employee's first loyalty is themselves.**

We've done a really good job over the years teaching employees that loyalty does not exist. We've flown the "its just business" flag quite high during lean times when cutting positions was the most expedient way to shave expenses. So given that assumption, why do organizations still expect that employees will sacrifice their health and family welfare to give their souls to their jobs! We rely too much on compensation as a retention tool.

TALENT RETENTION

In the industrialized countries, it is being noticed that people are no longer working for the basic needs of living alone. Money is no more considered as the lone driving force behind people's work. Yet, people continue to work hard. What drives them to work that hard? Is it their love for work? Or is it their passion for the job? These questions says that organizations have to create an atmosphere which simply engender "a mind to work" among the employees.

The Internet has wrought incredible changes in the very outlook of business and the speed at which it is being carried out. It indeed created a new band of knowledge worker. These are the employees who are putting their knowledge to work rather than their muscle power. Today, knowledge is recognized as a high grade input of the business. As against the traditional workers of manufacturing segment whose functioning is merely considered to be additive, knowledge workers are to be sourced from the strength that they bring in to a given job in alignment with its requirement. Hence, they are being paid incredible sums vis-à-vis traditional workers. It is of course a different matter that knowledge workers are reported to be a disgruntled lot and perhaps that is one reason for their hopping from one job to another.

What Makes Employees Remain Loyal to Employers	
Chance to use skills on the job	11%
Trust in senior leadership	14%
Competitiveness of rewards	14%
Job security	11%
Quality of company's products and services	10%
Absence of work-related stress	7%
Honesty and integrity of company's business conduct	7%
All other factors	26%

Ultimately, it is employee satisfaction that is found to have the maximum impact on employee migration.

The first step towards management of employee retention begins with acceptance of the reality that today it is not the company, which determines the movement of its employees but the market. If I tell you something about the organization where I am working, I can tell you that the major problem that we are facing is employee retention. It has been a challenge for us to retain good talented teachers in our management institute. The chart below shows the last 3 years employee retention and turnover.

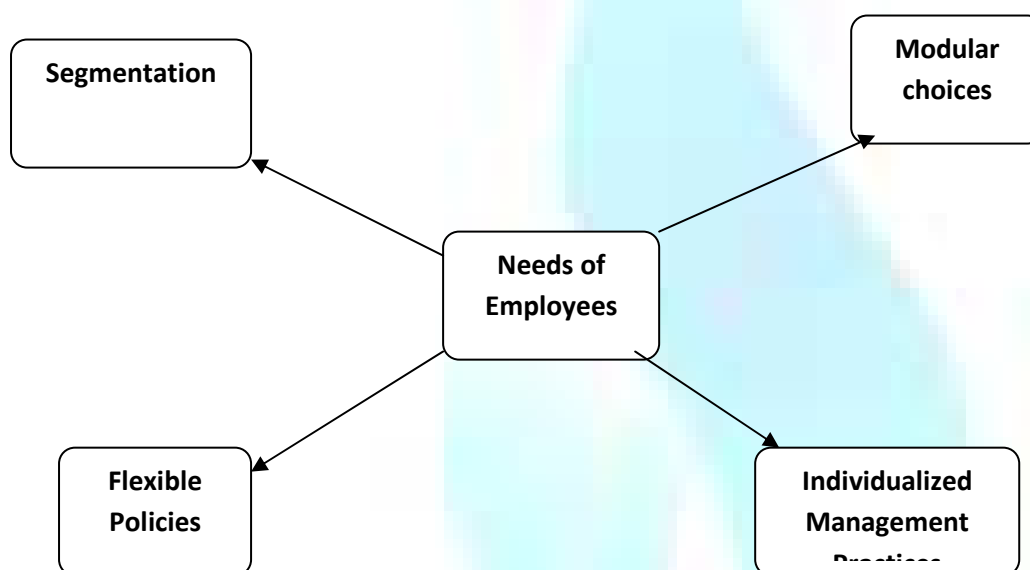
RETENTION & TURNOVER RECORD YEAR-WISE

YEAR	NO. OF FACULTY APPOINTED	NO. OF FACULTY LEFT	TURNOVER
2004-05	04	0	0
2005-06	07	03	25%
2006-07	01	02	16.67%
2007-08	03	01	8.33%
Total	15	6	40%

If we the chart-1and chart-2, we can determine that the major reason why employee turnover is more is due to lack of Job security. Recently, a trend can be seen in pharmaceutical companies, where people are leaving due to lot of sales pressure and they are joining a profession where the income is also good and less pressure. The major boost can be seen in teaching profession where everyone wants to become a teacher by default because there is less accountability and pressure.

MAJOR CHALLENGES FOR TALENT RETENTION

Presently the companies are using four methods to address the varied needs of the employees. The four methods are as given below –



VARIED NEEDS OF THE EMPLOYEES

1. **Segmentation** – Grouping employees based on shared characteristics such as performance, geography, learning style, role or any other germane factor, and developing policies tailored to each category.

Advantages – Control lies with a central group; executives can see exactly how talent is being managed.

Disadvantages – Company must manage multiple programs and practices; some employees may not fit easily into any category.

2. **Modular Choices** – Allowing employees to choose from a standard set of options on benefits, work arrangements and more.

Advantages – Company maintains control; viewed as fair, since everyone is offered the same options.

Disadvantages – Managing multiple options may require an increase in HR resources; employees may feel choices are too limited.

3. **Flexible Policies** – Providing greater discretion on HR policies, such as more latitude for managers on pay and for employees on work schedule.

Advantages – Based on a single, simple set of general guidelines; provides for better fit with employee than segmentation or modular choices.

Disadvantages – Policies may be inappropriately interpreted or applied; lack of rigid standards means policies may lack transparency.

4. **Individualized Management Practices** – Management methods that factor in and build on employee's individuality, such as apprenticeship plan instead of traditional training.

Advantages – Cultivating the work force becomes a line responsibility; best fit with employee.

Disadvantages – less company control and transparency than with other practices; requires greater evaluation effort than standardized approaches.

SOMETHING ABOUT ATTRITION

When one discusses the construct of attrition from the perspective of employees leaving an organization, one should make an attempt to ascertain why the employees are leaving; and at what level of the organization they are vacating. It is a paramount consideration for the HRM & HRD practitioners to work closely together to think about the specific particulars associated with why people are vacating their positions. Many organizations employ HR practitioner to conduct exit reviews of individuals who have elected to leave the organization – however, this practice may not reveal reliable information about one's decision to leave an organization.

Some HR managers have seen employees leave an organization and provide little if any reliable information regarding their decision to leave an organization. This scenario could have very profound implications upon the future state of the organization. One HR manager who was interviewed for this endeavor suggested that some individuals simply provide general information about their decision to leave the organization such as a promotion to a new position within another organization; or perhaps relocation. The other end of the continuum reveals information about the work environments that range from supervisors and co-workers being hostile to a feeling that the organization simply does not care about their employees. In this scenario, the exiting employee literally names co-

workers and supervisors in an attempt to retaliate against them. This type of information is not very often a reliable means of ascertaining the reasons for vacating a position. This HR manager who was mentioned previously stated that accurate and reliable information regarding the real reasons a person would leave the organization are rarely discovered by HR. Some inferences were often made during the exit interview process but in many examples the person who was leaving organization feared retaliation from either a reference perspective; or perhaps some compensation issues. In essence, this HR manager affirmed that exit interviews often do not provide the type of information that would allow one to make adjustments or improvements to the environments within the organization.

WHY ARE THEY LEAVING?

The reasons people leave an organization are so varied that any attempt to find one comprehensive explanation for this phenomenon would be futile. What is encouraged here is an honest assessment of attrition trends. Can they be explained by environmental factors? Are the organizations attrition numbers consistent with other organizations comprised of similar labor force? Is the attrition the result of organizational behaviors or strategies? These are the kinds of questions that must be asked, since all attrition is not a sign of problems and some attrition is always inevitable. For example, if the economic factors of a region create a situation where unemployment rates are uncharacteristically low, attrition rates in an organization comprised of a labor force hired predominantly for less skilled positions may experience a spike in attrition as employees look for better opportunities in this labor competitive market. While this may be an ongoing challenge for this organization, it is the product of market trends and the inherent characteristics of the organization, and not necessarily an indicator of an unhealthy organizational climate or culture.

STRATEGIES TO FACE CHALLENGES

Segmentation – The employees having shared characteristics should be brought at one place and the knowledge that they have should be managed. Proper management of knowledge will lead to appreciation to the employees showing better performance. The segmentation will comprise of employees having best, good and average knowledge.

Modular choices – The organization must provide options on benefits to the employees in order to retain them. A benefit impresses upon the employees and increases the level of loyalty towards organization. Competition or government regulations will invoke some flexible strategies to cope up. The government regulations will make organizations pay more to the employees enhancing the financial burden.

Flexible policies – The managers who are working in the organization must be delegated authority to decide on how benefit the employees if one of them is putting more effort in comparison to others. If you study the entire structure of various organizations in India you will find that the powers on monetary benefits wrest with the management and individual managers are not given any power on decision making. The management should have flexible policies and the powers must be delegated in order to retain good talent.

Individualized management practices - Management should take initiative to train employees. A systematic training and development procedure will enhance the employee's competency resulting into higher productivity and better perks. Latest management practices adopted in various organizations if properly communicated to employees in management cadre will help them to manage people and enhance their morale.

CONCLUSION

Talent retention has and will be a topic for debate in the coming century. The way talent is progressing and the demand for these talents are increasing; the retention will be major challenges that every organization is going to face. In the above context, I would like to conclude by elaborating certain points –

- A good compensation package is the need of the hour for talent retention.
- Updating knowledge through systematic training and development program.
- Very progressive and future oriented promotional policies.
- Human resource planning should be very systematic and a continuous effort is needed.

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AN APPRAISAL OF NEW DIRECT TAX CODE IN INDIA: A NEW CHALLENGE IN DIRECT TAXATION

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ABSTRACT

The new Direct Tax Code to be introduced from the financial year, 2012-13 replacing the five decade old Income tax Act, 1961 has the objective to make the Indian tax structure straightforward and to consolidate, amend the law relating to all direct taxes, namely, income-tax, dividend distribution tax, fringe benefit tax and wealth-tax so as to establish an economically efficient, effective and equitable direct tax system which will facilitate voluntary compliance and help increase the tax-GDP ratio. In this article, an attempt has been made to evaluate the new direct tax code promulgated by India govt. Even though, the basic aim behind Direct tax code is simple and helpful to the people, it is very much criticized because many provisions under this proposal may harm the investors, taxpayers, and Foreign Institutional Investors.

KEYWORDS

Direct Tax, Tax structure, Tax code, Taxpayers.

INTRODUCTION



Of late, Income Tax department of India has put the new proposal for direct tax in front of Government of India and Government has unveiled the draft of a brand new direct tax law, which will replace the five-decade old Income-Tax Act. This is known as Direct Tax Code (DTC). The aim of New Direct Tax Code (DTC) is to make the current tax structure in India straightforward. An important part of the budget every year has been the detailing of the tax rates. However, with the introduction of the new direct tax code, the tax rates will not be part of the budget presented to Parliament every year.

The new code will completely overhaul the existing tax proposals for not only individual tax payers, but also corporate houses and foreign residents. It has been drawn with inspiration from the prevailing tax legislation in US, Canada and UK. It is a topic of interest and a matter of concern for every taxpayer in India. India wants to modernize its direct tax laws, mainly its income tax act which is now nearly 50 years old. The government needs a modern tax code in step with the needs of an economy which is now the third largest in Asia. The new tax code is expected to widen the tax base, end unnecessary exemptions, moderate tax rates and add to the government's coffers.

The direct tax code seeks to consolidate and amend the law relating to all direct taxes, namely, income-tax, dividend distribution tax, fringe benefit tax and wealth-tax so as to establish an economically efficient, effective and equitable direct tax system which will facilitate voluntary compliance and help increase the tax-GDP ratio. Another objective is to reduce the scope for disputes and minimize litigation. It is designed to provide stability in the tax regime as it is based on well accepted principles of taxation and best international practices. It will eventually pave the way for a single unified taxpayer reporting system.

The Code shall replace the five-decade old Income-tax Act ('the Act') from FY 2011 onwards, and true to its promise, proposes to make sweeping and radical changes to the taxation framework in India. There are many features of the Code such as rationalization/reduction of tax rates, removal of profit based exemptions to introduce investment based exemptions, EET scheme of taxation for savings instruments, introduction of general anti-avoidance measures, so on and so forth. The overall objective is that a plethora of exemptions will be limited. Income tax slabs will be three. Rate of taxes will be taken in the schedule so that they need not be changed every year.

In this article, an attempt has been made to evaluate the new direct tax code promulgated by India govt. which will come into effect from 1.4.2012.

RATIONALE BEHIND INTRODUCING DIRECT TAX CODE

The economic reform which was initiated in nineties was restricted to financial, insurance, industrial licensing sectors, etc. and particularly, both the direct and indirect taxes were kept out of it. However, looking to the steps unfolded in the last one year, it becomes visible that it is gathering momentum. Sales tax has been replaced with Value Added Tax (VAT). Discussion for replacing Central Excise and VAT with Goods and Services Tax (GST) is at an advance stage of finalization. With the release of the Discussion Paper (DP) and draft Direct Taxes Code (DTC), the process of reform in Direct Taxes (DT) has already been commenced. Thus, there appears to be a committed movement on the part of the policy-makers to initiate the reform process in both the types of taxes, i.e., direct and indirect.

One of the major areas of reform under the direct tax is with respect to pruning of exemptions and deductions granted while computing taxable income. During the last fifty years, number of exemptions and deductions has been increasing which results in taxing artificial income. In the last five years, there has been increasing awareness amongst the policy-makers about the cost of such exemptions and deductions. It is being felt that the revenue foregone in the process of granting exemptions and deductions is nothing but an expenditure which is named as 'Social Expenditure'. Since the last few years, the Budget Documents placed before the Parliament, contains a detailed list of various sections of direct and indirect taxes under which revenue foregone is quantified. The DP carries a detailed discussion about it and justifies the proposal for the removal of exemptions and deductions. A glance at a table contained in the Budget Documents for the year 2008-09 will show that in the case of Individual taxpayers, total loss of revenue under section 80C of the Income-tax Act, 1961 is Rs. 27,389 crores which is a fairly large amount.

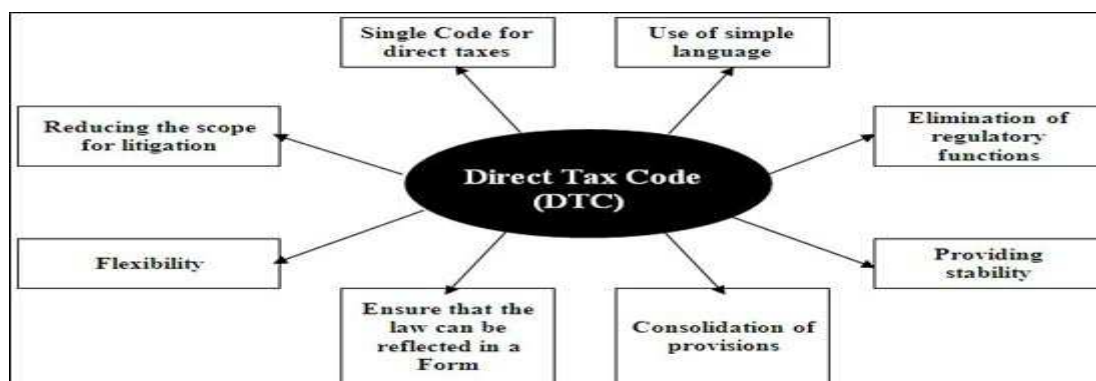
In view of the above discussion, the rationale behind replacing the ITA with the DTC, as per the authorities, was that the existing Act passed way back in 1961 had undergone numerous amendments over the years. This, in turn, rendered the legislation extremely complex and incomprehensible to the average taxpayer.

Besides, there had been frequent policy changes due to changing economic environment, complexity in the market, increasing sophistication of commerce, development of information technology and attempts to minimize tax avoidance. The problem was further compounded by a multitude of judgments (very often conflicting) rendered by the courts at different levels. The DTC was a solution expected to result in a higher tax-GDP ratio, reduce compliance costs, lower administrative burdens, discourage corruption and most importantly improve equity (both horizontal and vertical). However, the Bill (after several revisions of the original) that was finally presented in the Lok Sabha has turned out to be nothing but old wine in a new bottle. There have been significant departures and dilutions from the radical changes that were originally proposed. Even now it is not final. The next step will be to place it before a parliamentary select committee that will recommend changes based on the views and feedback received from various stakeholders. Therefore, as things stand, the DTC will only come into force from April 1, 2012, and the first return of income under its provisions will only be filed for income pertaining to Financial year, 2012-13. Although, some experts and social activists have criticized this move in government as pro-rich, Direct Tax Code(DTC) is intended to provide some much-needed relief to middle-class families, especially people belonging to higher income brackets.

DISCUSSION AND ANALYSIS

SALIENT FEATURES OF THE PROPOSED DIRECT TAX CODE

The Code is a sincere attempt towards simplifying the direct tax laws in India. The language used in the Code is much simpler than the existing Act and leaves very little scope for varied interpretations. While, it will take some time before the Code can be fully understood and analyzed in-depth, it seems that the stated objectives will be met. The salient features of the Code are presented through a pictorial presentation below.



GENERAL CONCEPTS

- The Direct Tax Code to be effective from April 1, 2012.
- Proposed bill has 319 sections and 22 schedules against 298 sections and 14 schedules in existing IT Act.
- Concept of "Assessment Year" and "Previous Year" proposed to be done away with to mitigate confusion and a new unified concept of "Financial Year" to be introduced and the Code proposes that every person shall be liable to pay income-tax in respect of the total income for the financial year.
- Due date for filing of Income tax return:
 - * For Corporate and assesses liable get their books of account audited under the Code proposed to be August 31 every year.
 - * Individuals and other non audit cases proposed to be June 30 every year.
- No surcharge or education cess on any income taxable under the Code.
- Income to be now classified under two broad categories
 - * Income from special sources; and
 - * Income from ordinary sources.
- Income from special sources to include income taxable at special rates like income of non-residents, winning from lotteries and horse races etc.
- Income from ordinary sources to include:
 - * Income from employment;
 - * Income from house property;
 - * Income from business;
 - * Income from capital gains; and
 - * Income from residuary sources.

RATES OF TAX

India is a country having mostly middle income group people and has an oriental Tax Regime since before introduction of DTC bill 2010. Being 3rd Largest Economy in Asia and Emergent Global Economy, Tax- GDP ratio has increased from 2.97 at the beginning of this decade to 6.45 percent in 2009-2010. In India, 95.75 % of tax payers are in 1- 5 lacs income group and 2% of tax payers are in 5-8 lacs income group ;2.2% of tax payers are in greater than 8 lacs income and New Tax Code aimed at benefiting 1-5 Lacs slab Significantly.

The most striking feature is the rationalization level of tax slabs at various levels. The proposed slabs suggest a major overhaul in the intent of CBDT (Central Board of Direct Taxation). A glimpse of the intended structure has already been seen in the Union Budget 2010 wherein the tax slabs have been liberalized to a great extent. The so-called Direct Tax Code, which is scheduled to come into force from financial year 2012-13, i.e. from April 1, 2012, had prescribed removal of almost all tax rebates in individual investments but also proposed raising the income limits for various tax slabs drastically. The following is the comparison of income tax which the assessee will be paying for this financial year and the next financial year when new direct tax code is implemented.

TABLE 1: INCOME TAX SLAB FOR THE ASSESSMENT YEAR 2011-12 AND FINANCIAL YEAR 2012-13 (NEW TAX: CODE) COMPARISON

Income Tax Slabs for Resident Senior Citizens			
S. No.	Tax percentage	AY 11-12 / FY 10-11	FY 12-13
1	No tax / exempt	Up to 2,40,000/-	Up to 2,50,000/-
2	10%	2,40,001/- to 5,00,000/-	2,50,001/- to 5,00,000/-
3	20%	5,00,001/- to 8,00,000/-	5,00,001/- to 10,00,000/-
4	30%	Above 8,00,000/-	Above 10,00,000/-
Income Tax Slabs for Others and Men & Women			
S. No.	Tax percentage	AY 11-12 / FY 10-11 (Income Tax Act, 1961)	FY 12-13 (DTC, 2011)
1	No tax / exempt	Up to 1,60,000/-	Up to 2,00,000/-
2	10%	1,60,001/- to 5,00,000/-	2,00,001/- to 5,00,000/-
3	20%	5,00,001/- to 8,00,000/-	5,00,001/- to 10,00,000/-
4	30%	Above 8,00,000/-	Above 10,00,000/-
Abbreviations: AY:- Assessment Year, FY :- Financial Year.			

On going through the above proposed amendments, proposed by the government, it looks pretty clear that it is nothing but a cosmetic change, and one can even go to the extent to say that the Direct Tax Code is more of a bane than a boon, since people earning at the higher end of the spectrum of the tax slab have never been the biggest contributors towards the exchequer, since they form a very small chunk of the Salaried Employee's matrix.

Therefore, Income tax exemption limit has been proposed at Rs. 2 lakh per annum, up from Rs. 1.6 lakh and 10 per cent tax on annual income between Rs. 2-5 lakh, 20 per cent on between Rs. 5-10 lakh, 30 per cent for above Rs. 10 lakh. It has been calculated that tax burden of assessee having income upto 10 lakhs will

come down by Rs. 41,040 annually. Proposal has been made to raise tax exemption for senior citizens to Rs. 2.5 lakh from Rs. 2.4 lakh. The Code is likely to significantly benefit the salaried class employees, working on a cost-to-company pay-package (which is the widely accepted practice in India). However, the government/ public sector employees could be adversely hit by these provisions, given that they are used to getting a number of tax-free perquisites/allowances. The new slabs promote gender equality by discontinuing the higher exemption hitherto available to ladies and therefore, currently nothing is mentioned about tax exemption to women in proposed bill.

TABLE 2: CORPORATE TAX RATE UNDER NEW DIRECT TAX CODE

Particulars	Income Tax Act, 1961	Original DTC	Revised DTC
Domestic Company	33.22%	25%	30%
Foreign Company	42.23%	25%	30%
Branch Profits Tax	-	15%	15%
MAT	19.93% on Book Profits	0.25% / 2% of Gross Assets	0.25% / 2% of Gross Assets
Dividend Distribution Tax ("DDT")	16.61%	15%	15%
Wealth Tax	1% on Net Wealth exceeding Rs. 3mn	0.25% on Net Wealth exceeding Rs. 500mn	1% on Net Wealth exceeding Rs. 10mn

The government has marginally lowered the tax burden for individuals and has effectively left corporates with largely similar tax rates as before, hoping that these changes will make the new code revenue positive. Though the exact impact is not yet known, finance ministry officials have said that the new code will help shore up the tax-GDP ratio significantly from around the current 11 percent level.

On the face of it, the corporate tax rate has been reduced from a little over 33% to 30%. But tax experts say whether a company pays more tax or less will also depend on a key provision called the **Minimum Alternate Tax (MAT)**. MAT is applicable to those companies who do not show book profits liable to tax, as they claim a plethora of exemptions on account of being in capital intensive industries. With a view to increase the tax base, the MAT liability has been transitioned from 'book profit based taxation' to 'gross assets based taxation'. The earlier rate of 19.93% on book profits has been changed to 2% on the value of gross assets, with no credit for MAT in subsequent years. Instead of book profits, Minimum Alternate Tax ("MAT") is proposed to be computed on gross value of book assets at the rate of 0.25% on banking companies and 2% on other companies. The change would mean that virtually all companies would now be liable to pay MAT on the basis of assets. This is going to have far reaching implications on capital intensive industries as MAT would now be payable even in the start-up years, despite book losses. This shift in MAT from book profits to gross assets is aimed at encouraging optimal utilization and increased efficiency of assets. But, we feel that this proposal seems to run counter to the objective of encouraging of capital investments for productive growth and changes in MAT rule will cause hardship to loss making companies as they will have to pay tax on assets.

Foreign corporates under Income tax Act, 1961 today pay a higher rate of tax. However, the new rate of taxation for foreign corporates under DTC has been decided at 30%. Branches of foreign companies are subject to additional branch profits tax of 15% on total income reduced by the tax paid / payable under the code. Domestic companies will continue to pay dividend distribution tax on dividends distributed at 15% as under the current provisions of the Act. Additionally, under the Code, dividend distribution tax would also be payable on certain loans given by closely held companies.

Partnership firms, association of persons and body of individuals are to be taxed separately as an "unincorporated body" at a maximum marginal rate of 30% without any threshold exemption limit. Wealth tax on company form of organisation is scrapped. Royalty and fees for technical services of non-residents is proposed to be taxed at the rate of 20%. Capital gains are to be taxed at the rate of 30%.

RESIDENTIAL STATUS

- All Companies incorporated in India to be treated as resident in India for the purposes of taxation. Foreign companies would be treated as resident in India if the place of control and management is partly or wholly situated in India at any part of the financial year
- Concept of "Resident but not ordinarily resident of India" proposes to be done away with
- Residents are proposed to be taxed only on India sourced income for initial two years, if they qualify as a non resident in the preceding nine financial years.

ROYALTY / FEES FOR TECHNICAL SERVICES / INDIRECT TRANSFER OF CAPITAL ASSET

- Definition of Royalty and Fees for technical services changed to include:

* *Royalty*: use or right to use of transmission by satellite, cable, optic fiber or similar Technology.

* *Fees for technical services*: development and transfer of design, drawing, plan and software or similar services.

- Royalty, fees for technical services or interest income would be deemed to accrue or arise in India regardless of the payment being made out-side India, or the services being rendered outside India or income has otherwise not accrued in India.

- Income accrued from direct or indirect transfer of capital asset would also be construed as transfer of income deemed to accrue or arise in India.

INCOME FROM EMPLOYMENT

The new DTC also seeks to take the bold step of moving from EEE (Exempt-Exempt-Exempt) to EET (Exempt-Exempt-Taxed) system of taxation for various investment avenues which means any accretion to income till withdrawal is exempt, but withdrawal under any circumstances is taxable. It is proposed to provide the EEE (exempt-exempt-exempt) method of taxation for government provident fund, public provident fund and recognized provident funds. The EET (exempt-exempt-tax) regime should be restricted to new savings instruments after DTC comes into effect, and the same should not apply to existing saving instruments.

Each exemption and deduction has its objective. In order to give greater push, the EEE model followed so far was three-split viz., (a) to provide tax incentive in the year of investment, (b) not to levy tax on the income accruing on such investment, and (c) not to charge any tax when the investment matures in future. Thus, from the perspective of taxability, the entire process remains tax-free, i.e., Exempt, Exempt and Exempt (EEE).

The existing structure of EEE, i.e., exempts, exempt and exempt, was devised in early fifties and sixties wherein the country was in need of savings badly. In order to attract resources for development work, the Government provided substantial tax incentives under the Direct Tax.

However, the scenario has changed since then and Indian citizens have moved far ahead of the period of 50s and 60s. Nature and number of challenges have changed and, hence, the need for appropriate response. Meanwhile, at global level, various countries which have experimented with this model, i.e., EEE, also found it costly and moved to other models. The most common model which has appeared, and is prevalent today, is EET, i.e., Exempt, Exempt and Tax.

JUSTIFICATION FOR EET

EET is a system under which (a) deduction is permitted from gross taxable income while computing tax liability, i.e., first limb 'E', (b) tax is not levied on income accruing on such investment, i.e., second limb 'E' and lastly (c) tax is levied on the amount withdrawn, i.e., 'T'.

Having enjoyed the benefits under EEE, 'T' of EET is bound to create lots of heart-burn amongst the taxpayers, it will be difficult to reconcile to it. Most of citizens in India may not be aware about the amount of debt the Central and State Governments have created since independence. The most important aspect which has not been visible to all of us is pension liability of the retired employees which has not been provided for/funded so far. Apart from that the State has failed to make sufficient provision for the citizens who are not part of the organized sector. Secondly, looking to the size and population of the country, rate of growth has not been sufficient enough. There is shortage of resources.

Experience in the European countries has shown that EET is the best solution to tackle these issues. Data reveals that the countries having EET system have shown considerable progress in pooling the resources, rapid growth in industrial development making it possible to provide steady income during the retirement age. There is hardly any country following the EEE model. All these factors must have weighed with the policy-makers to opt for EET. One may not like EET, but will have to learn to live under it.

Moreover, in India, savings of household sector forms more than 20 per cent to 25 per cent of the current earnings. Since it forms such a major part, taxation thereof also assumes importance. If an individual has to part with substantial portion of the savings so made for taxes, there is no point in foregoing the present

consumption. Therefore, the knowledge of the taxation structure and corresponding system of investment, affecting hard-earned savings, assumes substantial importance. If EET is going to come and citizens have to live under it, there is no alternative except learning to live with it.

Deductions granted under the first limb are considered as incentives. Tax incentives are of two types, viz., exemptions and deductions. But, these incentives are treated as inefficient, distorting, iniquitous, imposing greater compliance burden on the taxpayer and on the administration front, resulting in loss of revenue, creating special interest groups, adding to the complexity of the tax laws, and encouraging tax avoidance and rent seeking behaviour. In order to encourage net savings, it is proposed to rationalise tax incentives. For the said purpose, the DTC proposes EET method of taxation.

METHODOLOGY OF INITIATING EET

In this section, we will examine each limb of EET under the proposed scheme of taxation:

(a) THE FIRST LIMB - 'E' - DEDUCTION AT THE TIME OF INVESTMENT - The DTC provides for deduction in respect of contributions (both by the employee and the employer) to any account maintained with any permitted savings intermediary, during the financial year. This account will be required to be maintained with any permitted savings intermediary in accordance with the scheme framed and prescribed by the Central Government in this behalf. The permitted savings intermediaries will be approved provident funds, approved superannuation funds, life insurer and New Pension System Trust. The accretions to the deposits will remain untaxed till such time as they are allowed to accumulate in the account.

(b) THE SECOND LIMB - 'E' - EXEMPTING INCOME ACCRUING ON INVESTMENT - Under the proposed scheme, the taxpayer will be having the option of making investment wherein income will be accruing periodically and appreciating in value as well. A question may arise about taxability of the income which has accrued and the right to receive has been crystallized in favour of the taxpayer. Under section 3(1)(a) such income becomes taxable as and when it accrues. However, one does not find any specific clause under Schedule VI exempting such income. As a concept, EET means not levying tax on the income accrued till it is withdrawn for consumption. DP refers to this principle and says that there will not be any tax on the income accruing till it is withdrawn. However, a specific clause in this respect is missing in Schedule VI.

(c) THE THIRD LIMB - 'T' - TAXING THE WITHDRAWALS - As per the scheme laid down under DTC, any withdrawal made, or amount received, under whatever circumstances, from these accounts will be included in the income of the assessee under the head 'Income from residuary sources', in the year in which the withdrawal is made or the amount is received. Accordingly, it will be subject to tax at the appropriate personal marginal rate.

Generalized impact of EET:

Tax impact, in the first stage, will be beneficial as, subject to the limits laid down, tax can be saved to the extent of investment made.

Tax impact, in the second stage, will also be beneficial as there will be no tax liability on income accruing to the investment made. A point to be remembered here is that rate of return will have compounding impact, as there will not be any outflow on account of tax. This will help in boosting the growth of the corpus at a faster rate.

Tax impact, in the third stage, will depend upon how the amount is withdrawn from the system. If the assessee opts for monthly withdrawals in the form of annuity, it will be treated as 'Income from residuary sources' and taxed as income for the said year at the applicable rate of tax. Here, there may not be any tax impact if the withdrawals are within the threshold exemption limit.

If the assessee opts for the withdrawal of entire amount of savings made, tax may be payable at a higher rate. Since the assessee will be withdrawing from the funds after reaching the age of retirement, benefit of higher threshold exemption limit will be available.

SPECIFIC IMPACT OF EET ON TAXPAYERS

What will be the impact on the taxpayers of switch-over from EEE to EET? For a taxpayer, the EET scheme *per se* will always be costly. This is for the reason that while comparing the last leg 'E' with the 'T', there is bound to be additional cost. However, therefore, one should not jump to conclude that EEE is better than EET as proposed under the DTC. We should remember that the DTC is proposing EET as a package of increased limit of Rs. 3 lakhs for investment. It means,

(a) there will be additional tax saving on additional amount invested of Rs. 2 lakhs. Assuming that the rate of tax, is 30 per cent it will be Rs. 60,000. The taxpayer will have the option of making investment of it, i.e., Rs. 60,000 or consuming it.

(b) income accruing on Rs. 2 lakhs will also be tax-free. This will help in faster growth of the corpus.

In view of this, while making comparison one will have to keep these factors in mind.

CHART 1: INCOME TAX EXEMPTIONS WITH EEE (EXEMPT-EXEMPT-EXEMPT)

Total Exempted income = 3 Lakh

A = Total of Rs 1 Lakh

Provident Fund (PPF)
Pure Insurance product
New Pension Scheme (NPS)
Government Provident Fund (GPF),
Recognised Provident Funds (RPF)

B = Total of Rs 50000

Life Insurance premium payment
Health insurance premium payment
Tuition fees

C = Total of Rs 1.5 Lakh

Interest amount of housing loans

In place of the existing Sec 80C, the bill proposes a three-tiered deduction. The first tier is a Rs1 lakh deduction for savings in respect of contributions to the employee provident fund, PPF, pension fund etc. The second tier is a deduction with a ceiling of Rs50,000 reserved for deduction in respect of life insurance and health insurance premium as well as for tuition fees. The third tier is for interest amount of housing loan upto Rs 150000.

More clarity is required in respect of how some of the existing instruments that are eligible for tax deduction like ELSS funds, post office instruments such as NSC and time deposits, senior citizen saving scheme (SCSS) and tax-saving bank deposits would be treated under the new regime. Secondly, one cannot help but feel that Rs50,000 is too little for significant payments like life and health insurance as also tuition fees. In a word, the new tax code proposed exemption of income tax on specified savings up to Rs 3 lakh a year as against the present deduction limit of Rs 1 lakh for all types of savings under 80C of the IT Act. Again this is no final direct tax code for all the future years and the finance ministry will keep review and update as and when it's required.

Therefore, if the Tax Code is generous in giving relief to tax payers, surely it will also make life miserable for those who evade tax through fraudulent means. As the Tax Code prescribes stiff penalties and prosecution for non-compliance with the tax laws, it proposes that every tax offense under the Code will be punishable by both imprisonment and fine.

Apart from defaulters, the Tax Code proposes to punish tax consultants who help in tax evasion. It gives sweeping powers and blanket protection to Income Tax officials for initiating court proceedings on matters relating to tax offences.

Earlier, since all these payments were covered by Section 80C, taxpayers could suit the deductions as per their individual situations.

Those with kids could take the shelter offered by tuition fees; those who were self-employed did not have PF contributions but could if owning a house takes advantage of the principal repayment. Elders could use bank deposits and SCSS and in the absence of social security and government sponsored health support and everyone could pay life and medical insurance premiums and take respective deductions separately. However, under the proposals of the new bill, this

freedom is significantly hampered. Moreover, popular exemptions such as house rental allowance, leave travel allowance, leave encashment, tax on non monetary perquisites and medical re-imbursements are proposed to be withdrawn. Employers are responsible to withhold tax on salary income based on the payment or accrual whichever is earlier.

INCOME FROM HOUSE PROPERTY

- In case of let out house properties, the gross rent is proposed to be calculated as higher of contractual rent or a presumptive income of 6% of rateable value / cost of construction / cost of acquisition whichever is higher.
- Deduction in respect of the interest on borrowed capital is proposed to be claimable only in the case where the house properties are let out.
- Deduction in respect of repairs and maintenance cost stands reduced to 20% of the gross rental value.

INCOME FROM BUSINESS

- Income of separate and distinct business which are not interlinked or interlaced to be computed separately.
- Income from business to be computed in the manner laid down under the Code:

TABLE 3: COMPUTATION OF BUSINESS EARNING

Sl.no.	Particulars	Amount.
1.	Gross earnings	XXX
2.	Less: 1) Operating expenditure 2) Finance charges 3) Capital allowances	XXX
3.	Income from Business	XXX

- The Code proposes to classify any asset as either a “business asset” or a “investment asset”. A business asset is classified further into “business capital asset” and “business trading asset”.
- Profits / losses on transfer of investment assets are taxed under the head “Income from capital gains”.
- The ambit of business has been widened to include:
 - * Profit or loss arising in the course of slump sale.
 - * Sale proceeds received on transfer of self generated assets.
 - * Any reduction, remission or cessation of liability.
 - * Profits on transfer of business capital asset.
 - * Amount accrued or received either as advance or deposit from lease of assets for not less than 12 years.
- Many new Block of Assets / categories introduced such as:
 - * Scientific Research Assets.
 - * Assets promoting Family Planning.
 - * Deferred Revenue Expenditure.
 - * Non compete fee.
 - * Voluntary Retirement Scheme.
- The Code does not provide for carry forward of taxes paid under MAT for set off against future tax liabilities.
- Concept of unabsorbed depreciation proposed to be done away with. Both business loss and loss under the head capital gains to be allowed to be carried forward for indefinite period. However, the loss under the head capital gains can be still set-off only against the income under the head ‘capital gains’.
- Specific provisions continue for change in shareholding of unlisted public companies / private companies impacting carry forward and set-off of losses.
- 100% deduction on revenue / capital expenditure incurred on scientific research and development (other than land).
- 150% deduction on revenue and capital expenditure incurred on in-house scientific research and development by a company, excluding expenditure on land.
- * The benefit has been extended to all industries.
- * Government Approval is a pre-requisite for claiming the weighted deduction.
- The Code proposes to shift from profit linked / Area based incentive schemes to investment based incentive schemes. Accordingly, exemptions available under section 10A, 10AA and 10B are proposed to be withdrawn. Discussion paper mentions about grandfathering the benefits, however the code does not contain enabling provisions for such grandfathering.

CAPITAL GAINS

- Concept of “Long term capital asset” and “short term capital asset” is proposed to be withdrawn. All the capital gains are taxable at a flat rate of 30%.
- The indexation benefit can be claimed in respect of those assets that are held by the assessee for more than 1 year.
- The base year of indexation to be changed from April 1, 1981 to April 1, 2000.
- Capital gains and losses to be included in the total income of the financial year in which the investment asset is transferred irrespective of the year of receipt of consideration, except in the case of compulsory acquisition of an asset.
- Under the Code, Securities Transaction Tax is proposed to be abolished.
- Exemption under section 10(38), exempting the sale proceeds received on sale of listed securities which suffered securities transaction tax, stands unaddressed.

Therefore, the Code proposes removal of distinction between long term and short term capital gains; all capital gains would now be taxable at normal rates. The removal of lower tax rate benefit for long term capital gains, coupled with removal of Security Transaction Tax, should increase trading activity in stock-markets.

INTERNATIONAL TAXATION AND TRANSFER PRICING

- The code specifies that there would not be any preferential treatment given to the treaty laws or the Code.
- The code stipulates that the person claiming relief under the treaty would have to get tax residency certificate.
- Discussion paper mentions that when there is a conflict between the provisions of a tax treaty and the provisions of the Code, the one that is later in point of time would prevail.
- General Anti-Avoidance Rule (“GAAR”) introduced to curtail tax avoidance and to be invoked on satisfaction of prescribed conditions.
- Commissioner of Income-tax (CIT) empowered to declare any transaction as impermissible if the same has been entered into:
 - * with the objective of obtaining tax benefit; or
 - * without any commercial substance; or
 - * creates any rights or obligations not normally created in the arm’s length transactions; or
 - * results into direct or indirect misuse of the provisions of the Code
- Advance Pricing Agreement (APA) mechanism has been introduced which has brought in certainty to the international transactions. Central Board of Direct Taxes granted authority for entering agreement in respect of the arm’s Length price with the any tax payer for international transactions. Agreement is valid for period up to 5 financial years unless there is a change in law or facts.
- Determination of arm’s length price will be subject to safe harbour rules as may be framed by the Board. Safe harbour rules may not be applicable across all industries/transaction types.

WEALTH TAX BENEFITS

The proposed Tax Code has sought to make major changes in wealth tax calculations and rates. The threshold limit for wealth tax will be raised to Rs 50 crore from the present Rs 30 lakh and the tax rate was reduced from 1 per cent to 0.25 per cent. But, in a smart move, to expand the scope of taxation the Tax Code included financial assets like shares, corporate bonds, fixed deposits, etc in wealth tax. The valuation of these assets will be done at cost or at market price, whichever is lower. In case of capital gains tax too, the Tax Code proposed some sweeping changes. It has done away with the present system of short-term and long-term capital gain tax, and replaced it with a uniform structure and gains will be taxed at the marginal tax rate as applicable to the tax payer. The implications of these changes are clear: The period of holding has no bearing on the tax payable and bigger investors will be taxed at higher rates than the smaller ones.

CONCLUSION

The Code shall replace the five-decade old Income-tax Act ('the Act') from FY 2012 onwards, and true to its promise, proposes to make sweeping and radical changes to the taxation framework in India. There are many features of the Code such as rationalization/reduction of tax rates, removal of profit based exemptions to introduce investment based exemptions, EET scheme of taxation for savings instruments, introduction of general anti-avoidance measures, so on and so forth. The new code is expected to streamline tax rates and administration for foreign institutional investors, for whom India is a top destination. The code aims to provide greater tax clarity and stability to investors who want to invest in Indian projects and companies.

But, there are always two sides of any coin. The Direct Tax code in India is very much discussed and criticized now a day. Even though, the basic aim behind DTC is simple and helpful to the people, it is very much criticized because many provisions under this proposal may harm the investors and FIs. The flip side here is the loss of revenue to the government due to the concessions being provided and what the finance minister may do to counter that. It is possible that the proposed tax slabs and the tax rates may be standardized to ensure that the loss of revenue to the exchequer is minimized.

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SITUATIONAL ANALYSIS OF BANKING PERFORMANCE IN KOLHAPUR DISTRICT WITH REFERENCE TO PRIORITY SECTOR LENDING

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ABSTRACT

It has been the Endeavour of each state to fulfill the needs of its citizens which are primarily food, clothing and shelter. Food takes the priority over all the other needs. Which implies that agricultural sector gets top most priority. In India there are thousands of marginal farmers who struggle to make both ends meet. Along with agriculture sector there are other sectors which play an important role in the upliftment of poor people. As a financial cover banking sector in India treat these Agriculture, Small Scale Industry and other sectors of prime importance from the socio-economic development point of the country as a priority sectors and allot substantial portion of their lending to these sectors. This paper performs a situational analysis of the banking performance in the priority sector lending in Kolhapur District.

KEYWORDS

Endeavour, citizens, priority, marginal farmers, substantial portion.

INTRODUCTION

The role of Commercial Banks in India has been, and continues to be an important in the economical and social development of the country. Prior to nationalization, the banks had developed a powerful trend in the direction of monopoly and concentration of wealth in fewer hands. They were giving credit only to big business houses and large scale industries and helped financially those individuals and group their off who were rich and prosperous. This had led to the process of economic concentration. During this pre-nationalisation period some sectors which were important from the societal point of view like Agriculture, Small-Scale industries and cottage industries and socially backward people were totally neglected. Also there were regional disparities among the various geographical regions of the country.

After the nationalisation of 14 major private sector banks in 1969, these banks became public sector banks and their activities were directed towards serving in larger measure the neglected sectors of the economy. Since the neglected sectors constituted the large size of the Indian society, banks had to expand and reach to them all over the country. Thus nationalisation had resulted in the expansion of branch network, particularly in un-banked and under-banked geographical areas and thereby reducing regional disparities in the levels of economic development. The banking system had penetrated into the interior parts of the country and this has helped banking habits among the people. Bank borrowings have tended to substitute the traditional moneylenders. Banking services are now available in the all the areas and not served by the banks so that the credit gaps in agriculture, small-scale and other neglected sectors are met by the organized banking system.

Equity and social justice inter alias constitute the guiding principles of our five-year plans and they are sought to be promoted through rural development and extension of assistance to the weaker sections of the society. Special programmes are implemented through the banking sector to redirect resources to the previously neglected sectors and to the weak and under privileged sections of the population. Thus banking sector has emerged as an active agent for social and economic change. At present banks are playing a key role as a catalytic agent in the development of process of the economy.

GENESIS OF PRIORITY SECTOR

At a meeting of the National Credit Council held in July 1968, it was emphasised that commercial banks should increase their involvement in the financing of priority sectors, viz., agriculture and small scale industries. The description of the priority sectors was later formalized in 1972 on the basis of the report submitted by the Informal Study Group on Statistics relating to advances to the Priority Sectors constituted by the Reserve Bank in May 1971. On the basis of this report, the Reserve Bank prescribed a modified return for reporting priority sector advances and certain guidelines were issued in this connection indicating the scope of the items to be included under the various categories of priority sector. Although initially there was no specific target fixed in respect of priority sector lending, in November 1974 the banks were advised to raise the share of these sectors in their aggregate advances to the level of 33 1/3 per cent by March 1979.

At a meeting of the Union Finance Minister with the Chief Executive Officers of public sector banks held in March 1980, it was agreed that banks should aim at raising the proportion of their advances to priority sectors to 40 per cent by March 1985. Subsequently, on the basis of the recommendations of the Working Group on the Modalities of Implementation of Priority Sector Lending and the Twenty Point Economic Programme by Banks, all commercial banks were advised to achieve the target of priority sector lending at 40 per cent of aggregate bank advances by 1985. Sub-targets were also specified for lending to agriculture and the weaker sections within the priority sector. Since then, there have been several changes in the scope of priority sector lending and the targets and sub-targets applicable to various bank groups.

CATEGORIES OF PRIORITY SECTOR

(i) **Agriculture (Direct and Indirect finance):** Direct finance to agriculture shall include short, medium and long term loans given for agriculture and allied activities directly to individual farmers, Self-Help Groups (SHGs) or Joint Liability Groups (JLGs) of individual farmers without limit and to others (such as corporate, partnership firms and institutions) up to Rs. 20 lakh, for taking up agriculture/allied activities.

Indirect finance to agriculture shall include loans given for agriculture and allied activities as specified in Section I, appended.

(ii) **Small Scale Industries (Direct and Indirect Finance):** Direct finance to small scale industries (SSI) shall include all loans given to SSI units which are engaged in manufacture, processing or preservation of goods and whose investment in plant and machinery (original cost) excluding land and building does not exceed the amounts specified in Section I, appended. Indirect finance to SSI shall include finance to any person providing inputs to or marketing the output of artisans, village and cottage industries, handlooms and to cooperatives of producers in this sector.

(iii) **Small Business / Service Enterprises** shall include small business, retail trade, professional & self employed persons, small road & water transport operators and other service enterprises as per the definition given in Section I and other enterprises that are engaged in providing or rendering of services, and whose investment in equipment does

not exceed the amount specified in Section I, appended.

(iv) **Micro Credit :** Provision of credit and other financial services and products of very small amounts not exceeding Rs. 50,000 per borrower to the poor in rural, semi-urban and urban areas, either directly or through a group mechanism, for enabling them to improve their living standards, will constitute micro credit.

- (v) **Education loans:** Education loans include loans and advances granted to only individuals for educational purposes up to Rs. 10 lakh for studies in India and Rs. 20 lakh for studies abroad, and do not include those granted to institutions;
- (vi) **Housing Loans:** Loans up to Rs. 15 lakh for construction of houses by individuals, (excluding loans granted by banks to their own employees) and loans given for repairs to the damaged houses of individuals up to Rs.1 lakh in rural and semi-urban areas and up to Rs.2 lakh in urban areas.

TARGETS/SUB-TARGETS OF PRIORITY SECTOR LENDING

The targets and sub-targets set under priority sector lending for domestic and foreign banks operating in India are furnished below:

Total Priority Sector Advances:

i) Domestic Commercial Banks:

40 per cent of Adjusted Net Bank Credit (ANBC) or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.

ii) Foreign Banks:

32 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.

Total Agricultural Advances:

i) Domestic Commercial Banks:

18 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher. Of this, indirect lending in excess of 4.5% of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher, will not be reckoned for computing performance under 18 per cent target. However, all agricultural advances under the categories 'direct' and 'indirect' will be reckoned in computing performance under the overall priority sector target of 40 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.

ii) Foreign Banks:

No target.

SSI Advances:

i) Domestic Commercial Banks:

Advances to SSI sector will be reckoned in computing performance under the overall priority sector target of 40 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.

ii) Foreign Banks:

10 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.

Micro Enterprises within SSI:

i) Domestic Commercial Banks:

(i) 40 per cent of total SSI advances should go to units having investment in plant and machinery up to Rs 5 lakh,

(ii) 20 per cent of total SSI advances should go to units with investment in plant & machinery between Rs 5 lakh and Rs. 25 lakh (Thus, 60 per cent of SSI advances should go to the micro enterprises).

ii) Foreign Banks:

(i) 40 per cent of total SSI advances should go to units having investment in plant and machinery up to Rs 5 lakh,

(ii) 20 per cent of total SSI advances should go to units with investment in plant & machinery between Rs 5 lakh and Rs. 25 lakh (Thus, 60 per cent of SSI advances should go to the micro enterprises).

Export Credit:

i) Domestic Commercial Banks:

Export credit is not a part of priority sector for domestic commercial banks.

ii) Foreign Banks:

12 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.

Advances to Weaker Sections:

i) Domestic Commercial Banks:

10 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.

ii) Foreign Banks:

No target.

Differential Rate of Interest Scheme:

i) Domestic Commercial Banks:

1 per cent of total advances outstanding as at the end of the previous year. It should be ensured that not less than 40 per cent of the total advances granted under DRI scheme go to scheduled caste/scheduled tribes. At least two third of DRI advances should be granted through rural and semi-urban branches.

ii) Foreign Banks:

No target.

PROFILE OF KOLHAPUR DISTRICT

Kolhapur is the southernmost district of Maharashtra with its head quarter located at Kolhapur city. This is an ancient city situated on the banks of river Panchganga and is known as 'Dakshin Kashi'. Kolhapur is seat of Goddess Mahalaxmi and is one of the Shaktipeeths mentioned in Indian mythology. Chhatrapati Shahu Maharaja was the founder architect of modern Kolhapur. The district is rich in natural resources- water, soil, natural vegetation, animal wealth and minerals. As a result, Kolhapur is one of the most agriculturally advanced districts of not only Maharashtra but also India.

The geographical spread of the district is of 7746.40 sq. kms. The city of Kolhapur which is a district head quarter is located on National Highway No.4. The administration of the district is governed through four Revenue Sub Divisions, 12 Tehasils and 12 Panchayat Samittees Blocks. There are nine Municipal Councils and One Municipal Corporation in the district. Total Population of the district as per census 2001 is 3515,413.

Geographical area of the district is 776000 hectares, and net sown area is about 442000 hectares. Land not available for cultivation is 77200 hectares. The land holdings in the district are fragmented and 85% holders are below 2 hectares. The district is endowed with 7 main perennial rivers. All the rivers flow from West side towards Eastern side. The net irrigated area of the district is 129000 hectares which is about 26% of the net sown area of 442000 hectares.

Some of the worth visiting tourist places in and around Kolhapur are:

Temples: Mahalaxmi Temple, Holy Jotiba Hill, Goddess Tryambuli Temple, Narasinhawadi, Holy-place Bahubali, Katyani Devi Temple, Kashi Vishveshawar Temple, Holy Khidrapur (Kopeshwar), Kaneri Cloister, and Shankaracharya's Cloister.

Historical Places: New Palace, Shalini Palace, Bhavani Mandap, Town Hall, Shivaji Vidyapeeth

Hill Stations: Panhala Fort & Hill Station, Vishalgad Fort, Dajipur Abhayaryana

Lakes: Rankala Lake, Kotiteertha

OBJECTIVES OF THE STUDY

The present study has the following objectives

1. To study the Concept of priority sector lending.

2. To study the bank group-wise performance of priority sector lending at National level.
3. To evaluate sector-wise & bank group-wise performance of priority sector lending as compare to the targets set by RBI in study area.
4. To study the performance of different bank groups on the basis of targets set by District Credit Planning Committee.

METHODOLOGY

The author has selected the Kolhapur District as geographical area for present study because he belongs to this district. He has collected and used the primary as well as secondary data. The present study is based on the data collected from the Lead District Bank, Kolhapur and Report on Trend and Progress of Banking in India of the Reserve Bank of India. Some other information is derived from the various books, journals, magazines and retrieved from internet. This study covers the priority sector lending in four financial years i.e. from 2004-05 to 2008-09. The data is analyzed and interpreted by calculating the percentage and compound growth rate.

BANKING IN KOLHAPUR DISTRICT

There are 22 Nationalized Banks and 8 Public Sector/Private Scheduled Banks with 232 branches of which 169 branches have been allotted specific service area covering 1145 villages. The Kolhapur District Central Cooperative Bank Ltd, occupy major share of rural finance in Cooperative Sector. They have 207 branch networks in the district. Maharashtra State Co-operative Agricultural and Rural Development Ltd. is operating in the district with their 16 branches. Besides, there are 60 Urban Co-operative Banks and 2161 co-operative societies in the district. As on 31st March 2008 Total Deposits of all the banks in district were Rs. 5756.44 Crores and Total Advances were Rs. 5921.67 Crores and C.D. Ratio was 103%.

PRIORITY SECTOR LENDING IN INDIA

Since the 1974 all commercial banks are lending to priority sectors as per the targets set by the Reserve Bank of India. But after the 36 years of targeted lending, it is observed that, some groups of banks have failed to attain the set targets. The Table No. 1 shows that during the study period Public Sector Banks and Private Sector Banks have attained the set target of 40 percent of Net Bank Credit except in the financial year 2006-07.

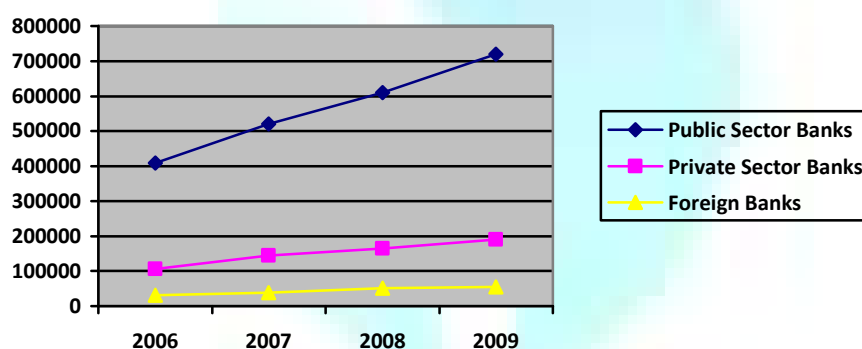
TABLE NO. 1: BANK GROUP-WISE ADVANCES TO THE PRIORITY SECTORS IN INDIA (As on last reporting Friday) (Rs.in Crores)

Bank Group	Amount Outstanding				Compound Growth Rate
	March 2006	March 2007	March 2008	March 2009	
Public Sector Banks	409748 (40.3)	521376 (39.7)	610450 (44.7)	720083 (42.5)	15.14%
Private Sector Banks	106586 (42.8)	144549 (42.9)	164068 (47.8)	190207 (46.8)	15.58%
Foreign Banks	30439 (34.4)	37831 (33.4)	50254 (39.5)	55483 (34.3)	16.19%
Total Priority Sector Advances	546773	703756	824772	965773	15.28%

Source: Report on Trend and Progress of Banking in India, RBI.

@ Provisional

Note: Figures in bracket indicate the percentage of Priority Sector advances to NBC.



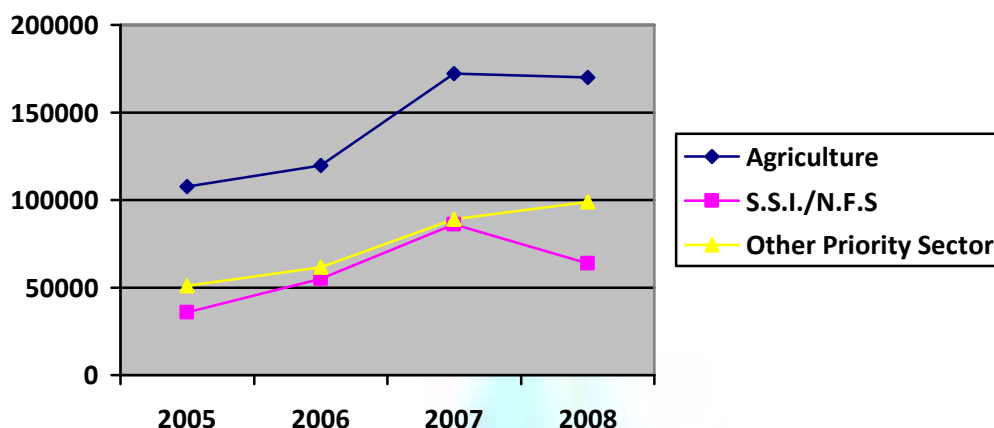
The analysis of Priority Sector Lending during the study period by the Public Sector Banks, Private Sector Banks and Foreign Banks shows that, all these bank groups have been paying the required attention to adhere the targets set by RBI regarding advances to Priority Sector Lending of 40 percent of their Adjusted Net Bank Credit or Off-Balance Sheet Exposure whichever is higher. The above table no. 1 shows that out of the four years of study during three years, Public Sector Banks have achieved the targets and Private Sector Banks and Foreign Banks have achieved their respective targets of 40 percent and 32 percent during all the years of study. The table No.1 reveals that the compound growth rate of Public Sector Banks (15.14%) is less than that of the compound growth rate of total priority sector lending (15.28%). Compound growth rate shows that Private Sector Banks and Foreign Banks are performing well as compare to Public Sector Banks.

PRIORITY SECTOR LENDING IN KOLHAPUR DISTRICT

TABLE NO. 2: SECTOR-WISE OUTSTANDING ADVANCES TO PRIORITY SECTORS IN KOLHAPUR DISTRICT (AS ON 31ST MARCH) (Amount in lacs)

SECTOR	2005		2006		2007		2008		Compound Growth Rate
	Amount	% of Total Adv.	Amount	% of Total Adv.	Amount	% of Total Adv.	Amount	% of Total Adv.	
Agriculture	107523	34%	119617	30%	172347	33%	170122	29%	16.53%
S.S.I./N.F.S	35587	11%	55054	14%	85959	16%	63806	11%	21.49%
Other Priority Sector	51048	16%	61677	15%	89062	17%	99075	17%	24.74%
Total	194158	62%	236448	59%	347368	66%	333003	56%	19.70%

Source: Lead District Bank, Kolhapur

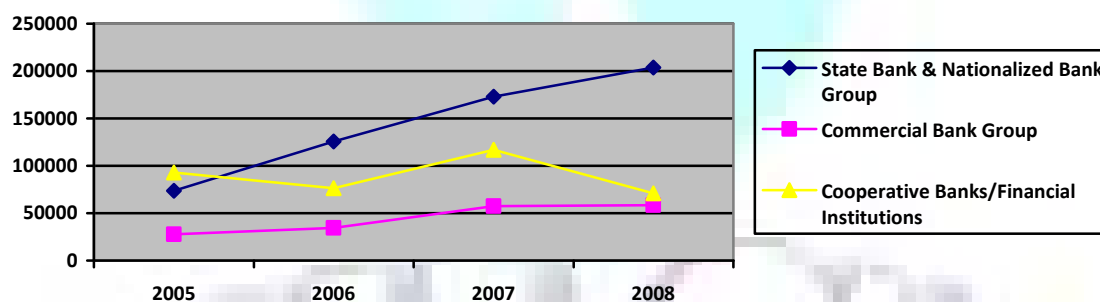


According to the norms set by Reserve Bank of India at least 18% of the net banking credit must go to the Agriculture sector. The table No.2 shows that in Kolhapur district the Agriculture Sector has been getting more importance about banks finance as compared to the other priority sectors including Small Scale Industries. The outstanding advances to Agriculture and Small Scale Industries shows the increasing trend in first three years of the study, which has decreased in the last financial year 2008. The amount outstanding advances to Agriculture as well Small Scale Industries have decreased to Rs.170122 lacs and Rs. 63806 lacs in the financial year 2008 as compare to Rs.172347 and Rs.85959 lacs in 2007 respectively. The graph shows the increasing trend of outstanding advances to Agriculture and other Priority Sectors excluding the Small Scale Industries. The compound growth rate shows that the growth rate of outstanding advances in agriculture sector is poor as compare to compound growth rate of other priority sectors as well as to compound growth rate of outstanding advances to total priority sectors.

TABLE NO. 3: BANK GROUP-WISE OUTSTANDING ADVANCES TO PRIORITY SECTOR IN KOLHAPUR DISTRICT (AS ON 31ST MARCH) (Amount in lacs)

Bank Group	2005		2006		2007		2008		Compound Growth Rate
	Amount	% PS to Total Adv.	Amount	% PS to Total Adv.	Amount	% PS to Total Adv.	Amount	% PS to Total Adv.	
State Bank & Nationalized Bank Group	73693	58%	125823	67%	172938	68%	203716	68%	40.35%
Commercial Bank Group	27601	51%	34417	50%	57561	49%	58464	43%	28.43%
Cooperative Banks/Financial Institutions	92864	71%	76208	53%	116869	70%	70823	46%	-8.64%
Total	194158	62%	236448	59%	347368	66%	333003	56%	19.70%

Source: Lead District Bank, Kolhapur



The analysis of bank group-wise outstanding advances to priority sectors in Kolhapur District clearly shows the increasing trend of public sector banks i.e. State Bank Group and Other Nationalised Banks. These Public Sector Banks are giving more emphasis to increase the share of priority sectors in their advances as compare to other Commercial Banks, Cooperative Banks and other Financial Institutions. The Table No.3 has revealed that the amount outstanding advances by Public Sector Banks has increase from Rs. 73693 2005 to Rs. 203716 lacs in 2008 at the compound growth rate of 40.35 percent. In the case of Cooperative banks and other Financial Institutions, it seems that they have been achieving the set target of 40 percent advances to priority sector during all the years of study, the outstanding advances towards priority in terms of amount, the table reveals that it has decreased from Rs. 92864 in 2005 to Rs. 70823 in 2008 at compound growth rate of -8.64 percent.

TABLE NO.4: BANK GROUP-WISE PERFORMANCE UNDER PRIORITY SECTOR LENDING IN KOLHAPUR DISTRICT (Rs. In Crores)

BANK GROUP	2004-05			2005-06			2006-07			2007-08		
	Target	Achievement	%	Target	Achievement	%	Target	Achievement	%	Target	Achievement	%
State Bank & Nationalized Bank Group	298	397	133	418	540	129	404	348		620	672	108
Commercial Bank Group	223	90	73	137	118	86	126	56		233	309	132
Cooperative Banks/Financial Institutions	551	292	53	677	526	78	579	357		830	459	55
Total	972	779	80	1232	1184	96	1109	761		1683	1440	85

Source: Lead District Bank, Kolhapur

From the above Table No.4 it can be seen that State Bank and nationalized banks fulfill their targets set by District Credit Planning Committee every year. The performance of State Bank Group and Nationalised Banks during the all these financial years of the study period has been excellent. The achievement in terms of percentage to target has been always more than 100 percent of the public sector banks as compare to Commercial Banks, Cooperative Banks and other Financial Institutions. The performance of Cooperative Banks and Financial Institution has been very poor as compare to performance of other bank groups. In 2005 the performance of Cooperative Banks and other Financial Institutions was just 53 percent which has increased to 78 percent in 2006, but again it has decreased to 55 percent in 2008. It is significant to note that banks in the co-operative sector and commercial banks fall short of targets.

CONCLUSIONS

Indian banking sector gives importance to lending to priority sector and most of the banks especially State bank groups and nationalized banks act according to the national priority set by the Reserve Bank of India. Commercial Bank groups and those in the private sector must be advised to fall in line. It seems that, in case of State Bank Group and Nationalised Bank Group the targets set by the District Credit Planning Committee are not sufficient or less. While setting the target the District Credit Planning Committee should consider the business of the respective bank as well as the demand from the borrowers belong to priority sector.

The advances of cooperative banks and other financial institutions have been quit satisfactory as compare to their total advances, but it is showing the deceasing trend. The major reason behind this failure can be decrease in the business of these banks.

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ISSUES IN RECRUITMENT AND SELECTION

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ABSTRACT

The importance and purpose of recruitment stresses the need to attract and encourage more and more candidates to apply in the organization. This creates a talent pool of candidates to enable the selection of best candidates for the organization. It includes determining present and future requirements of the organization in conjunction with its personnel planning and job analysis activities. Thus, it is the process which links the employers with the employees. It helps to increase the pool of job candidates at minimum cost. It helps increase the success rate of selection process by decreasing number of visibly under qualified or overqualified job applicants. Thus, it helps reduce the probability that job applicants once recruited and selected will leave the organization only after a short period of time. It meets the organizations legal and social obligations regarding the composition of its workforce. It begins identifying and preparing potential job applicants who will be appropriate candidates. Finally, it increases organization and individual effectiveness of various recruiting techniques and sources for all types of job applicants. The paper attempts to highlight the Recruitment & selection processes in ten organizations across sectors in the Indian scenario. It examines issues in the recruitment and selection processes and offers suggestions.

KEYWORDS

Recruitment, Employment, Selection, Staffing, Manpower planning, Human resource planning, Job analysis

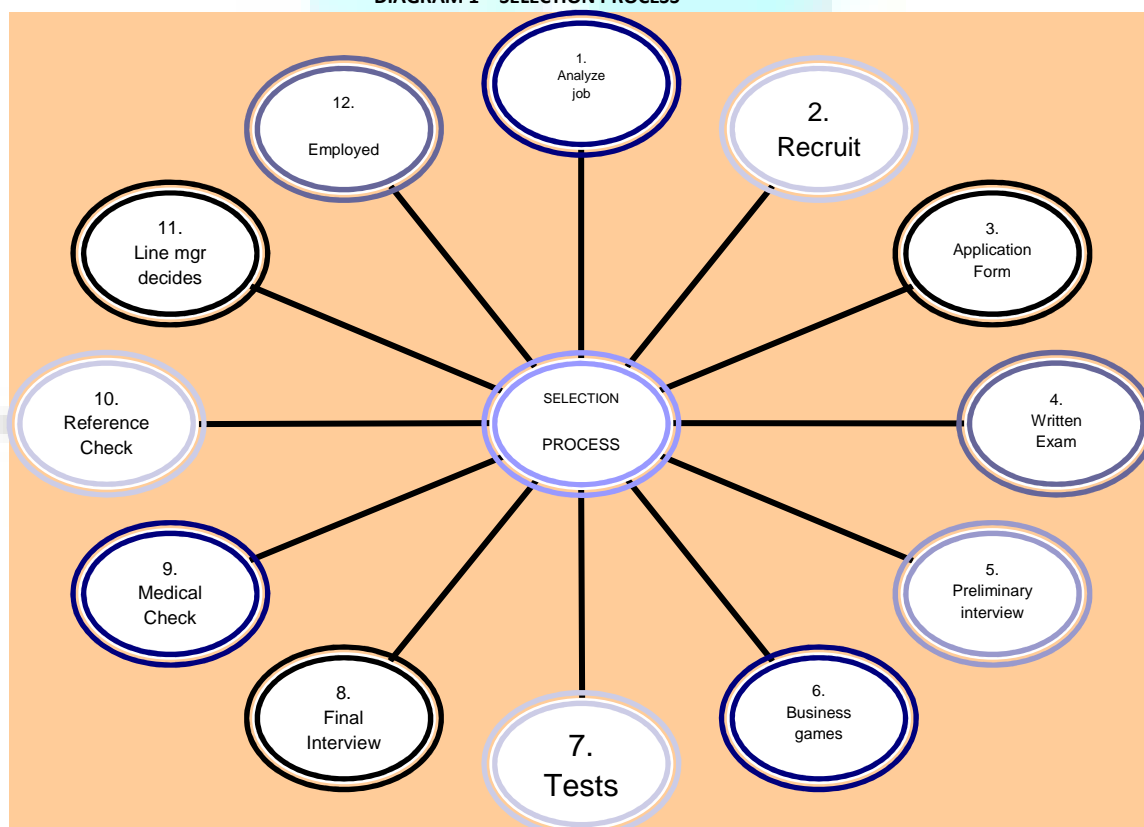
INTRODUCTION

Recruitment is an important part of an organization's human resource planning and their competitive strength. Competent human resources at the right positions in the organization are a vital resource and can be a core competency or a strategic advantage for it.

The objective of the recruitment process is to obtain the number and quality of employees that can be selected in order to help the organization to achieve its goals and objectives. With the same objective, recruitment helps to create a pool of prospective employees for the organization so that the management can select the right candidate for the right job from this pool. Recruitment acts as a link between the employers and the job seekers and ensures the placement of right candidate at the right place at the right time. Using and following the right recruitment processes can facilitate the selection of the best candidates for the organization. Thus, according to Edwin B. Flippo, recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in the organization".

Following next, is a long process of Selection, commencing from the preliminary interview of the applicants and ending with the contract of employment. Thus, selection is to identify the individual, who can most successfully perform the job from the pool of qualified candidates.

Diagram 1 shows a generalized selection process. In practice, the process differs among organizations and between two different jobs within the same company. Selection procedure for senior managers will be long-drawn and rigorous, but it is simple and short while hiring shop-floor workers.

DIAGRAM 1 – SELECTION PROCESS

OBJECTIVE

The objective of the research is to emphasize the importance of the process of the recruitment and selection function. After this, we need to understand the challenges it encounters and find a solution to meet these challenges.

METHODOLOGY

The Research Methodology is based on primary data available through interviewing around ten Personnel managers. It also includes secondary data available through various web-site portals, books and e-articles. The assimilation of the information is used to suggest ways and means to face the arising challenges of the processes involved in the recruitment and selection function.

FINDINGS**RECRUITMENT**

There are several sources of recruitment and they may be broadly categorized into (i) internal, and (ii) external. (See diagram 2)

INTERNAL RECRUITMENT

Internal recruitment seeks applicants for positions from those who are currently employed. Internal Sources include present employees, employee referrals, former employees, and former applicants.

Present employees: Promotions and transfers from among the present employees can be a good source of recruitment. Promotion to higher positions has several advantages. They are –

1. It is good public relations
2. It builds morale.

However, promotion can be dysfunctional to the firm as the advantage of hiring outsiders who may be better skilled and qualified is denied.

Employee referrals: Employees can develop good prospects for their families and friends by acquainting them with the advantages of a job with the company, furnishing cards of introduction, and even encouraging them to apply.

There are some potential negative factors associated with employee referrals. They include the possibility of inbreeding, manifesting in groups of people quitting one firm and joining another. They carry with them the cultural practices of the other firms. They form cliques of their own, demand unacceptable privileges and often threaten to quit if demands are not met.

Former Employees: Former employees are also an internal source of applicants. Some retired employees are willing to work on a part-time basis or may recommend someone who would be interested in working for the company. An advantage with this source is that the performance of these people is already known.

Previous Applicants: Although not truly an internal source, those who have previously applied for jobs can be contracted by mail, a quick and inexpensive way to fill an unexpected opening.

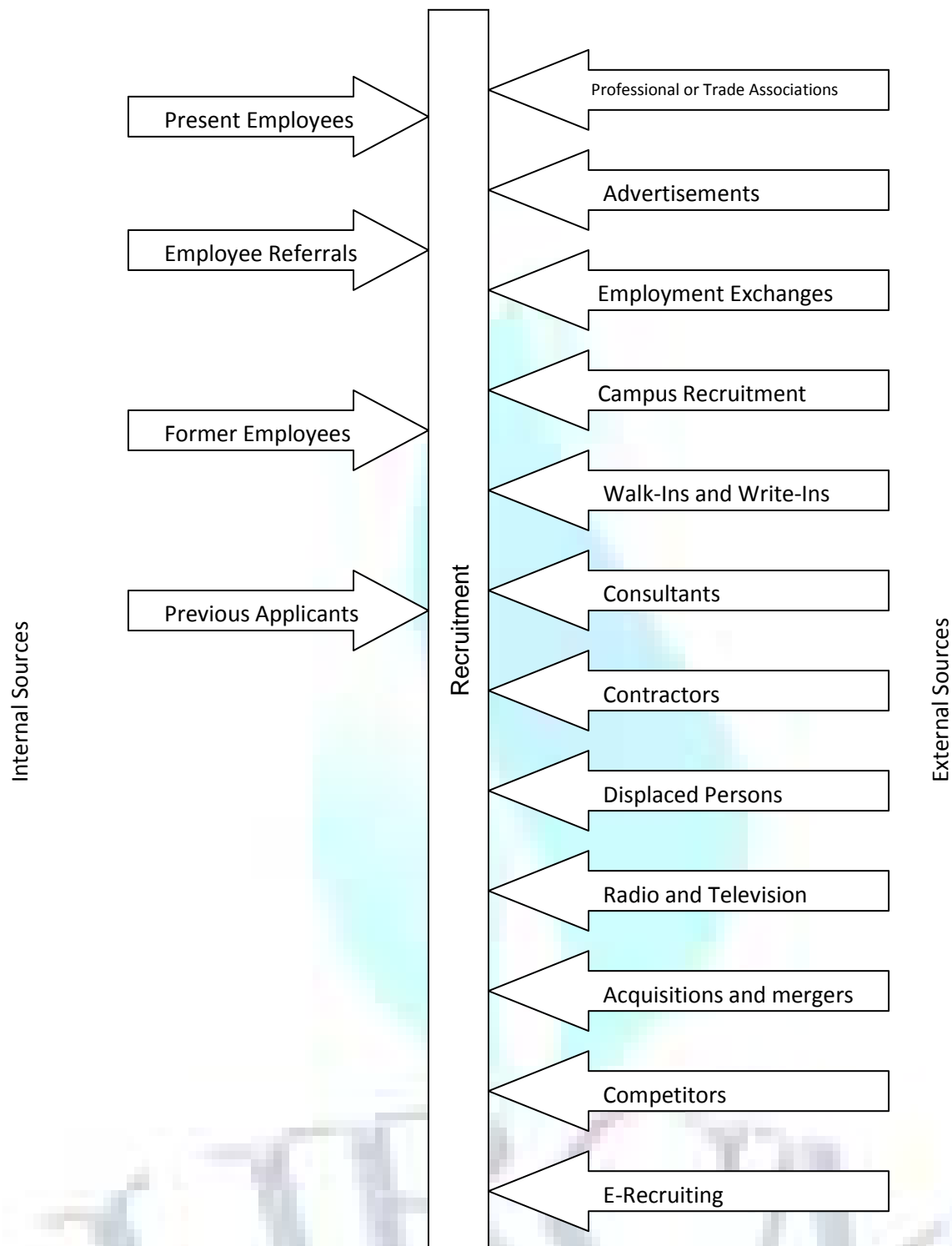


Diagram 2 - Sources of Recruitment

EXTERNAL RECRUITMENT

External sources far outnumber the internal methods. Specifically, sources external to a firm are:

Professional or Trade Associations: They maintain complete bio-data of their members and organizations find this source more useful to recruit executives, managers & engineers.

Advertisements: Want ads describe the job and the benefits, identify the employer, and tell those who are interested and how to apply.

Employment Exchanges: The Government set up Public Employment Exchanges in the country to provide information about vacancies to the candidates and to help the organizations in finding out suitable candidates.

Campus Recruitment: Most of the Universities, colleges and Institutes imparting Technical Education in various disciplines provide facilities for campus recruitment and selection. Organizations can directly contact the institutes and stimulate the candidates to apply for jobs.

Walk-Ins, Write-Ins and Talk-Ins: Candidates apply casually for jobs through mail or hand-over the Applications in Personnel Department.

Consultants: Consultants in India perform the recruitment on behalf of a client company by charging a fee. Organizations depend on this source for highly specialized positions and executive positions.

Contractors: Contractors are used to recruit casual workers. The names of the workers are not entered in the company records and, to this extent, difficulties experienced in maintaining permanent workers are avoided.

Displaced persons: Implementation of a project in an area would result in displacement of several hundred inhabitants. Rehabilitating the displaced people is a social responsibility of business.

Radio and Television: Companies in the private sector are hesitant to use the media because of high costs and also because they fear that such advertising will make the companies look desperate and damage their conservative image.

Acquisitions and Mergers: When organizations combine into one, they have to handle a large pool of employees, some of whom may no longer be necessary in the new organization. As a result of the merger, new jobs may be created. Both new and old jobs may be readily staffed by drawing the best-qualified applicants from this employee pool.

Competitors: Rival firms can be a source of recruitment. There are legal and ethical issues involved in 'raiding', this method involves identifying the right people in rival companies, offering them better terms and luring them away.

E-recruiting: There are respective company websites devoted in some manner to job posting activities. There are negatives associated with Internet recruiting. For example, broader exposure might result in many unqualified applicants applying for jobs. More resumes need to be reviewed, more e-mails dealt with and specialized applicant tracking software may be needed to handle the large number of applicants. Another problem is that the recruiters are likely to miss out many competent applications that lack access to Internet.

SELECTION PROCESS

In practice, the selection process differs among organizations and between two different jobs within the same company. Selection procedure for senior managers will be long-drawn and rigorous, but it is simple and short while hiring shop-floor workers.

Environmental Factors affecting selection

Selection is influenced by several factors. More prominent among them are supply and demand of specific skills in the labour market, unemployment rate, labour-market conditions, legal and political considerations, company's image, company's policy, Human resource planning and cost of hiring. The last three constitute the internal environment and the remaining form the external environment of the selection process.

Preliminary Interview:

The purpose of the preliminary interview is the elimination of unqualified applicants. Scrutiny enables the HR specialists to eliminate unqualified job seekers based on the information supplied in their application forms.

Selection Tests:

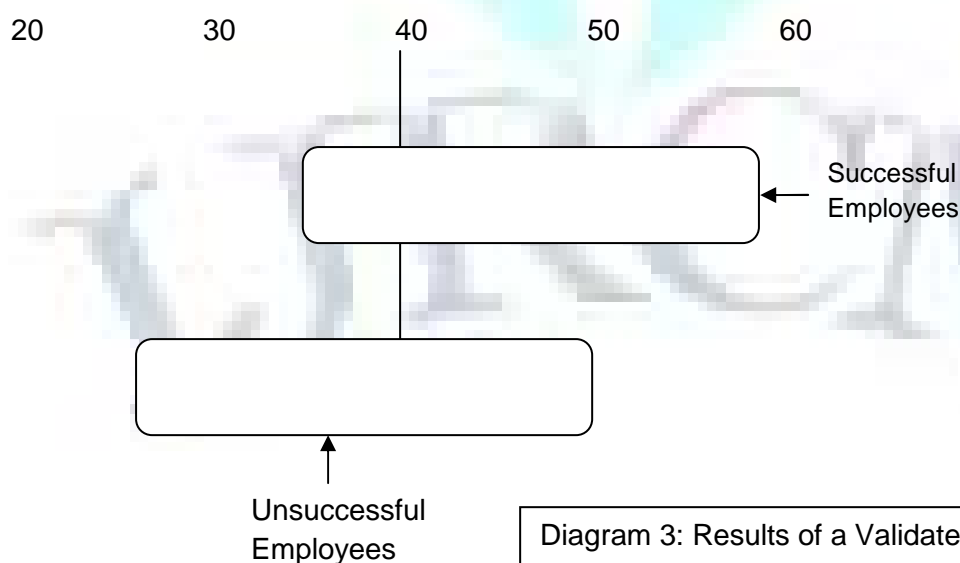
Job seekers who pass the screening and preliminary interview are called for tests. Different types of tests may be administered, depending on the job and the company. Generally, tests are used to determine the applicant's ability, aptitude and personality. Interest tests, graphology tests, medical tests and genetic screening are also some of the tests done. Tests must be chosen based on the criteria of reliability, validity, objectivity and standardization.

Reliability refers to the standardisation of the procedure of administering and scoring the test results. A person who takes a test one day and makes a certain score should be able to take the same the next day or the next week and make more or less the same score. An individual's intelligence, for example, is generally a stable characteristic. So if we administer an intelligence test, a person who scores 110 in March would score close to 110 if tested in July. Tests which produce wide variations in results serve little purpose in selection.

Validity is a test which helps predict whether a person will be successful in a given job. A test that has been validated can be helpful in differentiating between prospective employees who will be able to perform the job well and those who will not. Naturally, not test will be 100 per cent accurate in predicting job success. A validated test increases possibility of success.

There are three ways of validating a test. The first is 'concurrent validity'. This involves determining the factors that are characteristic of successful employees and then using these factors as the yardsticks. 'Predictive validity' involves using a selection test during the selection process and then identifying the successful candidates. The characteristics of both successful and less-successful candidates are then identified. 'Synthetic validity' involves taking parts of several similar jobs rather than one complete job to validate the selection test.

Benefits of a validated test are obvious from Diagram. 3. Individuals who score 40 and above are successful employees. Those who score less than 40 are unsuccessful. As noted from the figure, the test is not absolutely accurate. A small number of workers who score below 40 are good workers. Also some participants scoring above 40 are less successful. Hence, test results should serve as only one of several criteria in the selection decision.



Employment Interview:

The next step in the selection process is employment interview. As seen in Diagram 4, an interview is conducted at the beginning and at the end of the selection process. The emphasis here is on the latter. Interview is a formal, in-depth conversation conducted to evaluate the applicant's acceptability. It is to be considered as an excellent selection device. However, interviews do have shortcomings. Absence of reliability, lack of validity and standardisation are some of the limitations. Finally, biasness of interviewers may cloud the objectivity of the interviewers. The employment interview can be (i) one-to-one, (ii) sequential, or (iii) panel. Interview has at least three objectives – (i) helps obtain additional information from the applicant; (ii) facilitates giving general information to the applicant such as company policies, job, products manufactured and the like; and (iii) helps build the company's image among the applicants. Interviews can be of different types. The usual types are structured, unstructured, mixed, behavioural and stress- producing.

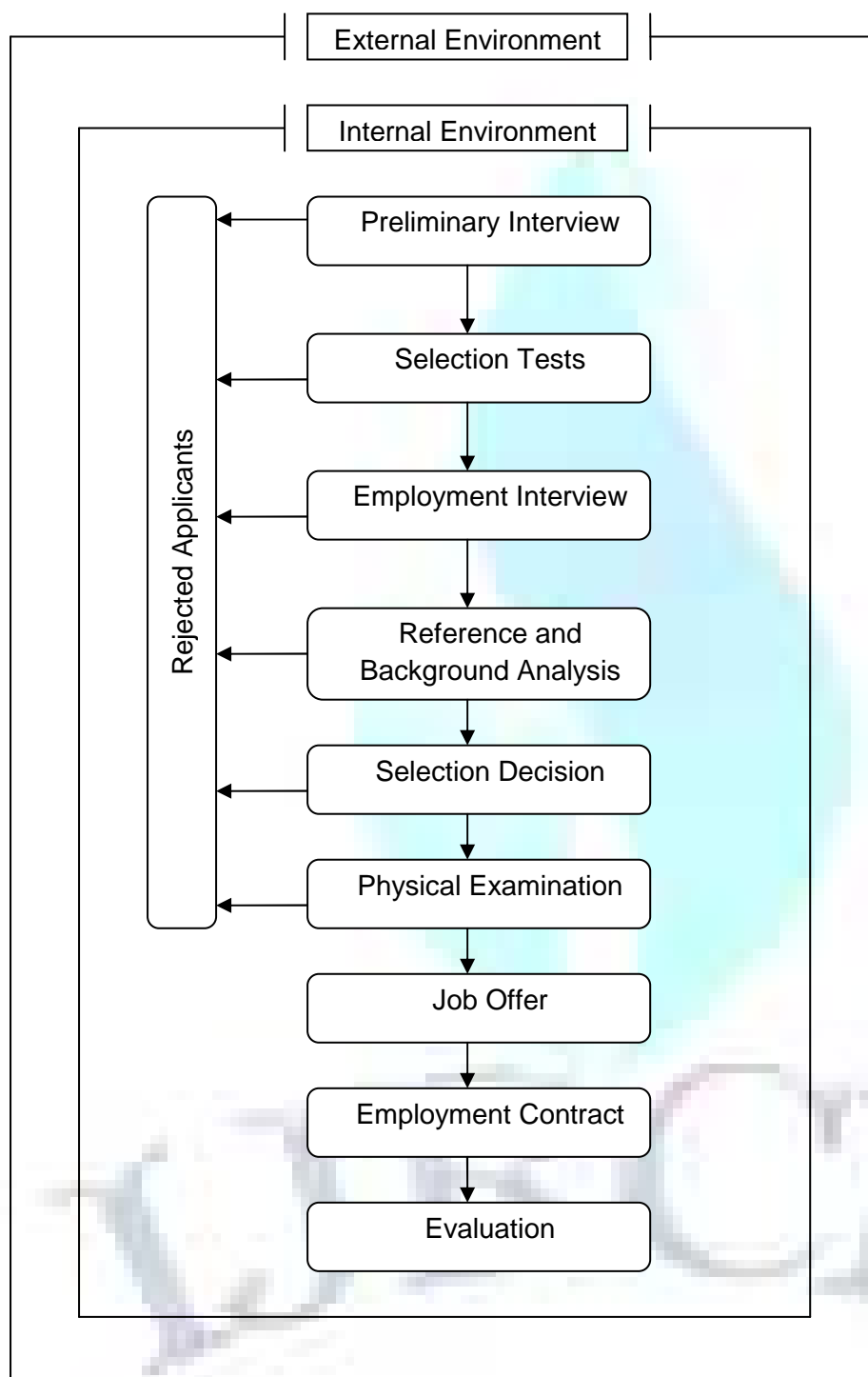


Diagram 4: Elaborate Selection Process

Reference and Background checks:

Many employers request names, addresses, telephone numbers or references for the purpose of verifying information and perhaps, gaining additional background information on an applicant. Although listed on the application form, references are not usually checked until an applicant has successfully reached the fourth stage of a sequential selection process. Reference checks serve two important purposes. One purpose is to gain insight about the potential employee from the people who have had previous experience with him or her. The second purpose for reference checks is to assess the potential success of a prospect.

Selection Decision:

After obtaining information through the preceding steps, selection decision – the most critical of all the steps – must be made. The final decision has to be made from the pool of individuals who pass the tests, interviews and reference checks.

Physical Examination:

After the selection decision and before the job offer is made, the candidate is required to undergo a physical fitness test. A job offer is, often, contingent upon the candidate being declared fit after the physical examination. The results of the medical fitness test are recorded in a statement and are preserved in the personnel records.

Job offer:

The next step in the selection process is job offer (see Diagram. 4) to those applicants who have crossed all the previous hurdles. Job offer is made through a letter of appointment. Such a letter generally contains a date by which the appointee must report on duty.

Contracts of Employment:

After the job offer has been made and the candidates accept the offer, certain documents need to be executed by the employer and the candidate. One such document is the attestation form. This form contains certain vital details about the candidate which are authenticated and attested by him/ her. There is also a need for preparing a contract of employment. The basic information that should be included in a written contract of employment will vary according to the level of the job.

Evaluation of the Selection Programme:

The broad test of the selection process is the quality of the personnel hired. A firm must have competent and committed personnel. The selection process, if properly done, will ensure availability of such employees.

Thus, the selection process has been discussed in detail.

Similarly, on collating the data from the ten Indian organizations, a summary of the findings is illustrated in Tables 1 to 10 below below:

TABLE 1

Organization/ Industry	Recruitment Challenges	Recruitment Solutions
Industrial fragrance and flavor creator and bulk manufacturer.	The recruitment policies, sources & methods have to be evaluated from time to time.	Successful recruitment program shows good number of successful placements, number of offers made, and number of applicants, Cost involved and time taken for filling up the position.

TABLE 2

Organization/ Industry	Recruitment Challenges	Recruitment Solutions
International School	Recruitment strategy must provide two-pronged value proposition : (1) Attracts high-caliber teachers who get great results (e.g. marked gains in their students' achievement) (2) Promotes high levels of retention of top teachers, who stay, develop, improve and lead over time.	Equal Employment Opportunity is on the basis of individual merit and without regard to age, ancestry, color, disability, gender identity, marital status, national origin, parental status, race, and religion, and sexual orientation, source of income or veteran status. Workshops support to pursue further studies and monthly Speaker Series events by academics, elected officials, and heads of industry are done. For new recruits, mentoring & guidance by a veteran teacher in the school for their first six months, in order to ensure quality modeling, coaching and evaluation of new hires, and those new teachers receive the support and guidance they require to feel maximally successful during their first few years in the classroom.

TABLE 3

Organization/ Industry	Recruitment Challenges	Recruitment Solutions
Diverse business interests of Real Estate, Infrastructure, Financial Services and Power sectors	The success of recruitment process is evaluated through the performance of the candidate over a period of time.	Evaluation is done on various criteria.

TABLE 4

Organization/ Industry	Recruitment Challenges	Recruitment Solutions
Customer Contact Centre	To exclude poor applicants to avoid counter-productive work.	By including applicants with promising potentials.

TABLE 5

Organization/ Industry	Recruitment Challenges	Recruitment Solutions
Automotive	The primary objective is to ensure that the brightest talent is attracted to the Company and enthusiastically participate in the hiring process, leading to potential selection and on boarding of the new face.	To ensure the employer brand is effectively and efficiently leveraged so that the odds of selecting and on boarding of high caliber students improves significantly.

TABLE 6

Organization/ Industry	Recruitment Challenges	Recruitment Solutions
Tele-communications	To bring in more effectiveness in the recruitment process	Uses methods like Video conference for following reasons of time savings, faster decision making, cost savings in candidate travel, lodging, etc. and an opportunity to meet the candidates before narrowing the list

TABLE 7

Organization/ Industry	Recruitment Challenges	Recruitment Solutions
Financial Services	Selection process is used to narrow the number of candidates effectively.	Reducing the cycle time of recruitment, Keeping the C.V's of rejected candidates & calling them back when ever a vacancy occurs (if they are suitable for the job) to save time. Always 3-6 committee members may not be required as they need to elect a committee then train them, so it is suggested for smaller posts, a committee of 2 people would suffice.

TABLE 8

Organization/ Industry	Recruitment Challenges	Recruitment Solutions
Pharmaceutical	Increase the success rate of selection process by decreasing number of under qualified or overqualified job applicants.	An assessment of character and performance of the candidate through previous / current employer through reference checks.

TABLE 9

Organization/ Industry	Recruitment Challenges	Recruitment Solutions
Banking Services	The selection process for jobs at the banking firm is quite stringent.	The process consists of a Written test divided into four sections of Test of Reasoning, Quantitative Aptitude, General Awareness and English.

TABLE 10

Organization/ Industry	Recruitment Challenges	Recruitment Solutions
Multi-disciplinary management and engineering consultancy firm	Best candidate on Time at optimum cost.	Defining responsibilities of HRD, discipline Heads of all departments and functional Heads in respect of Recruitment to minimize lead time.

CONCLUSION

Let us conclude that the recruitment and selection process across ten organizations in the Indian context have been emphasized. The various challenges faced by these organizations have been highlighted along with the necessary solutions. The identity of the organizations has been concealed for privacy concerns.

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EXHIBITING CREATIVITY AND INNOVATION AT WORK PLACE AS ONE OF THE ESSENTIAL REQUISITE FOR MANAGERS - AN EMPIRICAL STUDY WITH SPECIAL REFERENCE TO COMPANIES OF HARYANA

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ABSTRACT

This paper puts an attempt to understand and investigate the relation ship between measure of organizational climate and measure of creativity level among employee in companies Now-a-days, the companies are paying special attention to creativity, as this is considered as the unique distinct factor which can create competitive advantage in the market. And the company can out perform as compared to its competitor. Encouraging creativity workplace is that type of strategy, which is used by company to adapt the rapid changing business environment. But creativity demands various factors like total quality, innovative ideas, teamwork, good organization climate, creative training programme etc.

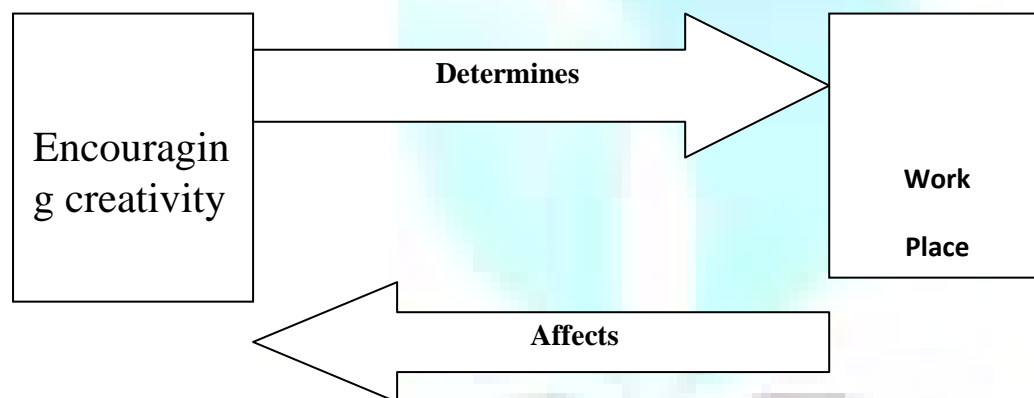
KEYWORDS

Organizational creativity; Product innovation; Organisational culture; Organizational climate; Individual characteristics; Individual characteristics.

INTRODUCTION

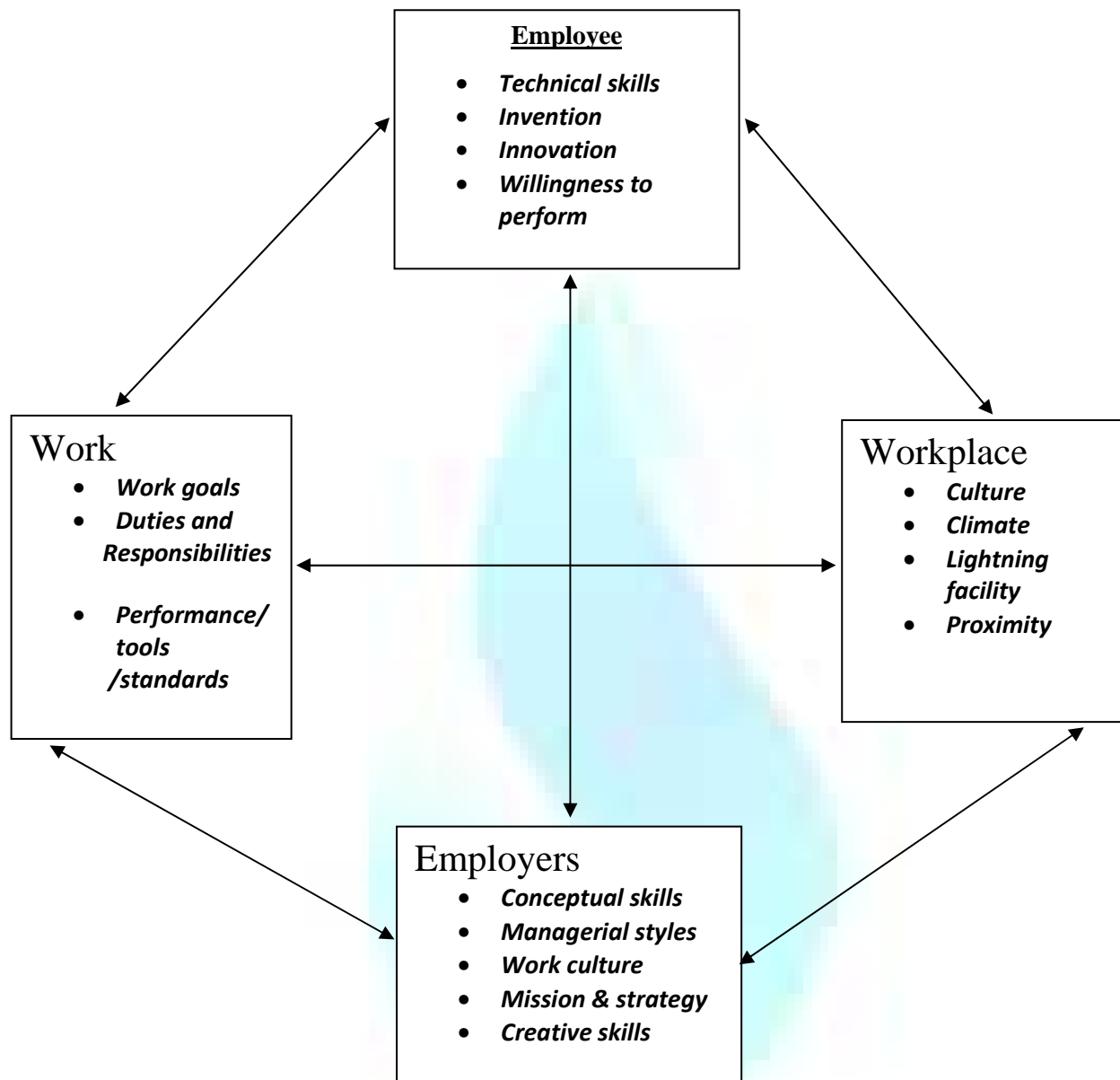
Creativity is the art of managing ignorance” our knowledge can only be finite, while our ignorance must necessarily be infinite. *-Sir Karl Popper*

Now-a-days, the companies are paying special attention to creativity, as this is considered as the unique distinct factor which can create competitive advantage in the market. And the company can out perform as compared to its competitor. Encouraging creativity at workplace is that type of strategy, which is used by company to adapt the rapid changing business environment. But creativity demands various factors like **total quality, innovative ideas, teamwork, good organization climate, creative training programme etc.** It is true to say that individual personality and attitude play a dominant role in creating innovative ideas. That is not the only component in the creativity and innovation process at work. The colleagues (peer) and the supervisor with their own personality and attitude has the potential to influence the final outcome. In other words an individual who is talented with the gift of creative personality and attitude eventually may not contribute any new ideas, simply because of the absence of favorable work environment. In the early part of the twentieth century, researchers began to be interested in the topic of “**creativity at workplace**” marketers and researchers analyze that creativity encouragement is necessary at workplace, because by doing so one can create new ideas. Here, *encouragement is motivation dose which is given to the both employee as well as employer. Their work morale is shaped in such a way, so that their creativity skills optimally matched to the workplace. Actually, this place is the platform, which gives the performer. I.e. to both employee as well as employer the threats as well as opportunities.*



But this is the performer who utilizes his creative skills in such manner so that its threats also become opportunities. But this is possible only and by only having “encouraging creativity at workplace”

TWO WAY TRAFFIC RELATIONSHIP BETWEEN ENCOURAGING CREATIVITY AND WORK PLACE

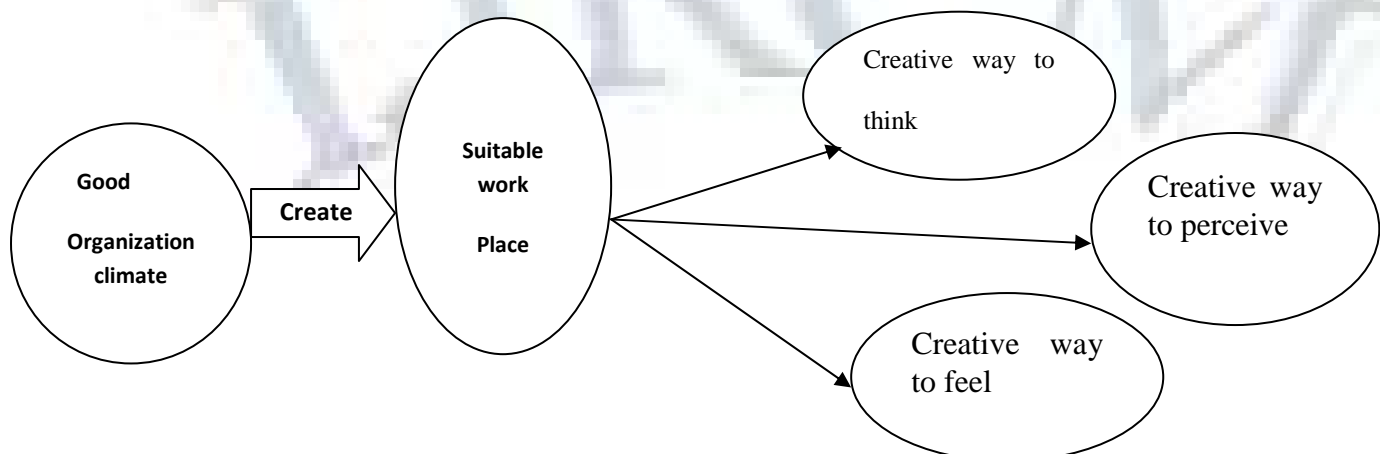


ORGANIZATIONAL CLIMATES

Organizational climate is a useful tool for understanding the complexities of organizations. It is defined as an accumulation of tangible perceptions that individuals had about various aspects of work environment. Extensive research about it attested to the importance of this variable regarding how organization functioned. Researchers and authors repeatedly cited organizational culture as a fundamental factor, which influenced creativity.

Kouzes & Posner (1987) defined "culture as a pattern of shared assumptions that a groups learned as it solved problems"

Meaning of saying that overall performance will be effective only when organizational climate will be correct. If that will be correct, it provides a creative way to think, perceive and feel in relation to those problems.



FACTORS RELATED TO CREATIVITY AT WORKPLACE

Creativity being a complex phenomenon the nature and extent of factor contributing to it. These are namely:

1. Organization factors such as organization climate, culture, organization support, alignment with goals and objective.
2. Factors related to job such as work, skills, knowledge, attitude, and inter-personal communication.
3. Factors controlled by management (employers) such as reward, security, creative training programme, initiatives, team building and consideration to idea.

TABLE 1: SHOWING FACTORS AFFECTING CREATIVITY

Factor affecting to creativity at work place

- **Organizational factors**
- **Factors related to job**
- **Factors controlled by management**

Consequently, specific research within the context of creativity was attractive, brain storming and demanded. So, the topic "encouraging creativity at workplace has been taken up.

REVIEW OF LITERATURE

The need for organizations to be more competitive has sparked the interest of researchers and practitioners to better understand creativity in organizations. Some researchers have tried to portray the relationship between individual creativity and organizational creativity and innovation (Amiable, 1996, (Mumford et al., 2002).as well as demonstrate the relationship between individual, team and organizational aspects of creativity (Woodman et al., 1993).To encourage creativity organizations need to create a climate that supports and enables the creative thinking of employees (Amiable, 1988). In other words, organizations must try to remove barriers that might impede creativity and enhance the factors that enable creativity. Andriopolous (2001) identified five major organizational dimensions under which sit characteristics and behaviors that enhance or inhibit creativity in a work environment. Those dimensions are organizational climate, organizational culture, organizational structure and systems, leadership style and resources and skills. This paper will review the literature under each of those dimension headings and attempt to identify the characteristics and behaviors required in each to enhance organizational creativity. Current views on organizational creativity appear to focus largely on outcomes or creative products – goods and services. A creative product has been defined as one that is both novel and original and potentially useful or appropriate to the organization (Amiable, 1996, Mumford and Gustafson, 1998). Various factors contribute to the generation of creative products both at the individual and organizational levels (Mumford and Gustafson, 1998). In organizations including businesses, creativity is the process through which new ideas that make innovation possible are developed (Paulus & Nijstad, 2003). Additionally, at least for business organisations, creative ideas must have utility. They must constitute an appropriate response to fill a gap in the production, marketing or administrative processes of the organization. Thus, individual creativity is concerned with the generation of ideas while team and organizational creativity is concerned with both the generation of ideas and the implementation of these ideas.

PURPOSE OF STUDY

In this paper, we want to provide a framework that can explain how managers can foster and sustain creativity in their organization using a total quality approach. Further we want to identify the factors that influence organizational creativity and hence that need to be taken into consideration when managing creativity in organizational settings. There are number of studies concerning the creativity at workplace in general. However, specific studies relating too level of creativity are not many. Prominent among the studies conducted in Haryana are elaborated in subsequent paragraphs.

Alvin Toffler "It is better to get wrong answer to write question than to get right answer to wrong question"

Comte "It is for the heart to suggest our problems. It is for the intellect to solve them"

John Kotter "most firms are over managed and under led"

Leonard Da Vinci "Theory like a general, experiments are soldiers"

Warren Bennis "A leader challenges status quo, manager accept it"

L.J. Peter "In a hierarchy, every employee tends to rise to his level of incompetence"

Estee Lander "Trust your instincts"

Keith Burgess "The world is full of advice. your instincts"

Keith Burgess "The world is full of advice. what is in short supply is solutions"

Louis Pasteur "chance favors the prepared mind"

Peter Drucker "Don't expect life to be fair"

Bill Cardill "Sometimes, even the best efforts are not enough. We should graciously accept failures"

Nailily Singh "Always follow your heart, but don't forget to apply brains"

Oscar Wilde "Only winner can earn respect, loser gets only sympathy"

Bill Gates "Microsoft's only factory assets are the human imagination"

RESEARCH METHODOLOGY

Research in common parlance refers to a search for knowledge. One can also define the research as the scientific a systematic search for pertinent information on a specific topic. Infact, research is an art of scientific investment.

Research methodology contains various steps viz.

- Selection of topic
- Objective of the study
- Nature of the study
- Sampling procedure and design
- Methods of data collection
- Analysis and interpretation of data
- Scope of study
- Sampling methods
- Significance of the study
- Limitations of the study as explained in the subsequent paragraphs.

SELECTION OF THE TOPIC

It is obvious that work is important in every society. The extent of importance will vary, however, and much of what is "known" about work, as a creator often is workplace specific. Different arenas have different attributes, which influence creativity at workplace among employees and employers. Therefore, keeping creativity in mind we have chosen the topic related to innovative sector. i.e. "Encouraging creativity at workplace-An empirical study with special reference to companies of Haryana"

OBJECTIVES OF THE STUDY

- To estimate & creativity level with different policies regarding promotion transfer .
- To investigate the relation ship between measure of organizational climate and measure of creativity level among employee in companies
- To access the working climate in companies and act on the environment in ways that encourages creativity with work.

NATURE OF STUDY

The study is exploratory cum descriptive in nature.

SAMPLING PROCEDURE & DESIGN

The sample chosen for the particulars study are the employees both skilled and non-skilled working in 10 profession company from haryana particularly karnal distt. And Panipat disrtt. namely **LIBERTY, IOCL Refinery, BBMB, NDRI, NFL, FCI, ICICI, HDFC, RELIANCE** of about 100 employee of the concern companies were contracted for this purpose.

METHODS OF DATA COLLECTION

Researches has opted two sources for the collection of data

- (1) Primary Data
- (2) Secondary Data

Primary data collected from self administered questionnaire and interview method the respondents were contacted personally at there work place. a quantitative survey has been chosen for research because it is a simple and cost effective means of gathering a large amount of information within a short time frame .

On the other hand secondary data has been collected from various book, business journals, magazines, news paper, periodicals, interest and & govt. publication.

SCOPE OF THE STUDY

The study is covering only 10 professional company from Haryana particularly Panipat & Karnal districts.

SAMPLING METHOD

A convenient sampling method has been used for this study.

SIGNIFICANCE OF THE STUDY

This study is significance for several reasons. First significant changes are occurring regarding people expected from their jobs & carrier. Second, because of increasing diversity of the worker .it is important to understand more about how they felt about the organizational climate in their places of work and level of creativity

This study confirmed that factors such interpersonal communicational, organizational structure, climate, creativity training programmed and promotional opportunities organizational as well as individual performance had a significant impact on encouraging creativity.

LIMITATIONS OF THE STUDY

The respondent's biasness for the filling up of questionnaire cannot be over ruled.

The scope of research is limited only two districts of haryana. thus; further study can be taken at national level also.

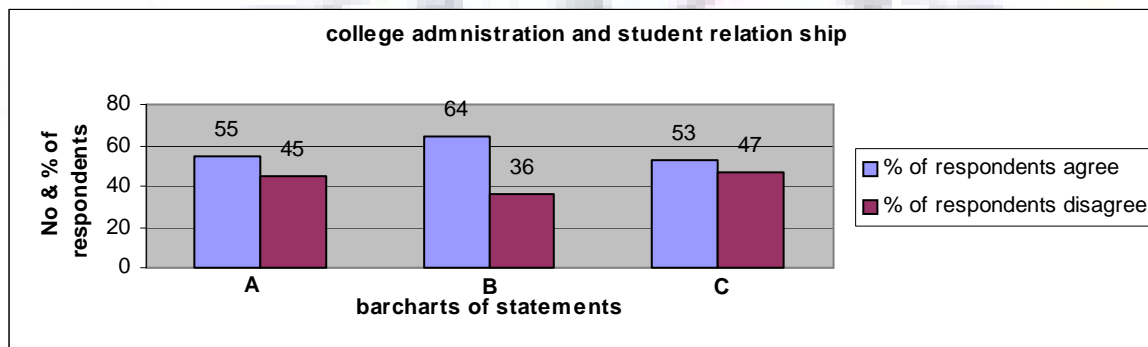
ANALYSIS & INTERPRETATION

Researches have analyzed & interpreted the data with the help of tables and figure and thereby achieved the key objective mentioned in research methodology. With respect to the issues of companies management & employee relationship the surveyed data shows that 55% management agree with the statement that they are aware of employees problem & issues & 64% agrees with the statement that they respond to the problem & issues of employee body & 53% agree with the statement that they are open to discuss employee input & involvement. So, **COMPANIES MANAGEMENT AND EMPLOYEES RELATIONSHIP** is having sense of belongingness as shown in table 4.1& figure 4.1

TABLE 4.1: SHOWING, COLLEGE ADMINISTRATION AND STUDENT'S RELATIONSHIP

S. No.	Statements	% Of respondents	
		Agree	Disagree
A	The college administration is aware of student's problem and issues	55	45
B	The college administration responds to the problem and issues of student's body	64	36
C	The college administration is open to student's inputs and involvement in committees, discussions and decision-making	53	47

FIGURE 4.1: SHOWING, COLLEGE ADMINISTRATION AND STUDENT'S RELATIONSHIP

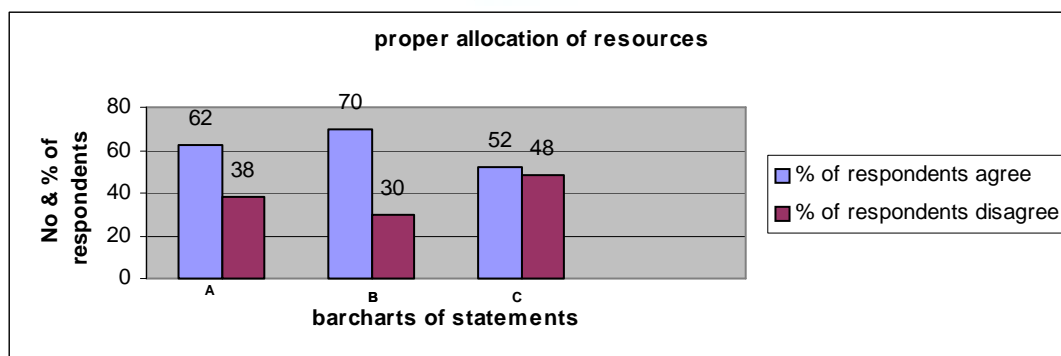


On the issue of PROPER ALOCATION OF RESOURCES, the surveyed data shows that 62% agree with the statement that top management believes that human resources(staff) are extremely important resources & that they have to be treated more humanly . 70% respondents are satisfied with the office facilities (seating, telephone, computer etc.). 52% are satisfied with the HRA/Accommodation. So the Management has to work on this issue as shown in Table 4.2 & Figure 4.2

TABLE 4.2: SHOWING, PROPER ALLOCATION OF RESOURCES

Sl No.	Statements	% Of respondents	
		Agree	Disagree
A	Top management believes that human resources (staff) are extremely important resources and that they have to be treated more humanly	62	38
B	The office facilities (seating, telephone, Computers etc) for employees in this organization	70	30
C	The accommodation facility or proper HRA provide by the college is good	52	48

FIGURE 4.2: SHOWING, PROPER ALLOCATION OF RESOURCES

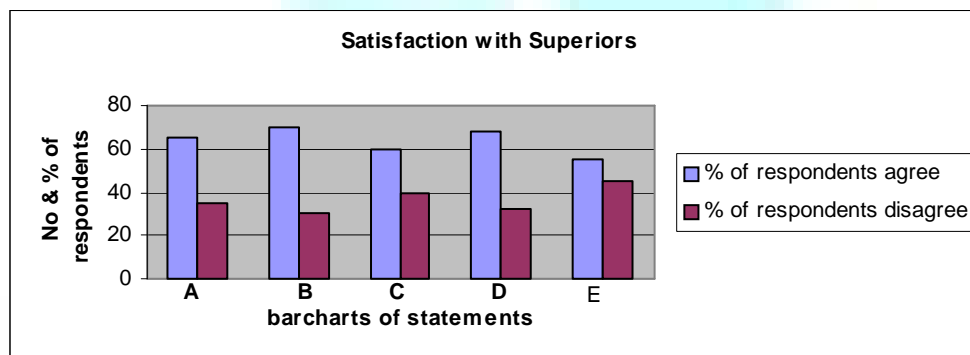


With respect to the issue of SATISFACTION WITH SUPERIORS(CEO/ Director/ TOP Management), the surveyed data shows that 65% respondents stated that they can trust what their superior tell them, 70% respondents stated that, their senior officers help them to learn new things enabling them to become more effective in their job, 60% respondents stated that, whenever they, do good work, the organization appreciate it, 68% respondents stated that their weaknesses are communicated to them in a positive & non threatening way, 55% respondents stated that their senior officers appreciate their new ideas & suggestions. So, we conclude that the employees are satisfied with the behavior of their superior as shown in Table 4.3 & Figure 4.3.

TABLE 4.3: SHOWING, SATISFACTION WITH SUPERIORS (CEO/ DIRECTOR/TOP MANAGEMENT)

Sr. No.	Statements	% Of respondents	
		Agree	Disagree
A	Staff can trust what their superiors tell them	65	35
B	My senior officers help me to learn new things to become more effective in my job	70	30
C	Whenever I do good work to make significant contribution to the organization, my superior take special care to appreciate it	60	40
D	Weakness of employees are communicated to them in a positive and non threatening way	68	32
E	Senior officers in this organization appreciate new ideas and suggestions	55	45

FIGURE 4.3: SHOWING, SATISFACTION WITH SUPERIORS (CEO/ DIRECTOR/TOP MANAGEMENT)

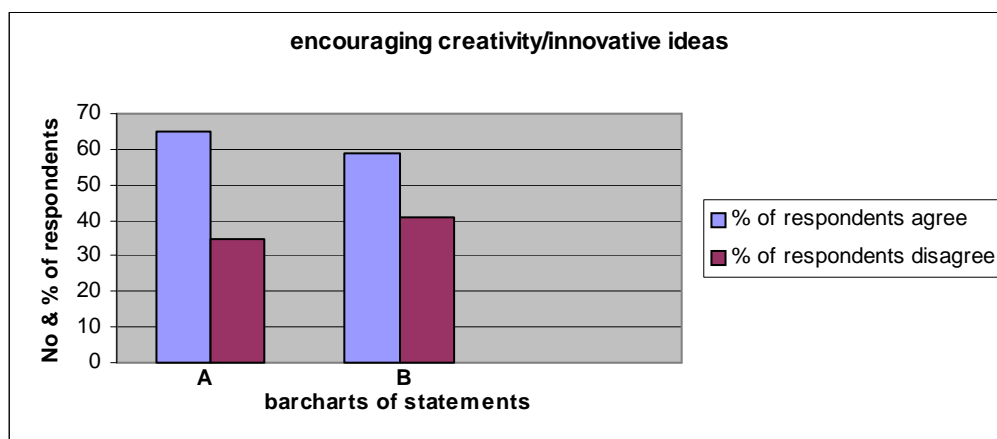


with respect to the issue of Encouraging Creativity/ Innovative ideas, the surveyed data shows that 65% respondents stated that the Creativity should be well defined & clear, 59% stated that generally, staff is encouraged to take initiative & to do things on their on without waiting for instruction from superior. So, we conclude that employees are encourages about their work/ Innovative ideas as shown in Table 4.4 & Figure 4.4

TABLE 4.4: SHOWING, ENCOURAGING CREATIVITY/ INNOVATIVE IDEAS

Sl No.	Statements	% of respondents	
		Agree	Disagree
A	Creativity should be well defined and clear	65	35
B	Generally, staff is encouraged to take initiative and to do things on their on without waiting for instructions from superiors	59	41

FIGURE 4.4: SHOWING, ENCOURAGING CREATIVITY/ INNOVATIVE IDEAS

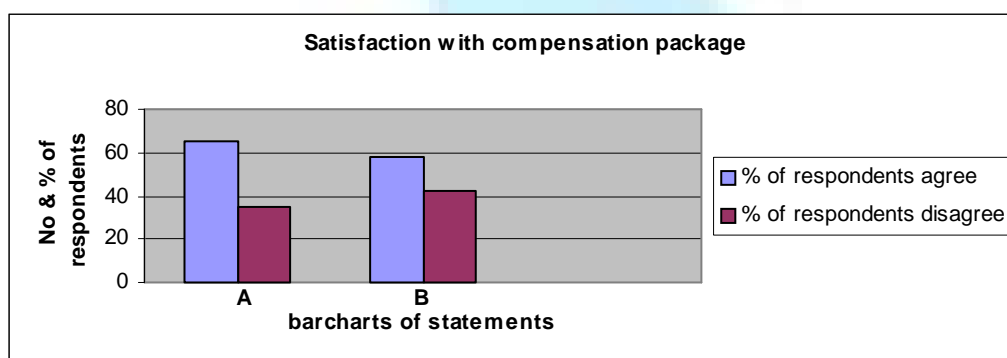


With respect to the issue of SATISFACTORY PACKAGE, the surveyed data shows that 65% respondents stated that they are satisfied with the salary and other perks, 58% respondents are satisfied with the Compensation package (salary + DA +etc.) of their organization. So, we conclude that the employees are satisfied with the compensation package as shown in table 4.5 & figure 4.5

TABLE 4.5: SHOWING SATISFACTION WITH COMPENSATION PACKAGE

Sl No.	Statements	% Of respondents	
		Agree	Disagree
A	I am satisfied with my salary and other perks	65	35
3	the compensation package(salary + D.A. +etc.) of our organization is competitive to similar organization	58	42

FIGURE 4.5: SHOWING SATISFACTION WITH COMPENSATION PACKAGE

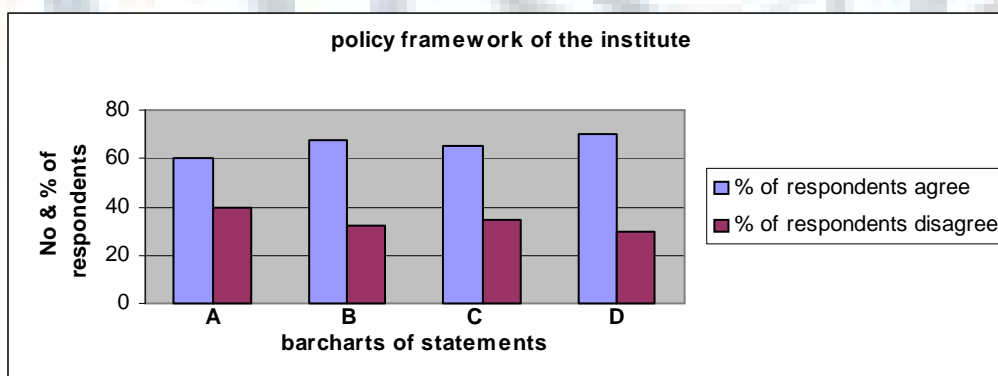


With respect to the issues of policy framework of the company, the surveyed data shows that 60% respondents stated that people lacking competencies in their jobs are helped to acquire competencies, 68% respondents are satisfied with the promotion policies of their organization, 65% stated that recruitment is based on merit, 70% respondents stated that loyalty, honesty & hard work are rewarded in this organization. So, we conclude that the policy framework is generally up to the mark, as shown in Table 4.6 & Figure 4.6

TABLE 4.6: SHOWING, POLICY FRAMEWORK OF THE COMPANY

Sl No.	Statements	% of respondents	
		Agree	Disagree
A	People lacking competencies in their job are helped to acquire competencies	60	40
B	Promotion decisions are based on suitability of the promotes	68	32
C	Requirements in this organization is based on merit	65	35
D	Loyalty, honesty and hard work are rewarded in this organization	70	30

FIGURE 4.6: SHOWING, POLICY FRAMEWORK OF THE COMPANY

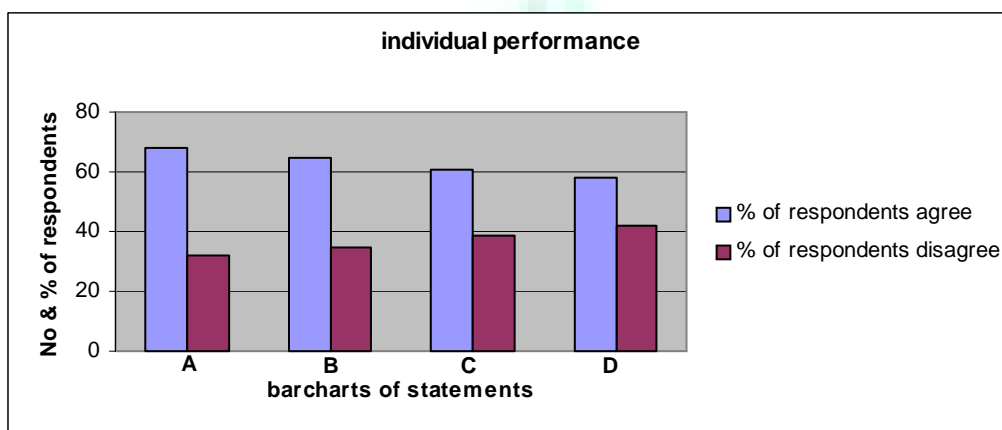


with respect to the issues of Individual performance, the surveyed data shows that 68% respondents stated that they are satisfied with the opportunities given to them in the organization, 65% respondents stated that, even if they are offered slightly better Salary & Perks in another organization, they would not leave this organization, 61% respondents are very optimistic about their future in this organization & 58% are proud to be an employee of this organization. So, we conclude that the employees are internally satisfied in their company as shown in Table 4.7 & Figure 4.7

TABLE 4.7: SHOWING, INDIVIDUAL PERFORMANCE

SI No.	Statements	% Of respondents	
		Agree	Disagree
A	I am satisfied with the opportunities given to me in the organization	68	32
B	Even if I am offered slightly better salary and perks in another organization, I would not leave this organization	65	35
C	I am very optimistic about my future in his organization	61	39
D	I am proud to be an employee of this organization	58	42

FIGURE 4.7: SHOWING, INDIVIDUAL PERFORMANCE



SUGGESTIONS

In our study we find that the capability of an organization to become creative must start at the level of individual & after that with at the level of the organization.

1. Develop a suggestion system and throw out the suggestion box. This means that a company should have a system in place that carefully considers each creative idea. This suggestion system should reach every employee in every location that the company operates.
2. After the system is in place, a team composed of employees from each department meet once month to review all new ideas & to report back on the development of past creative ideas. The team should also be empowered to reward those employees that develop creative ideas that make a positive impact.
3. Develop a company atmosphere that endorses creativity as a valuable commodity.
4. Just as the employee's computer is a company asset, the employee's brain should
5. also be considered a company asset.
6. Move people around & develop communication patterns that don't put your employees to sleep. If possible allow employees to observe other employee's doing their work and arrange for company retreats where employee can meet each other informally & share information.
7. Do not monetarily reward the quantity of new creative ideas you receive from employee must turn in "x" number of creative ideas per month in order to get a bonus. Do monetarily reward successful creative ideas and good attempts at being creative.
8. Do not work in a vacuum. Being creative requires diverse stimuli and connections with other people. Make sure you know what your company's other departments are up to, and how their work might connect to your creative ideas.
9. Align with your company's goals directions.
10. Plan to work after hours & on some weekends to find tune your creative idea.

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With sincere regards

Thanking you profoundly

Academically yours

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Co-ordinator