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## THE RELATIONSHIP BETWEEN CAPITAL AND OWNERSHIP STRUCTURES WITH THE CREATED SHAREHOLDER VALUE IN TEHRAN STOCK EXCHANGE

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### ABSTRACT

*In the present study, we have proceeded to examine the separate and simultaneous role and effects of the focus and type of ownership as well as the capital structure on the created shareholder value of the companies registered in Tehran Stock Exchange (TSE). The statistical population under study consists of 95 corporations among the companies registered in Iran-Tehran Stock Exchange during the period 2006-2009, other than investment and financial intermediation companies. To test the research hypothesis, simple and multivariate methods were applied. To examine the effect and significance of the most independent variables, Stepwise modeling has been applied. The research findings showed a direct and significant linear relationship between the variables including capital structure and ownership type and also an inverse and significant relationship between the ownership concentration and the CSV. Furthermore, the examination of the ownership structure including two variables of ownership concentration and type on the CSV has led to some results similar to what has been mentioned in respect of the variables including the ownership concentration and type. On the other hand, the results achieved by examining the effects of two variables of ownership structure and capital structure on the CSV indicate that the effect of ownership structure has been rather than the capital structure on the created shareholder value.*

### KEYWORDS

Capital Structure, Ownership Structure, Created Shareholder Value (CSV).

### INTRODUCTION

The infrastructural problems, based on which the ownership structure issue concerning corporate governance theory has been originated, include the opposition of the shareholders' interests to the management's, exertion of absolute control by the major shareholders, a decrease in the power of the minor shareholders to control and supervise the company's issues and exclusiveness of making decisions by the managers. According to the studies concerning corporate governance, ownership structure has been considered as one of the solutions to resolve this problem [3].

On the other hand, the decisions on both financing and investment in the corporations are those made on providence. The resources of financing in the companies are divided into two parts based on their financing policies including internal financial resources and external financial resources. In the internal financial resources, the company starts to finance from the profit it has gained; it employs the profit in the mainly operational activities of the company for producing further yield, instead of distributing the dividend between the shareholders, and in external financial resources, it proceeds to finance from the liabilities and equity [13]. In the decisions of financing, the company is presently using the related funds to fulfill its obligations to the suppliers of financial resources in the future. The environments wherein the companies nowadays operate are developing and highly competitive; and in order to survive, the companies have to compete with several national and international factors and expand their activities through new investments. They also need financial resources for their investments. However, the financial resources and their utilization should be determined well in order for the company to be profitable and this is the task of financial manager. Thus, one of the most important purposes which should be considered by the financial managers for maximizing the shareholders' value is to determine the best composition of the company's resources or the same capital structure. Capital Structure enigma is considered as the most important financial management issue and it is even more sophisticated than the riddle of dividends [12].

### REVIEW OF LITERATURE

In their investigation conducted on the corporate governance and revenue management as well as the relationship between the economic value added and the CSV, Ali El Mir and Souad Seboui (2006) have concluded that there is different cases of convergence and divergence between the CSV and the economic value added which may be explained by means of revenue governance and management [7].

In another study, Céspedes et al (2010) examined the relationship between the capital structure and the ownership structure in 7 countries of Latin America and concluded that there is a positive relationship between the leverage and the ownership concentration. Furthermore, the results achieved by this investigation indicate a positive relationship between the leverage and the growth variables as well as a negative one between the leverage and the profitability, the bigger companies have more tangible assets [6].

Omneya Abdelsalam et al (2008) have studied the effect of the board of directors' composition and the ownership structure on the policies of dividend payout by making use of some information concerning 50 Egyptian companies during the period 2003-2005 through regression method. The results so achieved show a

positive and significant relationship between the institutional ownership and the company's performance with the decisions and the dividend payment ratio. Such results also suggest that the companies with higher stock returns and larger institutional ownership distribute more profits. There is no significant relationship between the composition of board of directors' and the dividend policy and the dividend payout ratio [1].

Lee (2009) examined the capital structure; somewhere in this investigation, he made use of return on assets and the return on sales as the performance benchmarks. They concluded that there is a negative and harmonious relationship between the financial performance and leverage and the short-term debt ration; thus Chinese companies utilize the short-term debts lesser than other ones [10].

In an investigation carried out in 85 companies among the companies registered in TSE during the period 2006-2009, Abdoli et al (2011) showed that there is a significant relationship between both economic value added and residual income with the CSV. However, residual income standard in relation to the created shareholder value is more significant than that of economic value added [2].

Setayesh et al (2010) examined the factors effective on the capital structure of the companies registered in TSE in their studies. The purpose of this research was to study the relationship between the capital structure and institutional ownership along with all other factors affected such relationship in Tehran Stock Exchange. The statistical population under study consists of 117 companies registered in TSE classified in 7 industry groups during the period 2004-2009. The results of this investigation indicated that in all the companies under study, all factors but the institutional ownership were effective on the capital structure [18].

Younos Badavar Nahandi et al (2010) started to examine the impact of capital and ownership structure on the rate of income smoothing in the companies. The period of hypothesis testing was the years 2001 to 2008 and the statistical population under study included 60 companies registered in TSE. The results of this study showed that current debt to assets ratio, long-term to assets ratio and total debt to equity ratio in the companies with high income smoothing are less than those in the companies with low income smoothing. The ownership rate for the institutional shareholders of the companies with high income smoothing is more than that of the companies with low income smoothing [4].

In their study conducted on 70 companies during the period 2002-2007, Mohammadi et al (2009) suggested to a positive, linear and there was a significant relationship between the o factors including ownership concentration and the corporates' yield as well as the lack of any significant relationship between the concentrated ownership and value of the companies. On the other hand, the results achieved by examining the effects of ownership type demonstrated that contrary to the inverse relationship between the stock yield and the state ownership rate, the relationship between single, corporate and private ownerships with the yield is direct and significant, while the ownership concentration variable in all models has still a direct linear relationship with the stock yield. Testing the relationship between the ownership type and the company's value achieved similar results to what was explained for the yield [11].

S. J. Sadeghi Sharif et al (2009) demonstrated that the companies with the most parts of their ownership at disposal of one shareholder, or most of the ownership is at the hands of its 5 larger shareholders, have more dividend payouts compared to those with more outspread ownerships where the ownership concentration will bring an increase to the dividend payout ratio in the company [17].

Namazi & Shirzad (2005) demonstrated in their investigation during the period 1996-2006 that there is generally a positive relationship between the capital structure and profitability, but it is statistically weak. The relationship between the capital structure and the capital itself depends on the industry; thus an optimal structure should be sought in different industries [13].

## RESEARCH PURPOSES

The main purpose of this study is to examine the effect of factors including the type and rate of ownership concentration and the capital structure on the CSV of the companies registered in TSE; it is important because it shows to the managers, investors and other decision-makers that the diversity of ownership type as well as ownership concentration rate should be taken into consideration in financial and investment decisions, due to the role it can play in monitoring and controlling the management and decreasing the agency costs.

## RESEARCH QUESTIONS AND HYPOTHESES

In this study, we are seeking to answer the following question:

Do the capital structure and the ownership structure affect the CSV?

In order to conduct this investigation and to answer the proposed question and considering the results achieved by the previous studies, the following hypotheses are formulated:

- 1<sup>st</sup> hypothesis: the capital structure of the companies is significantly effective on the CSV.
- 2<sup>nd</sup> hypothesis: Company's ownership type (private, public) has a significant effect on the CSV.
- 3<sup>rd</sup> hypothesis: Company's ownership concentration is significantly effective on the CSV
- 4<sup>th</sup> hypothesis: Companies' capital structure affects significantly the CSV.
- 5<sup>th</sup> hypothesis: the capital structure is more significantly effective than the ownership structure on the CSV.

## METHODOLOGY

Research method in this study is inductive for the type of inference and cross-sectional correlational for the kind of testing statistical method.

### POPULATION AND SAMPLE

The sample of this study includes 95 companies among all the companies registered in Tehran Stock Exchange which have been randomly selected with respect to the following conditions:

1. They should be registered in TSE within the period of research.
2. Its fiscal year shall be finished before 20th March (end of Esfand in Georgian Calendar).
3. It shall not be of the investment and dealer companies.

### INDEPENDENT VARIABLES

**Capital Structure:** it is a combination of debt and equity by which the companies finance their assets [4]. The companies make usually use of both resources of debt and equity in their capital structure composition. The formula to calculate Capital Structure is as follows:

$$\text{Total Debt to Total Assets} = \text{Total Debt} / \text{Total Assets} \quad (\text{Equation 1})$$

**Ownership Structure:** it means the composition of the shareholders in terms of the formation of their management and the board of directors; ownership type and the ownership concentration rate are considered as two key aspects of the company's ownership structure.

- 1) **Ownership Type:** it is divided into two parts as the state ownership and private ownership. (state ownership 2 and private ownership 1)
- a) **State Ownership:** according to article 4 of Public Audit Act, "a public company is a specified organizational unit which is established in the form of corporation as authorized by the law and or it has been nationalized and/or confiscated as mandated by the law or a competent court and has been known as a public company that more than 50 percent of its shares belong to the government. Any commercial company which is established through investments by the public companies is considered as a public company as long as more than its shares belong to a public company"; otherwise, it is a private one.
- 2) **Ownership Concentration:** it consists of the way to distribute the stocks among the shareholders of different companies. The less the number of the shareholders, the more concentrated the ownership. In this research, to calculate the ownership concentration grade, Herfindahl-Hirschman Index has been applied which is calculated by summing the squared percentage of stock owned by the companies' shareholders [11].

$$\text{HHI} = \sum_{i=1}^n \left( \frac{P_i}{P} \times 100 \right)^2 \quad (\text{Equation 2})$$



Where HHI is the ownership concentration grade, P shows the total number of the company's released stock and Pi is the number of stock of the major shareholders.

**DEPENDENT VARIABLE**

**Created Shareholder Value (CSV):** in case the investors' rate of return is beyond his expectation, the invested assets will have more value and the more value will be created; this increase in the shareholder's value is called the Created Shareholder Value [15]. The CSV is one of the assessment and determination methods of the companies which were suggested by the Fernandez (2001) [8]. The formula to calculate CSV is as follows [7]:

$$CSV = \text{Shareholder value added} - (\text{equity market value} \times Ke) \tag{Equation 3}$$

Shareholder value added = Increase in equity market value – payments from shareholders (capital increases) + Dividends paid during the year + repurchases – conversions.

Increase in equity market value = market value at the end of the period - market value at the beginning of the period.

equity market value = market value of each share × outstanding shares.

Where CSV is the Created Shareholders Value and Ke is Capital Cost Rate (Expected Return)

**CONTROL VARIABLES**

Two control variables were considered in this study including the followings:

**Return on assets:** the rate of return on assets is calculated through after-tax income divided by the total assets. This ratio calculates the profit rate per every one Rial of the company's assets [16]. The formula to calculate Return on assets is as follows:

$$\text{Return on assets} = \text{Net Income} / \text{Total Assets} \tag{Equation 4}$$

**Return on equity:** it is indicative of the return on the shareholders' stocks. Such ratio has been calculated on the basis of after-tax annual net profit added to the ordinary equity at the end of fiscal year. The formula to calculate Return on equity is as follows:

$$\text{Return on equity} = \text{Net Income} / \text{Stockholder'S Equity} \tag{Equation 5}$$

**RESULTS**

According to the cart 1 which shows the descriptive statistics of this study, skewness coefficient for the variables including the CSV, capital structure, ownership type and ownership concentration is 0.794, 0.390, 0.370 and 0.851, respectively indicating that the skewness of all the variables is low, since they are close to 0.5 (symmetry scale). Coefficient of kurtosis for these four variables consists 0.506, 2.687, 1.940 and 0.790, respectively showing that two variables including the CSV and ownership concentration have less dispersion and are closer to normal, since they are close to 0.5 (kurtosis scale) and the two others are higher than normal distribution.

**TABLE 1: DATA DESCRIPTIVE STATISTICS**

Variables	Skewness	Kurtosis	Median	Minimum	Maximum
capital structure	0.39	2.687	1.1971	0.1426	1.3398
ownership type	0.37	1.94	1	1	2
ownership concentration	0.851	0.79	8468.24	42.19	8470.82
CSV	0.794	0.506	1,922,087,280,243	-43,258,305,946	148,828,974,297

**STATISTICAL RESULTS OF HYPOTHESES**

To test the hypotheses of this study, Pearson Correlation Coefficient and Multi-variate Linear Regression have been used. And for investigating the effect and significance of most of the independent variables, stepwise method has been applied.

**FIRST HYPOTHESIS:** Companies' capital structure is effective on the created shareholder value.

Considering the relationships so resulted, it was demonstrated that the correlation between the capital structure and the created shareholder value. Correlation coefficient of this variable is 0.308 and its coefficient of determination is 0.113; it means that about 11.3% of the CSV changes are explained by the capital structure.

**TABLE 2: SUMMARIZED RESULTS OF STATISTICAL HYPOTHESES**

Model		Pearson Correlation		Coefficients			Model Summary		ANOVA		Hypothesis Rejection or Confirmation	
		sig	CSV	Beta	t	sig	R	R <sup>2</sup>	F	sig		
1	Capital Structure	0.002	0.308	0.2174	2.083	0.040	0.337	0.113	3.42	0.019	Rejected	
	Control Variables	Return on assets	0.004	0.272	-0.323	-2.085						0.039
		Return on equity	0.007	0.253	0.285	1.830						0.069
2	Ownership Structure	Ownership Type	0.044	0.188	0.203	2.280	0.025	0.479	0.23	7.756	0.000	Rejected
		Concentration	0.076	-0.158	-0.272	-2.391	0.019					
	Control Variables	Return on assets	0.004	0.272	-0.468	-3.796	0.000					
		Return on equity	0.007	0.253	0.611	4.923	0.000					

The Sig column of the table 2 shows that Sig statistic rate for capital structure variable is equal to 0.019. Since the error level for this study has been considered as 5%, then the Sig<0.05 and t>2; thus this variable is significant and the first research hypothesis is confirmed and it may be said that the capital structure variable has been significantly effective on the shareholders' value.

**SECOND, THIRD AND FORTH HYPOTHESES**

**Second hypothesis:** Ownership type of the companies is effective on the CSV.

**Third hypothesis:** Ownership concentration of the companies has an effect on the CSV.

**Fourth Hypothesis:** Capital structure of the companies is effective on the CSV.

Squared correlation coefficient (R2) or the same determination coefficient indicates that 23% of the changes in the CSV are explained by the capital structure.

**COEFFICIENTS' SIGNIFICANCE TEST**

Correlation coefficient for the ownership type variable is 0.188 and the Sig column shows that the Sig statistic of t for this variable is 0.025. With regard to the fact that the error level considered for this investigation is Sig < 0.05 and t statistic > 2, then this variable is significant and the second hypothesis is confirmed. Since the coefficients are positive, it may be said that the ownership type variable has been directly and significantly effective on the CSV.

Correlation coefficient for the ownership concentration variable is -0.158 and its Sig rate is equal to 0.019. Therefore, it is significant and the third research hypothesis is confirmed. Since the coefficients are negative, it may be said that the ownership concentration variable has been inversely and significantly effective on the CSV.

Finally, taking the above results into consideration and with regard to the fact that both ownership type and concentration are the ownership structure components, the fourth research hypothesis is confirmed too. Therefore, it may be suggested that the ownership structure is effective on the CSV.

**FIFTH HYPOTHESIS**

The effect of capital structure on the CSV is more than that of the ownership structure.

$$H_0: r_1 = r_2 = 0$$

The relationship between the capital and ownership structure with the CSV is not linear.

$$H_1: r \neq 0$$

At least one of the r(s) is not zero (it is linear)

**TABLE 3 – SUMMARIZED STATISTICAL RESULTS OF THE FIFTH HYPOTHESIS**

Method	Model	Coefficients			Model Summary		ANOVA		Hypothesis Rejection or Confirmation
		Beta	t	sig	R	R <sup>2</sup>	F	Sig	
Multiple Regression Enter Model	Capital Structure	-0.035	-0.381	0.704	0.495	0.245	6.674	0.000	Rejected
	Ownership Type	0.214	2.405	0.018					
	Ownership Concentration	-0.172	-1.921	0.058					
	Return on assets	-0.570	-3.832	0.000					
	Return on equity	0.745	5.146	0.000					
Multiple Regression Stepwise Model	Ownership Type	0.232	2.342	0.021	0.335	0.112	5.759	0.004	

It can be concluded from table 3 that since the Sig rate for the general hypothesis (Multiple Regression) is equal to 0.000 and less than 5%, then H0 is rejected and H1 is confirmed. Thus, the significance of regression model for the general hypothesis is confirmable and this model could have explained the changes in the dependent variable (CSV) through independent variables (capital structure and ownership structure).

#### COEFFICIENTS' SIGNIFICANCE TEST

The Sig statistic rate for the ownership type is equal to 0.018. With regard to the fact that the error level considered for this investigation is 5%, then the Sig < 0.05 and t statistic > 2; then ownership type is significant. Taking the above results into consideration and with regard to the fact that ownership type is one of the the ownership structure components, the fifth research hypothesis is rejected.

#### TESTING THE FIFTH HYPOTHESIS USING, STEPWISE MODEL

In is shown in table 3 that the ownership type variable is the first and the only variable which has been entered into this model from among the dependent variables; R<sup>2</sup>=0.112, it means that 11.2% of Variance (dispersion) of the CSV is explained by the ownership type. All other variables were not entered into this model, because as they would enter the model, R<sup>2</sup> rate will not be sufficiently increased.

#### ANALYSIS AND INTERPRETATION OF THE RESULTS

In this study, it was discussed whether the management decisions can play a role in financing policies, the ownership concentration and type and the shareholders' composition as well as their participation in such decision-makings may cause to increase or decrease the shareholders' value.

About the first research hypothesis, the results showed that such ratio has a direct and significant relationship with the CSV. The positive relationship indicates that financing through borrowing (debt) will increase the CSV due to tax benefits and low cost of debt compared to all other financing methods. Furthermore, in accordance with Free Cash Flow hypothesis, since the debt reduces the opportunity to waste the company's resources by the managers, debt financing will increase the company's value. On the contrary, a decrease in the debts and/or an increase in the equity will deliver the reverse results. Indeed, an increase in total debt to total assets ratio may be useful to the extent of optimal capital structure, considering the direct effect of such ratio on the CSV.

For the second research hypothesis, the results suggested that as the companies' ownership is shifted from private shareholders toward public ones, the CSV will be increased. In other words, state ownership is directly and significantly effective on the CSV; that is, considering the influential and effective situation of the public investors, it is expected that such group of the owners would affect the financial policies. Accordingly, due to inclination of the managers to accumulate the most cash flows and considering their own rating power, the public owners might force the managers to distribute the dividend. Public investors prefer to distribute free cash flows in the form of financial policies including dividend in order to reduce agency costs related to such free cash flows.

The results of the third hypothesis indicated that in all companies, the ownership concentration is inversely and significantly effective on the CSV; i.e., the institutional and major shareholders who maintain the most shares of the company, are not so interested to increase the expected rate of return on stocks as well as to pay out further dividend.

On the other hand, high squared percentage of the shares owned by 5 major shareholders in TSE may mention the existence of institutional shareholders in the companies. Taking the definition of institutional shareholders into consideration, it may be concluded that the existence of such institutional shareholders in the companies will cause to decrease the CSV.

According to Bichra Theory [5], it may be argued that financial policies and institutional shareholders might be considered as messaging tools; that is, the existence of major shareholders may decrease the necessity to make use of financial policies including dividend as a message for appropriate performance, due to the fact that such shareholders may themselves act as a more valid message.

For the fourth hypothesis, the results showed that two standards including ownership type and ownership concentration can together affect the CSV as well.

About the fifth hypothesis, the results demonstrated that the company's capital structure is more effective on the CSV than that its capital structure and such effect is seen rather in the ownership type standard. Meanwhile, the stepwise method used in testing the fifth hypothesis, has suggested to the ownership model type as the more effective one which could have more effect on the CSV compared to all other variables.

In other words, it may be argued that the companies' ownership structure is more effective on the CSV than their capital structure, in terms of ownership type as public or private; it shows that the accomplishment of profitable projects and achievement of the optimal capital structure cannot alone play some roles in increasing the shareholders' value, but such increase is different in any company, based on the ownership type and finally it is the company's ownership type which impose its decision to change the shareholders' value.

#### FURTHER SUGGESTIONS TO THE RESULTS OF THE STUDY

1. The investors who are seeking to gain higher values than what they have invested should take ownership composition and type into consideration in choosing their investment and invest in the stocks of the companies with higher shares of public ownership.
2. The investors are expected to pay attention to the financial statements and reports in their decision-makings and to study the companies' ownership structure in terms of concentration and composition.
3. It is suggested to the investors in stock exchange and the financial analysts to consider in their analyses the company's capital structure status and its debt ratios as a standard to measure and forecast the profitability of the company.

#### FURTHER SUGGESTIONS FOR FUTURE STUDIES

1. In this study, CSV model has been used that requires to calculate the expected return rate (ke) for which the company's cost of capital has been used. However, to calculate it, we can make use of Capital Asset Pricing Model (CAPM) like what Noravesh et al did in their investigation. So, it is suggested to use tis model in calculating expected return rate in the future studies and to compare its results with those of the present investigation.
2. For calculating the ownership concentration, we can make use of another standard such as ownership percentage of the biggest shareholder and/or of that of 5 major shareholders and finally to compare its results with those of the present study.
3. By classifying the companies into further parts in terms of their ownership (foreign ownership, corporate ownership, managerial ownership, public ownership, real ownership and institutional ownership), you can start to examine their rate of effectiveness on the created shareholder value (CSV).

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**IMPACT OF GOOD GOVERNANCE ON THE CORPORATE GOVERNANCE IN BANGLADESH**

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**ABSTRACT**

*The purpose of this study is to explore and analyze the impact of good governance on the corporate governance in Bangladesh and to find out the corresponding strengths or weaknesses of financial market of Bangladesh. The study is exploratory in nature and the article is prepared based on secondary data and information that have been collected and analyzed from different published reports, research articles, daily newspaper and websites. The study finds out that good governance in Bangladesh is rare in real practice because both the public and private officials are not accountable and their decision-making processes are not transparent in most of the cases. Corruption is a big obstacle in the pave of good governance in Bangladesh. To ensure good governance, the first and foremost prerequisite is to minimization of corruption. Therefore, Bangladeshi corporate sectors should follow the model of good governance to improve their present practices with transparency.*

**KEYWORDS**

Good governance, Corporate governance, Corruption, Red-tapism.

**INTRODUCTION**

The term good governance can be defined as power exercised for effective implementation of national economy and social resources as a whole. Mainly the governance is then good when it is able to achieve the goal. Good governance plays supreme role for a transparent, healthy and independent economy of a country. In an economy, there are three major organs on which the economy survives that are economic, political and administrative. The responsibility of the government then implies careful nursing of these three organs. The commitment of good governance lies on economic welfare, removing political unrest and ensuring the basic needs for the nation through effective administration.

**OBJECTIVES OF THE STUDY**

The main objective of this study is to explore and analyze the impact of good governance on the corporate governance in Bangladesh especially considering the strengths or weaknesses of financial market of Bangladesh. In addition, the aim of the study is to recommend regarding the implication of good governance that can assist a lot for developing corporate sectors in Bangladesh.

**METHODOLOGY OF THE STUDY**

The study is exploratory in nature. The study is conducted mainly based on secondary data. Data and information have been collected and analyzed from various published reports of Asian Development Bank, Bangladesh Enterprise Institute, Centre for Policy Dialogue, and World Bank. Moreover, the secondary data for the study have been gathered from different articles published in different journals, daily newspaper and websites.

**UNDERSTANDING CORPORATE GOVERNANCE**

The main objective of 'good' corporate governance related with the *maximizing long term shareholder value*. Since shareholders are residual claimants, this objective follows from a premise that, in well performing capital and financial markets, whatever maximizes shareholder value must necessarily maximize corporate prosperity, and best satisfy the claims of creditors, employees, shareholders, and the State. Over the past decade, corporate governance has been the subject of increasing stakeholder attention and scrutiny. These concerns have given rise to a powerful shareholder movement. Shareholder activists, composed primarily of large multi-billion-dollar pension funds, religious and socially responsible investment groups, and other institutional investors, are now using a variety of vehicles to influence board behavior, including creating corporate governance standards of excellence and filing shareholder resolutions. So corporate governance is involved with the following three factors:

- i. Transparency in decision-making process;
- ii. Accountability which comes from transparency because responsibilities could be fixed easily for actions taken or not taken, and;
- iii. The accountability is for the safeguarding the interests of the stakeholders and the investors in the organization.



**GOOD GOVERNANCE: ISSUES IN CORPORATE GOVERNANCE IN BANGLADESH**

Most of the companies in Bangladesh are dependent on the banks for their major source of financing. Till now Capital market in Bangladesh is at an emerging stage with market capitalization amounting to only 6.5% of GDP with low investor confidence on corporate governance and financial disclosure practices in many companies listed in the stock exchanges (Du, 2006). The neighboring countries are well ahead as Bangladesh in terms of depth of capital market. For instance, neighboring countries can be reviewed, in India, Pakistan and Sri Lanka, the market capitalization is 56%, 30% and 18% of their GDP respectively. Nevertheless, the past few years have witnessed a silent inclination towards corporate governance due to a variety of forces that are acting today and would become stronger in years to come. These forces are the followings:

**a) LACK OF PROPER REGULATION**

Economic reforms not only increase growth prospects but also make markets more competitive which means to survive efficiently. For the purpose of stimulating the economic growth, the government regulatory bodies play a vital role, where in Bangladesh the authority fails to retain the balanced regulatory system and the intelligence over a period.

**B) DISINTERMEDIATION**

The elimination of intermediaries in the supply chain is also referred to as "cutting out the middlemen"- the prospect where the level of the market efficiency is degrading. The intermediaries go through maintaining the two major goals- i) To facilitate the market transactions; and ii) To facilitate the capital formation; i.e. to channelize more funds, where at present financial sector reforms have made it imperative for firms to rely on capital markets to a greater degree for their needs of additional capital.

**C) INSTITUTIONALIZATION**

Simultaneously, the increasing institutionalization of the capital markets has extended the pure disciplining and authentication power of the market.

**D) IMPACT OF GLOBALIZATION**

Globalization of Bangladesh's markets has exposed issuers, investors and intermediaries to the higher rate of return.

**INADEQUATE BANKRUPTCY LAWS**

In terms of enforcement in Bangladesh, bankruptcy laws and processes are inadequate in terms of provisions and not strong. No country can have good corporate governance standards with poor bankruptcy laws and processes but in present situation in Bangladesh the bankruptcy laws and processes are controlled and maintained by the government and the supporting bodies. Besides, inefficient foreclosures and securitization processes have compounded the problems in Bangladesh (Hossain, 2005).

**LACK OF INITIATIVES TO DRIVE FOR CORPORATE GOVERNANCE FROM THE INTERNATIONAL INVESTOR COMMUNITY**

Most of the companies in Bangladesh do not take vigorous attempt in attracting foreign investment. However, environment of foreign direct investment (FDI) in Bangladesh is not enough conducive. Consequently, there is a lack of drive from the international investor community for better corporate governance. Level of Market penetration of Bangladeshi companies in the foreign stock exchanges is also very low.

**INCONSISTENCY BETWEEN COMPANIES ACT, IAS AND SEC REQUIREMENTS**

According to The Companies Act 1994, it provides provisions regarding preparation and publication of financial statements disclosures and auditing. However, in many cases the Act has lack of clarity with regard to statutory requirements on disclosures in the financial statements of the listed companies (Ahmed and Yusuf, 2005). On the other hand, there are some Accounting requirements mentioned in the Companies Act which are incompatible with the International Accounting Standards (IAS) which is specially required by the Securities & Exchange Commission (SEC). But for the prospect of Bangladesh, government always makes the regulations considering its present situation. Another inconsistency is that the Companies Act does not require a consolidated balance sheet for a holding company but it is required under the IAS. Inconsistencies between IAS and the Companies Act need to be eliminated. So hereby only the government can pacify the gap of inconsistency (World Bank, 2003).

**LIMITED OR NO DISCLOSURE REGARDING RELATED PARTY TRANSACTIONS**

Related party transactions are not disclosed properly in the financial statements. These types of companies get always a shade from the higher political leaders or political parties for continuing this process. It is an impediment towards achieving good corporate governance in Bangladesh (World Bank, 2003).

**WEAK REGULATORY SYSTEM**

Bangladesh still follows the hybrid system of legal system which inherited from the British administration. Currently, the Companies Act of 1994 is the law that governs the incorporated domestic corporations and institutions which are also not compatible with the current economic regulatory system. For the efficient corporate governance, Government should take the proper regulation for the modern economy and market.

**NO MARKET FOR CORPORATE CONTROL**

A market deals with the corporate control plays an important monitoring function in corporate governance, but in Bangladesh due to as poorly managed companies will become takeover targets (Morrison, 2004). In Bangladesh, there seems to have no market for corporate control. So today's burning question is that how stakeholders can be ensured about the considerations of Government on the corporate governance.

**WEAK PRESSURE GROUPS**

The major elements of the stock markets are shareholders, investor associations, institutional investors and the financial press can play significant role for the implementation of corporate governance. But in the economy and stock market, each of these potential pressure groups is frail. The numbers of journalists who possess knowledge on financial reporting are limited and there are suffers from the investigative reports. On the other hand, public shareholders are not well organized under a common platform (such as shareholder associations) to demand better corporate governance.

**LACK OF AUDITOR INDEPENDENCE**

Independency of the auditors is an important factor for ensuring the good corporate governance. In Bangladesh the auditors are not sufficiently qualified to attest to the validity of the financial statements of corporate entities. The study of Bangladesh Enterprise Institute (2003) shows that 64.4 percent of the companies conduct regular audit for effective implementation of the core labor policies. Of the companies which audit the implementation of core labor policies, 91.1 percent meet their labor policy objectives. Only 2.2 percent of the confessed that they violated labor laws in the last 5 years. Around 67 percent of companies have a formal policy to ensure clean, healthy and safe working conditions. Procedures to implement policy and specific assignment to senior management for implementation are found only in 26.7 percent of the companies (Raihan, 2003).

**POOR AUDIT REPORT**

In Bangladesh it is considered that the audited financial reports are rarely reliable and free from the control of the owners. Despite irregularities in the audit report, the auditors issue unqualified audit report on the financial statements. Bribe system is one of the reasons for the poor and unreliable reports in the concept of audit reporting



in Bangladesh (World Bank, 2003). No proper mechanism to ensure the quality financial statements and audit report. Institute of Chartered Accountants of Bangladesh (ICAB) and Institute of Cost & Management Accountants of Bangladesh (ICMAB) do not have the power to ensure good financial report.

### LACK OF GOOD GOVERNANCE AND CORRUPTION MIXING ECONOMY OF BANGLADESH

Traditionally, national governance and corruption challenges in the developing countries like Bangladesh have been seen as-

- i. Particularly daunting in the poorer countries like Bangladesh, with the richer world viewed as example or benchmark,
- ii. Anchored within a legalistic framework and focused on the quality of formal financial institutions,
- iii. A problem of the public sector and consequently impacts on private sector, and
- iv. Divorced from global governance or security issues, which are regarded as separated from the refined governance based country.

Corruption is a supreme impediment in the pave of good governance in Bangladesh. The most crucial prerequisite of good governance anywhere in the world is the minimization of corruption in the government machinery. Few years ago, the World Bank cancelled and demanded refund of BDT 68 million from three projects on the ground of corruption. The general lack of political wills to fight against corruption in government is evident from the fact that after more than 40 year of independence of Bangladesh, only at present the independent Anti-corruption Commission is continuing its operation but still its performance has not been up to the mark. Corruption prevented a fair distribution of national wealth and broadened the gap between rich and poor. As a result, the relevant regulatory authorities cannot control and maintain stock market mechanism efficiently due to red tapism and unexpected biasness to take the matter into action positively.

### RECOMMENDATION

In Bangladesh considering the current situation, for creating the concept of stock market, creating awareness among people about market mechanism and necessary distribution networks and infrastructure, some positive changes are needed to be implemented. At first authority needs to reduce the corruption and biasness and then it will be somewhat easy to create a positive market. On the other hand, imposing the correct and strict bankruptcy laws and implementing proper regulatory system, authority can cope with the current situation. For the transparency, authority has to give the full independence for the market auditors for expressing their analysis and views, and the authority must implement the effective corporate control in the market.

### CONCLUSION

After overcoming a critical time in 1996, Bangladesh has been successful in creating the concept of market, creating awareness among people about market mechanism and necessary distribution networks and infrastructure. In Bangladesh, recently the stock markets have been failed to maintain their operations and performances properly. Consequently, a large number of investors are in a fix about their investment and fate. In the mean time, more than .5 million investors have closed their accounts, which point out the lack of good governance of Bangladesh.

In Bangladesh the latest problem is directly linked with proper governance issues particularly the lack of implementation of appropriate regulations and rules of law and which in turn are linked with other indicators of governance, such as corruption, lack of accountability etc. To ensure good governance, the first and foremost prerequisite is to minimization of corruption. Both public and private corporate sectors of Bangladesh should follow the model of good governance to improve their present practices with transparency. Finally, the whole process also needs sincere political commitment and cooperation from the donor agencies.

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## DETERMINANTS OF JOB PERFORMANCE OF ADMINISTRATIVE STAFF IN LADOKE AKINTOLA UNIVERSITY OF TECHNOLOGY, OGBOMOSO, NIGERIA

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### ABSTRACT

*The study examined the determinants of job performance of administrative staff in Ladoke Akintola University of Technology, Ogbomoso, Nigeria. The primary data was sourced from 127 respondents with the aid of structured questionnaire and key informant interview (KII) while secondary data was sourced from records of the Training and Development (T & D) section of the Registry. The result of data analysis showed that qualification, marital status, nature of job and number of training attended are the most important determinants of performance of administrative staff in LAUTECH, Ogbomoso, Nigeria.*

### KEYWORDS

Job performance determinants, Administrative staff.

### INTRODUCTION

The internal structure of an organisation is made up of socio-technical arrangements, which are deliberately designed to achieve the objectives of the organisation; by doing the right thing at the right time and in the right measure. Training can be regarded as an age long concept, which performs the therapeutic functions of shaping skills, attitudes and knowledge that are required for the effective performance of duties and/or assignment (Oladosu and Laogun, 1998).

The role and importance of human resources development in the long term viability of any organisation whether profit or non-profit oriented, cannot be overemphasised. Truly other resources, such as finance, information, and material are also essential. Human resources may be said to remain virtually boundless in the potential impact of the organisation. Thus manpower, the basis of all resources, is the indispensable means of converting other resources to mankind's use and benefit. Manpower can be regarded as pivot in every institution, the need to maintain this all important resource has thus called for training and development and also to keep the staff abreast with the recent technological/other industrial developments. Moreover, staff training and development is essential to the existence and survival of organisations as it enables employees to acquire the relevant professional skills and knowledge for effective performance (Olowu, 1991).

Training in a work organisation is a learning process in which learning opportunities are purposefully structured by the managerial, human resource and training staff working in collaboration with one another, or by external agents acting on their behalf (Shaun, 2006). The aim of the process is to develop in the organisation's employees, the knowledge, skills and attitudes that have been identified as necessary for the effective performance of their work and hence for the achievement of the organisational aims and objectives using the most cost-effective means available.

Different organisations have peculiar programmes and policies for staff training and development. Educational institutions like the University system is among such systems where large numbers of employees are engaged and where staff development programmes are considered critical. The training unit, also referred to as human resource development unit, coordinates the training and development exercise in organisations. Strictly speaking, "the efficiency of any organisation depends directly on how well its members are trained" (Oladosu and Laogun, 1998). Newly hired employees usually need some training before they take up their work while older employees require training to keep abreast of demands of their work, and to prepare for transfers and promotions.

### OBJECTIVES OF THE STUDY

The objectives of the study are:

- i) To examine the personal characteristics of the respondents and analyze their effect on job performance
- ii) To evaluate the effect of participation in training activities on administrative staff job performance.

### RESEARCH QUESTIONS

1. Do the personal characteristics of respondents have any effect on their job performance?
2. Does participation in training programmes have any effect on the performance of workers?

### HYPOTHESES

The following hypotheses were formulated for the study;

Ho<sub>1</sub> There is no significant relationship between personal characteristics of administrative staff and their performance.

Ho<sub>2</sub> There is no significant relationship between participation in training and development programmes and job performance of administrative staff in LAUTECH.

### LITERATURE REVIEW

#### PERSONAL CHARACTERISTICS

Findings showed that age, gender, marital status and educational qualification have important effects on job performance as well as career commitment.

Kallenberg (1983) found out that old workers are more likely to be committed to their jobs than young workers.

Mathieu and Zajac (1990) also submitted that old person is more committed to duty than a young person who may change jobs as desired. Since he has just started work, he may change his job at any time but an older person who had been working for years will find it difficult to change his job.

Casey (1998) affirmed that the more training an individual has in his career the better for him and the system and as such the greater the performance. It is possible that an increase in the average age of the workforce will have positive, rather than negative impacts on the overall performance of staff in an organisation. This is because increase in average age has direct effects on performance and commitment of staff to an organisation.

Marital status also has direct effects on performance (Mathieu and Zajac 1990). A married person in the early part of the marriage always finds it difficult to be committed to his work because of pressure from children, home etc, but when a person becomes old in marriage or separated, he is always committed to his work. In fact, married people perform more actively than young people who have tendency to change their jobs anytime (Cary 1998).

#### CONCEPT OF TRAINING

Training relates to the acquisition of knowledge and skill for the purposes of an occupation or task. Its focus is much more narrowly based than education or development, and it is job or task-oriented. Training is a set of activities that provides the opportunity to acquire and improve job related skills (John et al 1998). It is also a planned organisation effort to help employees learn job related knowledge, skills and to remedy shortfalls in established standards of performance. In other words, training helps to bridge the gap between existing performance ability and desired performance standards.

Obi and Zakari (2007) defined training and development as any attempt to improve current or future employee performance by increasing, through learning, an employee's ability to perform, usually by increasing the employee's skills and knowledge, Conroy (1978) on his own looked at employee's training and development as a purposeful effort intended to strengthen the organisations' capability to fulfil its mission effectively and efficiently. He indicated that training and development implies changes that the technological, economic, legal, political and social environments bring upon the organisation. According to him, organisations need to prepare to handle and cope with such changes, if they are to remain competitive, maintain their social utility, survive, grow and expand. This in essence means that for an organisation to be able to cope with future changes, it must invest on its employees through provision of adequate training and development programmes.

Of all the factors of production with which management deals, employees are by far the most important. Olowu (1991) in particular underscored this by saying; "There is the assertion that human resources are the most important of all the resources that a manager utilises to achieve corporate objectives. All other inanimate resources will require the human resources to be activated and energized."

There are other factors such as materials and machines, but an employee with his ability to feel, to think, to conceive ideas and to plan is by far the most valuable and at the same time, the most difficult elements to inspire, train and develop. The success and failure of an organisation therefore depend largely on human elements.

#### THE NEED FOR TRAINING AND DEVELOPMENT

Human Resource training and development is the process by which an organisation ensures that it has the right number of people, and the right kind of people in the right place at the right time, doing the right thing to serve the purpose of the organisation.

Training is one of the critical components of human resource development, and since resources for training are becoming scarce, it is more important to evaluate training programmes and training events in order to ensure that training is effective, that funds are being utilized well, and that further funding is justified, (Horton, et al 1993). Developing an effective and efficient employee through adequate training continues to be crucial notwithstanding the fact that presently we are in an employers' market. The environment is a dynamic one with a lot of changes emerging on daily basis most especially in the area of technology. The ability of an organisation to effectively achieve its goals therefore depends on the qualities of its employees as manifested by their skills, their knowledge, techniques and abilities. These characteristics must continually be reviewed and upgraded to enable the organisation cope with challenges created by dynamics in the environment.

Many organisations paid little or no attention to issue of training and developing adequate personnel for achieving organisational goal or objectives. Even in organisations where this is done, the exercise is often inappropriate, haphazard or premised on a faulty diagnose of organisation training needs. In other situation where training happens to occur, deployment of staff so trained may be without regard to the skill the staff acquired leading to frustration of personnel so trained and also general inefficiency in the system (Onah, 2003).

Trained and well-developed manpower is the essential ingredient for efficiency and effectiveness in any organisation. Untrained staff constitutes nuisance to his organisation. This is because they not only applied the wrong skill, but also impact such to others who are unfortunate to be under them. Therefore, an essential instrument for achieving organisational objective is the adequacy and effectiveness of available manpower. An organisation whether public or private can only boast of effective operation if it is blessed with trained and developed manpower.

#### TRAINING METHODS

The method by which job training is delivered often varies based on the need of the company, the trainee and task being performed. However, the factors that may affect the choice of a training method may include age, level of education, number of trainees involved and budget among other things.

Training methods can be discussed under two broad headings:

1. On the job training
2. Off the job training.

##### On the job Training

Training at the workplace otherwise known as on-the-job training can take a variety of forms. It may be identified with career development and the acquisition of required knowledge, skills and attitudes from the opportunities provided by the work itself. In recent times, there has been a noticeable tendency for some of the training activities that were formerly undertaken at the training centres are now being carried out at the workplace and this may be due to the ever-increasing emphasis on cost effectiveness. It includes the following:-

Delegation, Job rotation, Coaching, E-learning, Apprenticeship, Internship, Simulation, Vestibule training

##### Off the job training

This is when the training is conducted by full time staff of an organised body and occasionally assisted by lecturers and tutors of higher institution. This requires people to leave their places of work and affords the opportunity to mix with staff of other organisations thereby rubbing minds and sharing opinions as well as experiences together. Cynthia *et al* (2003) stated that conducting the training away from the workplace minimizes distractions and allows trainees to devote their full attention to the materials being taught. Methods commonly used are; Lectures, Discussions groups, supported by power point projections and other audio-visual aids. Case-studies, Role-playing, Management Games, Mentoring, Workshops.

#### PURPOSES OF TRAINING AND DEVELOPMENT

The purpose of training and development depends on the policy and strategies put in place by different organisations. However the major purpose of training and development is to remove performance deficiencies, whether current or anticipated, which cause employees to perform at less than the desired level (Obi and Zakari 2007). Training and development therefore enables employees to be much more productive. Training for performance improvements is particularly important to organisations with stagnant or declining rate of productivity. They indicated the reasons why employees should be trained to include increasing the adaptability of its workforce by rapidly incorporating the new technology thereby removing obsolescence and to have employees that are productive. He further indicated that training is seen as a motivational device for improving performance and coping with additional responsibilities and that employee's training induces a positive commitment to job performance.

Another purpose of training and development that is especially relevant to organisations that are rapidly incorporating new technology is that of making the current workforce flexible and adaptable. It is along this view that Durowoju (2005) observed that specific occasions for training arise when employees are transferred or promoted or when job changed and new skills must be learned, perhaps because of change introduced by advancing technology and automation. As a result, staff development suggests methods designed to improve the overall effectiveness of employees in their present positions and to prepare them for greater responsibilities when they are promoted.

Obi and Zakari (2007), were of the opinion that the rapid pace of technological change in the work place calls for a "new, more dynamic corporate training strategy – one that anticipates new technologies far in advance and helps employees develop skills, not only for today's technology, but also for tomorrow's and day after".

#### THE CONCEPT OF PERFORMANCE

Performance is something that interests and concerns everybody, whether it is the performance of a car or individuals and teams in organisations. An employee who performs well is seen as one who achieves good results according to some pre-determined goals. However, a persons' ability, the quality of his tools and

materials, the nature of the work environment and job and efficient managerial coordination of the efforts of the work force all assist the effective performance of a job. Gupta (1980) believed that 'Performance should be defined as the outcomes of work because they provide the strongest linkage to the strategic goals of the organisation, customer satisfaction and economic contributions.'

Performance refers to output results and their outcomes obtained from processes, products and services that permit evaluation and comparison relative to goals, standards, past results, and other organisations (BPIR 2008). It therefore means that ability to perform effectively in any job requires that one has and understands a complete and up-to-date job description for the position, and that one understands the job performance requirements and standards that he is expected to meet.

A more comprehensive view of performance is achieved if it is defined as embracing both behaviour and outcomes as put by Brumbach in Armstrong (2005). 'Performance means both behaviours and results. Behaviours emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviours are also outcomes in their own right – the product of mental and physical efforts applied to tasks – and can be judged apart from results.'

**METHODOLOGY**

The research is a survey type which collected the opinions of staff through one hundred and twenty seven structured questionnaires. The data collected were analysed using both descriptive and inferential statistical tools. Descriptive Statistics used are frequency, percentages, and standard deviation, while Inferential Statistics used were Pearson's Product Moment Correlation Coefficient and Ordinary least square regression analysis. The study population consisted of one hundred and twenty seven staff selected from different units in the Registry Division of Ladoke Akintola University of Technology, Nigeria. Registry was chosen because it is at the centre of the university administration; it handles staff matters from recruitment to retirement stages and also handles the admission of students into the university as well as mobilisation for the National Youth Service.

**I. THE REGRESSION MODEL**

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + b_7X_7 + \mu$$

- Where Y = performance
- X<sub>1</sub> = Age
- X<sub>2</sub> = Educational qualification
- X<sub>3</sub> = Marital Status
- X<sub>4</sub> = Years of experience
- X<sub>5</sub> = Training and Development
- X<sub>6</sub> = Frequency of Training
- X<sub>7</sub> = Type of Training
- μ = error term

**II. PEARSON CORRELATION MODEL**

The Pearson Correlation Coefficient to test for the existence of significant relationship between two variables is given as

$$r = \frac{\sum x^2 - (\sum x)^2}{\sqrt{(\sum y^2 - (\sum y)^2)(\sum x^2 - (\sum x)^2)}}$$

- Where x = training
- y = performance

**DATA ANALYSIS**

**TABLE 1: ATTENDANCE OF TRAINING**

Attendance	Frequency	Percentage
Yes	93	73.2
No	34	26.8
<b>Total</b>	<b>127</b>	<b>100.0</b>

Source: Field survey (2009)

Regarding the attendance of training Table 1. showed that 73.2 percent indicated that they have attended training programme at one time or the other while 26.8 percent have never attended any training programme, which may have negative impact on the performance of their duties. Given the fact that the majority have attended training programmes, it is expected to have positive impact on their efficiency in their duties to the institution.

**TABLE 2: DISTRIBUTION OF RESPONDENTS BY NO. OF TRAINING PROGRAMMES ATTENDED**

No. of Training attended	Frequency	Percentage
0	34	26.8
1	25	19.7
2	32	25.1
3	24	18.9
4	12	9.4
<b>Total</b>	<b>127</b>	<b>100</b>

Source: Field survey (2009)

The result of the analysis on the number of training attended showed that, 26.8 percent did not attend any training at all, 19.7 percent attended training once; 25.1 percent have attended twice; 18.9 percent thrice; while 9.4 percent attended training programmes four times. This shows that majority (63 percent) attended few training to have positive impact on their performance. By implication the number of times respondents attended training programmes appear lesser considering the number of years in service and the kind of job being done.

**TESTING OF HYPOTHESIS**

**Ho1:** Pearson Product Moment Correlation Coefficient was used to test the hypothesis that there is no significant relationship between personal characteristics of administrative staff and their performance. The result shows that qualification, marital status as well as gender has significant effect on the performance of respondents. Qualification is significant at 1%, Marital status at 5% while Gender is significant at 10%. Therefore the null hypothesis that there is no significant relationship between personal characteristics of administrative staff and their performance is rejected.

**Ho2:** Regression analysis was used and it showed that attendance of training by respondents have a positive relationship with their performance. More importantly the number of training attended by respondent have a coefficient of 0.906 and it is highly significant at 1%. This result is in line with theoretical



expectation since we expect performance of respondents to increase as more and more training that can be beneficial to their productivity are attended hence the null hypothesis that there is no significant relationship between participation in training and development programmes and job performance of administrative staff in LAUTECH is therefore rejected.

## DISCUSSION OF FINDINGS

### I. EFFECTS OF PERSONAL CHARACTERISTICS ON JOB PERFORMANCE

The selected personal characteristics of the respondents include Gender, Age, Educational qualification and marital status.

The Ordinary Least Square (OLS) method was used in the analysis and the goodness of fit of the model was based upon the value of  $R^2$ , the F-ratio and the number of coefficients that are significant and follow a prior expectation.

The qualification of the respondents ( $X_2$ ) has a positive and significant effect on the performance of the respondents. The coefficient is 1.009 and it is statistically significant at 1%. This result is in line with a prior expectation and it shows that a unit increase in the qualification of the respondents significantly increases the performance by 1.009 units.

Marital Status of the respondents ( $X_3$ ) has a positive and significant relationship with their job performance. The coefficient is 2.382 and it is significant at 5%. It is generally believed that a married person has a strong tendency to be responsible.

Gender ( $X_4$ ) has a positive and significant effect on the performance of respondents. The coefficient is 0.980 and it is significant at 10%. The result suggests that the male gender is more productive than the female. This however should be understood in relation to number of active days spent at work as the female gender has the tendency to be away from job easily. This could be due to physiological reasons or family responsibilities.

TABLE 3

Variable	Co-efficient	t-value
Constant	-9.629	3.270***
Age ( $X_1$ )	-0.271	0.574
Qualification ( $X_2$ )	1.009	3.465***
Marital status ( $X_3$ )	2.382	2.303**
Gender ( $X_4$ )	0.980	1.774*

Source: Data analysis, 2009

NB \*\*\* indicates significant at 1%

\*\* indicates significant at 5%

\* indicates significant at 10%

This finding is at variance with the work of Woodruff (1988) in its moderating effects of age, education and tenure (length of service) on the job performance. While maturity in terms of age, the level of education attained as well as tenure in office has helped the respondents tremendously in the discharge of their duties, Woodruff found no support for age, education level attained and tenure as moderators. On his own a small statistically significant relationship was found for these variables on job judgement.

### II. EFFECT OF PARTICIPATION IN TRAINING ACTIVITIES ON ADMINISTRATIVE STAFF PERFORMANCE ON THE JOB

The variables considered here are: the length of service, nature of job of respondents and the frequency of training attended by the respondents.

The coefficient to the length of years the respondents have put into the service of the university ( $X_5$ ) has a coefficient of 0.241, although it is not statistically significant. The conformity of the sign of the coefficient to a prior expectation suggests that a unit increase in the length of years and in the service increases the performance by 0.241 unit. However, since the coefficient is not significant, we need to understand that length of years put into service is not the same as acquisition of active experience on the job. It is important that the respondents be taken through periodic assessment exercises. This will force them (as it were) to acquire productive experience on the job and not just be redundant on the same spot as it is usually the case in many public organizations.

The nature of job of respondents ( $X_6$ ) has a positive and significant relationship with their performance. The coefficient is 0.163 and it is significant at 1%. The result suggests that there is a priority given to correct job allocation among the respondents. Definitely, if respondents are allocated to jobs they are either not trained for or have not acquire experience on, it will negatively affect their performance. It is therefore important that respondents be allocated to jobs by supervisory officers based on training and experience and not on prejudice or personal sentiments so that the collective organizational goals will not be sacrificed.

The frequency of training attended by the respondents ( $X_7$ ) has a positive and significant effect on their performance. This is in line with theoretical expectation as it is expected that as respondents attend more training their performance has the tendency to increase significantly. Hence it is not just attendance at training that is expected as the result as shown, but the management of LAUTECH must provide necessary incentives for respondents to attend as many relevant training as possible, since it will have a positive feedback on the respondent's performance.

TABLE 4

Variable	Co-efficient	t-value
Constant	-9.629	3.270***
Length of service ( $X_5$ )	0.241	0.798
Nature of job ( $X_6$ )	0.163	3.284***
Attendance of Training ( $X_7$ )	0.745	1.264
No of Training attended ( $X_8$ )	0.906	3.389***
Content of Training ( $X_9$ )	0.281	0.928

Source: Data analysis, 2009

NB \*\*\* indicates significant at 1%

The frequency of training attended by respondent as shown in Table 4 has a positive and significant effect on their job performance. This is in line with theoretical expectation that as respondent attend more training their performance has the tendency to increase significantly.

This finding corroborate what Molina and Otega, 2003 say when they analysed the impact of training on the performance "it is found that higher levels of training are associated with significant benefits which can increase job performance and thus increase firms value"

## CONCLUSION

This study established that training indeed is an important factor that must be harnessed into the work schedule of the administrative staff of LAUTECH if the desired performance will be realized.

It could be said that the types of training offered to the administrative staff was relevant to job needs. The implication of this is that such would enhance job performance, thus making it possible to achieve the overall organizational goal of the university setting.

Participation in training and development programme was discovered to have strong effect on job performance of the administrative staff in LAUTECH. This buttresses the fact that learning does not end, and that he is dead that refuses to gain further knowledge. It is therefore imperative to encourage participation in training development.



It is worthwhile to stress that funding of LAUTECH has tremendous effect on staff training. This is true when one considers the fact that human wants are insatiable and it is whatsoever comes in that goes out. The supposed percentage that is earmarked for training development can only be obtained if fund is adequately released from the top. Apart from this, it is how well funds are released that would determine whether or not there would be anything like training of any kind.

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# THE NEXUS BETWEEN ORGANIZATIONAL CULTURE AND TOP MANAGEMENT SUPPORT AS AN INFLUENCE TO THE ADOPTION OF INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) IN THE RWANDAN COMMERCIAL BANKS

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## ABSTRACT

Although Information and Communication Technology (ICT) provides enormous opportunities such as storing, processing, retrieving, disseminating and sharing of information, its use within the banks in developing countries is still plagued with many problems that hinder effective and efficient management (Apulu & Latham, 2009). The researchers suggest that organizational culture and top management support play a key role in achieving a useful implementation of new technologies. Data was collected through a self-constructed and statistically validated questionnaire, thus five commercial banks were used for the research. A sample size of 274 employees of different managerial positions was used for the study. Of the 274 respondents 25 held managerial positions while 249 were regular employees. Stratified sampling technique was adopted to sample the employees in each department from the various banks headquarters, and the random sampling technique was used to administer the questionnaires to the respondents. A total of 353 questionnaires were distributed and 274 usable questionnaires were retrieved and utilized for the statistical analysis. The statistical results indicate that management support and organizational culture had perceived and significant influence on ICT adoption/usage among the surveyed commercial banks in Rwanda.

## KEYWORDS

Organizational culture; Innovation, Adoption, Culture, Information and Communication Technologies.

## INTRODUCTION

The rapid advancement in electronic distribution channels has produced tremendous changes in the financial industry in recent years, with an increasing rate of change in technology, competition among players and consumer needs (Kaleem & Ahmad, 2008). The use of electronic banking technologies (e-banking) such as Automated Teller Machines (ATMs), Tele-banking, home banking and internet banking, in the delivery of banking products and services has increasingly become an essential aspect of contemporary banking systems (Abukhzam & Lee, 2010). Most banks consider the adoption of e-banking technology as a means to improve efficiency and performance, and service quality. Banks and other businesses alike are turning to Information Technology (IT) to improve business efficiency, service quality and attract new customers. (Thulani & Tofara, 2009).

Forms of electronic innovations that have found their way into the Rwandan banks are Electronic Funds Transfer Systems (EFT), Telephone banking, Personal Computer (PC) banking and recently internet banking. These have released banks from the constraints of time and geographical location (Kass, 1994 cited by Goi, 2005) and has allowed banks to cut costs on transactions, improve their service delivery, and respond better to the demands of the market (Chang, 2003 and Sullivan and Wang, 2005). There has been a proliferation of electronic banking systems over the years, especially in developed countries where it is driving economies closer to cashless society as it removes the need for tangible currency (cash) and physical payment systems and replacing them with cards (plastic money) and internet (digital money). However the adoption of this innovation has remained sluggish despite the convenience it brings to the customers and the banks.

Contextually, ICTs and its hype are more than just computers and the internet. ICT encompasses the information that businesses create and use, as well as the wide spectrum of increasingly convergent (Moore, 2004; Brown and Licker, 2007; and Gibbs, Sequeira and White, 2007) and linked technologies that process the information (Rogers, 2004; Moore, 2004 and Barba, Pilar & Jimenez, 2007). Therefore, ICTs should be viewed as a collective term for a wide range of software, hardware, telecommunications and information management techniques (Davis, 1993; Afuah, 2003; and Zappala and Gray, 2006), applications and other devices that are used to create, produce, analyze, process, package, distribute, receive, retrieve, store and transform information (Shavinina, 2003 and Barba, Pilar & Jimenez, 2007). While the understanding appears comprehensive, how the psychology of adopters that categorically shapes the choice of adoption/usage decision is divergent.

While literature is abounding with studies conducted mostly in the developed world, in the Rwandan context this area is underrepresented as no studies to the best knowledge of the authors have been conducted in this area. It is against this background that this research takes a thrust and endeavors to the roles of ICTs organizational culture and top management support towards adoption/usage decision in Rwandan commercial banks. The research highlights the principal determinants of ICT adoption/usage and investigated accordingly. The work is divided into sections with the foregoing introduction, followed by the theoretical and related literature review, methodology design, data analysis, interpretation and discussions, and the conclusion respectively.

## THEORETICAL AND RELATED LITERATURE REVIEW

### TOP MANAGEMENT SUPPORTS INFLUENCE TO ICT ADOPTION

Managers cannot ignore information Systems because they play a critical role in contemporary organizations. Ayodeji & Oyesola, (2008) contend that the most significant shortcoming in the banking industry today is a wide spread failure on the part of senior management in banks to grasp the importance of technology and incorporate it into their strategic plans accordingly. Consequently, they believe that financial service providers should modify their traditional operating practices to remain viable in the industry. The application of information and communication technology concepts, techniques, policies and implementation strategies to banking services has become a subject of fundamental importance and concerns to all banks and indeed a prerequisite for local and global competitiveness (Obasan, 2011).

Top management attitudes play a vital role towards the adoption of ICT in organisations. This position is supported by Chuang, Nakatani, & Show, (2009) who indicate that top management perspectives and attitudes toward IT adoption explain different levels of success of IT adoption, Apulu & Latham, (2009) argue that an enthusiastic approach on the part of top managers can lead to the adoption of ICT, and (Ghobakhloo, Sabouri, Hong, & Zulkifli, 2011; Thulani, Tofara, & Langton, 2009) cements this argument by indicating that IT adoption process is directly affected by top management where all decisions from daily functions to future investments are made by them.

A number of studies have revealed that, the role of CEOs (top management or owner/manager) is central to enterprise since their decision influences all firms' activities, both in current and in future. This also refers to IT adoption decision from planning stage to the implementation, maintaining, and system upgrade stages. In addition, positive attitude of top management toward using IT (as the users of IT in SMEs) will result in IT acceptance and subsequently success in organizations (Nguyen, 2009).

Mpofu, Milne, & Mathys, (2008) indicated that the change agents for ICT adoption at organizational level may include the support and attitude of key decision makers such as owner managers and chief executive officers (CEO). IT adoption process is directly affected by top management where all decisions from daily functions to future investments are made by them (Ghobakhloo, Sabouri, Hong, & Zulkifli, 2011) these key decision-makers have a vital role to play in purchasing, planning and ICT adoption decisions in small business. They are, therefore, expected to have the capacity to respond accordingly to the changing needs of a dynamic e-business environment. According to Idiseemi & Latham, (2009) an enthusiastic approach on the part of top managers can lead to the adoption of ICT.

Williams and Kinicki (2003), argue that top management characteristics and top management support of an innovation could lead to early, late, faster or slower rate of adoption. In similar perspective, Mpofu (2006), asserts that top management characteristics; CEO knowledge of ICT, CEO values, and CEO attitude towards an innovation influence significantly the adoption of ICT, and further, Walker and Peansupap (2005), emphasizes that an organization's top management commitment to support and allocate resources for ICT technology investment influences adoption.

Walker and Peansupap (2005), indicate that strong top management commitment to ICT adoption leads to early adoption, while lack of top management commitment inhibited adoption. In the research conducted by Castel, Salvador and Sanz (2010), on the lodging industry, they found out that the manager's attitudes play an important role to the company's innovation, development or acquisition, since the managers control and monitor all the decision making process.

In his paper Muinde (2009), stresses the need for a change manager, to use a participatory change management style if change that is being promoted is to succeed. The study argues that even though it is sometimes necessary to use hierarchical authority to impose change automatically, it seems in most cases, that ICT adoption is more effective when a participatory leadership style is adopted and staff are informed about the change, encouraged to adopt a positive attitude towards it and involved in implementing it.

Management's critical role in the adoption of innovations was seriously emphasized in the paper presented by Tarofder, Marthandan, and Haque (2010), which indicates that most innovations interrupt existing systems and practices, which leads to a reluctance to change on the part of organizational members. Thus management plays an important role in facilitating the championship of innovation adoption. The research further contends that, when management shows a favorable attitude towards an innovation, the whole organization will be more likely to devote resources to, and show willingness towards, making the adoption successful.

The study of Tarofder, Marthandan, and Haque (2010), further contends that, the basic requirement for ICT adoption is the need to directly or indirectly persuade users to commit and involve themselves in the use of ICT. It indicates that top management also needs to be committed to support and allocate adequate resources for ICT technology investment. Kamal & Marinos (2005), reports that even in cases where ICT managers initiate the adoption of new technologies, support from top management may play a significant role in whether innovation efforts are frustrated or completed. He further indicates that support from top management can be achieved through:

1. **Resources mobilization.** Adopting of new information and communication technologies require large amounts of investments, and therefore to implement ICT innovations, top management is expected to take the risk of the failure or delay of ICT adoption. As Kamal (2006) indicates, top management need to have a risk-taking tendency to support ICT managers to design and implement an ICT adoption plan without worrying of the consequences.
2. **Top management knowledge of ICT.** It is clear as indicated by Kamal (2006), that top managers who are knowledgeable about the potential of ICT, are more likely to have a positive and clear attitude towards the adoption of ICT in the organizations, and to the initiatives raised by ICT managers.

The availability of technical personnel with rare competencies to produce new ideas is one among other significant factors for ICT innovation adoption. This assumption rests on the precept that innovations are most likely to be proposed by personnel who have expertise in this particular discipline. In light of this, Kamal (2006) opts that ICT innovation starts from ingenious applications devised by managers with a technical background.

Managerial capability in relation to their ability to identify problems of the current system and to develop and evaluate alternatives to improve the ICT capacity of the organization is a decisive factor that influences ICT adoption. These is also supported by Ghobakhloo, Sabouri, Hong, & Zulkifli, (2011), who argue that CEO's IT knowledge and experience of IT is a trait affecting IT adoption in many organizations, they further demonstrate that small businesses with CEOs who are more knowledgeable about ICT are more probable to adopt ICT. They discussed that greater knowledge of CEOs will reduce the degree of uncertainty entangled with IT which will result in lower risk of IT adoption. Moreover, Idiseemi & Latham, (2009) found that in a number of organizations, CEOs with higher levels of computing skills are more satisfied with the implemented of IS rather than those having inferior skills while based on the literature, satisfaction with IS/ICT is one of the most applied measures of IT success in organizations. These views are consistent with the findings of other studies which found that sufficient knowledge of IT and its consequent influences over organization could be provocative and supportive for IT adoption in organizations (Aziz, Sulkifli, & Ghobakhloo, 2010).

Another influencing factor attributable to the top management characteristics is CEO innovativeness, both in general and IT-specific terms (Ghobakhloo, Sabouri, Hong, & Zulkifli, 2011). Personal Innovativeness in IT (PIIT) has been revealed to be a reliable predictor of users' attitude about the simplicity of use and effectiveness of new technologies (Nov and Ye, 2008). Agarwal and Prasad (1998) have defined PIIT as "the willingness of an individual to try out any new information technology". They discuss that PIIT is a major determinant of IT acceptance by moderating in perceived usefulness (PU), compatibility, and perceived ease of use (PEOU). Here, it should be considered that in most of IT acceptance model such as Technology Acceptance Model (TAM) (Davis, 1989), Decomposed Theory of Planned Behavior (DTPB) firstly introduced by Taylor and Todd (1995) and the Unified Theory of Acceptance and Use of Technology (UTAUT) by Venkatesh et al. (2003), as well as in majority of models of users' satisfaction including End User Satisfaction (EUS) model (Adamson and Shine, 2003), Model of Small Business User IT Satisfaction (Palvia and Palvia, 1999) and Wixom and Todd (2005) integrated model of user satisfaction and technology acceptance with IT, PU and PEOU are two key constructs of user behavioral intention and subsequently IT usage behavior.

An empirical research by Thatcher and Perrewe (2002) demonstrated that highly innovative individuals, having higher levels of PIIT, are more likely to look for stimulating experiences, as well as having more confidence in their competence to use IT. On the other hand, individuals possessing lower levels of PIIT are more probable to present general computer anxiety; also they might have less tolerance for risk.

According to Bantel (2007), innovation of ICT would be more likely if the political environment within an organization has norms favorable for change. Thus adoption of ICT will depend on whether support from top management is available. Top management consist of individuals with power and authority to make strategic decisions, thus they can develop clear-cut visions and strategies while at the same time send signals to different parts of the organization about the importance of ICT.

The role that organizational leaders play in determining firm performance has been under debate among theorists as indicated by Bantel (2007). Some view leaders as products of their environment with little power to control structural and systemic factors that determine organizational actions, others view leaders as powerful decision-makers who consciously choose among diverse course of actions, and so determine the fates of their firms. They further indicate that the intermediate position taken by many is that leaders bridge the external environment and their organization, thereby facilitating adaptation to the environment.

It's worth noting that Basdeo (2006) indicates that research has shown the ideas expressed by organizational leaders as having a significant effect on organizational innovation. He further points out that examination of innovation in architectural firms shows that ideas expressed by management in the form of work motifs had a significant impact on fostering innovation. This argument is supported by (Abukhzam & Lee, 2010) who indicate that senior management intervention could have a positive influence on the adoption rate. The implementation stage is concerned with the commitment of resources to an innovation, modifications to the organization, and use of an innovation. In the implementation stage, management has a significant impact on organizational innovation through decisions relating to their commitment to the innovation.



As noted by Saadullah (2007), a negative attitude to ICT adoption, lack of management commitment, reduction of the companies' resource allocation and motivation to use the technology, results to resistance to change. Commitment to innovation as defined by Anggraeni (2009), is the managerial willingness to allocate resources and champion activities that lead to the development of new products, technologies, and processes consistent with marketplace opportunities.

From the research conducted by Mckeown (2008), they introduce several insights about ICT adoption by organizations. First management style factors, such as the CEO's attitude towards and interest in ICT, CEO's age and attitude towards change are some of the important aspects of promoting ICT adoption. In their conclusion Ayodeji & Oyesola, (2008) indicate that It is imperative for bank management to intensify investment in ICT products to facilitate speed, convenience, and accurate services.

#### CULTURAL INFLUENCE TO ICT ADOPTION

Culture accounts for variations among organizations and their managers, both nationally and internationally. It explains why different groups of people perceive and do things differently (Melanie & Sue 2007). Organizational culture is a significant determinant of ICT implementation in organizations (Bruque and Moyano, 2007; Cooper, 1994; Kanungo, 1998; Rioli and Savicki, 2003). A number of organizational culture definitions can be found within the body of literature. Greenberg and Baron (2007), defines organizational culture as a specific collection of values and norms that are shared by people and groups in an organization and that they control the way they interact with each other and with stakeholders outside the organization.

Based on the definition of Hodges and Hernandez (1999) "*culture in organizations can be thought of as the beliefs, values, and meanings shared by members of an organization*". Culture can also be regarded as the way of doing and sharing things for individual through complying firm's beliefs values, and attributes (Nguyen, 2009) or can be defined as indigenous characteristics of organization including level of openness to change and characteristics of human resources (Hall et al., 2001)

Studies suggest that the core values of a firm can influence the firm towards a particular strategic alternative or technology. In particular, their technical expertise and their attitude towards ICT can affect their company's ability and willingness to engage with ICT matters (Apulu & Latham, 2009), hence embedding ICTs in organizations requires careful consideration of the implementing organization's culture and the cultures of the organizations and countries that will communicate with that organization (Sornes, Stephens, Browning, & Saetre, 2004).

As noted by Gammack and Twati (2006), culture is a composition of values, beliefs and behaviors that represent an organization's working environment, organizational objective, and vision. On the other hand Hofstede defines organizational culture as "*the collective programming of the mind, which characterizes the members of one organization from others,*"

Culture consists of some mixture of artifacts or practices, values and beliefs and hidden assumptions that organizational members have in common about appropriate behavior. Culture represents a shared set of values consisting of objective and subjective realities which comprise socialized predispositions and beliefs that guide individual's perceptions of observed events and personal interaction, and the selection of appropriate responses in social situations (Adapo 2008).

Culture can influence actual behavior through its influence on attitudes and subjective norms and consequently enhance the adoption and use of ICT or may provide important barriers for using them, through enhancing or inhibiting individual innovation. Organizational culture can be a barrier for innovation adoption in an organization as noted by Bunker and Pang (2010): "while most managers tend to support new technologies, many of them turn away when they realize how much that technology is likely to change their traditional organizational culture".

ICT adoption, as in cases of any technology, is a result of a series of individual decisions. Miller (2003), states that adoption decisions are highly subjective to the attitudes of the people in an organization and may be influenced by the organization's social and cultural characteristics. This is because, adoptions are largely individual decisions aggregated into group decisions, and such individual decisions are largely affected by many non-economic factors, related to cultural and psychological aspects of the individual, and organizations. Adapo (2008), argue that, firm's cultures are difficult to change, thus fostering organizational culture to be one of the sources of resistance to technological change. IT conflict with organizational culture can result in user resistance to IT adoption (Ghobakhloo, Sabouri, Hong, & Zulkifli, 2011).

In the theory of reasoned action, that was formulated by Fishbein and Ajzen in 1975, they stated a mechanism on how culture can influence individual behavior. The theory states that attitudes lead to the intention to perform certain behavior and intentions actually lead to the actual behavior. Culture can influence actual behavior through its influence on attitudes and will consequently enhance the adoption and use of ICT or may provide barriers for using them (Stephen, 2003).

As pointed out by Stephen (2003), the significance of cultural issues, are the vital predictors which if not fine tuned, may cause failure in technology adoption. Apulu & Latham, (2009) state that the organizational inclination towards new ICT adoption can be strengthened, if there is a culture where ideas and innovations related to ICT are freely shared. Thus, a positive organizational attitude regarding systems innovation would increase the adoption of ICT technologies. Adapo (2008), indicates that based on Hofstede's typology of culture, there are five cultural dimensions: individualism-collectivism, power distance, uncertainty avoidance, and masculinity-femininity and long-term versus short-term orientations.

Individualism-collectivism dimension describes the relation between the individual and the group. Members from individualistic cultures tend to exhibit more favorable attitudes towards uniqueness and differentiation. Power distance relates to the extent to which the members of a society accept that power is distributed unequally. Cultures that exhibit large power distance are predicted to be less innovative. Uncertainty avoidance is the degree to which societies can tolerate uncertainty and ambiguity Kizza (2003). Apulu & Latham, (2009) contend that cultures which do not nurture openness and knowledge sharing cannot provide the appropriate human inputs needed by the organization for their ICT initiatives; they further state that lack of supportive organizational culture and structure may hamper technology initiatives in any organization.

Culture with low uncertainty avoidance tend to be more innovative due to greater tolerance for risk. Masculinity-femininity refers to the extent to which a society is closely related to the gender roles. Masculinity is often related to the diffusion of technological product innovations and femininity is more related to diffusion of cosmetics and apparel. Long-term versus short-term orientation measures peoples consideration of the future (Adapo, 2008).

Organizational culture is seen by Kizza (2003), as the basis to understanding the reasons as to why some firms succeed in implementing their strategies while others fail. He further observes that if change is to succeed in an organization, its initiator or promoter needs to understand the culture of the organization (that is to be changed), adding that if the proposed changes contradict the organization's cultural biases and traditions, the changes tend to be difficult to embed. This argument is in agreement with (Abukhzam & Lee, 2010) who indicate that users may reject some technologies because technologies are not compatible with their values, beliefs, and past experiences

Kizza (2003), discusses several cultural values that facilitate change in organizations, they include:

- a) **Power** -managers should adopt management styles that allow for the devolution of power from the top to the bottom.
- b) **Job security** -employees need to be convinced that there are more benefits in accepting change.
- c) **Commitment to organizational goals** -this can be achieved through making employees participate in the change process.
- d) **Team work** -the leader should encourage increased participation, information sharing and collective decision making.
- e) **Equal respect for employees** -each employee's contribution to change should be valued.
- f) **Employee empowerment** -this releases the creativity of the employee, thereby promoting change.
- g) **Continuing learning** -to ensure organizational survival whilst enhancing the ability to adapt to changes in the environment.

#### RESEARCH METHODOLOGY

This study used a descriptive and co relational survey design. The purpose of descriptive surveys, according to Ezeani (1998), is to collect detailed and factual information that describes an existing phenomenon. The target population of the study was banks in Nigeria. A sample of five banks were chosen.

The theoretical architecture was bridged with methodological design towards deepening the scientific or philosophical undertone of the research. The research employed and utilized descriptive research design. The choice of these designs was informed by the ability of descriptive method to profile respondents

categorically (Greener, 2008). These designs formed the background upon which the statistical analysis is based. Evidence from Adams, Khan, Raeside and White (2007), Remenyi (2002 & 2005), and Pallant (2005) have demonstrated that survey-based research which required grouping is best organized and analyzed with descriptive approach.

Primary data was used for the research. The questionnaire was specifically designed to accomplish the objectives of the study. The first section collected information such as age, gender, experience, professional status and position, while the second section contained 6 questions that measure the role of organizational culture and top management support as a determinant in the adoption of ICT in the Rwandan banks. Using a Likert scale of four points: Strongly Agree, Agree, Disagree, and Strongly Disagree.

The statistical reliability with Cronbach's alpha for perceived ease of use is 0.64 (64%) and ICT compatibility 0.63 (63%) respectively which Strauss and Corbin (1998), Oppenheim (1992), Diaz de Rada (2005), and Bryman and Bell (2003) have demonstrated to be of acceptable standard. The questionnaire was administered to 353 employees in the chosen five commercial banks' headquarters in Kigali using a stratified random sampling technique. Of the three hundred and fifty three (353) questionnaires distributed, 274 were retrieved and considered usable for the research. The respondents' participation was solicited through a consent letter and the data gathered are for academic purpose only. Out of the 274 questionnaires retrieved 25 of the respondents were managers and 249 of the respondents were non managerial employees in the banks.

**DATA ANALYSIS, INTERPRETATION AND DISCUSSIONS**

The profile of the respondents was analyzed through descriptive statistics as presented in Table 1.1 and it indicates that a total of 200 male group representing (73%) and 74 female, representing (27%) of the total 274 respondents used in the study. This proportional difference only reflects the number of respondents surveyed. However, the research of Castel, Salvador, and Sanz (2010) indicates that the male gender tends to adopt new technologies faster than the female counterpart both at home and at work place. Also, Esteves, Bohorquez, & Souza, (2008) in their paper indicate that female have more negative attitudes towards computers and internet than men. It is not this paper submission that gender impact adoption rather a categorization of the respondents.

**TABLE 1.1: DISTRIBUTION OF THE RESPONDENTS BY DEMOGRAPHIC FACTORS**

Demographic Variables	Categories	Frequency	Percentage
Gender	Male	200	73%
	Female	74	27%
Educational Level	Diploma / Certificate	87	31.8%
	Bachelors	178	65.0%
	Masters	3	1.1%
	PhD	0	0%
	Others	2	0.7%
Terms of Employment	Permanent	241	88.0
	Temporary	17	6.2
	Part Time	9	3.3
Work Experience	Less than 1Year	96	35.0
	1 to 3 Years	124	45.3
	4 to 6 Years	40	14.6
	7 to 10 Years	11	4.0
	Above 10 Years	3	1.1

Table 1.1 further indicates that out of the 274 respondents, 87 represented (31.8%) has a certificate or Diploma, 178 respondents (65%) has Bachelors Degree, 3 respondents (1.1%) with Masters Degree, PhD has 0 (0%) respondents, and 2 respondents hold other academic qualifications represented by 0.7% of the total respondents. However, four of the respondents representing 1.5% did not indicate their academic qualifications. Table 1.1 also indicates the term of employment. Of the total 274 respondents, 241 (88%) are permanently employed, 17 respondents (6.2%) are temporary employed, 9 respondents (3.3%) are part time workers and 7 respondents (2.6%) did not indicate their employment category. From the statistical results, permanent employees had the highest percentage, followed by temporary and part-time respectively. Further, this indicates that 96 respondents (35%) have worked with the banks for less than one year, 124 respondents (45.3%) have worked with the bank between one and three years, 40 respondents (14.6%) have worked with the bank between 4 and 6 years, 11 respondents (4%) have worked with the bank between 7 and 10 years, and 3 respondents (1.1%) have worked for more than 10 years.

From the categorization of the respondents, it becomes explicit that work experience, educational qualification and terms of employment appeared robust to authenticate the quality of the information provided by the respondents. As such, the perception of the respondents with reference to organizational culture and the top management support was investigated.

From the statistical reports, in Table 1.2 below, it indicates that organizational culture was instrumental to adoption/usage with a Mean of 3.4112 (SD, 0.62996). This implies that adopting/using new technology is subject to the prevailing organizational culture.

**TABLE 1.2: SUMMARY OF THE RESPONDENT'S RESPONSES ON THE ORGANIZATIONAL CULTURE**

Questions	N	Minimum	Maximum	Mean	Std. Deviation
The employees are involved in assessing the best technology to buy.	274	1	4	3.44	1.047
The employees are involved in decision making that concerns the buying of new technologies in the organization.	274	1	4	3.40	1.051
The employees are empowered to give suggestions, to the improvement of the operations of the technologies used.	274	1	4	3.40	1.051
<b>Overall Mean for Organizational Culture</b>	<b>274</b>	<b>1.67</b>	<b>4.00</b>	<b>3.4112</b>	<b>.62996</b>

Source: Authors Compilation (2010)

From the foregoing statistical evidences, it becomes explicit that the respondents' perception on ICT adoption/usage decision is subject to organizational culture.

**TABLE 1.3: PORTRAYS THE PERCEPTION OF NON MANAGERIAL EMPLOYEES TOWARDS TOP MANAGEMENT SUPPORT ON THE ADOPTION ON THE NEW INNOVATIONS**

Questions	N	Minimum	Maximum	Mean	Std. Deviation
Top management encourages us to be ready to accept new technologies that are introduced in the bank.	249	1.00	4.00	3.30	.899
Management informs us of the usefulness of using new technologies	243	1.00	4.00	3.12	.929
The management likes using new technologies always	243	1.00	4.00	3.13	.934
<b>Overall Mean for Top Management support</b>		<b>1.00</b>	<b>4.00</b>	<b>3.1245</b>	<b>0.73255</b>

Source: Authors Compilation (2010)



The table summary indicates that innovation adoption/usage as perceived by the non managerial employees is influenced by the top management support. The findings are not in isolation since the research of Latham & Apulu, (2009) revealed that the support from top management is the precondition for successful ICT adoption/usage. Further, Ion and Andrea (2008), Young (2007), and Rogers (2003) demonstrated that compatibility and familiarity strongly determine ICT adoption/usage decision.

The depth of relationship between each principal factor to ICTs adoption/usage was established to substantiate the documented perception of the surveyed respondents. In light of this, the correlation analysis was conducted to authenticate the presumed proposition of a relationship. As evident in Table 1.4, a strong positive statistical significant relationship between ICTs adoption/usage and organizational culture was found with a Pearson Correlation Coefficient of 0.384 at 1% (0.000) level of significant. This implies that ICTs adoption/usage is dependent on deep seated values and beliefs which evolve into an organizational culture.

**TABLE 1.4: SUMMARY OF THE CORRELATION MATRIX BETWEEN TOP MANAGEMENT SUPPORT AND ORGANIZATIONAL CULTURE**

Variables	Significant Level	Pearson Correlation Coefficient
Organizational Culture	0.000	0.384**
Top Management support	0.000	0.219**

The top management component was statistically investigated and the result indicates as reflected in Table 1.4 that a positive, strong and significant statistical relationship exists between the top management support, organizational culture and the adoption of ICT. Organizational culture had a Pearson correlation of 0.384 and significant at 0.000 (1%), while top management support had a Pearson correlation of 0.219 and significant at 0.000 (1%). The result indicates that top management support and organizational culture has a positive and significant relationship with adoption of ICT among the surveyed commercial banks in Rwanda. The finding add credence to the work of scholars (Lau, 2002; Davis and Riemenschneider, 2003; Darch and Caltabiano, 2004; Fasan, 2007; and Agboola, 2007) that top management support and organizational culture components (values, norm and standards) determine ICTs' adoption decision.

Based on these findings, this research is an added value to existing knowledge on the debate about the depths to which ICT organizational culture and top management support influence adoption/usage decisions. Therefore, the respondents from the commercial banks in Rwanda assert that ICTs' organizational and top management support do influence the adoption/usage of ICT. Hence, the paper suggests that users' computer literacy, training and development, self-efficacy and ICT orientation become integral components of the commercial banks' capacity building programs.

## CONCLUSION

Although existing researches have identified ICTs' adoption determinants, the Rwandan commercial banks framework has remained a neglected component. This research contributes to the wealth of existing documentation through the identification of dual factors that determines ICTs' adoption in the Rwandan commercial bank platforms.

The suggested policy has implications for banks and managers which can be used as a basis to plan efforts towards increasing workers' work performance and enhancement. ICT literacy and self-confidence are factors impacting users' perceptions and the overwhelming effect could compound a bank's adoption potential which has instrumental influence on competitiveness and profitability/survival. By improving the staff and the management's related aspects on ICTs adoption, the commercial banks may increase banks' performance. This implies that staff and the management must be trained in such a way that their soft and hard skills are ICT enhanced.

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## THE ROLE OF CORPORATE REPUTATION ON TRAVEL AND LEISURE COMPANIES PERFORMANCE IN MALAYSIA

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### ABSTRACT

Recently in Malaysia studying a relationship between corporate reputation as a category of corporate social responsibility (CSR) and financial performance has become an important topic, despite the fact that Malaysia is still in its infancy. Presence of few literatures about interaction between corporate reputation and firm performance caused encouragement to develop a model to investigate existence of any relationship between corporate reputation and firm value. The moderating role of age and size of companies leading towards firm performance will also be considered. 30 travel and leisure public listed companies in Bursa Malaysia will be selected to test a model from 2000 to 2005. This model will be implemented through structured equation model (SEM). The developed model can then be recommended to other companies.

### KEYWORDS

CSR, Financial Performance, Reputation, SEM, Travel and Leisure.

### INTRODUCTION

Companies try to gain more profit and value to their shareholders by probing into corporate reputation and increasing corporate image. Although there are different definitions for Corporate reputation, it is described as a category of corporate social responsibility which is beneficial activities in economic, ethical, legal, and discretionary parts that lead to create value and meet expectations of society (Grunig, 1979). An investigation on corporate social performance on internal stakeholders argued it is necessary for each firm to protect and increase its reputation and image (Corley, Cochran, & Comstock, 2001). Bursa Malaysia and the Malaysian Institute of Accountants published guidance and benchmark about CSR activities in four sections: "Marketplace", "Environment", "Workplace", and "Community" (Malaysia, 2006). Corporate reputation is described as market place and workplace determinants of corporate social responsibility. Having corporate reputation prepares accessibility to competitive advantages and profitability easier and sooner (Hall, 1993). Researching on corporate reputation of corporate social responsibility and financial performance has been an interesting topic especially in developed countries. Recently Malaysia as an emerging market has involved more in corporate social activities and corporate reputations to be powerful competitor in a competition environment. The study in Malaysia for telecommunication industry about corporate reputation and competitive advantage indicates that corporate reputation is as important as corporate social responsibility and they are related to each other which firms should be considered to have competitive advantage (Awang, 2010). However, there are few researches on the corporate reputation as a corporate social responsibility relationship with firm performance in Malaysia. The correlation between corporate social responsibility and firm financial performance in developed countries is well-established and has been considered in the previous researches (Vance, 1975; Simpson & Kohers, 2002; McGuire, Sundgren, & Schneeweis, 1988). The big difference in implementing corporate social responsibility in different countries is difference in culture and ethical reasoning (Whitcomb, Erdener, & Li, 1998). Some service industry sectors such as hotel and banks are more related to corporate reputation which should care more to absorb customers (Yoon, Guffey, & Kijewski, 1993). Travel and leisure companies which pay more attention to their reputation could be more successful in competitive market and gain more profits.

### PROBLEM STATEMENT AND RESEARCH GAP

Corporate reputation as determinant of corporate social responsibility is in elementary stages of implementing in Malaysian companies. Knowing the effects of corporate reputation on performance of travel and leisure companies helps organizations in Malaysia especially in service sectors of industry to increase their information about this area whether apply in their organizations. Although it is a crucial examination, because of lack of knowledge in this area, this study aims to perform an investigation for understanding any associations of corporate reputation and financial performance which help both companies and investors.

### RESEARCH QUESTIONS

- What is the relationship between product, service, and employee with financial performance?
- Which of the dimension of corporate reputation has the most effect on financial performance?
- How does age and size of firms influence moderate the relationship between corporate reputation and firm performance?

### OBJECTIVES OF THE RESEARCH

- To find out any relationship between product, service, and employee with financial performance.
- To know the most effective dimension of corporate reputation in financial performance.
- To investigate how age and size of firms influence moderate the relationship between corporate reputation and financial performance.

### LITERATURE REVIEW

#### RELATIONSHIP BETWEEN CORPORATE REPUTATION AND FIRM PERFORMANCE

There are different theories and methodologies which reflect on corporate reputation, however, few studies reported from previous researchers on relationship between corporate reputation and firm performance. Herremans, Akathaporn, & McInnes (1993) studied a link between corporate reputation and economic performance for manufacturing U.S. companies from 1982 to 1987. The results showed there was a good and positive association between corporate reputation and stock market return.

McGuire, Schneeweis, & Branch (1990) investigated a relationship between corporate social responsibility and firm performance. The authors used Fortune magazine survey as a reputation index for corporate social responsibility, and found reputation an important factor to gain financial profits.

Schnietz & Epstein (2005) analyzed influence of reputation on financial value during a crisis. The authors followed this research with reputation as a measure of corporate and stock market return as a market-based measure of financial performance in 1999 for 426 firms selected from Fortune 500 of U S firms. They concluded a positive relationship.

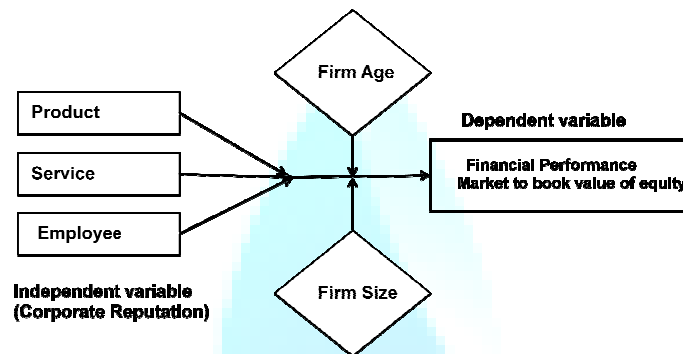
Fombrun & Shanley (1990) examined corporate reputation and corporate strategy. The authors applied their research on 292 US firms. The results showed there was a positive interaction between reputation and financial performance.

Kotha, Rajgopal, & Rindova (2001) investigated association among three types of reputation as marketing investment, reputation borrowing and media exposure with financial performance in internet firms. They concluded reputation was a crucial factor to reach financial achievements.

## METHODOLOGY AND RESEARCH DESIGN

This study uses previous models and develops a new model. Figure 1 shows proposed research model for this research. Product, service and employee are defined for corporate reputation as a determinant of corporate social responsibility for independent variables. Financial performance is dependent variables which will be used market to book value of equity. The moderating role of age and size of companies which influence the interaction between corporate reputation and firm performance will be also studies.

FIGURE 1: PROPOSED RESEARCH MODEL



## HYPOTHESES DEVELOPMENT

- HO1: There is a relationship between product and financial performance.  
 HA1: There is no relationship between product and financial performance.  
 HO2: There is a relationship between service and financial performance.  
 HA2: There is no relationship between service and financial performance.  
 HO3: There is a relationship between employee and financial performance.  
 HA3: There is no relationship between employee and financial performance.  
 HO4: Age of company moderates the path relation between corporate reputation and firm performance.  
 HO5: Size of company moderates the path relation between corporate reputation and firm performance.

## SAMPLE DESIGN

This study will be applied for 30 travel and leisure public listed companies in Bursa Malaysia. This study will be a cross-sectional study. This study will be using systematic random sampling for all 30 travel and leisure from 2000-2005.

## DATA COLLECTION

Both secondary and primary data will be used in this research. Secondary data will be applied to gather data of firm performance, size and age of companies through annual reports of companies. A questionnaire based survey will be used to get information of corporate reputation in all travel and leisure organizations, also some open-end questions will be applied in the questionnaire to improve ways of implementing corporate reputation as a determinant of corporate social responsibility in Malaysian companies. The analysis of data will result in I) summary statistics for scores and variables to prepare a general overview of independent, dependent and control variables in terms of number of cases, Median, standard deviation and average values, II) correlations between variables and scores, to draw a conclusion about the relationship between variables.

## DISCUSSION OF FINDINGS

All data collected from annual reports and questionnaire will be tested by using structural equation model (SEM) to test hypotheses in a link of corporate reputation and firm profitability. Two necessary tests which will be needed in this study are descriptive statistics and regression analysis (Waddock & Graves, 1997). Any additional analysis required to test the model will be implemented in appropriate time and suitable levels.

## CONCLUSION

Applying corporate reputation in companies has benefits in terms of financial performance which Malaysia has tried to approach it, but still is lagging behind many developed countries. However, it has been improved in this area remarkably since last years. Malaysian companies, investors and stakeholders suffer from lack of knowledge in this area. Hence this research will try to fill the gap by studying association between corporate reputation and firms profitability in travel and leisure industry of public listed companies in Bursa Malaysia, moreover will develop a model for further studies. This investigation has benefits for government elements, companies, stakeholders and other sectors who may deal with this issue.

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**HR AUDIT: AN EVALUATION OF HR PRACTICES****MARIAM AHMED****INSTRUCTOR****DEPARTMENT OF MANAGEMENT SCIENCES****VIRTUAL UNIVERSITY OF PAKISTAN****LAHORE****ABSTRACT**

The main purpose of this paper is to evaluate the performance of HR department by appraising its practices through HR audit and to find out the role of HR department in achieving the overall objectives of business. Descon Engineering and Construction Company is chosen as case study. In this HR Audit, the primary data has been gathered from the employees of the company by using interview technique and interview questions have been adopted from the developed Department Organization Questionnaire especially designed for HR audit. The secondary data has been collected by analyzing the documents of the company regarding policies and procedures. The sample size is consisted of twelve employees of different departments from middle and front-line level through purposive sampling. The Comparative approach has been used for data analysis. The data analysis shows that Descon has formal and well-established HR department and practices. These practices are well-aligned with the needs of the organization and very supportive in achieving the goals of the organization which is shown by the company's growth trend in terms of profit and the company as a whole. The turn over rate of the HR, finance and marketing departments is very low and equal to 1% whereas other departments have high turn-over which is 10-20% due to the project based nature of the company. The company is on the way of achieving its business strategy with the help of HR practices and policies.

**KEYWORDS**

Descon Ltd, Engineering & Construction Sector, Evaluation, Human Resource Audit, Human Resource Practices.

**INTRODUCTION**

The Human Resource department of an organization has several responsibilities. The main duties of this department are employee recruitment & selection, development, evaluation, compensation and employee relations. The role of Human Resource department is changing and amplifying with the increasing diversity of the human resource in the organizations and multifaceted legal and ethical issues in global organizations. In a nutshell, today the Human Resource department is playing its role towards organization as well as towards the society in which it operates. For fulfilling these multidimensional responsibilities, it is necessary to evaluate the performance of Human Resource department at regular intervals for measuring its effectiveness and efficiency for achieving the goals of organization. This evaluation of HR department and its practices is done through the process of HR Audit which tells the organization about its present standing and condition.

HR audit is conducted in the organization to review and assess the quality of human resource practices and policies. The team of HR audit consists of HR experts and consultants evaluate the activities of HR department in terms of effectiveness and efficiency. They appraise the role of HR department in achieving the strategy of the organization through this audit. The major quantifiable deliverables of HR audit are satisfaction of employees regarding the HR practices and policies, minimize the regulatory fines and law suits, increase in efficiency and effectiveness, clarity and understanding of employees regarding the HR functions and procedures, low turn-over rate and high retention of best employees.

The main purpose of this paper is to evaluate the performance of HR department of chosen organization by appraising its practices through HR audit and to find out the role of HR department in achieving the overall objectives of business. As Frans (1999) explicates Human Resource Audit as a measure to take snapshot of the HR department's current performance for further improvement in its systems and procedures for enhancing the efficiency and effectiveness of the organization in general. Therefore, this paper analyzes the performance of HR department of chosen organization by assessing its practices and policies and the role of this department in the overall growth of the organization.

**LITERATURE REVIEW**

Today's role of Human Resource department is more pro-active and it has responsibility to find out the causes of employee dissatisfaction and mismanagement. If there is need to scan the environment for identifying the changing trends of the business practices, there is also a need of using a research based approach to evaluating Human Resource activities (Lengnick & Lengnick, 1988) and it can be achieved by widening the scope of the Human Resource audit so that it covers the corporate strategy, the Human Resource function, managerial conformity and employee satisfaction (Florkowski & Schuler, 1994).

Human Resources have an ultimate and significant role in meeting the organization's corporate strategy. Organizations are consisted of people and the main responsibility of Human Resource department is to find the right people for the right jobs so that the organization can gain a competitive edge in the marketplace. Understanding the organization's corporate strategy is very much important for planning, staffing, compensation, employee relations and retention, training and other Human Resource activities. Human Resources are effective for the organization only when they contribute to the firm's strategic goals. It is necessary for Human Resource department to learn about the firm's overall strategy through interviews with key executives, review of long-range business plans, and logical scanning of the environment to reveal changing trend for its effective and efficient role in the organization (Wright & Snell, 1998).

Human Resource audit is a rational evaluation of the working of the Human Resource department. It must reviews all the key practices of Human Resource Management like Human Resource Planning, Job Analysis, Compensation Management, Affirmative Action, Recruitment & Selection, Training & Development, Orientation, Career Development, Performance Appraisals and Labor Management Relations (Werther & Davis, 2000).

Human Resource Audit basically identifies the gaps between the policies and practices followed by the Human Resource Department. Large organizations carry out Human Resource Audits almost in the same manner as financial audits. They appoint a team of experts who have the indispensable functional experience in one or more specific areas. The best way to begin the Human Resource audit is to evaluate the past audit reports, or on the basis of functions performed by the Human Resource department (Werther & Davis, 2000).

The next step of audit team is to identify who is responsible for each activity of the department and determines the objectives of each activity. The team appraises the policies and procedures used in the organization regarding the Human Resource Management and get the sample of available records to find if the policies and procedures are being followed or not and prepare an audit report including proper objectives, policies and procedures. A complete action plan is being developed on the basis of analysis of objectives, policies and procedures, the errors in the objectives if any are being corrected and follow up on the action plan at a later stage to see it has worked or not (Lengnick & Lengnick, 1988).

The audit team starts the Human Resource audit with the gathering of data from workers to find out how well their needs are being met. Employee feedback and information is gathered on wages, benefits, supervision, career planning, and performance appraisals. The effectiveness of the Human Resource department can be judged by its ability to meet the employee's needs as well as serving the organization's interests at the same time. Employee actions including turnover, absenteeism and unionism are more likely to occur when their needs are not being met (Lengnick & Lengnick, 1988).

The Human Resource head reviews the overall performance of his/ her department and its role in the organization. The comprehensive report is developed contains a summary of all the information given to the operating managers and staff specialists. The Human Resource head collects the feedback about the

attitudes of operating managers and employees regarding the department's benefits and services, analyzes the departmental goals and plans to achieve them, human resource problems and their consequences, suggestions for required changes and the priority for their implementation (Werther & Davis, 2000).

## TOOLS OF HR AUDIT

In a Comparative Approach, another company or unit that has more developed practices or results is chosen as the model. The audit team audits and weighs against the audited firm's results with the best practices of the model organization. This approach is normally used to match the results of some certain activities or programs. This approach is usually used for comparing the results of turnover, absenteeism, salary data and staffing levels. It helps to identify areas for improvement. It also makes sense to compare where a procedure is being used for the first time (Blair & Meshulam, 1998).

In the Outside Authority Approach, standards set by a consultant or taken from published research findings are used as the benchmark for the audit team. The consultant or research findings may help to diagnose the cause of troubles (Werther & Davis, 2000).

The Statistical Approach depends on performance measures drawn from the company's existing information system. From existing records, the audit team creates statistical standards against which activities and programs are appraised. With the mathematical standards as a base, the team may discover errors while they are still minor. For example, by tracking and managing turnover and absenteeism rates from one period to another, the team can compare and analyze the data to see how well Human Resource and operating managers control these problem areas. Often this approach is supplemented with comparative data from external sources such as other firms, or industry association surveys. The information is usually expressed in ratios or formulas that are easy to compute and use (Martocchio, 2001).

With the Compliance Approach, the auditor reviews past practices, to determine if actions taken followed legal requirements and company policies and procedures. The audit team here often examines a sample of employment, compensation, discipline and employee appraisal forms. The purpose of the review is to ensure that the field offices and the operating managers have complied with internal rules and legal regulations, such as minimum wages and equal employment opportunity laws. By sampling elements of the Human Resources information system, the audit team looks for deviations from laws and company policies and procedures. The team can then determine the degree of compliance achieved (Wright, Gardner, Allen, 2005).

In the MBO (Management by Objectives) Approach, managers and specialists set objectives in their area of responsibility. Then they create specific goals against which this performance can be measured. The audit team investigates actual performance and compares it with the previously set objectives. They can then evaluate the trends in this area (Werther & Davis, 2000).

In actual practice, audit teams normally use several of the above strategies, depending on the specific activities under consideration. Feedback is then given to senior management, the operating managers and the employees. Unfavorable feedback leads to remedial action and development in the contribution of the Human Resource department (Wright et al, 2005).

The audit team uses a combination of several information-gathering tools to collect data about the firm's Human Resource activities. These tools include interviews, surveys, historical analysis, external information, Human Resource experiments and international audits. Each tool provides partial insights into the firm's activities. By using these tools skillfully, the audit team can get an insight into the effectiveness of the organization's Human Resource activities (Noe, 2002)

Interviews of employees and managers often provide audit teams with a powerful tool for collecting information about Human Resource activities and identifying areas that need improvement. Interviews can be conducted on both sides to determine the reasons for problems like turnover or absenteeism. Comments and criticisms from interviewees can help pinpoint perceptions and causes that will then form the basis for corrective action. Suggestions by interviewees may reveal ways of better dealing with the issues. Where criticisms are valid, changes should be made. Where the Human Resource department is correct however, employees may have to be educated and trained by explaining the reasons for the procedures in place that are a cause for concern (Werther & Davis, 2000).

Exit interviews are conducted with departing employees to learn their views and experiences with the organization. Questions asked along these lines are reviewed later to find out if there is a major cause for turnover, absenteeism, dissatisfaction etc. The Human Resource department must take an active interest in exit interviews. Some employees may be hesitant to pass judgment on and speak their mind. Reasons must be studied to determine if trends exist among employees of the organizations.

The scope for taking interviews is however time consuming and limited, therefore there is a trend among Human Resource departments to use questionnaires to widen the scope of their research. Survey Questionnaires may lead to more honest answers than face-to-face interviews. Attitude survey feedback can find answers to concerns (Werther & Davis, 2000).

An analysis of historical records can also reveal important trends. Compliance with laws and company policies and procedures can also be determined, as well as the success of action plans to remove points of concern. Specific areas that may be covered include employee safety and health, grievances, compensation, affirmative action, programs and policies. There may be a conflict between these laws and the organization's practices, however a proper study and analysis is helpful to level out these discrepancies and meet the organizational goals (Grip & Sieben, 2005).

External information can also be helpful in giving the audit team a perspective against which the firm's activities can be judged. Such information can be available from various public and private agencies and government departments. Examples include wages and salary surveys, employee turnover rates, workforce projections, future employment opportunities, and accident rates by professions that can serve as benchmarks for comparison purposes. Workforce demographics such as age, sex, education and racial composition are useful in evaluation of affirmative action programs. Some information may also be provided from consultant studies and research bureaus (Florkowski & Schuler, 1994).

Another tool available to the Human Resource audit team, especially in evaluating new programs and trends on which there is no available data for comparison purposes, is to themselves conduct a field experiment. In using the field experiment, the Human Resource audit team compares an experimental group with a control group, under realistic conditions. Such experimentation is usually employed in researching absenteeism, turnover, compensation, job satisfaction and safety activities. For example, in checking the effectiveness of a job safety program, the audit team may implement a safety-training program to half the supervisors (the experimental group). The other group (control group) contains supervisors that have not been given this training. The accident rates and safety records of both groups can be compared at a later stage, some months after the safety program has been concluded. If results reveal that the experimental group has a considerably lower accident rate and better safety record, there is evidence that the safety program was effective (Martocchio, 2001).

A cost benefit analysis will also be conducted to compare the costs of the training program with the benefits to the workers and the company. However the field experiment method can have some drawbacks. Managers may be hesitant to experiment with workers because of morale problems and potential dissatisfaction among those who were not selected. On the other hand, employees involved in the experiment may feel influenced. The experiment itself may be bewildered by changes in the work environment or simply by the two groups talking to each other about the experiment.

Once the audit has been concluded, the Human Resource audit team leader will compile the findings and recommendations of the audit team into a Human Resource Audit Report. This report is a comprehensive definition of the Human Resource activities and includes both commendations for effective practices and recommendations for improving practices that are less effective. Recognition of both good and bad practices is more balanced and makes room for wider acceptance of the report (Werther & Davis, 2000).

## OBJECTIVES

- To study the HR practices of the chosen organization
- To compare the HR practices with the developed HR policies of the organization
- To identify the gaps between the policies and actual procedures and practices followed by HR department of the organization

## SIGNIFICANCE

This study will explore the development of Human Resource departments in Pakistan. It will explain the importance given to HR practices in the engineering and construction sector of Pakistan and will elaborate the role and support of HR practices in the growth and profitability of Descon Ltd.

## METHODOLOGY

Descon Engineering and Construction Company is chosen as case study. The primary data has been gathered from the employees of the company by using interview technique and interview questions have been adopted from the developed Department Organization Questionnaire especially designed for HR audit. The secondary data has been collected by analyzing the documents of the company regarding policies and procedures provided by the management of the organization. The population is all the employees of Descon whereas the sample size is consisted of twelve employees of different departments from middle and front-line level through purposive sampling. The Comparative approach has been used for data analysis. The HR practices of Descon have compared with the established theories of HR. In this way the gaps have identified between real world practices and theories of HR.

## FINDINGS

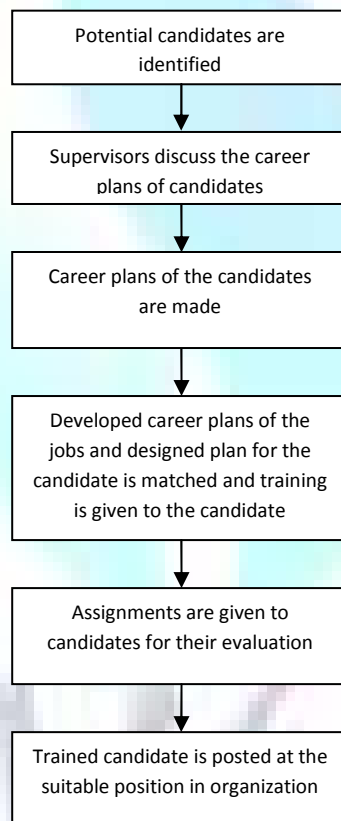
### HR PLANNING AT DESCON

It has been found by interviewing the selected sample consists of employees of Descon that HRP of the company is very strong and well –aligned with the business strategy of the company. There is systematic process in which the needs of the organization and its human resources are reviewed in formal manner on monthly basis. The company also devises formal career plans on the basis of HR planning. The career counseling is also provided to the employees for future career aspects and succession planning is also important part of HR planning. The process of HRP is very supportive for the company for achieving its goals and objectives as it truly identifies and addresses the developmental and HR needs of the organization.

This research elucidates that the HR Staff rate the human resource planning process as five (5) – more than adequate but the other department would rate it as four (4) – adequate only. This is because of the there are so many small units of HR department in the different divisions and units along with the centralized HR department and other departments consider the HR department as cost creating unit. HR is not formally recognized in the business field therefore people do not understand the significance of this department in the growth of the organization.

The career planning process in Descon Ltd is explained by the following pictorial representation.

FIGURE 1.1: FORMAL CAREER PLANNING IN DESCON LTD



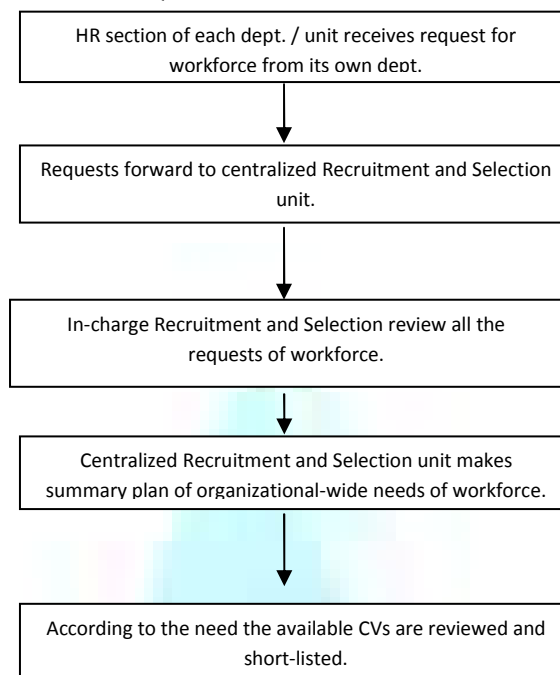
Source: Author Survey, 2009

### RECRUITMENT & SELECTION AT DESCON

The recruitment and selection process of Descon is very systematic and comprehensive. It is linked with HR planning so strategic recruitment is carried out in this organization. This activity is handled by an independent unit named as Recruitment & Selection cell which is connected with the centralized HR department. There is a formal process for identifying job vacancies that is known as “Workforce Requirement Identification”. The potential candidates are properly screened and checked before hiring. They are interviewed three times before hiring. But there is one problem which has been highlighted after analyzing this practice that potential candidates have to wait too long for interview. In this way it is very hectic for the candidates to wait too much. It is because of the burden on HR department because this department hires too much employees during a month like a summary of hiring of one month of Descon shows that it hires forty employees in that particular month.

During this research, It is found that the HR Staff rate the effectiveness of recruitment and selection process as five (5) – more than adequate but the other department would rate it as four (4) – adequate because other departments consider that this activity can be handled by HR department so there is no need to develop an independent unit for this activity which is a cost for the company.

FIGURE 1.2: WORKFORCE REQUIREMENT IDENTIFICATION PROCESS AT DESCON LTD



Source: Author Survey, 2009

### COMPENSATION SYSTEM AT DESCON

The content analysis of the information collected through the interview shows that Descon offers a healthy and attractive compensation package competitive to the market which enables the organization to attract talented candidate and retain potential employees. The market study is conducted to develop the competitive compensation package if data is not available on it.

For different levels of job, there exists different pay grades / pay slots in the pay plan of Descon. The HR department periodically ensures that the pay plan is in agreement and consistency with the organization's philosophy. If not, then corrective action is taken and for that, survey is conducted that includes the exist interviews of the left employees and feedback forms filled by the existing employees. The information gathered is validated and accordingly pay plans are designed or updated. All comparable jobs are reviewed for possible evidence of uneven treatment for females or minorities. Discriminatory practices are avoided as much as possible.

During our research, we come to know that all the Staff rate the effectiveness of the compensation system as five (5) - more than adequate which highlights the satisfaction of employees with the compensation plans of this organization for different jobs.

### PERFORMANCE APPRAISAL SYSTEM AT DESCON

The performance appraisal system of Descon is very well-defined and proper. The proper appraisal form has been designed for the performance appraisal of the employees of Descon. The appraisal is well-aligned with the compensation policy of Descon but the biases can be added in the appraisal system because appraisal is only done by the immediate supervisor of the employee.

Objective setting for each job is given very high priority by the company. In appraisal interview, *the objective, interactive and meaningful feedback on performance* is provided to the employee. An individual's performance objectives are actually one part of departmental and organizational objectives. When individual fulfills those objectives, a part of departmental objectives is fulfilled and in turn organizational objectives are achieved. In short, performance objectives clearly support departmental and organizational objectives. These objectives and measurement criteria are clearly discussed with the individual being appraised. The individual is properly guided by the time as well.

The employees are informed two months before their appraisal is conducted. Usually it is appraised in Nov-Dec. When the appraisal of the employees has been conducted then there are appraisal interviews for giving feedback to the employees regarding their performance.

There are different methods used for the performance appraisal of the employees such as MBO, Universal Statements that are open-ended statements and Behavioral Assessments that includes Critical Incident technique and BARS. Mostly, MBO technique is used for the top-level employees. Sometimes, combination of methods is used to avoid errors.

The company has a pay-for-performance system for group as well as individual's performance and it is usually merit-based. Variable incentives are also used in some cases (mostly for labor) in order to reward the individual's performance. An outstanding performance is rewarded outstandingly in the form of increments, additional leaves and bonuses. Compensation increase is budgeted throughout the organization and there are guidelines for distribution that are clearly communicated. Management ensures the internal as well as external equity and fairness in rewards.

During this research, it is found that HR Staff rate the effectiveness of the appraisal system as five (5) - more than adequate but the other department would rate it as four (4) - adequate because they think that evaluation is only done by immediate supervisor which can include biases in the rating and it can damage the evaluation of person and finally it can affect their compensation plan as performance is linked with the compensation in this organization.

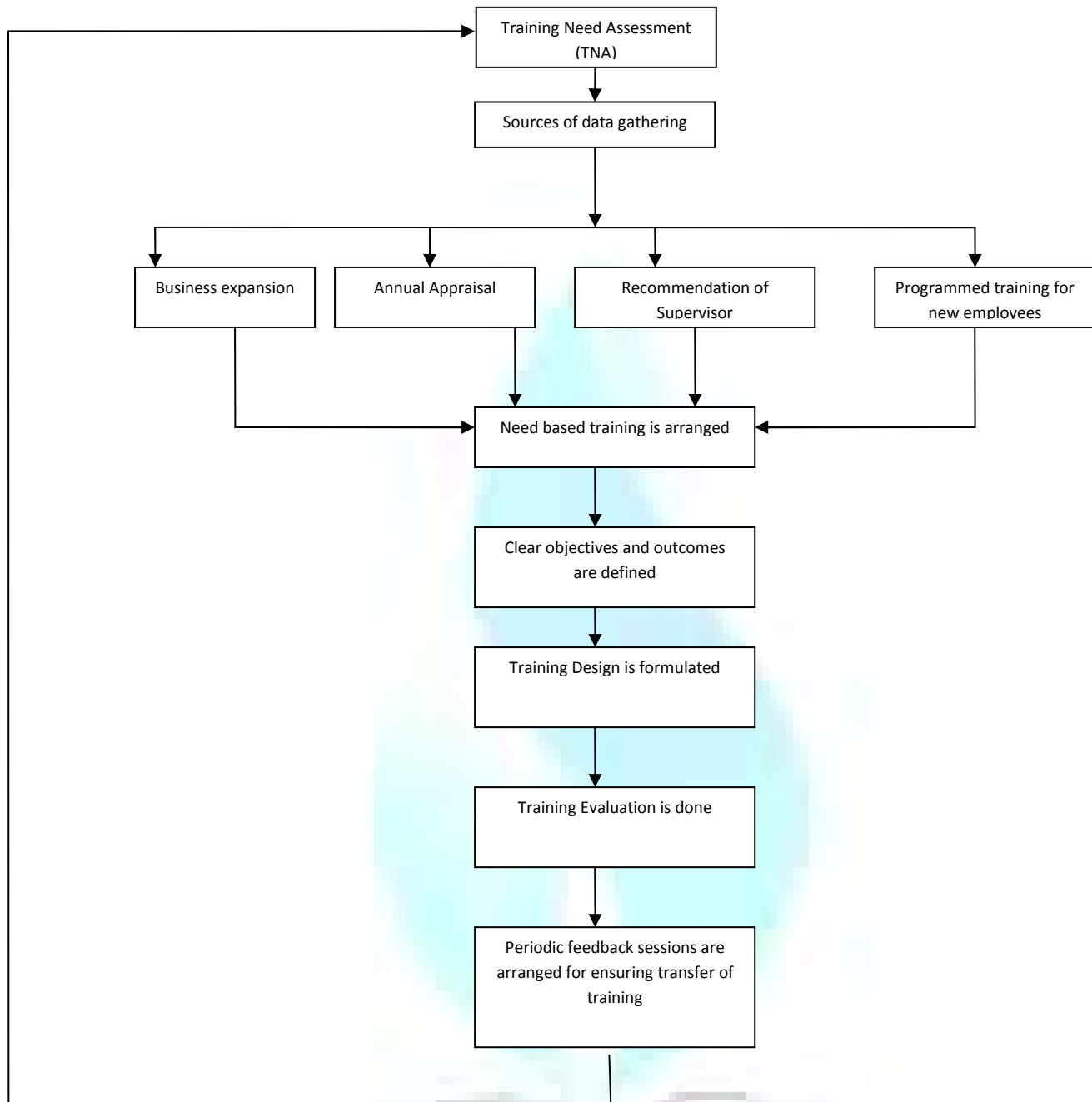
### TRAINING & DEVELOPMENT AT DESCON

The interviews conducted with the employees of Descon show that Training & Development is very strong part of the company. It is a strategic advantage for the company to train its employees according to the latest needs and trends of the market. The company has given much importance to the training and development of the employees. The company also takes care of the transfer of training on the job and proper periodic feedback sessions are arranged for ensuring the transfer of training of employees on the job. The content analysis of interviews shows that there is proper Training Need Assessment (TNA) form designed for training need assessment but it is not used properly and the company only depends on the performance appraisal report of the employee and recommendation of the supervisor for training need assessment.

During this research, it is revealed that HR Staff rate the organization's training and development activities as six (6) - well developed but the other department would rate it as five (5) - more than adequate. This rating supports this claim that this company has strong Training & Development system. Overall, the employees and Training & Development team of Descon are highly satisfied with the training and development activities conducted for the employees in this organization. The following diagram shows the training module of this organization.



FIGURE 1.3: TRAINING MODULE OF DESCON LTD.



Source: Author Survey, 2009

### LABOR RELATIONS AT DESCON LTD.

Descon Ltd is project-based company so there is no labor union in the company. All the labor which is used in the projects is contract-based so there is no labor relation department or manager in the company. But during the running project all the labor laws of Pakistan is applicable on the labor which is working in the project. These laws are related to leaves, pay scale, benefits and working hours.

### DISCUSSION

The analysis of the information gathered through interviews with the sample of this study regarding the HR practices of the organization infers that overall the company is very successful in the engineering and construction sector. The profitability and company as a whole is on the trend of growth and the company has major construction projects like dams and others in both public and private sector. The company is also operating in different countries. There is a proper procedure for the identification of the job vacancies in the organization which is named as "workforce requirement identification process". Discrimination on any basis i-e gender, majority or minority in hiring and other HR practices, is avoided in Descon. The company has proper Training Need assessment procedure and TNA forms are devised in the company for the training need assessment of the employees. Developmental needs of the employees are also addressed formally as there is a section of "Recommended Trainings" in the appraisals form for this purpose. The investigation of HR practices and procedures followed in this organization reveals this fact that the formulated policies of HR in Descon are not implemented fully as they are devised and documented in the policy manuals. There is proper policy for using the training need assessment (TNA) form but in actual state of affairs TNA form is not used in the company. The training need assessment of employees is only done through performance appraisal of the employees and on the recommendation of the supervisors. Only paper-pencil test of employees are taken for selection. This is a weakness because you can not judge the capabilities of a person on the basis of single one test. Test for selection is only taken of the fresh graduates. It should be taken of all the potential applicants.

The company has a pay-for-performance system and it is usually merit-based. There is also profit sharing rewards for employees on the basis of organizational profitability. The turn over rate of HR, finance and marketing departments of the company is very low which is equal to 1%. This means that the employees of

these departments of the company are very much committed with the company and they are satisfied with the policies and practices of the organization. The turn-over rate of other departments of the company like construction, engineering and manufacturing is very high which is 10-20%. This is due to the project based nature of the company and when projects are completed these employees switch over to other companies on high salary and benefits.

All the details regarding HR functions and practices show that there is well developed, formal and networked HR department in Descon along with the HR units in each department of the company. There are formal HR policies and procedures devised in Descon. These policies and procedures are well aligned with the requirements of the organizations. The employees of other departments of Descon rate the working of HR department less than adequate because they think that HR department is only a cost for the company not a profitable department like them. It is because of the less knowledge of all the employees about the significance of HR department in this organization and due to the general perception about this subject.

The working environment of Descon is very supportive and conducive for the employees for their learning, growth and development. Overall Descon follows the policies and procedures of HR which are well aligned with business strategy and these policies are beneficial for the company and it is shown through its growth trend. The capacity of attracting the potential candidates is high in Descon. The company is on the way of achieving its vision and mission as shown by all the above mentioned parameters.

## CONCLUSION

Descon is multi-dimensional engineering and Construction Company. It is successful and profitable company of the engineering and construction sector of Pakistan. It has formal and well-established HR department and practices. These practices are well-aligned with the needs of the organization and very supportive in achieving the goals of the organization. The company is on the growth trend in terms of profit and the company as a whole which shows the success of the HR policies and procedures of the company. Descon has low turn-over rate of employees in HR, finance and marketing departments but in other departments the turn-over rate of employees is very high and this is a severe issues for the company and it should take measures for solving this problem. There are some weaknesses in HR practices which we have identified but overall company has strong alignment of HR practices and business strategy which is shown through its high attracting and hiring rate, growth and high profitability.

## RECOMMENDATION & IMPLICATIONS

On the basis of analysis of the HR practices and policies followed at Descon Ltd, some recommendations have been made for its development and expansion. Only paper-pencil test is used for the recruitment of entry level positions along with the interview but some other type of tests should be used like personality test or general aptitude test for enhancing the credibility of the selection tool. It is mentioned that for applicants who are not in the city telephonic interviews are conducted, it should be avoided and there should be proper face to face interview conducted with the applicant. As operating in Middle-East, Descon should align their policies and strategies with that country's market and culture to gain strategic advantage in foreign market. The company should take measure to avoid high turn-over rate of manufacturing units by revising their compensation plans, by switching them to other projects to get them engaged in the company. This study has implications for all the stakeholders as it explains the importance given to Human Resource Management in the engineering and construction business of Pakistan. It also elaborates the role and support of HR practices in the growth and profitability of chosen organization i-e Descon Ltd. It will open the avenues for other researchers to evaluate and appraise the performance of HR department of other organizations operating in different business sectors for the improvement and development purpose and due to these type of studies researchers can create awareness among the business community of Pakistan about the significance of HR department in the organizations.

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## BENEFITS AND CHALLENGES OF CONVERGENCE TO INTERNATIONAL FINANCIAL REPORTING STANDARDS BY PUBLIC ACCOUNTABILITY COMPANIES IN NIGERIA

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### ABSTRACT

*Preparation of accounts in line with Generally Accepted Accounting Principles is a pre-requisite for successful audit. This paper examines the challenges and benefits of convergence to International Financial Reporting standards by public accountability companies in Nigeria. Questionnaires were administered to public audit staff who serves as auditors of the public accountability companies in Kano, Kaduna and Abuja in order to get the data which was analyzed using descriptive and chi square. It is discovered that comparativeness, disclosure, access to international capital market and better quality of financial reporting are the benefits to be derived from convergence to IFRS while regulatory overlap, cost, sanctions for non-compliance and time are the major challenges facing the convergence to IFRS. It is recommended that much emphasis should be placed on training of accountant by the public accountability companies for them to master the standard, adherence to ethical standard in the preparation of accounts, consideration of Nigeria been emerging economy in the convergence process, stiff penalties for non-compliance and proper enlightenment by stakeholders will go a long way not only in overcoming the challenges but will enhance the quality of financial reports in Nigeria. This will consequently increase the level of confidence users have on the financial statement.*

### KEYWORDS

Convergence, International Financial Reporting Standards, Public Accountability Companies.

### INTRODUCTION

Auditing was recognized as a branch of accounting in the later part of the 19<sup>th</sup> century. Originally an auditor was one whom the receipts and payments of an establishment were read (The original Latin word AUDIRE means to hear). This practice was known to have existed in the ancient civilization such as Egypt.

As financial statement are prepared by management for consideration of the owners of joint stock companies, the need for the certification of an independent person, who should be knowledgeable in accounting becomes apparent, it is for this reason that the role of an auditor was recognized in the accounting profession. The conduct of audit makes users of financial statements to have more confidence in the statements prepared by the management for their consumption.

The financial statements prepared by accountants are governed by various rules and regulations which are reviewed from time to time. Because of the variety of measurements and methods that can be applied to accounting data, some standards are necessary to maintain integrity of data and to facilitate comparisons between business entities. An accounting standard is a rule or set of rules which prescribes the methods by which accounts should be prepared and presented. These working regulation are issued by a national or international body of accounting profession (Sanni, 2006). Among these accounting standards is the International Financial Reporting Standard (IFRS). International Financial reporting Standards (IFRS) are a set of accounting standards developed by the international Accounting Standards Board (IASB) that is becoming the global standards for the preparation of public company financial statements. It refers to a series of accounting pronouncements published by the International Accounting Standard Board (IASB) to help the preparers of financial statements throughout the world, produce and present high quality transparent and comparable financial information. The emergence and development of multinational concerns, the growth of international financial markets and changing investor behavior have, among other factors, contributed to the internationalization of economic activity. As a result of this phenomenon, financial reporting has spread beyond national borders. However, interpretation and understanding of financial information at the international level is hindered by a multitude of factors, including the diversity of the accounting principles and rules governing the preparation of reports (Callao, Jarne, and La'inez, 2007).

Auditing is an independent examination and expression of an opinion on the financial statements of an enterprise by an appointed auditor in accordance with his terms of engagement and the observance of statutory of regulations and professional requirements (Dandago 2002). The process of auditing will involve distinct procedures. This include ascertaining the validity of the original transactions, confirming the completeness and accuracy of the recording of these transactions and ensuring the financial statements have been prepared from and are in agreement with records.

Publicly Accountability companies been companies whose shares are listed in the Nigerian Stock Exchange must apply a single set of high quality accounting standards, in the preparation of their separate as well as consolidated financial statements as the case may be, in order to contribute to better functioning capital markets. IFRS has the potential to facilitate cross-border comparability, increase reporting transparency, decrease information costs, reduce information asymmetry and thereby increase the liquidity, competition and efficiency of markets (Ball, 2006; Choi and Meek, 2005). These potential benefits rely on the presumption that mandatory IFRS adoption provides superior information to market participants or increased accounting comparability compared to previous accounting regimes.

In recent years, the development of international accounting standards and adoption by such industrialized countries as: Britain, Germany, United States of America, Canada and the Members of the European Union have been a major of concern among accounting professionals. Obazee (2011), stated that Nigerian government took a decision on July 28, 2010 to adopt IFRS by major overhaul January 1, 2012. Transition to IFRS would improve transparency, management information, and consistency of reporting. Prior research has forwarded several reasons why International Financial Reporting Standards (IFRS) could lead to improvements in accounting quality (Barth et al. 2008; Daske et al. 2008; Christensen et al. 2008; Li 2008; Armstrong et al. 2009). It is considered to be principles-based and thus are potentially more difficult to circumvent than rules-based standards. The reporting standards limit the set of allowable accounting alternatives and thus reduce the potential for abuse through discretion over accounting methods. It requires more extensive use of fair value accounting which could result in an improvement in the ability of accounting numbers to capture the underlying economics on a timelier basis and by enhancing the comparability of financial statements across countries, IFRS potentially reduce the costs of processing and interpreting accounting information and thus could enhance external monitoring of firms' accounting choices which would lead to improvements in accounting quality.

Alternatively, IFRS may not yield the expected improvements in quality for several reasons. Ahmed, Neel, and Wang (2009) argued that the principles-based standards inherently allow more flexibility and this flexibility could lead to either inconsistent treatments for similar transactions and/or potential misuse of accounting discretion by managers. The elimination of accounting alternatives that were permissible under local GAAP could constrain the ability of managers to convey information and this could result in a reduction in accounting quality. Thus, the net effect of IFRS on accounting quality may not be favorable. An external auditor is expected to conform to technical standards issued by the appropriate professional bodies, institutions and agencies. IFRS is new and as such obviously may pose certain challenges to external auditors as auditors are expected to comply with the provisions of these standards in corporate financial reporting.

**LITERATURE REVIEW****THE INDISPENSABILITY OF ACCOUNTING STANDARD**

Accounting standards ensure the uniformity and comparability of financial reports prepared by different business entities, hence, the accounting standards are essentials in the preparation of financial reports that help various users of accounting information to make informed economic decisions. Babatunde (2002) asserts that the need for the standardization of accounting treatment given to a particular transaction has been recognized in Nigeria as far back as 1972 during the first phase of the indigenization program. When the Nigeria Enterprise Promotion Act in 1977 was promulgated to force foreign controlled public-quoted Nigerian companies to transfer their ownership to Nigerians, Several of these companies in an effort to value their equities carried out revaluation of their assets. Different accounting treatments were given to the resultant revaluation surpluses because of the absence of the uniform accounting rule the treatment of such items. This resulted in serious confusion because of the multitude of accounting practices that were reflected in the accounts of the companies concerned. The auditors were unable to save the situation because whenever they challenged the management of their client about the appropriateness of a particular accounting practice used, the management usually asked the auditors to produce the laws prohibiting the use of such practice. It was in an effort to put an end to these abuses of accounting practice and also to ensure that the situation does not repeat itself that prompted the establishment of an accounting standard setting body in Nigeria (The Nigerian accounting standard board).

Globalization of business and capital markets has led to an economic environment in which uniform procedures for financial statement preparation would benefit investors, lenders, financial analysts, accountants, and auditors (Gaspar et al. 2006). Uniformity in accounting standards helps provide comparability of financial statements among companies/businesses in diverse country locations. The International Accounting Standards Board (IASB) is endeavoring to develop harmonized financial accounting standards to satisfy worldwide demands.

Companies engaged in international business encounter a variety of challenges as a result of their global operations. Challenges result from different cultures, language differences, different legal systems, political differences, different operating environments, and different accounting and financial reporting standards. Barth et al. (2008) assume that less income smoothing, more conservative accounting (or more timely loss recognition), and higher value relevance are indicators of higher accounting quality. The adoption of IFRS would help in having higher quality accounting report by public accountability companies in Nigeria.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Prior literature argues that financial reporting standards have co-developed with a country's economic, political, and cultural institutions. In particular, the nature of standards comprising a reporting regime represents an equilibrium based on the monitoring and information processing capabilities of existing capital market institutions such as auditing, securities laws, courts, and financial intermediaries. Under the institutional complementarities hypothesis, a change in a country's financial reporting standards should accompany complementary changes in its monitoring and information processing institutions. However, the rapid proliferation in IFRS adoption across countries has seldom been accompanied by substantial changes in enforcement institutions

One implication from this is that countries with well-developed institutions are likely to have developed financial reporting systems that uniquely correspond to these institutions. Given this notion of institutional complementarities, adopting IFRS in lieu of domestic standards can be a net costly proposition. Put differently, institutional differences across societies can explain countries' equilibrium choices on IFRS (i.e., adopt or not). In this vein, Ramanna and Sletten (2009) describe a number of institutional hypotheses for why countries do not adopt IFRS, including quality of local governance standards, international influence, and cultural distance from the EU

As stated by Spence (1973); and Tarca (2004) signaling theory has been used to show why companies adopt IFRS in international capital markets. Agency problems and information asymmetry are likely reduced following adoption of IFRS, as insiders face greater risk of legal action by minority shareholders (Hope et al. 2006). Ding et al. (2006) show that IFRS require greater disclosure than that required by most countries' domestic accounting standards. Rees and Weisbach (2002) show that greater investor protection lessens the capacity of managers to expropriate wealth from the company; this consequently improves the company's stock price. In countries that have weak financial disclosure requirements, investors generally demand additional financial information when companies issue equities (stock). As a result, governments in these countries are often compelled to revise or develop securities laws that require improved financial reporting disclosure. Developing accounting and financial reporting requirements, that is, generally accepted accounting principles, is a complex and time-consuming process. An easier and more effective solution is to adopt IFRS, which have a higher level of financial reporting disclosure than most countries' GAAP.

For those countries that have strong financial disclosure requirements, such as the US, there is less incentive to adopt IFRS, due to a smaller incremental benefit of investor protection. However, countries with strong financial disclosure requirements in their existing GAAP can still benefit from adopting IFRS; specifically, these countries benefit by participating in uniform reporting standards across countries. Investors therefore benefit from cross-country comparability (Pownall and Schipper 1999). Uniform reporting standards lower the costs of financial statement reconciliation associated with multinational equity (stock) listings and potentially promote economic development (Biddle and Saudagaran 1989; Hope et al. 2006 and Smith 2006)

Penman (2007) stated that investors seem to rely more on the book value of shareholders' equity and less on earnings information after the adoption of IFRS. He also found no change in the overall increase accounting information's ability to predict future equity values. However, the results must be interpreted with caution; the results could be driven by a number of alternative explanations that must be explored.

Over the years the business community has admitted that the accounting is "the language of business" and financial information is a form of language. And undoubtedly, to ensure its usefulness, financial information should not only be intelligible, but also be comparable so that investment and credit decisions can more readily be taken. Over the past few decades, the accounting profession has been facing the pressure of globalization and continuously seeking the way to present financial situations using unique accounting procedures which can be understood by the entire business community. Due to the fact that this process followed the global trends, and the globalization is first of all a political process; the starting point in creation of a unique accounting system needed to pass a difficult process where the main accounting systems will litigate to impose their accounting policies and practices (Belkaoui, 1994). Despite the difficult process Anderson (1993) state that a set of international accounting standards will allow new horizons of evolution due to the fact that comparative analysis of the rates of returns established based on the balance sheets and profit and loss account between the companies being in competition become relevant. The comparison, as the basic form of economical judgment can be realized only if the accounting system is unique for all the companies involved in the analysis. Also harmonization is absolutely necessary because national standards of financial statements are virtually useless; financial markets in more regulated countries are threatened with a loss of market share; and multinational corporations must prepare multiple reports for different nations they do business in. (Nobes and Parker 1991). In order to accomplish this target the accounting profession developed the solutions like: the American solution GAAP or the European solution (British solution) IAS/IFRS. On the backdrop of getting a single set of international accounting standards (since October 2002, the IASB and FASB have been working systematically toward convergence of IFRS and U.S. GAAP), IFRS is rapidly gaining acceptance as over 100 countries have recently moved to IFRS

Although earlier studies on 'voluntary adopters' provide valuable insights as to the effect of IFRS on disclosure, these results may not be generalize in the current mandatory setting (Daske et al, 2008; and Horton and Serafeim (2010)). Guan et al, (2006) expect that effects from IFRS mandatory adoption to be different from those documented for voluntary IFRS adopters since the former group is essentially *forced* to adopt IFRS, compared to the latter that *chooses* to adopt. IFRS reporting is only one element of a broader strategy that increases a firm's overall commitment to transparency Thus, any effects around voluntary IFRS adoptions cannot be attributed solely to IFRS compliance. Moreover, under a mandatory setting firms are more likely to be affected by reporting externalities i.e. disclosure by one firm being useful in valuing other firms through intra-industry information transfers. In contrast, under a voluntary setting there are fewer firms disclosing and therefore such externalities may be moderate. Indeed positive externalities are often used as a rational in favor of disclosure regulation.

Furthermore, for the first few years of IFRS adoption it might be hard for investors and analysts to understand and forecast fundamentals because of limited experience with IFRS and/or because of the break in the historical time-series of earnings. Acker et al., (2002) find that the implementation of the UK Financial Reporting Standard 3 impairs analyst forecasting ability for UK firms, in the first year of adoption, but that in the following years forecast accuracy improves. A similar learning effect could also take place in the first years of IFRS reporting, leading initially to larger forecast errors. Cuijpers and Bujink (2005) find that



uncertainty among analysts and investors is higher for firms using IAS or US GAAP than for firms using local GAAP. They compare early and late adopters and find some evidence that the benefits from IFRS disclosure, take time to materialize.

A country's status of adoption of IFRS can take any of the three forms which can be non adoption, partial adoption or full adoption (Smith 2006). Non adopter refers to countries with no IFRS harmonization activity. Partial adoption refers to applying IFRS with exception or only for some firms in the economy and includes Convergence project, Voluntary adoption and Required for some. Convergence project refers to countries attempting to reconcile their domestic accounting standards with IFRS, without directly adopting IFRS. Voluntary adoption refers to countries permitting at least some listed firms in their jurisdiction to adopt IFRS as issued by the IASB while "Required for some" refers to countries requiring IFRS as issued by the IASB for some listed firms in their jurisdiction. Finally, Full adoption refers to countries requiring IFRS as issued by the IASB for all listed firms in their jurisdiction.

There is evidence that more powerful countries are less likely to adopt IFRS, consistent with more powerful countries being less willing to surrender standard-setting authority to an international body. There is also some evidence that the likelihood of IFRS adoption at first increases and then decreases in the quality of countries' domestic governance, consistent with IFRS being adopted when governments are capable of timely decision making and when the opportunity cost of domestic standards is relatively low.

As stated by Horton, Serafeim and Serafeim (2008), during the mandatory transition period to IFRS, the largest improvement in the information environment are for those firms that voluntarily adopt IFRS earlier. For firms mandatorily adopting IFRS, there is also an improvement, but this is limited to non-financial firms, consistent with the controversy surrounding fair values. Furthermore, they document a learning curve during IFRS adoption. It was also ascertain that the change in transparency is proportional to firm-specific differences between IFRS and local GAAP, suggesting IFRS is the causal mechanism of the improvement. The other major potential benefit from the global move towards IFRS is an increase in accounting comparability. Studies have shown that accounting comparability reduces home bias and improves the efficiency of information intermediaries. Bradshaw et al. (2010) states that, voluntary IFRS adoptions facilitate cross-border equity investments and foreign analysts are more likely to cover a firm that adopts IFRS, and that forecast accuracy for these analysts improves after mandatory IFRS adoption. (Bradshaw et al., 2004 2010)

However, the potential for IFRS to increase comparability is questioned by many, because the same accounting standards can be implemented differently. In the absence of suitable enforcement mechanisms, real convergence and harmonization is infeasible, resulting in diminished comparability. Cultural, political and business differences may also continue to impose significant obstacles in the progress towards this single global financial communication system, since a single set of accounting standards cannot reflect the differences in national business practices arising from differences in institutions and cultures (Armstrong et al., 2009; Ball 2006);

The benefits from improved comparability are based on the assumption that information about a given firm is more useful when it adopts the same accounting standards as the standards used by its industry peers. The notion is that increased uniformity leads to improved comparability, where increased uniformity is defined as an increase in the number of firms using the same accounting standards as the firm of interest. The role of uniformity in comparability is also highlighted in the FASB/IASB Conceptual Framework, which argues that comparability is the desired outcome of adopting a set of uniform accounting standards. This is also consistent with the SEC's emphasis on uniformity in its recent proposal to mandate IFRS in the U.S. In particular, the SEC's original proposed roadmap to IFRS adoption states that U.S. companies qualify for early IFRS adoption when they are in industries where IFRS is the most frequently used foreign standard (SEC, 2008). In other words, the proposal only allows early adoption when it results in a relatively large increase in uniformity between the adopter and its industry peers.

IFRS adoption is therefore likely to substantially improve comparability only among firms that experience large increases in uniformity. Change in uniformity is measured using the ratio of the number of a firm's industry peers that use the same accounting standards before and after mandatory IFRS adoption.

#### **IFRS AND FOREIGN EQUITY INVESTMENT**

As cited by Lee (2010), the seminal work of French and Poterba (1991) documented a disproportionate overweighting in domestic stocks relative to a fully diversified portfolio – home country bias. They attribute investors' bias against foreign equities to information asymmetries from the lack of information about foreign markets, institutions and firms. From an investors' perspective, to the extent that adopting IFRS improves the information environment or increases comparability, it can be predicted that investors' bias against investment in foreign equities will decrease. The familiarity with accounting systems aids investors' understanding and increases investment in foreign equity. Bradshaw et al. (2004) argue that when non-United States (US) firms use accounting standards that are similar to US standards, the ability of US investors to process information increases due to familiarity. Non-US firms that conform more to US GAAP attract larger investments from US investors. Similarly, Ahearne et al. (2004) argue that the required use of US accounting standards by cross-listed firms increases understandability and credibility for US investors, and hence increases investment in the equity of these firms.

To the extent that countries adopt IFRS to improve the information environment and to increase comparability, it can be predicted that foreign investment in the equity of the country should increase. Greater disclosures required by IFRS, potentially reduce estimation risks of future returns and lower the uncertainty of a firm's value. Greater perceived credibility also increases investors' confidence in the information provided. In addition, the use of a single standard increases comparability of financial reports across adopting countries. The increase in familiarity lowers information costs and information risk (Leuz, 2009; Morais and Fialho, 2008; Barth et al., 2008; Ball, 2006; Ahearne et al., 2004; and Bradshaw et al., 2004).

#### **STATEMENT OF THE PROBLEM**

Public accountability companies in Nigeria are expected to annually prepare and publish their account. In preparing the accounts they are expected to comply with the provisions of the Companies and Allied Matters Act (CAMA 1990), Securities and Exchange Commission, Banks and other Financial Institutions Act, Statement of Accounting Standards and others. The statement of accounting standards issued by the Nigerian accounting Standards Board (NASB) now Financial reporting Council serve as a guide for the preparation of accounts which will aid users of financial statement in making financial decisions. The 30 standards issued by the NASB from inception are mostly replica of the international accounting standards with some modification to suit Nigeria's economic environment. The preparation of accounts by public accountability companies in Nigeria in line with such standard has created comparability problems, difficulties in access funds internationally and increase cost of conversion. Recently a road mark for convergence to the international financial reporting standards was prepared and public accountability companies are expected to prepare their accounts in line with the IFRS. The decision to adopt IFRS as the reporting standard has created mixed reactions from stakeholders. While others view it as a giant step toward standardization in financial reporting, others considered it as untimely and at present may not achieve the desired objective. This research therefore, looks at the benefits of convergence to IFRS as well as challenges of convergence by public accountability companies in Nigeria.

#### **SIGNIFICANCE OF THE STUDY**

The research will be of immense importance to public accountability companies in Nigeria as it will highlight on the benefits and the challenges to be faced in convergence to international financial reporting standards. Users of financial statement will find this research useful in that it will broaden their horizon of knowledge particularly in the area of international financial reporting standards. Regulatory agencies such as the Financial Reporting Council, Nigerian Stock Exchange, Securities and Exchange Commission among others will find this research resourceful as the findings will help them in discharging their functions effectively.

#### **OBJECTIVES OF THE STUDY**

The objectives of the study are to:

- a) Highlight on the need and indispensability of accounting standards
- b) Find out the benefits of convergence to International Financial Reporting Standards to Public Accountability Companies in Nigeria
- c) Find out the challenges that are to be faced by public accountability companies in Nigeria in convergence to international financial reporting standards

**HYPOTHESIS OF THE STUDY**

On the basis of the objectiveS of the study, two hypothesis were formulated AS FOLLOWS

**Hypothesis One:** Benefits of convergence to IFRS by public accountability companies in Nigeria does not outweigh the cost

**Hypothesis Two:** Public Accountability Companies in Nigeria will not face any challenge in convergence to IFRS

**METHODOLOGY**

Data for the research was collected through administration of questionnaire to audit staff in Kano, Kaduna and Abuja and were analyzed using descriptive and chi square method .The public auditors were chosen as respondent because they serve as auditors to those public accountability companies and as such have the required information for the research. 40 questionnaires were distributed to eight audit firms in Kano, Kaduna and Abuja, five for each firm out of which 30 were returned and analysis was made on the basis of the returned questionnaire. The firms are:

- 1) Akintola Williams and Deloitte, Abuja
- 2) Kunle Egbeleke and Co Chartered Accountants, Abuja
- 3) Ahmed Zakari and Co Chartered Accountants Kano
- 4) Panel Kar Foster Professional Services Chartered Accountants Kano
- 5) Aminu Ibrahim and Co Chartered Accountants Kano
- 6) Panel Kar Foster Professional Services Chartered Accountants, Kaduna
- 7) Sulaiman and Co Chartered Accountants, Kaduna
- 8) Sada idris and Co Chartered Accountants, Kaduna

**DISCUSSION OF RESULTS**

**RESPONDENTS CHARACTERISTICS**

Table 1 shows the respondents characteristics covering their academic qualification, working experience and position:

**TABLE 1: RESPONDENTS CHARACTERISTICS**

Acad. Qualification	No of Respondents	Percentage
B.Sc/HND	23	76
PGD/Masters	7	24
Total	30	100
<b>Working Experience</b>		
0-5 Years	19	63
6-10 Years	6	20
above 10 Years	5	17
Total	30	100
<b>Position</b>		
Principal Partner	2	7
Resident Partner	2	7
Senior Manager	6	20
Senior	4	13
Audit Trainee	16	53
Total	30	100

Source: Field Survey 2012

Table 1 show that 76% of the respondents have B.Sc or HND as their highest qualification, while the remaining 23% have master’s Degree. On working experience, 63% of the respondents have worked in audit firm for 0-5 years, 20% have 6-10 years working experience and 17% have worked for more than 10 years in audit firm. On the respondents’ position, 7% of the respondents are principal partner, another 7% of the respondents are resident partner, 20% senior manager, 13% senior and the remaining 53% are audit trainee. In addition 67% of the respondents are qualified chartered Accountants. This shows that the respondents are qualified and makes the data collected from the respondents more reliable.

**CHI SQUARE COMPUTATION ON THE CHALLENGES AND BENEFITS OF CONVERGENCE TO IFRS**

**Contingency Table on the Challenges of the Convergence to IFRS**

**TABLE 2: CONTINGENCY TABLE ON THE CHALLENGES OF IFRS ADOPTION**

	Observed N	Expected N	Residual
Disgree	2	7.5	-5.5
Undecided	2	7.5	-5.5
Agree	12	7.5	4.5
Strongly Agree	14	7.5	6.5
Total	30		

Source: Computed by the researcher using SPSS 16

Table 2 shows the contingency table of the challenges of convergence to IFRS. The observe frequency shows that strongly agree and agree gives a residual value of 4.5 and 5.5 respectively meaning that the observe frequency is greater than the expected. The chi square is then computed below.

**Chi square Results on the Challenges of convergence to IFRS**

**TABLE 3: CHI- SQUARE RESULT ON THE CHALLENGES OF IFRS CONVERGENCE**

	Challenges of IFRS Adoption
Chi-Square	16.400 <sup>a</sup>
Df	3
Asymp. Sig.	.001

Source: Computed by the researcher using SPSS 16

Table 3 shows the chi square results of the challenges of IFRS adoption. The calculated chi-square ( $X_c$ ) is 16.40 which is greater than the tabulated chi-square ( $X_t$ ) at (df 3 and 5% level of significant), the ( $X_t$ ) is 7.815. This result provide the basis for rejection of the first null hypothesis ( $H_{0.1}$ ) of the study, which states that

public accountability companies will not face any challenge in the adoption of IFRS. Therefore, public accountability companies will face some challenges in the convergence to IFRS.

#### Contingency Table on the Benefits of IFRS Outweigh the Cost

TABLE 4: CONTINGENCY TABLE ON THE BENEFITS OF IFRS ADOPTION OUTWEIGH THE COST

	Observed N	Expected N	Residual
Disagree	4	7.5	-3.5
Undecided	2	7.5	-5.5
Agree	8	7.5	.5
Strongly Agree	16	7.5	8.5
Total	30		

Source: Computed by the researcher using SPSS 16

Table 4 shows the contingency table on whether the benefits of convergence to IFRS outweigh the cost. The observe frequency expected shows that strongly agree and agree gives a residual value of 0.5 and 8.5 respectively meaning that the observe frequency is greater than the expected for strongly agree and Agree. The chi square is then computed below.

TABLE 5: CHI- SQUARE RESULTS IN THE BENEFITS OF IFRS ADOPTION OUTWEIGH THE COST

	Benefits of IFRS adoption outweigh the Cost
Chi-Square	15.333 <sup>a</sup>
Df	3
Asymp. Sig.	.002

Source: Computed by the researcher using SPSS 16

Table 5 shows the chi square results on whether the benefits of convergence to IFRS outweigh the cost. The calculated chi-square ( $X_c$ ) is 15.33 which is greater than the tabulated chi-square ( $X_t$ ) at (df 3 and 5% level of significant), the ( $X_t$ ) is 7.815. This result provides the basis for rejection of the second null hypothesis ( $H_{0.2}$ ) of the study, which states that the benefits of convergence to IFRS do not outweigh the cost. Therefore, the benefits of convergence to IFRS outweigh the cost

## FINDINGS

### i) BENEFITS OF CONVERGENCE TO IFRS

Respondents were asked as to the benefits to be derived from the convergence to IFRS. Some of the benefits as stated by the respondents include:

- Comparativeness: the financial statements will now enjoy a wider or global coverage. Comparisons between the financial statements of companies will now be easier; IFRS will help in speaking one language in financial reporting, Investors may not require experts' interpretation of locally prepared financial statements for the purpose of taking decisions. Consequently cost will also reduce as single set of account can be used by users across the globe
- Disclosure: The implementation of IFRS provides more disclosure on financial events and transactions relevant to explain the quantitative information provided on the financial statement. There will be no hiding place for companies. Fraudulent activities will be reduced
- Employment opportunities: With the implementation of IFRS, professionals with the required IFRS training will be opportune to seek job overseas where the accepted GAAP is IFRS and this will create a more competitive environment.
- Company will get improved access to international capital market there by removing risk premium. It will eliminate barriers to cross broader trading in securities and make cross-border investments easier.
- The adoption of IFRSs is expected to result in better quality of financial reporting due to consistent and uniform application of accounting principles. This will increase the level of confidence of users of financial statement

### ii) CHALLENGES OF IFRS IMPLEMENTATION BY PUBLIC ACCOUNTABILITY COMPANIES IN NIGERIA

Respondents were asked as to the challenges to be in convergence to the International Financial reporting standards. They stated the challenges include:

- Regulatory overlap:** For the implementation of IFRS to be successful, the requirement of CAMA 2004 on reporting, SEC rules and regulations on Public entities will need to be harmonized.
- Cost:** The conversion and implementation are highly capital intensive. These cost will include staff training, Financial report system redesign or replacement, consultancy on experts to ensure that the 3 year to be presented are properly presented in accordance with the requirement of IFRS. Most accountants are used to the NASB standards in performing their duties but for the implementation to kick –off the accountants need training, regular retraining of accountants , special training of newly absorbed or recruited accounts staff or attachment students as their syllabuses currently are not IFRS compliant. Public Accountability companies also must upgrade or replace their accounting software and also there will be an increase in the cost of consultancy as experts may be required in areas requiring specialist assistance. These and many others require a lot of money.
- Sanctions for non-compliance:** The proposed sanctions for non-compliance will not be effected till 2014. This in itself is as much as considered a motivator, is a setback considering the Nigeria attitude of waiting to the last minutes and possible expecting extensions.
- Time:** the time lag between the preparation for accountants and implementation of the IFRS is not adequate. For the accountants to master the IFRS sufficient time need to be given on how to prepare accounts using the IFRS

## CONCLUSION AND RECOMMENDATIONS

From the data obtained from the respondents it is discovered that a lot of benefits are derivable from the adoption of IFRS. These benefits include comparativeness, disclosure, access to international capital market and better quality of financial reporting. It was also discovered that regulatory overlap, cost, sanctions for non-compliance and time are the major challenges facing the convergence to IFRS. The results from the test of hypothesis make us conclude that the benefits of convergence to international financial reporting standard outweigh the cost.

It is recommended that much emphasis should be placed on training of accountants adherence to ethical standard in the preparation of accounts, consideration of Nigeria been emerging economy in the convergence process, stiff penalties for non-compliance and proper enlightenment by stakeholders will go a long way not only in overcoming the challenges but will enhance the quality of financial reports in Nigeria. This will consequently increase the level of confidence users have on the financial statement.

## RECOMMENDATION FOR FURTHER RESEARCH

Although this research focuses on the benefits and challenges of convergence to international financial reporting standards by public accountability companies in Nigeria, it is recommended that research on the impact of convergence on the performance, profitability and financing by public accountability companies as well as other entities after the convergence will be an area need to be exploited by researchers with the view to appreciate the impact or effect of convergence to the international financial reporting standard.

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**FACTORS INFLUENCING EMPLOYEE ENGAGEMENT IN AN ENTERTAINMENT INDUSTRY****A. ANGELINE EMMEMA****RESEARCH SCHOLAR****CENTRE FOR AGRICULTURAL & RURAL DEVELOPMENT STUDIES****TAMIL NADU AGRICULTURAL UNIVERSITY****COIMBATORE****N.AJJAN****DIRECTOR (CARDS)****CENTRE FOR AGRICULTURAL & RURAL DEVELOPMENT STUDIES****TAMIL NADU AGRICULTURAL UNIVERSITY****COIMBATORE****C.KARTHIKEYAN****ASSOCIATE PROFESSOR****CENTRE FOR AGRICULTURAL & RURAL DEVELOPMENT STUDIES****TAMIL NADU AGRICULTURAL UNIVERSITY****COIMBATORE****ABSTRACT**

*An organization's productivity is not only measured in terms of profit, new products, customer satisfaction and employee satisfaction but also in terms of employee engagement. The study was undertaken with the overall objective of analyzing the factors that influenced employee engagement in MGM Corporate, Chennai. A random sample of 100 employees from the MGM Corporate was drawn as sample for the study. The primary data were collected from the employees by personal interview method. Factor analysis was used to identify the important factors responsible for employee engagement. The employees opinions towards employee engagement were asked to rank among the nine factors, the ranks are calculated with Garrett ranking technique. The key drivers responsible for employee engagement were found to be job satisfaction, organizational behavior, motivation and employee welfare. Suggestions for engaging the employees effectively in the accomplishment of the organizational objectives were drawn.*

**KEYWORDS**

Employee engagement, factors, perception, productivity, strategies.

**INTRODUCTION**

An organization's capacity to manage employee engagement is closely related to its ability to achieve high performance levels and superior business results. Engaged employees will stay with the company, be an advocate of the company and its products and services, and contribute to bottom line business success. Engaged employees also normally perform better and are more motivated. There is a significant link between employee engagement and profitability. Employee engagement is critical to any organization that seeks not only to retain valued employees, but also increase its level of performance, engaged employees form an emotional connection with the company. This impacts their attitude towards the company's clients, and thereby improves customer satisfaction and service levels. Research shows that committed employees perform better. If employee engagement is found in an organization it is one step up from commitment. The strongest driver of all is a sense of feeling valued and involved in the job. There are several key components involved such as decision making, employees' contribution of views and ideas, opportunities for the employees to develop their jobs, the extent to which the organization is concerned for the employees' health and well being. In the current scenario every organization is striving to increase profits, quality, and customer satisfaction without increasing cost. Organization started to realize that having strong brand, new products, new technology alone, does not help them get the winning edge over the competitors. They also need to focus on the employees who are life blood of the business. They need to continuously nurture and motivate the employee who can prove to be powerful weapon against the competition.

**LITERATURE REVIEW**

Gallup's employee engagement research (1993-1998) reported Gallup's engagement model and it significantly analyzed the proportion of engaged to actively disengaged employees. The result showed that in average organizations, the ratio of engaged to actively disengaged employees is 1.5:1. And in world level organization the ratio was found to be 8:1. Corporate leadership council (2004) infers that moving from a low to high engagement level will induce an increase in employee performance. Melcrum Publishing (2005) based on a global survey of over 1,000 multinationals concluded that from an organisation's point of view it is the senior executives that 'set the tone' of engagement in an organisation, whatever the size. There are a number of actions and strategies that senior management can make use of to inspire engagement among employees and motivate them to go the extra mile. The Gallup's employee engagement research (2006) concluded that actively disengaged employees cost UK business between £39b and £48b a year.

Gallup also showed a strong correlation between engagement and creativity. On the job 59% of engaged employees bringing out their most creative ideas compared to 3% of those disengaged. CIPD (2006c) reported from employee attitude and engagement survey that 35% of the employees are actively engaged and high level of engagement have been found to be associated with a whole range of beneficial outcomes, including high level of performance and also suggested that relationship among the fellow workers are important in contributing towards Job Satisfaction. Penna (2006) reported that "we believe that the pride taken in working for their employer, and their willingness to recommend their employer as a place of work to friends, are excellent barometers of engagement and meaning" USA work survey (2006) reported on debunking the myths of employee engagement during 2006-2007 and the key findings of this survey was engagement is a leading indicator on financial performance and communication makes a positive difference in employee engagement.

Towers Perrin Global Workforce Study (2007) presented that 21% of employees surveyed around the world are engaged in their work while 38% are either disenchanted or disengaged and the remaining 41% are only partly engaged. Watson Wyatt (2008) confirmed that practices widely accepted as achieving higher employee engagement - employee involvement, sharing information and getting feedback - are directly related to a 2.2% increase in shareholder value. Greenberg and Baron (2008) research shows, conversely that engaged employee's deliver four times more value to the organization than non-engaged employees. Towers Perrin's research (2009) on employee engagement underpins business Transformation according to this survey conducted for a UK's largest

car fleet (Motability Operations) found that eighty-six per cent of its employees are engaged, ninety per cent of its employees are positive about customer focus and eighty-one per cent of employees are positive about its values.

Employee engagements from an employee’s point of view is clearly understood as job responsibilities and have a strong desire to perform well in his role. It also helps employees to realize their competencies. Employee engagement from an organizational point of view is to create belief that employee are valuable assets for their organization.

The present study is an attempt to examine the extent of employee engagement in MGM Corporate and to analyze the factors influencing engagement and suggest effective strategies for the growth of the company. The specific objectives of the study are:

1. To find out the factors that influence employee engagement, and
2. To propose strategies for effective employee engagement in the organization.

**IMPORTANCE OF THE STUDY**

Engaged employee have a strong desire to work, feel proud of the organization and also speak positively about it. Such employees show enthusiasm to contributing the organization goal. At the time of emergency if the employees are involved, they feel more responsible and use their skill effectively for their self as well as organizational development. Engaged employees gives reference to their friends and relatives, in relation to the company they work.

Employee engagement is found to be a key in organizational success. It enhances both productivity and profitability through actively engaged workers. Engaged employees are more committed to job and satisfied with the job. They pave way for many factors such as loyalty; employee retention etc., Hence examination of employee engagement in an organization will provide ways and means to improve the growth of the organization and the employees as well.

**PROBLEM FOCUS**

There existed a need to examine various factors that influenced the engagement of employees in the MGM Corporate and hence this research study was sponsored to formulate effective strategies for the growth of the case firm and hence this study was framed with the operational group of employees.

**METHODOLOGY**

The present study was conducted during 2010-11 to analyze the extent of employee engagement in MGM Corporate, Chennai, Tamil Nadu, India. A random sample of 100 employees was drawn from the organization for the study. A well structured and pretested interview schedule was used as data collection tool to gather the responses from the sample respondents. The following tools were used to analyse the data.

**PERCEPTION RANKING**

This technique was used to know the perception of the employees towards company perspectives. To measure this, the scale developed by Olayiwola (2008) was modified according to the study and 37 statements were framed under 9 heads namely job satisfaction, employee motivation, commitment, communication, leadership, training, employee welfare, organisation and organizational behavior. Statements were framed on a continuum namely ‘Strongly agree’, ‘Agree’, ‘Neutral’, ‘Disagree’ and ‘Strongly disagree’ and they were scored as 5,4,3,2,1 for the responses respectively. Mean scores were worked out for each factor and the dimensions were calculated. Based on the score, Perception rating was calculated by using the following formula.

$$\text{Mean score of self perceived dimensions} = \frac{\text{Sum of score of statement in a dimension}}{\text{Total number of respondents}}$$

**GARRETT’S RANKING TECHNIQUE**

As per the technique, the order of merit assigned by the individual employee was converted into ranks by using the formula,

$$\text{Percent position} = 100(R_{ij} - 0.5)/N_j$$

Where,

$R_{ij}$  = Rank given for  $i^{\text{th}}$  attribute by the  $j^{\text{th}}$  individual

$N_j$  = Number of attributes ranked by  $j^{\text{th}}$  individual

By referring the Garrett’s table, the percent position estimated were converted into scores. The scores of the respondents will be added and mean scores were calculated. The attributes was ranked according to their corresponding mean score.

**FACTOR ANALYSIS**

Factor analysis was used to identify the important factors responsible for employee engagement. Varimax rotation was used in the factor analysis to determine the number of factors. The criteria used in the analysis were that the eigen value should be more than 1. There were nine factors which had the eigen value of more than 1 and hence the rotated components of these nine factors are considered. The statistical approach involving finding a way of condensing the information contained in a number of original variables into a smaller set of dimensions (factors) with a minimum loss of information (Hair et al., 1992).

Factor analysis could be used to verify conceptualization of a construct of interest. In this study the variables namely job satisfaction, employee motivation, leadership, training, service, perception, communication, stress, cooperation, opportunities, company’s standard of ethical behavior, health and safety, respectful treatment of employees, pay and benefits and etc, are used to analyze the relationship between the variables and the factor. The factors which is most influencing the employee engagement of the employees is being identified and also been ranked by using factor analysis.

In this approach the employee were asked to indicate whether they are highly satisfied, satisfied, neutral, not satisfied, and highly dissatisfied with the various types of factor such as employee motivation, training, etc. The responses of the employee were recorded and the score were given to each factor, then the score were added to obtain the total score towards the satisfactory level of employee.

The score for each employee is calculated as given below:

S.No	Satisfaction Level	Score
1.	Highly Satisfied	1
2.	Satisfied	2
3.	Neutral	3
4.	Not Satisfied	4
5.	Highly Dissatisfied	5

Source: Primary data

The mean score and co-efficient of variation were calculated and used for simple comparison of level of satisfaction. The co-efficient of variation was used to measure how the score of the variables are scattered around the mean score.

**RESULTS AND DISCUSSION****GENERAL CHARACTERISTICS OF THE SAMPLE EMPLOYEES**

The general characteristics of the sample employees considered are age, education, experience, gender and marital status. Analysis of the general characteristics of the employees enables to understand the profile of the employees.

**AGE OF THE EMPLOYEES**

Age is an important factor for decision making among the employees. The employees were classified into five groups as shown in Table 1. Among the sample employees the minimum age of the employees was 21 and the maximum age of 60 was observed.

**TABLE 1: AGE DISTRIBUTION OF THE EMPLOYEES (n=100)**

Sl. No	Age group(years)	Number of Employees	Percentage to Total
1.	≤ 25	23	23.00
2.	26-30	41	41.00
3.	31-35	16	16.00
4.	36-40	15	15.00
5.	≥ 41	5	5.00
Total		100	100.00

Source: Primary data

It could be observed from the Table 1, that majority of the employees were in the age group of 26- 30 years, (41.00 per cent) followed by 23.00 per cent of the sample employees in the age group of below 25 years, 16.00 percent of them belonged to the age group of 31-35 years, 15.00 percent of them belonged to 36- 40 years and 5.00 percent above 41 years So, it could be concluded that majority of the sample employees were middle-aged.

**EDUCATIONAL STATUS OF THE EMPLOYEES**

The data on the educational status of the sample employees were collected, analyzed and the results are presented in Table 2.

**TABLE 2: EDUCATIONAL STATUS OF THE EMPLOYEES (n=100)**

Sl. No.	Educational Status	Number of Employees	Percentage to Total
1.	Higher secondary	5	5.00
2.	Graduate	62	62.00
3.	Post Graduate	33	33.00
Total		100	100.00

Source: Primary data

The sample employees were categorized into three groups based on their educational status. Most of the employees were graduate (62 per cent) followed by 33.00 per cent were post graduates. Thus it can be inferred that most of the employees were well educated.

**EXPERIENCE OF THE EMPLOYEES**

Experience of the employees would have significant role in allocation of work in the firm. Experienced employees also help in the success of the business. Hence details of the same were gathered, analyzed and the results are presented in Table 3.

**TABLE 3: EXPERIENCE OF THE SAMPLE EMPLOYEES (n=100)**

Sl. No	Experience(years)	Number of Employees	Percentage to Total
1.	≤ 1	13	13.00
2.	2-5	42	42.00
3.	6-9	23	23.00
4.	10-13	15	15.00
5.	>13	7	7.00
Total		100	100.00

Source: Primary data

Most of the employees (42.00 per cent) had experience of 2-5 years (Table 3) and 23.00 per cent with experience of 6-9 years. These figures showed that the employees were well experienced and capable of overcoming the problems in the firm.

**GENDER STATUS OF THE EMPLOYEES**

The sample employees were classified into two groups based on the gender. It could be noted from the Table 4 that, 77.00 percent of the sample employees were male and the rest 23.00 percent were female employees. The firm had more than 70 percent male employees in the operation sector.

**TABLE 4: GENDER STATUS OF THE EMPLOYEES (n=100)**

Sl. No	Gender	Number of Employees	Percentage to Total
1.	Male Employees	77	77.00
2.	Female Employees	23	23.00
Total		100	100.00

Source: Primary data

**MARITAL STATUS OF THE EMPLOYEES**

The sample employees were classified into two groups on their marital status. The results are furnished in the Table 5.

**TABLE 5: MARITAL OF THE EMPLOYEES IN THE STUDY AREA (n=100)**

Sl. No	Marital Status	Number of Employees	Percentage to Total
1.	Married	44	44.00
2.	Unmarried	56	56.00
Total		100	100.00

Source : Primary data

The results in the table 5 revealed that 56.00 percent of the employees were unmarried and 44.00 percent of the sample employees were married.

**PERCEPTION RATING**

The employees were asked to express their perception on Employee Engagement. It was ranked according to the study under 9 heads namely Job Satisfaction, Employee motivation, Commitment, Communication, Leadership, Training, Employee welfare, Organizational Behavior, and Organizational Values. From the response given by the employees the results are given in Table 6.

TABLE 6: PERCEPTION RATING OF THE EMPLOYEES (n=100)

Sl. No	Particulars	Scores
1.	<b>Job satisfaction</b>	
	a. I know what is expected of me at work	4.29
	b. My job allows me to make full use of my knowledge, skills and abilities	4.44
	c. I have sufficient opportunities for personal and professional growth	4.21
	d. My opinion seems to count at work	3.98
	e. I receive meaningful recognition or praise for doing a good work	3.99
	f. In my work place my coworkers give due respect to my thoughts and feelings	4.04
	g. Working at my company gives me a feeling of achievement	4.03
2.	<b>Employee motivation</b>	
	a. I have the entire infrastructure to do my work.	4.26
	b. My company inspires and motivates me to perform best	3.97
	c. When it comes to executing my task I'm appropriately provided people resources and that on timely basis	3.91
3.	<b>Commitment</b>	
	a. While working on the assigned task, I see effective team work among us	3.99
4.	<b>Communication</b>	
	a. There is always a two way communication between coworkers regarding any work to be done.	3.63
5.	<b>Leadership</b>	
	a. When I head a team I give my best as a leader	4.14
	b. I am confident in taking a decision and implementing as a leader	4.16
6.	<b>Training</b>	
	a. There are adequate training given to us both professional and for growth	3.95
7.	<b>Employee Welfare</b>	
	a. Employee's opinion and suggestion are given due consideration	4.09
	b. My organization actively looks after the well being of all its employees	4.1
	c. I am able to maintain an appropriate and healthy balance between my work and my personal commitment	3.84
	d. In my organization the employees are encouraged to move in between the functions/projects to broaden their experience and make better advancement in their career.	3.92
8.	<b>Organizational behavior</b>	
	a. In my company my coworkers demonstrate a positive attitude	4.09
	b. In the work place, I get all the support I need to succeed from my managers.	4.20
	c. My supervisor provides timely feedback that allows me to improve on my performance.	4.00
	d. My supervisor is always available to answer my queries/question.	4.02
	e. My supervisor is accessible and approachable when required	3.97
9.	<b>Organization</b>	
	a. I understand company's mission /vision	4.31
	b. My organization is always open to new ideas and initiatives.	4.27
	c. My organization policies are flexible and employee friendly	4.07
	d. My organization provides excellent services to the customers	4.28
	e. My organization provides me a clean and safe working environment	3.99
	f. I feel proud to tell people that I work at MGM	4.22
	g. I would recommend to my friends /relatives to work at MGM	4.02
h. I would prefer to stay with MGM even if offered a job elsewhere	4.01	

Source: Primary data

From the Table 6, it could be concluded that employees rated their perception level for each attribute. Among them the highest mean score is for job satisfaction questions (4.4) where the employees are satisfied that the organization allows them to use their knowledge, skills and abilities in fulfilling their job.

The statement in the second front is employees recognize the significance of organization mission, values and ethical behavior (4.31), followed by employee motivation in the third front (4.26), and was found to be the key driver for work. The fourth highest score is for organizational behavior (4.20) which enables the employee to be more accessible and approachable. These drivers are found to be the highly satisfied by the employees.

The lowest mean score was for training with (3.4) the employees need more training works to grow physically and psychologically and the second lowest mean score was found to be communication (3.63) which ties a union between the organization and employee for organizational success. These are factors in which employees were not satisfied and needed more changes.

#### MULTIPLE CORRELATIONS

Correlation is the study between two or more variables. When more than two variables are involved, the correlation is known as multiple correlations, and found to be moving in the same direction, these variables are said to be correlated positively and if they move in opposite direction they are said to be negatively correlated.

It can be perceived that out of nine factors, eight viz., job satisfaction, employee motivation, commitment, communication, leadership, employee welfare, organizational behavior, organizational values had shown positive and significant relationship. The other variable training is found to be non significant, but correlation with organizational behavior has shown positive and significant at five percent level.

#### THE KEY DRIVERS FOR EMPLOYEE ENGAGEMENT

There were about 37 statements related to employee engagement and have been rated by the employees by using Likert five point scale analysis to find out which statements are similar and form a factor. The statements are given in Table 7.



TABLE 7: STATEMENT OF THE KEY FACTORS BY THE EMPLOYEES

S.No	Factors	Statements	Notation Used
1	Job satisfaction	i) I know what is expected of me at work	IWEMW
		ii) My job allows me to make full use of my knowledge, skills and abilities	MKSA
		iii) I have sufficient opportunities for personal and professional growth	IOPPG
		iv) My opinion seems to count at work	MOSCW
		v) I receive meaningful recognition or praise for doing a good work	IMRGW
		vi) In my work place my coworkers give due respect to my thoughts and feelings	WPCRT
		vii) Working at my company gives me a feeling of achievement	WMFA
2	Employee motivation	i) I have the entire infrastructure to do my work.	IHEIW
		ii) My company inspires and motivates me to perform best	CIMPB
		iii) When it comes to executing my task I'm appropriately provided people resources and that on timely basis	ETPRT
		iv) Within my organization the employees are empowered to act in the organization best interest	OEEBI
S.No	Factors	Statements	Notation Used
3	Commitment	i) While working on the assigned task, I see effective team work among us	AWETW
		ii) All the views /suggestions are given due respect and considered	ASRC
4	Communication	i) There is always a two way communication between coworkers regarding any work to be done.	TWCRW
		ii) In my organization important decisions are regularly communicated to the employees	ODRCE
5	Leadership	i) When I head a team I give my best as a leader	WHTL
		ii) I am confidence in taking a decision and implementing as a leader	CIDIL
6	Training	i) There are adequate training given to us both professional and for growth	ATPG
		ii) The trainings given to us are more relevant to our work	LMRW
7	Employee welfare	i) Employee's opinion and suggestion are given due consideration	EOSC
		ii) My organization actively looks after the well being of all its employees	OWBE
		iii) I am able to maintain an appropriate and healthy balance between my work and my personal commitment	AHBWPC
		iv) In my organization the employees are encouraged to move in between the functions/projects to broaden their experience and make better advancement in their career.	EEFEB A
8	Organizational Behavior	i) In my company my coworkers demonstrate a positive attitude	CDPA
		ii) In the work place, I get all the support I need to succeed from my managers.	IWPSSM
		iii) My supervisor provides timely feedback that allows me to improve on my performance.	SPTFP
		iv) My supervisor is always available to answer my queries/question.	SAAQ
		v) My supervisor is accessible and approachable when required	SIAAR
		vi) He initiative to drive things forward	ITDTF
9	Organizational values	i) I understand company's mission /vision	IUCM
		ii) My organization is always open to new ideas and initiatives.	ONIAI
		iii) My organization policies are flexible and employee friendly	OPFEF
		iv) My organization provides excellent services to the customers	OPSTC
		v) My organization provides me a clean and safe working environment	OPSW E
		vi) I feel proud to tell people that I work at MGM	IFPIW
		vii) I would recommend to my friends /relatives to work at MGM	IRFTW
		viii) I would prefer to stay with MGM even if offered a job elsewhere	IPSEJE

Source: Primary data

**ROTATED COMPONENT MATRIX OR VARIMAX ROTATION**

Factor analysis was carried out to analyze the major factors responsible for employee engagement. There were nine factors which had the Eigen value of more than 1 and hence the rotated components of these nine factors are considered. The component loadings for these nine factors are presented in Table 8.

**TABLE 8: ROTATED COMPONENT MATRIX**

S. No	Notations	Factors									Communalities
		1	2	3	4	5	6	7	8	9	
1	IWEMW	0.242	0.266	-5.922	0.578	0.201	-6.292	0.178	-0.103	0.297	0.642
2	MKSA	0.324	0.467	0.109	0.200	0.459	0.106	0.166	0.108	0-179	0.668
3	IOPPG	0.217	0.195	0.246	-5.365	<b>0.755</b>	0.139	0.154	0.216	-3.107	<b>0.808</b>
4	MOSCW	0.197	0.230	0.161	0.358	<b>0.750</b>	0.139	0.154	0.216	-3.107	<b>0.829</b>
5	IMRGW	0.131	-9.420	0.155	0.489	0.342	0.415	0.172	-2.473	0.180	0.641
6	WPCRT	0.415	-9.622	-3.148	0.242	0.515	0.347	0.123	-0.243	-0.125	0.716
7	WMFA	0.363	0.360	0.293	-8.941	0.553	0.168	0.130	-1.643	-2.773	0.707
8	IHEIW	0.132	0.252	0.533	0.298	0.159	0.119	0.212	-0.303	-0.126	0.645
9	CIMPB	0.237	0.314	<b>0.704</b>	0.245	0.174	-4.705	-5.578	0.152	-6.769	0.770
10	ETPRT	0.218	0.150	0.677	0.312	0.271	0.150	-4.802	0.224	2.01	0.775
11	OEEBI	0.242	0.108	0.411	0.514	0.191	0.418	-0.171	-1.358	-5.388	0.746
12	AWETW	0.138	-9.981	0.154	-8.024	0.141	<b>0.882</b>	0.128	0.107	-3.519	0.783
13	ASRC	0.223	0.154	0.158	-4.581	-5.126	<b>0.883</b>	-6.775	-2.15	-1.303	<b>0.888</b>
14	TWCRW	-8.8653	-9.596	-6.607	0.438	0.205	0.556	0.247	0.248	-2.754	0.683
15	ODRCE	0.223	0.224	0.126	0.153	0.128	0.138	0.358	0.669	-5.130	0.753
16	WHTL	0.134	0.207	0.112	0.195	0.167	0.163	<b>0.828</b>	-2.097	-3.571	<b>0.852</b>
17	CIDIL	0.117	0.151	0.137	0.121	-9.697	0.108	<b>0.869</b>	-8.659	-4.717	<b>0.854</b>
18	ATPG	0.125	-3.333	-4.425	-6.510	-1.760	-8.349	2.526	3.951	<b>0.855</b>	0.756
19	LMRW	-0.200	0.292	0.227	-0.181	-1.282	0.186	-0.166	0.611	0.283	0.725
20	EOSC	0.504	0.212	0.170	0.377	0.199	-2.621	-2.211	0.470	-0.174	0.762
21	OWBE	0.593	0.207	0.199	0.263	0.215	0.152	0.129	0.358	-0.212	0.762
22	AHBWPC	-0.650	0.239	0.590	-0.197	-5.130	0.299	0.363	-3.123	0.105	0.685
23	EEFEBA	0.131	0.272	<b>0.763</b>	-3.242	0.115	-8.903	0.146	0.193	0.101	0.765
24	CDPA	0.189	0.300	0.238	0.644	-1.827	-3.557	0.300	-8.687	-0.139	0.715
25	IWSSM	0.239	0.637	0.194	0.352	-9.750	-2.989	0.203	0.257	-2.742	0.743
26	SPTFP	0.196	<b>0.729</b>	0.151	0.243	0.178	0.154	0.119	0.111	-4.067	0.734
27	SAAQ	0.118	<b>0.790</b>	0.292	-4.735	0.201	-7.070	0.122	-4.739	-2.105	0.789
28	SIAAR	0.246	<b>0.700</b>	0.300	-6.474	0.152	0.190	0.139	-9.713	-9.791	0.742
29	ITDTF	0.392	<b>0.733</b>	0.190	0.186	0.109	-8.476	0.202	-9.620	-4.395	<b>0.833</b>
30	IUCM	0.500	0.195	-2.707	0.511	0.166	0.273	0.104	-7.429	0.143	0.639
31	ONIAI	<b>0.729</b>	0.147	-2.707	0.511	0.166	0.273	0.104	-7.429	0.143	0.735
32	OPFEF	0.483	0.567	0.106	0.124	0.158	0.147	-6.544	0.190	0.222	0.718
33	OPESTC	<b>0.713</b>	-8.44	0.136	0.274	0.159	-7.037	0.273	-9.424	-3.171	0.712
34	OPSWWE	0.552	0.375	0.234	-1.436	0.380	-8.643	-0.155	-9.962	0.177	0.718
35	IFPIW	<b>0.709</b>	0.404	-1.786	-2.799	0.286	0.246	-9.816	-7.136	-9.816	<b>0.824</b>
36	IRFTW	<b>0.740</b>	0.340	0.306	-4.584	-5.908	0.205	0.100	4.913	0.103	<b>0.827</b>
37	IPSEJE	<b>0.719</b>	0.410	0.186	0.100	-7.320	0.174	-8.651	-5.153	-7.583	0.781

Source: Primary data

A component loading of 0.7 or more is considered to be a significant loading. In factor 1, the statement, that interprets that employees will recommend to their friends to work at MGM had highest loading(0.740), followed by the statements my organization is always open to new ideas and initiatives(0.729) , prefer to stay in MGM even if job is offered elsewhere(0.719) and my organization provides excellent services to the customer(0.713), I feel proud to work at MGM (0.709)except this 5, all the other statements had the loading value of less than 0.7.

In factor 2, the statement that my supervisor always available to answer my queries had the highest loading of 0.790 followed by the statement all managers initiates to drive things forward, (0.733) managers provides timely feedback that allows to improve my performance(0.729) and supervisors are accessible and approachable (0.700). In factor 3, the statement to broaden their experience through functions and projects had the highest loading of 0.849 and followed by the statement company inspires and motivates the employee to perform best (0.763).

In factor 5 the statement, with opportunities for personal and professional growth had the highest loading of (0.755), and the statement revealing that opinion counts at work (0.750).In factor 6 the statement, which reveals that employees are given due respect and effective team work had the highest loading value of (0.883) and (0.882) .In the factor 7the statement, inadequate credit sanction as compared to the required amount had the highest loading of 0.847. In factor 7 the statement, which motivates the employee, has a leader had the highest loading of (0.828).In factor 9 the statement which infers that training is given (0.855).

The communality values are also presented in the last column of Table 9. Communality value represents the variance explained by a particular statement in all the 9 factors. The communality value for the statement employees are given due respect is the highest rank (0.888) followed by the statement employees are confidence in making a decision as second (0.854),as a leader employee give their best is ranked third(0.852) managers and supervisors initiative to drive things forward is fourth (0.833), employees views and opinions count at work found to be in fifth (0.829), employees feelings and thoughts are respected in the organization finds the sixth rank followed by employees views about the organization that they are proud is in seventh rank and employees are found to grow both professionally and personally is found to be in eighth rank. The other statements explained lesser variance than the above 8 statements.

**VARIANCE EXPLAINED BY THE FACTORS**

The variation explained by each factor for all the statements are given in the Table 9.

**TABLE 9: VARIANCE EXPLAINED BY THE FACTORS**

Factors	Initial Eigen values		
	Total	Per cent of Variance	Cumulative percentage
1	5.346	14.447	14.447
2	4.835	13.067	27.514
3	3.316	8.963	36.478
4	2.929	7.915	44.393
5	2.926	7.909	52.301
6	2.875	7.771	60.072
7	2.454	6.633	66.706
8	1.824	4.929	71.634
9	1.272	3.437	75.071

Source: Primary data

Factor 1 explained 14.447 per cent of the variation followed by factor 2 which explained 27.514per cent. All the 9 factors together explained 75.071per cent of the variation.

The statement which had a loading of 0.7 or more can also be ranked and it is given in Table 10. The first rank is given to the statement, I would recommend to my friends to work at MGM, second rank is to the statement Organization is always open to new ideas, third rank is to the statement Preference of retention of the employees in organization and fourth rank is given to Excellent customer service, The fifth rank is given to the statement which had the highest value Being proud of working in MGM in factor 2 in the same way ranks were given till eighteenth rank. Hence the employees are satisfied with the organizational welfare and found to be dissatisfied with communication factor.

**TABLE 10: SUMMARY OF THE FACTORS**

Factors	Variables under factors	Ranking
Factor 1	I would recommend to my friends to work at MGM	I
	Organization is always open to new ideas	II
	Preference of retention in organization	III
	Excellent customer service	IV
	Being proud of working in MGM	V
Factor 2	Supervisors are available to answer employees queries	VI
	Managers and subordinate initiative employees	VII
	Timely feedback from Managers and subordinate	VIII
Factor 3	Supervisors are accessible and approachable	IX
Factor 4	Encouragement of the employees to move for projects	X
	Company inspires and motivates employees	XI
Factor 5	Sufficient personal and professional growth	XII
	Employee opinion counts in the organization	XIII
Factor 6	Due respect is given and views are considered	XIV
	Effective team work is considered	XV
Factor 7	Employee are confidence in taking decision	XVI
	Employee can be best as leader	XVII
Factor 9	Employees are given adequate training	XVIII

Source: Primary data

**EMPLOYEES PERCEPTION TOWARDS EMPLOYEE ENGAGEMENT**

The employees opinion towards employee engagement were asked to rank among the nine factors, The ranks are calculated with garrett ranking technique and being tabulated below in Table 11.

**TABLE 11: EMPLOYEES PERCEPTION TOWARDS EMPLOYEE ENGAGEMENT IN THE STUDY AREA**

Sl.No	Attributes	Mean scores	Rank
1	Job satisfaction	71.00	I
2	Organizational behavior	56.00	II
3	Employee Motivation	55.00	III
4	Employee Welfare	52.00	IV
5	Benefits	51.00	V
6	Leadership	45.00	VI
7	Communication	44.00	VII
8	Training	42.00	VIII
9	Loyalty	44.00	IX

Source: Primary data

The table 12 reveals the major factors responsible for employee engagement. It is found that job satisfaction (71.00) is one of the key drivers for engagement where an employee feels that his needs are being fulfilled in a job then he is satisfied.

The second key factor is found to be organizational behavior where it is a human tool for human benefits. Organizational behavior helps an employee to improve relationships between peoples, subordinates, structure, technology and the external social system which enhances organizational growth.

The third factor is employee motivation where it energizes, sustains and directs the employees to achieve his goals .The consequence of motivating an employee is the process of satisfaction. A motivated employee is an effective instrument in the hands of the management to maximize efficiency.

On the fourth front, it is employee welfare found to be one of the main drivers for employee engagement. Organization employee welfare schemes create a positive attitude among the employees which results in enthusiasm and interest in work. This helps in dynamic escalation of the organization.

**SUGGESTIONS**

- It was inferred from the study that training is found to be not adequate for the employees. Training is an important technique for the employees to develop their conceptual skills, the human relation skill and technical skills. It helps to make employee versatile, mobile, and flexible to the organization. There are different training programmes such as Training Within Industry (TWI Training), Refresher training, Cross-functional training, Diversity Training, Team Training which not only influences employee engagement but also, helps to overcome inhibition, helps in releasing ideas, make them suitable to their job and create a strong emotional allegiance to their work and drives to organizational effectiveness.
- Communication factor was found to be one of the lagging factor in the case firm. Communication is an indispensable element in human relationship and is found to be an artery through which decisions and instruction flows from managers to subordinate in the companies. The success of the firm depends on how effectively employee understands one another. So the case firm should take necessary action in communicating all activities in the firm. Communication plays a vital role in essential parts of the organization such as guidance, motivation and leadership activities. Sound communication enables workers to express their grievances which reduce tension and industrial unrest. Effective Communication may leads to build up high morale and inspire changes which are the moving symbol of living organization.
- The main expectation of the employee is good working environment. Employee engagement is not just an issue of salary increases, it's a social and cultural issue rooted in the fabric of relationship that comprise the working environment. The case firm witnessed inadequate space and found to be inconvenient for the employees. The case firm should take necessary steps to provide the employee adequate space and environment by expanding their horizons, and develop a healthy working atmosphere which is a general state of physical, mental and emotional well being of an employee.
- In concern with the results it can be found that employees are willing to avail transport facilities from the case firm. The employees find it too difficult to come to the office in correct time. The firm can help in providing employees vehicle facilities such that it directly influences employee engagement and it relieves tension and stress for the employees coming to the firm in the peak hours.
- From the result it can be concluded that recognition and appraisal system is needed. Recognition is found to be a soul for the work. Recognition may mean monetary rewards and compensation, but it also can refer to the appreciation and direct feedback that employees receive from managers. The best performance of the employee should be recognized by giving awards such as a star performance of the month, which will motivate the employee to go up in the "organizational ladder". This recognition and appreciation demonstrates that employees are valued and that their contribution is acknowledged by the organization and inspires and motivates other employees to be more engaged and productive.
- An organization wants to retain its employees it must satisfy their innate aspirations for the growth, opportunity and development, advancement in their career and should ensure more welfare schemes. The firm should assure programmes for the employee that more growth opportunities are provided and should help the employee to maintain appropriate balance between work and the family. The firm should also look after the wellbeing of the employee and his family.

**CONCLUSION**

Employees Perception towards employee engagement was analyzed and ranked. According to the employees Job satisfaction, benefits, leadership, employee motivation were found to be the key drivers. The key drivers responsible for employee engagement were found to be job satisfaction, organizational behavior, motivation and employee welfare. Employee's expectation from the firm were also identified and ranked with the mean score. Better working environment, improved facilities like cafeteria, recreation room, and indoor games, followed by compensation and benefits are the major needs of the employees.

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**AN INSIGHT INTO XBRL: INDIAN PERSPECTIVE****DR. SUMIT GARG****DIRECTOR****DISHA ACADEMY OF COMMERCE****RISHIKESH****RITIKA AGGARWAL****RESEARCH SCHOLAR****DEPARTMENT OF MANAGEMENT****UTTARAKHAND TECHNICAL UNIVERSITY****DEHRADUN****ABSTRACT**

Globalisation of business has increased diversity and complexity of reporting of financial information and its efficient management among business stakeholders. However technological revolution and development of new software has given new hope for its competent management. XBRL has emerged as a new technological innovation for integrating the flow of financial information within communities of diverse organizations, thereby significantly enhancing the business information supply chain and addressing existing efficiency, accuracy and transparency problems and delivering significant benefit and value to stakeholder. Thus, company information that typically takes days to create could be available in real-time, anywhere in the world. XBRL has evolved in response to the need for a standardized computer representation of financial and business data, which can be used globally. The author explains its benefits to its various users. After study of various research papers it is found that diffusion of network innovations, such as XBRL has proved to be very challenging. To date, academic interest in XBRL has been limited and largely confined to the accounting field. There is a paucity of research in the area of the diffusion of network innovations. This work constitutes, therefore, an extension to the existing body of knowledge.

**KEYWORDS**

linkbase, schema, taxonomy, XBRL and XML.

**INTRODUCTION**

The eXtensible Business Reporting Language is a new language and technology for the representation and transmission of business and financial data. It is an XML (eXtensible Markup Language) based standard governed by XBRL International Incorporated, a non-profit consortium of 450 organizations, regulators, government agencies and software companies. The philosophy behind XBRL is to create a worldwide standard for the preparation and dissemination of financial information. Until now, each provider of financial information has chosen its own format to present the data to users. For instance, various publishers of financial data publish financial data of companies in a way that is different from the other. Organizations store much of the same information in their own internal systems, but in widely varying formats. Further, there are also differences between the formats used by companies in the way they prepare their financial statements. Each user of this information would have to re-key this data into its own database in order to be able to use it. This inconsistency makes it difficult for organizations to share information reliably or cost effectively when performing many aspects of their business, including applying for credit, reconciling accounts, or reporting to investors, or many other common activities. XBRL resolves this problem by creating a single globally accepted format for the representation of this information. It enhances the usability and transparency of financial information reported under existing accounting standards, simplifies disclosure, and allows users to communicate financial information more readily and accurately. All parties, regardless of whether they are generators or users of the content, agree upon and use the same format. This can help companies and individuals to save their time presently wasted in re-keying, re-formatting and translation of financial information from one format to another. XBRL is the tool that registrants use to make their financial filings interactive and to enhance the ability of stakeholders to access and analyse financial data. Interactive data allows the creation of documents that are machine-readable, so that computers can quickly extract the desired data. For making the data interactive, information in a company's financial statements is provided a unique tag (barcode) that tells standard software what the item represents and how it relates to other items in the report. The free and uninterrupted flow of financial information within communities of varied organizations provides new prospects in the time of integration of world economies. Easy accessibility of business financial information within supply chain is becoming a more common and necessary part for providing solution to problems of efficiency, accuracy, corporate governance and transparency.

**REVIEW OF LITERATURE**

- Bonsón Enrique, Cortijo Virginia, Escobar Tomas, Flores Francisco, Monreal Sergio (2010) in his viewpoint addresses how technological initiatives in general, and the eXtensible Business Reporting Language (XBRL), in particular, are making a key contribution to the process of adaptation to the new regulation. The paper concludes that technological systems, such as XBRL, are necessary to support the consolidation of financial information, and to ensure the digital transparency of the insurer organisations that are engaged in this new regulatory challenge.
- Court John (2004) in his conceptual paper says standards for the electronic recording, processing and distribution of financial and other business reports ("digital reporting") can bring benefits both for external regulation and investor relations and for financial management and decision-making within companies.
- Indranil Chakraborty, Executive Director, PricewaterhouseCoopers (PwC) says, "XBRL is platform-neutral - it is the same whatever type of computer or software you are using. It allows all recipients of financial information provided in the XBRL format to analyse and use precisely categorized in formation instantly, with no need to re-key or convert to other formats. XBRL reduces the need for human intervention when moving financial and business reporting information from one system to another or one organization to another."
- Jones Alison and Willis Mike (2003) in their research work look at the history of this project provide a case study of how Morgan Stanley has made use of the system and predict some developments for the future.
- Lok Tin Yuen, Yue Wefield Lee, Sau Mui Lau (2001) reports the benefits of using extensible markup language (XML) to support knowledge management of financial information.
- Pinsker Robert (2003) in his article reports on an XBRL survey conducted using accountants and auditors. Results indicate many accountants and auditors have low (if any) knowledge or experience with XBRL and do not perceive the intended benefits XBRL usage provides.
- Premuroso Ronald F. and Bhattacharya Somnath (2008) in their study examined whether early and voluntary filers of financial information in XBRL format demonstrate superior corporate governance and operating performance relative to their non-adopting peers. Results suggest that corporate governance is significantly and positively associated with a firm's decision to be an early and voluntary filer of financial information in XBRL format.

- Troshani Indrit, Doolin Bill (2007) in his research paper draw upon stakeholder and social network theories to evaluate issues surrounding the diffusion of XBRL in Australia. This helps recognize the potential of individual stakeholders to effect innovation diffusion using their salience. Taken together, this information can help in designing proactive adoption and diffusion strategies for network innovations.
- Troshani Indrit, Lymer Andy (2010) in their research paper aims to investigate the phenomena that occur when heterogeneous actors interact in attempts to standardize XBRL. By presenting unsuccessful and potentially successful focal actors side by side, the paper contributes to the current body of knowledge by enhancing current understanding of their role in achieving effective translations in XBRL standardization networks.
- Wallace Andrew (2001) in his technical paper describes how XBRL, the language of risk, has developed recently. The author explains how it works and guides the reader through the way that it is being developed, with examples of how it will be used.

### OBJECTIVES OF THE STUDY

- To study the basics of XBRL.
- To analyse the various dimensions of XBRL.
- To study the various applications of XBRL in the diverse business environment.
- To bring forward benefits of XBRL to various users of financial data.
- To find out challenges in implementing XBRL.
- To promote use of XBRL and the study will open up area for further research in this area.

### WHY XBRL?

At the time of integration of world economies, use of similar kind of accounting practices and efficient convertibility of financial data is becoming a necessary part of business environment. Use of online filing system removes submission of multiple copies of the same return to various departments and stakeholders, thus simplifying the data reporting process all over the supply chain. Further, the way a single field or element of information is defined can be affected by jurisdictional regulations. The value of a liability may be defined quite differently in the India than in other parts of the world that observe different accounting principles and practices. Hence, there may be many different actual definitions of a single element type such as "liability value", or "price", or other seemingly simple bits of data. These distinctions affect a wide range of organizations since there are not many large companies that operate in a single regulatory jurisdiction anymore. XBRL work out this problem as the financial statements prepared and filed in XBRL format simplify the process of regulatory for both the company and the ministry and provide benefits such as easier and efficient analysis by various stakeholders who may access the filed financial statements. XBRL makes financial data interactive which provide investors quicker access to the information they want in a form that's easily used; helping companies prepare and analyse the information more speedily, more precisely and at a lower cost; and helping knowledge capital keep up with financial capital, as both flow more quickly around the world. The internet financial reporting language - XBRL continues to develop and has now reached the point where much of its promised benefits are available.

### HOW XBRL WORKS?

XBRL is a version of XML specially defined for the requirements of business and financial information. XML and its related technologies facilitate computer-to-computer interactions and the ability to store and transport information via the Internet. XML is a key component of identifying financial and accounting concepts, describing their attributes and explain relationships between various financial reporting components. In conjunction with several major accounting firms, XBRL has evolved beyond traditional XML syntax into a well-defined extensibility framework that can be used across a number of business reporting domains. The rich and powerful structure of XBRL allows very efficient handling of business data by computer software. It supports all the standard tasks involved in compiling, storing and using business data. Such information can be converted into XBRL by suitable mapping processes. It can then be searched, selected, exchanged or analysed by computer, or published for ordinary viewing.

### IMPORTANT FUNCTIONS

Following are important functions of XBRL that help in explaining its working:

- In XBRL, each item of financial data has been given a unique tag (taxonomy) which serves to identify it. These tags are computer readable.
- However, these tags are more than simple identifiers. These tags provide a range of information (schema) about the data item, like its data type (currency, date, number, monetary item, percentage or fraction).
- XBRL allows labels in any language to be applied to items, as well as accounting references or other subsidiary information.
- XBRL also show how items are related to one another (linkbase). It can thus represent how they are calculated.
- It can also identify whether they fall into particular groupings for organizational or presentational purposes.

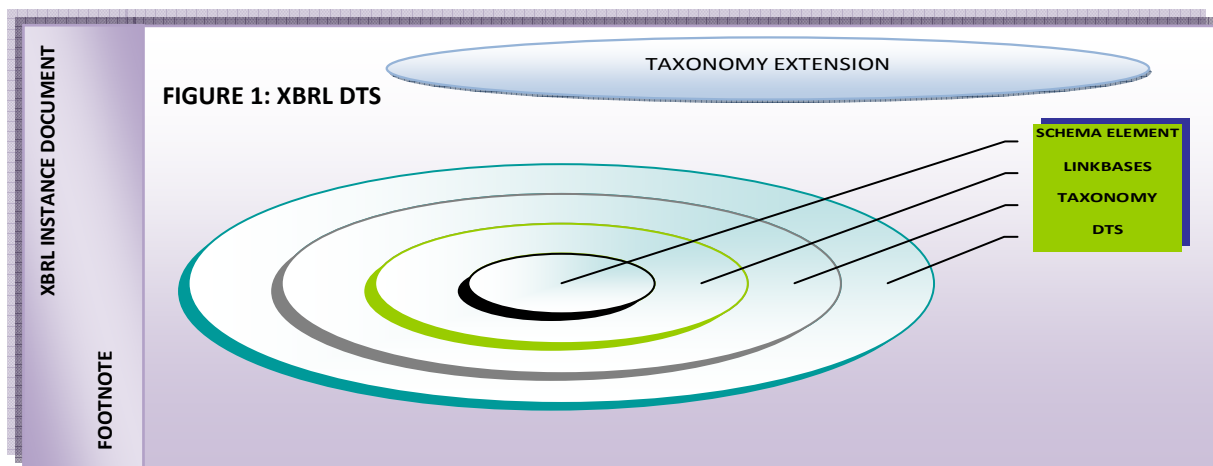
### IMPORTANT TERMS IN XBRL

XBRL is easily extensible, so companies and other organizations can adapt it to meet a variety of special requirements. The organizing principles of XBRL are depicted in the XBRL discoverable Taxonomy Set (DTS) shown in adjacent figure 1:

In XBRL, taxonomy consists of the core part that is schema and linkbases. The schema is the part that contains definitions of elements whereas linkbases provide relationships between them. The subsequent section explains each of the terms in detail:

#### • TAXONOMY

The foundation of XBRL rests on a set of officially recognized element tag schemas known as XBRL taxonomies that are used to create instance documents containing financial information in the form of facts. An XBRL "taxonomy" is the collection of XBRL tags that are available to registrants to "associate" with their financial data (i.e., if tags were words, then the taxonomy would be the dictionary). This is explained as follows:



In the present system of transmission of financial information, to transfer an item like 'profit', the transmitter would send the figure representing the amount of profit, say Rs. 2,00,000. The receiver would be set up in order to receive the figure and interpret the value received as the amount of 'Profit'. This imposes a lot of rigidity in the way information can be transmitted. For example, if the receiver is expecting to receive the 'profit' and the transmitter sends the value of 'sales', then it could lead to errors. It also imposes restrictions on the order in which the items can be transmitted. For example, there might be a restriction that the value of 'sales' must be sent before the value of 'profit'. XBRL crack this problem by tagging each value transmitted with an identifier and instructions on how the receiver must process that value.

Here is another way of looking at it. Assume a registrant has the following simple balance sheet (TABLE 1):

Creditors	75	Cash	250
Short-term debt	235	Debtors	120
<b>Total current liabilities</b>	<b>310</b>	<b>Total current assets</b>	<b>370</b>
Long-term debt	500	Land	295
Equity	745	Fixed assets	890
<b>Total liabilities and equity</b>	<b>1555</b>	<b>Total assets</b>	<b>1555</b>

To make this balance sheet interactive, the registrant will use software to associate an XBRL tag with each financial concept on the balance sheet. For example, the tag associated with the Rs. 250 "Cash" concept includes both the value Rs. 250 and its description "Cash." Once a tag is associated with a concept, any XBRL responsive software is able to determine that the Rs. 250 amount represents the current asset "cash" and that the Rs. 250 amount is included in the subtotals for "Total current assets" and "Total assets." The tag is also associated with (1) the currency in which the amount is being reported (e.g., the Indian rupee or the U.S. dollar) and (2) the related period in which the amount is being reported (e.g., as of March 31, 2010). Tags can also be associated with non-monetary financial concepts. For example, the taxonomies contain tags that an entity can associate with blocks of text in the financial statements to delineate the required qualitative (i.e., non-monetary) disclosures.

• **SCHEMA**

Schema stores information about taxonomy elements. For example, financial data liability is tagged as <Liability>50,000</Liability>. Computer will take it as something called liability has 50,000 content. To make data interactive using XBRL computer must understand the concept of liability. However, the term liability has many different characteristics such as it has a monetary value, it has a credit balance and it is an obligation of an entity arising from past transactions on a particular date. Even the explanation of term liability could be different in IFRSs to GAAPs. Thus, all characteristics must be provided to computer to understand the concepts of large numbers of accounting terms. These treatments to different financial concepts are provided to computer in schema files.

• **ELEMENT**

A computer does not have built-in accounting knowledge so they have to be taught meaning of particular concept and its characteristics. An element is a business concept (like assets, liabilities, revenue, income, etc.) that helps in explaining accounting to a computer. To achieve this, definitions of elements that appear in schemas are constructed according to a specific set of rules. To distinguish between elements defined in different schemas namespaces and their prefixes are used. A name must meet several criteria and cannot contain spaces and other characters that are illegal in XML. XML differentiates between upper and lower case so the element "liability" is different from the element "Liability". The following example describes simplified definition of the element "Liabilities" (prefixes have been omitted) : <element name = "Liabilities" id = "Liabilities" period type = "instant" balance = "credit" abstract = "false" substitution group = "item" type = "monetary item type"/>

From a business perspective, most important characteristics provided by the above example are name, type, balance, and period type. "Abstract" concepts are used to organize taxonomy. Technically, abstract" is an XML Schema attribute that may be placed on an element or concept. The attribute "abstract" may have a value of TRUE or FALSE. If the value is TRUE, the element (or concept) is said to be "Abstract". That means that the concept may NEVER appear within an instance document.

• **LINKBASES**

As all the financial terms and concepts are interrelated and integrated to each other, there is a need to describe interactions between financial concepts. This is to define whether there is any relationship between assets and say receivables and if there is, how it looks in terms of accounting knowledge and create references for elements to express to which accounting act they apply to. To do that, XBRL also has a well-developed set of linkbases that define element relationships and hierarchies. Linkbases provide descriptions of connections between elements by localizing them and defining the type of relationships. Each of the five linkbases explained below contains definitions of different types of relations.

**Presentation:** Describes hierarchies and parent-child relationships for financial reporting.

**Calculation:** Contains business rules; e.g., item summation for "footing" and accounting aggregates.

**Definition:** Describes required attributes, general conceptual descriptions with specific inheritance rules, aliases.

**Label:** Label definitions, including language translations

**Reference:** Links to specific references, including external rulings and documentation.

• **TAXONOMY EXTENSION**

Taxonomies define elements and their relationships between them according to particular standards, for example, IFRS (International Financial Reporting Standards). Accounting practices followed all over the world make use of different accounting principles and conventions. Companies are required to include additional concepts usually related to area of their activities or the reporting purpose. XBRL allows such extensions without loss of comparability and integrity of



data. Taxonomy extension helps in adding an element that was not described in base taxonomy but is required. Modification (addition or deletion) in the relationship between elements can also be performed.

- **INSTANCE DOCUMENT**

An electronic version of the XBRL- tagged business report is known as instance document that essentially contains factual data. It contains facts that are defined by the elements in the taxonomy it refers to. It also consists of their values and an explanation of the context in which they are placed. In simple terms, it is electronic version of financial statements (such as profit and loss account, balance sheet, cash flow statement or fund flow statement) and other business reports (such as budgets) created within the XBRL environment. If one had to compare and analyse the financial performance, say of five large companies, it could easily take anyone some days. However, once a set of financial statements are converted into an XBRL Instance document, it can be compared with 100 other such XBRL Instance documents instantly.

- **DTS (DISCOVERABLE TAXONOMY SET)**

Different taxonomies will be required for different business reporting purposes. Some national jurisdictions may need their own reporting taxonomies to reflect local accounting and other reporting regulations. For this purpose DTS is available. DTS refers to the group of extended and public taxonomy schemas and linkbases that come together to support an XBRL instance document. In other words it contains one or more taxonomies i.e. a number of schemas together with linkbases related to them. This term was developed as taxonomies become more complicated and more closely related to each other.

- **FOOTNOTE**

On instance documents footnotes are available that provides additional information for some of the elements. For example, in a business report, several concepts refers to the statements "for more information see disclosures of assets", then linkages between them and a footnote element containing this block of text can be created.

## DIFFERENCE BETWEEN XBRL AND XML

XBRL expands the scope of XML beyond element tag syntax to include standardized metadata (data about data) attributes related to financial reporting concepts—e.g., financial reporting elements typically incorporate an attribute to signify a debit or credit balance. XML support metadata as it provides some information about the data as format of data, valid values and relationships between data elements. However, XBRL captures a greater breadth and variety of information about the data. It can confine and represent information about relationships (hierarchical and non-hierarchical), presentation formats, calculations and rules. XBRL enables software to enforce relationships that XML could not. In comparison to XML, XBRL requires data elements to be normalized so that data can be easily stored and managed in a relational database or a spreadsheet.

**WITHOUT XBRL** – Electronic financial information flows from an organization's finance department to regulators, analysts, investors and other interested parties. Companies first submit plain-text financial reports then convert those documents' data into Hyper Text Markup Language (HTML) format and post them on the Web for public viewing. Finally, companies reconvert those data into various formats that enable investors and financial analysts to scrutinize key performance indicators and other criteria. This fragmented process is both labour-intensive and error-prone.

**WITH THE AID OF THE XBRL TOOL** – Companies can transmit their financial data accurately and directly from their enterprise resource planning software and other systems into XBRL-enabled worksheets that are more quickly available for review by third parties. In fact, with the tool, automated processes pull these data from various designated systems directly into Excel-based and Word-based document summaries, such as financial statements that users can organize for analysis. These same documents also can be readily exchanged between disparate data repositories, such as finance and tax systems. It is easy to see the tool's advantages over the current, largely manual process of manipulating various data formats.

## BENEFITS OF XBRL

XBRL has improved the way information is shared. XBRL offers major benefits at all stages of business reporting and analysis. With the help of XBRL, trade-offs can be achieved between "reach" and "richness" of data. Here, reach refers to access to data and richness to quantity, timeliness, accuracy and type of data. It is so because particular information that might in the past have taken hours can be read, processed and analysed with XBRL in a fraction of a second. The benefits are seen in greater accuracy, better data management, time saving, reusing data; data validation, easier document reading and decision-making. Those who stand to benefit include all who collect business data, including governments, regulators, economic agencies, stock exchanges, financial information companies, accountancy software vendors, the financial services industry, investor relations companies and the information technology industry and the like, and those who produce or use it, including accountants, auditors, company managers, financial analysts, investors and creditors. XBRL is thus emerging to make it much easier for CEOs, CFOs, CIOs, investors & regulators while giving opportunities for financial analysts/consultants and software developers to enhance their productivity. The widespread benefits of using XBRL are summed up as follows:

**Companies** will be able to eliminate the effort required to prepare financial statements in different formats for different agencies. The companies can use XBRL to save costs and streamline their processes for collecting and reporting financial information. By using XBRL, companies and other producers of financial data and business reports can automate the processes of data collection. For example, data from different company divisions with different accounting systems can be assembled quickly, cheaply and efficiently if the sources of information have been upgraded to using XBRL. Once data is gathered in XBRL, different types of reports using varying subsets of the data can be produced with minimum effort. A company's finance division, for example, could quickly and reliably generate internal management reports, financial statements for publication, tax and other regulatory filings, as well as credit reports for lenders. Not only can data handling be automated, removing time-consuming, error-prone processes, but also the data can be checked by software for accuracy. Small businesses can benefit alongside large ones by standardizing and simplifying their assembly and filing of information to the authorities. Regulatory agencies all over the world can decrease the cost of regulation while enhancing the regulatory process.

**Banks and Financial Institutions** will be able to save costs by cutting down on the time taken to process information and to track financial performance of their customers. It also helps banks in determining credit appraisal of their corporate borrowers. Software tools built on top of the XBRL framework enable financial analysts to undertake comparative analyses of companies instantly. It is also well-suited to assist banks in coping with Basel II requirements (international standards for capital reserves and risk management); in part because of the traceability of data back to the originating transactions.

**Investors** will benefit, as XBRL will enable the customization of financial information to suit their specific requirements. For instance, software capable of downloading XBRL formatted information and instantly presenting all the relevant financial ratios will become available to help investors to make wise decisions. XBRL offers instant, accurate, unambiguous flow of information to the capital markets. It decreases the vulnerability of publicly disclosed financial information and will combat misinterpretation and misrepresentation. Business information can be translated into multiple languages by data consumers around the globe. Specific, pertinent pieces of information can be sought and extracted from lengthy reports, and financial data becomes easier for investors and analysts to examine.

## XBRL IN INDIA

India, running on the path of developing economies is also not untouched by new IT innovations and revolutions like XBRL. The Ministry of Corporate Affairs, the Reserve Bank of India, the Securities Exchange Board of India and Insurance Regulatory and Development Authority have set up initiatives for development of XBRL in India. The RBI has been encouraging banks to develop an integrated approach to managing risk resulting from innovations in financial products as well as technological advancements and undertake stress-testing exercises, both for liquidity and for credit risk management. In this context, the availability of reliable information is crucial for banks and regulators of the banking system. The RBI took the first step in the direction of a more efficient financial data reporting system by implementing the online returns filing system. Another important step was the adoption of XBRL-based data reporting for Basel II reports from banks. Until recently, a company listed on the Bombay and national stock exchanges had to file time-sensitive information with two of these exchanges in addition to SEBI's electronic data filing system. Now, with XBRL, companies may file at only one corporate filing platform and three of bodies will access this. SEBI has also



embarked upon developing a Platform for XBRL based filing from all listed Companies in India. The Ministry of Corporate Affairs (MCA), Government of India (GoI) has decided to implement Extensible Business Reporting Language (XBRL) for all companies in India from 2011. Ministry of Corporate Affairs is actively pursuing implementation of XBRL based filing for MCA 21 (e-Governance project). XBRL India is the Indian Jurisdiction of XBRL International. Members of XBRL India include regulators, stock exchanges, software companies and others. XBRL India has developed draft General Purpose Financial Reporting XBRL taxonomy for Commercial and Industrial Companies. It is currently developing XBRL Taxonomy for the banking sector. The main objectives of XBRL India are to promote and encourage the adoption of XBRL in India as the standard for electronic business reporting in India, to facilitate education and marketing of XBRL, to develop and manage XBRL taxonomies, to keep the developed XBRL taxonomies updated with regard to international developments, to represent Indian interests within XBRL International and to contribute to the international development of XBRL.

XBRL has not yet made a major impact on financial and business reporting in India, but moves are afoot to bring the country at par with developments in the rest of the world. The impetus for the adoption of this technology in the country is likely to come from two sources: pressure from regulators and the need for intra-company reporting of information. India, a late adopter, is slowly but surely moving in the same direction.

## XBRL CHALLENGES

XBRL to become a worldwide standard for the preparation and dissemination of financial information has to go by many challenges. XBRL fast adoption is difficult to achieve in short run. It is due to the fact that organizations have to interchange and reuse XBRL information across several atmospheres. To attain common acceptance of XBRL visual integrity between presentation and the XBRL data must be maintained to preserve the intent and context of the data. To start, information exchanged using XBRL must be understandable and usable by both individuals and systems without assistance of XBRL technical experts. Users of financial information want a reporting system that reduces the cost of reporting to numerous organizations, while at the same time improves the consistency and integrity of the reported data across reporting surroundings. Data should be easier to focus on analysis, forecasting, and decision-making rather than the time-consuming tasks of gathering, compiling, and preparing data. To accomplish this, there is a need of integrated global infrastructure that ensures the presentation layer of the report (the part that individuals use) is verifiably the same as the XBRL data layer (the part that systems use). To provide friendly environment to work with there is a standard need to protect the integrity and validity of the XBRL data once it is created or to easily reconcile it with physical representations of the information.

## CONCLUSION

XBRL is set to become the standard way of recording, storing and transmitting business financial information. It is capable of use throughout the world, whatever the language of the country concerned, for a wide variety of business purposes. It will deliver major cost savings and gains in efficiency, improving processes in companies, governments and other organizations. XBRL enables companies to save time and money to manually prepare and avoiding manual tasks like entering financial data into computer databases. It helps to eliminate the possibility of errors that can creep in when manual processes like entering data repeatedly are required. It allows them to focus on the analysis of data and decision making, rather on the collection of data. They are able to concentrate effort on analysis, aided by software which can validate and manipulate XBRL information. The use of XBRL does not imply an enforced standardization of financial reporting. On the contrary, the language is a flexible one which is intended to support all current aspects of reporting in different countries and industries. Its extensible nature means that it can be adjusted to meet particular business requirements, even at the individual organization level. One more thing is that XBRL imposes no burden on what information one party must provide to another. XBRL is simply a tool, a means of exchanging information if you are required to do so. It does make a few new things possible, but XBRL is not about imposing any specific reporting burden. Going forward, XBRL is likely to emerge as the mandatory global standard for financial reporting.

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## EMPLOYEES' SATISFACTION AND INDUSTRIAL RELATIONS – A STUDY OF SELECTED INDUSTRIAL UNITS OF AHMEDABAD AND ANAND DISTRICTS

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### ABSTRACT

The conditions of the work place can be improved by Human Resource Management. Conditions of work, earning of workers, health and safety and working environment can improve by tactful handling of human resources. This leads to satisfaction of employees. The present paper is an attempt to study the relationship between employees' satisfaction and industrial relations in selected industrial units of Ahmedabad and Anand districts. It is hypothesized for the study that there is a significant relationship between state of Industrial Relation and Level of Employees Satisfaction. The study confirms that high employee satisfaction level can reduce industrial disputes and ultimately it leads to cordial industrial relations. Research indicates that there is a strong positive correlation between employees' satisfaction and industrial relations among the selected units. The study also focuses that employee satisfaction is important because the committed and engaged employees create satisfied work group which leads to harmonious industrial relations.

### KEYWORDS

Employees' satisfaction, Industrial Relations.

### INTRODUCTION

Human Resource Management leads to procurement, preservation and motivation of the workers (Aswathappa, 2008). It can maintain good relations between the different parties. Better relations can be developed through better recruitment and selection, training, placement, timely promotion, adequate compensation, employees' welfare, proper communication and other practices (Mamoria, 1985). The conditions of the work place can be improved by Human Resource Management. Conditions of work, earning of workers, health and safety and working environment can improve. This leads to satisfaction of employees (Prasad, 1973). Satisfaction gives a trigger to the employees to work willingly. Satisfied work force would not create any problem for the management. They would maintain industrial peace and this way Human Resource Management maintains good relations between different parties. Hence, they are considered as important actors in industrial relations. Generally employees work for getting higher pays, job satisfaction and mental satisfaction and to satisfy their own needs. So, for better industrial relations organization concentrate on minimizing their problems through various welfare activities (Khanka, 2008). The present paper is an attempt to study the relationship between employees' satisfaction and industrial relations in selected industrial units of Ahmedabad and Anand districts. It is hypothesized for the study that there is a significant relationship between state of Industrial Relation and Level of Employees Satisfaction.

### REVIEW OF LITERATURE

There is a sizable literature on engineering industry in conformity with its history and economic importance. A good deal of analytical literature exists at broad levels like problems associated with productivity, financial performance, size and technology, manpower and location. Similarly many researches have been done on Personnel Management areas including employee employers' relationship. Mehta and Madnani (1973) in their article attempt to examine the effect of size and technology on industry's productivity. Dr. Jacob K.K.(1987) in his study focuses on all the important aspects of personnel management as they are today, with a view to find out what these ought to be tomorrow. Gopal Ji (1985) examined the place of 'Personnel' as a function in Indian manufacturing industries and to survey the enterprise practices relating to personnel function. Nusrat A. Khan (2003) concludes that promoting a healthy and harmonious industrial relations climate both management and workers should understand the dynamics of different organizational, environmental and industrial relation factors. On the basis of extensive literature review, it has been found that considerable studies have been carried out in the field of Industrial Relation. However, very few studies are found on Industrial Relation and employees' satisfaction particularly in Engineering Sector in Gujarat so the present.

### OBJECTIVES

The present study attempts to study the industrial relations and employees' satisfaction in engineering sector in Gujarat to fulfill the following objectives:

1. To study the satisfaction level of various types of employees of selected industrial units
2. To suggest remedies to improve the satisfaction level of the employees in industrial units

### NEED/IMPORTANCE OF THE STUDY

The study has academic significance and relevance and will act as a magnum opus on the subject for further research and development as far as Ahmedabad and Anand Districts are concerned. The study is expected to help various parties i.e. Employers, Employees, Trade Union Leaders, Government, Other Professional and Technical Staff, Executives, Careerists, Personnel Managers, Labour Welfare Officers, Public Administrators, etc. in decision making process at their organization. It would also be found useful for those who desire to become executives and who are interested in "How to get and keep good people working for them;" and for those who are to be managed and who would want "to know how they should and will be treated by their bosses."

### STATEMENT OF PROBLEM

The research study was mainly carried out in the selected engineering units of Ahmedabad and Anand Districts only. Hence, this research work does not aim to cover all the engineering units of Ahmedabad and Anand Districts.

### HYPOTHESIS

With a view to arrive at true and fair conclusion, the statistical tools like mean, standard deviation and Analysis of Variance (ANOVA) have been used.

To study employees' satisfaction and industrial relation, the following hypothesis have been framed and tested:

- H<sub>0</sub> - There is no relationship between state of Industrial Relation and Level of Employees Satisfaction.  
H<sub>1</sub> - There is relationship between state of Industrial Relation and Level of Employees Satisfaction.

### RESEARCH METHODOLOGY

To conduct the present study, 21 industrial units of i.e. 9 from Anand District and 12 from Ahmedabad District have been selected. The present study uses descriptive research design; which is typically more formal and structured than exploratory research. Survey through structured questionnaire has been made in

different places of Ahmedabad and Anand Districts Viz: (Ranpur, Changodar (Sanand), Naroda, Vatva, Moraiya (Sanand), Kasor, Vitthal Udhyanagar & Karamsad).

In order to achieve the objectives of present study relevant primary data was used. The data was collected from the employees of selected engineering units of Ahmedabad and Anand Districts through interaction and interviews and with the help of structured questionnaire by personal visit and conversation. Non-probability convenience method has been used to collect data from employees. Enough care has been taken to have representation of all types of employees belonging to different levels of management. So far as data collected from Employers is concerned in all the units, data were collected from the HR managers or HR executives. Though enough care has been taken in carrying out the present study, it is not excluded from certain limitations as this research work does not aim to cover all the engineering units and employees of Ahmedabad and Anand Districts,

## RESULT AND DISCUSSION

In order to analyze further, the level of employees' satisfaction for different aspects related to IR in case of different categorical data of employees such as, employees of private and public limited companies, employees of different age group, employees with different positions, employees of different experience group, nature of employment. The following subsection of employees' level of satisfaction indicates the result of the same with tables.

### LEVEL OF SATISFACTION IN PUBLIC LIMITED AND PRIVATE LIMITED COMPANIES

Public limited companies are more responsible so, they are supposed to provide more benefits. In order to check difference in level of satisfaction among employees in public limited and private limited companies, separate mean and standard deviation were calculated and Analysis of Variance (ANOVA) was carried out to check the difference in level of satisfaction among employees. Means scores of hypotheses for both the companies are same for different aspects related to IR and result of the same is presented in following tables:-

TABLE 1: SECTOR WISE MEAN ON HR AND IR POLICIES

Components of HR	Sector	N	Mean	Std. Deviation
Safety measures	Private Limited	68	4.24	.550
	Public Limited	331	4.35	.737
	Total	399	4.33	.709
Staff welfare policy	Private Limited	67	4.21	.708
	Public Limited	329	4.04	.888
	Total	396	4.07	.861
Recruitment policy	Private Limited	68	4.06	.710
	Public Limited	328	4.12	.802
	Total	396	4.11	.786
Training Development	Private Limited	68	4.13	.896
	Public Limited	331	4.23	.833
	Total	399	4.22	.844
Promotion Policy	Private Limited	67	3.81	.909
	Public Limited	328	3.80	.961
	Total	395	3.80	.951
Health facilities	Private Limited	68	4.18	.732
	Public Limited	330	4.03	.919
	Total	398	4.06	.890
Over time advantage	Private Limited	67	4.27	.592
	Public Limited	320	4.07	.791
	Total	387	4.11	.763
Family welfare benefits	Private Limited	68	2.79	1.045
	Public Limited	321	3.07	1.096
	Total	389	3.02	1.091
Leave Rules	Private Limited	68	3.84	.765
	Public Limited	331	4.24	.669
	Total	399	4.17	.701
Offering of Bonus	Private Limited	68	4.38	.599
	Public Limited	329	4.30	.660
	Total	397	4.31	.650
Incentives and Rewards	Private Limited	67	3.46	.927
	Public Limited	329	3.74	1.043
	Total	396	3.69	1.029
Performance appraisal	Private Limited	68	3.66	.940
	Public Limited	324	3.99	.862
	Total	392	3.93	.883
Policy for woman	Private Limited	67	2.79	.565
	Public Limited	291	3.03	.747
	Total	358	2.99	.722
Dispute Resolving policy	Private Limited	67	3.01	.707
	Public Limited	318	3.37	.860
	Total	385	3.31	.845
Grievances Redressal Mechanism	Private Limited	67	2.87	.736
	Public Limited	303	3.35	.885
	Total	370	3.26	.879
Overall Human Resources Magt. Policy	Private Limited	66	3.91	.518
	Public Limited	324	4.10	.664
	Total	390	4.07	.645

Source: Computed by the Author

TABLE 2: SECTOR WISE ANALYSIS OF VARIANCES ON HRM AND IR POLICIES

Components of HR	Public Limited v/s Private Limited	Sum of Squares	df	Mean Square	F	Sig.
Safety measures	Between Groups	.748	1	.748	1.488	.223
	Within Groups	199.583	397	.503		
	Total	200.331	398			
Staff welfare policy	Between Groups	1.598	1	1.598	2.160	.142
	Within Groups	291.561	394	.740		
	Total	293.159	395			
Recruitment policy	Between Groups	.203	1	.203	.328	.567
	Within Groups	244.128	394	.620		
	Total	244.331	395			
Training Development	Between Groups	.567	1	.567	.796	.373
	Within Groups	282.896	397	.713		
	Total	283.464	398			
Promotion Policy	Between Groups	.001	1	.001	.001	.974
	Within Groups	356.597	393	.907		
	Total	356.597	394			
Health facilities	Between Groups	1.205	1	1.205	1.521	.218
	Within Groups	313.579	396	.792		
	Total	314.784	397			
Over time advantage	Between Groups	2.145	1	2.145	3.712	.055
	Within Groups	222.511	385	.578		
	Total	224.656	386			
Family welfare benefits	Between Groups	4.226	1	4.226	3.574	.059
	Within Groups	457.610	387	1.182		
	Total	461.835	388			
Leave Rules	Between Groups	8.909	1	8.909	18.931	.000
	Within Groups	186.840	397	.471		
	Total	195.749	398			
Offering of Bonus	Between Groups	.402	1	.402	.952	.330
	Within Groups	166.867	395	.422		
	Total	167.270	396			
Incentives and Rewards	Between Groups	4.332	1	4.332	4.125	.043
	Within Groups	413.696	394	1.050		
	Total	418.028	395			
Performance appraisal	Between Groups	5.969	1	5.969	7.781	.006
	Within Groups	299.171	390	.767		
	Total	305.140	391			
Policy for woman	Between Groups	3.224	1	3.224	6.282	.013
	Within Groups	182.731	356	.513		
	Total	185.955	357			
Dispute Resolving policy	Between Groups	7.019	1	7.019	10.061	.002
	Within Groups	267.199	383	.698		
	Total	274.218	384			
Grievances Redressal Mechanism	Between Groups	12.687	1	12.687	17.139	.000
	Within Groups	272.405	368	.740		
	Total	285.092	369			
Overall Human Resources Magt. Policy	Between Groups	2.103	1	2.103	5.104	.024
	Within Groups	159.887	388	.412		
	Total	161.990	389			

Source: Computed by the Author

At 0.05 level of significance, employees level of satisfaction differ for Leave Rules (.000), Policy for woman (0.013), dispute resolving policy (0.02), Grievances redressal mechanism (0.00). It means employees of private limited and public limited companies were differing in their level of satisfaction for all these aspects and for other aspects they had same level of satisfaction. If we check the mean score for all the aspects in which employees of private limited and public limited companies differ than it is found that in private limited companies, mean score for all these aspects were less than the public limited companies that led to inferences that in private limited companies employees are not satisfied for these aspects compared to public limited companies.

#### LEVEL OF SATISFACTION AMONG EMPLOYEES OF DIFFERENT AGE GROUPS

Whether employees belonging to different age groups have same level of satisfaction or not, to analyze the same mean and standard deviation were calculated for all the aspects related to IR of different age group employees. ANOVA was also carried out to analyze the same further.



TABLE 3: AGE WISE MEAN ON LEVEL OF SATISFACTION

Components of HR	Age Groups	N	Mean	Std. Deviation
Safety Measures	15-25	56	4.18	.636
	26-35	151	4.17	.773
	36-45	91	4.47	.705
	Above 45	99	4.52	.578
	Total	397	4.33	.710
Staff welfare policy	15-25	56	3.70	.971
	26-35	149	3.98	.842
	36-45	90	4.19	.820
	Above 45	99	4.31	.778
	Total	394	4.07	.862
Recruitment policy	15-25	56	4.04	.785
	26-35	151	4.09	.774
	36-45	90	4.38	.628
	Above 45	97	3.94	.888
	Total	394	4.11	.788
Training Development	15-25	56	4.04	.873
	26-35	151	4.07	.903
	36-45	91	4.42	.731
	Above 45	99	4.34	.785
	Total	397	4.21	.845
Promotion Policy	15-25	56	3.59	.949
	26-35	150	3.88	.810
	36-45	91	3.96	.930
	Above 45	96	3.66	1.141
	Total	393	3.80	.954
Health facilities	15-25	55	3.80	.970
	26-35	151	3.99	.920
	36-45	91	4.13	.819
	Above 45	99	4.21	.836
	Total	396	4.05	.891
Over time advantage	15-25	56	3.98	.751
	26-35	147	4.16	.712
	36-45	86	4.02	.782
	Above 45	97	4.16	.825
	Total	386	4.11	.764
Family welfare benefits	15-25	55	2.71	1.048
	26-35	148	2.88	1.068
	36-45	86	3.21	1.053
	Above 45	98	3.24	1.122
	Total	387	3.02	1.091
Leave Rules	15-25	56	4.11	.623
	26-35	151	4.08	.678
	36-45	91	4.22	.712
	Above 45	99	4.28	.756
	Total	397	4.17	.702
Offering of Bonus	15-25	56	4.18	.606
	26-35	151	4.23	.665
	36-45	91	4.41	.649
	Above 45	97	4.43	.628
	Total	395	4.31	.650
Incentives and Rewards	15-25	56	3.23	1.079
	26-35	149	3.57	.974
	36-45	91	3.81	.999
	Above 45	99	4.05	.973
	Total	395	3.70	1.026
Performance appraisal	15-25	56	3.75	.995
	26-35	147	3.90	.800
	36-45	89	4.09	.834
	Above 45	98	3.93	.966
	Total	390	3.93	.884
Policy for woman	15-25	54	2.93	.640
	26-35	134	3.09	.709
	36-45	79	2.94	.822
	Above 45	89	2.92	.678
	Total	356	2.99	.720
Dispute Resolving policy	15-25	53	3.15	.794
	26-35	146	3.27	.766
	36-45	90	3.39	.857
	Above 45	94	3.37	.950
	Total	383	3.31	.840
Grievances Redressal	15-25	52	3.04	.816
	26-35	141	3.21	.800
	36-45	83	3.35	.889
	Above 45	93	3.35	.985
	Total	369	3.25	.875
Overall HRM policy	15-25	56	4.09	.611
	26-35	149	3.96	.677
	36-45	88	4.18	.617
	Above 45	95	4.12	.616
	Total	388	4.07	.644

Source: Computed by the Author

TABLE 4: AGE WISE ANALYSIS OF VARIANCES ON LEVEL OF SATISFACTION

Components of HR	Age Groups	Sum of Squares	df	Mean Square	F	Sig.
Safety Measures	Between Groups	10.285	3	3.428	7.123	.000
	Within Groups	189.146	393	.481		
	Total	199.431	396			
Staff welfare policy	Between Groups	16.149	3	5.383	7.610	.000
	Within Groups	275.861	390	.707		
	Total	292.010	393			
Recruitment policy	Between Groups	9.713	3	3.238	5.383	.001
	Within Groups	234.594	390	.602		
	Total	244.307	393			
Training Development	Between Groups	10.219	3	3.406	4.911	.002
	Within Groups	272.582	393	.694		
	Total	282.801	396			
Promotion Policy	Between Groups	7.645	3	2.548	2.841	.038
	Within Groups	348.874	389	.897		
	Total	356.519	392			
Health facilities	Between Groups	7.130	3	2.377	3.037	.029
	Within Groups	306.756	392	.783		
	Total	313.886	395			
Over time advantage	Between Groups	2.267	3	.756	1.298	.275
	Within Groups	222.378	382	.582		
	Total	224.645	385			
Family welfare benefits	Between Groups	16.323	3	5.441	4.699	.003
	Within Groups	443.511	383	1.158		
	Total	459.835	386			
Leave Rules	Between Groups	2.939	3	.980	2.004	.113
	Within Groups	192.089	393	.489		
	Total	195.028	396			
Offering of Bonus	Between Groups	4.370	3	1.457	3.508	.015
	Within Groups	162.329	391	.415		
	Total	166.699	394			
Incentives and Rewards	Between Groups	28.086	3	9.362	9.457	.000
	Within Groups	387.064	391	.990		
	Total	415.149	394			
Performance appraisal	Between Groups	4.239	3	1.413	1.820	.143
	Within Groups	299.750	386	.777		
	Total	303.990	389			
Policy for woman	Between Groups	2.193	3	.731	1.416	.238
	Within Groups	181.762	352	.516		
	Total	183.955	355			
Dispute Resolving policy	Between Groups	2.454	3	.818	1.160	.325
	Within Groups	267.191	379	.705		
	Total	269.645	382			
Grievances redresses mechanism	Between Groups	4.356	3	1.452	1.909	.128
	Within Groups	277.698	365	.761		
	Total	282.054	368			
Overall Human Resources Magt. Policy	Between Groups	3.129	3	1.043	2.549	.056
	Within Groups	157.129	384	.409		
	Total	160.258	387			

Source: Computed by the Author

The above table shows the result of ANOVA for level of satisfaction among employees of different age groups that, at 0.05 level of significance for safety measure (0.00), staff welfare policy (0.00), recruitment policy (0.01), Family welfare benefits (0.03), Incentives and rewards (0.00), employees belonging to different age groups were differing in their view for level of satisfaction. It is clear that looking to mean scores for all these aspects for which employees of different age group have different level of satisfaction. Employees of lower age means young employees were not much satisfied compared to employees of higher age groups.

#### ANALYSIS ON BASIS OF EMPLOYEES' HIERARCHY

It may be possible that employees working as managerial employees, as technical employees and working as shop floor employees have different level of satisfaction. On basis of Employees' hierarchy, separate mean and standard deviation were calculated. This is followed by ANOVA test. Following tables depict the result of the same:-

TABLE 5 DESIGNATION WISE MEAN ON LEVEL OF SATISFACTION

Components of HR	Employees' post	N	Mean	Std. Deviation
Safety measures	Managerial post	134	4.19	.685
	Technical post	114	4.46	.626
	Shop floor Employee	148	4.35	.773
	Total	396	4.33	.710
Staff welfare policy	Managerial post	133	4.04	.802
	Technical post	113	4.20	.758
	Shop floor Employee	147	3.98	.976
	Total	393	4.06	.862
Recruitment policy	Managerial post	132	4.08	.727
	Technical post	114	4.02	.872
	Shop floor Employee	148	4.20	.765
	Total	394	4.11	.787
Training Development	Managerial post	134	4.04	.835
	Technical post	114	4.27	.905
	Shop floor Employee	148	4.32	.783
	Total	396	4.21	.844
Promotion Policy	Managerial post	132	3.80	.842
	Technical post	113	3.70	1.076
	Shop floor Employee	147	3.86	.941
	Total	392	3.80	.951
Health facilities	Managerial post	134	3.88	.867
	Technical post	113	4.10	.886
	Shop floor Employee	148	4.17	.899
	Total	395	4.05	.891
Over time advantage	Managerial post	128	3.87	.807
	Technical post	110	4.25	.683
	Shop floor Employee	146	4.20	.730
	Total	384	4.10	.761
Family welfare benefits	Managerial post	132	3.32	.999
	Technical post	114	3.08	1.049
	Shop floor Employee	140	2.69	1.119
	Total	386	3.02	1.089
Leave Rules	Managerial post	134	3.96	.755
	Technical post	114	4.34	.622
	Shop floor Employee	148	4.22	.668
	Total	396	4.17	.703
Offering of Bonus	Managerial post	133	4.20	.671
	Technical post	113	4.42	.578
	Shop floor Employee	148	4.32	.672
	Total	394	4.31	.650
Incentives and Rewards	Managerial post	134	3.71	.987
	Technical post	113	3.84	1.065
	Shop floor Employee	146	3.55	1.024
	Total	393	3.69	1.028
Performance appraisal	Managerial post	133	3.72	.924
	Technical post	110	3.89	.892
	Shop floor Employee	146	4.14	.796
	Total	389	3.93	.885
Policy for woman	Managerial post	114	3.27	.885
	Technical post	105	2.81	.666
	Shop floor Employee	136	2.90	.520
	Total	355	2.99	.723
Dispute Resolving policy	Managerial post	128	3.48	.784
	Technical post	109	3.24	.838
	Shop floor Employee	145	3.20	.879
	Total	382	3.31	.844
Grievances Redressal	Managerial post	122	3.48	.741
	Technical post	108	3.16	.919
	Shop floor Employee	137	3.13	.922
	Total	367	3.26	.878
Overall HRM policy	Managerial post	128	3.91	.688
	Technical post	113	4.11	.588
	Shop floor Employee	146	4.18	.629
	Total	387	4.07	.646

Source: Computed by the Author

TABLE 6: DESIGNATION WISE ANALYSIS OF VARIANCES ON LEVEL OF SATISFACTION

Components of HR	Analysis	Sum of Squares	df	Mean Square	F	Sig.
Safety measures	Between Groups	4.631	2	2.316	4.682	.010
	Within Groups	194.346	393	.495		
	Total	198.977	395			
Staff warfare policy	Between Groups	3.340	2	1.670	2.261	.106
	Within Groups	288.069	390	.739		
	Total	291.410	392			
Recruitment policy	Between Groups	2.397	2	1.198	1.943	.145
	Within Groups	241.126	391	.617		
	Total	243.523	393			
Training Development	Between Groups	6.146	2	3.073	4.384	.013
	Within Groups	275.458	393	.701		
	Total	281.604	395			
Promotion Policy	Between Groups	1.746	2	.873	.965	.382
	Within Groups	351.928	389	.905		
	Total	353.673	391			
Health facilities	Between Groups	6.192	2	3.096	3.956	.020
	Within Groups	306.796	392	.783		
	Total	312.987	394			
Over time advantage	Between Groups	10.979	2	5.489	9.919	.000
	Within Groups	210.855	381	.553		
	Total	221.833	383			
Family welfare benefits	Between Groups	27.776	2	13.888	12.396	.000
	Within Groups	429.097	383	1.120		
	Total	456.873	385			
Leave Rules	Between Groups	9.969	2	4.984	10.587	.000
	Within Groups	185.031	393	.471		
	Total	195.000	395			
Offering of Bonus	Between Groups	2.821	2	1.410	3.375	.035
	Within Groups	163.403	391	.418		
	Total	166.223	393			
Incentives and Rewards	Between Groups	5.284	2	2.642	2.520	.082
	Within Groups	408.844	390	1.048		
	Total	414.127	392			
Performance appraisal	Between Groups	12.607	2	6.304	8.351	.000
	Within Groups	291.377	386	.755		
	Total	303.985	388			
Policy for woman	Between Groups	13.655	2	6.828	14.028	.000
	Within Groups	171.319	352	.487		
	Total	184.975	354			
Dispute Resolving policy	Between Groups	6.198	2	3.099	4.433	.013
	Within Groups	264.967	379	.699		
	Total	271.165	381			
Grievances Redressal	Between Groups	9.497	2	4.749	6.345	.002
	Within Groups	272.426	364	.748		
	Total	281.924	366			
Overall HRM policy	Between Groups	4.966	2	2.483	6.106	.002
	Within Groups	156.150	384	.407		
	Total	161.116	386			

Source: Computed by the Author

For safety measures, Training Development, Health facilities, over time advantage, Family welfare benefits, Family welfare benefits, bonus, Performance appraisal, Policy for woman and Overall HRM policy, employees with different post differ in their level of satisfaction at 0.05 level of significance. If we observe the mean for safety measure it can be seen that technical employees (4.46) and shop floor employees (4.35) are more satisfied compared to managerial post (4.19), similar result was found for training and development and other aspects related to IR.



**LEVEL OF SATISFACTION AMONG CONTRACTUAL AND PERMANENT EMPLOYEES**

Another very important analysis regarding level of satisfaction among permanent and contractual employees is shown in the following tables:-

**TABLE 7: EMPLOYMENT WISE MEAN ON LEVEL OF SATISFACTION**

Components of HR	Nature of employment	N	Mean	Std. Deviation
Safety measures	Contractual	38	4.13	.578
	Permanent	357	4.35	.721
	Total	395	4.33	.711
Staff welfare policy	Contractual	38	3.16	.973
	Permanent	354	4.17	.784
	Total	392	4.07	.857
Recruitment policy	Contractual	38	3.63	.852
	Permanent	354	4.16	.760
	Total	392	4.11	.784
Training Development	Contractual	38	3.84	.823
	Permanent	357	4.25	.838
	Total	395	4.22	.844
Promotion Policy	Contractual	38	3.18	.955
	Permanent	353	3.87	.927
	Total	391	3.80	.951
Health facilities	Contractual	38	3.39	1.028
	Permanent	356	4.13	.839
	Total	394	4.06	.885
Over time advantage	Contractual	38	3.89	.831
	Permanent	346	4.13	.751
	Total	384	4.10	.761
Family warfare benefit	Contractual	38	2.32	.989
	Permanent	347	3.09	1.066
	Total	385	3.02	1.082
Leave Rules	Contractual	38	3.82	.766
	Permanent	357	4.20	.685
	Total	395	4.16	.701
Offering of Bonus	Contractual	38	4.03	.492
	Permanent	356	4.34	.655
	Total	394	4.31	.647
Incentives & Rewards	Contractual	37	2.95	1.104
	Permanent	355	3.77	.987
	Total	392	3.69	1.026
Performance appraisal	Contractual	38	3.50	1.084
	Permanent	351	3.97	.848
	Total	389	3.93	.883
Policy for woman	Contractual	34	2.88	.729
	Permanent	320	3.00	.726
	Total	354	2.99	.726
Dispute Resolving policy	Contractual	38	3.18	.955
	Permanent	343	3.32	.832
	Total	381	3.31	.845
Grievances Redressal	Contractual	38	3.13	1.018
	Permanent	328	3.27	.862
	Total	366	3.26	.879
Overall HRM policy	Contractual	38	3.7	.867
	Permanent	348	4.11	.604
	Total	386	4.07	.645

Source: Computed by the Author

TABLE 8: EMPLOYMENT WISE ANALYSIS OF VARIANCES ON LEVEL OF SATISFACTION

Components of HR	Analysis	Sum of Squares	df	Mean Square	F	Sig.
Safety Measures	Between Groups	1.641	1	1.641	3.263	.072
	Within Groups	197.575	393	.503		
	Total	199.215	394			
Staff welfare policy	Between Groups	34.921	1	34.921	53.997	.000
	Within Groups	252.219	390	.647		
	Total	287.140	391			
Recruitment policy	Between Groups	9.619	1	9.619	16.264	.000
	Within Groups	230.664	390	.591		
	Total	240.283	391			
Training Development	Between Groups	5.852	1	5.852	8.368	.004
	Within Groups	274.857	393	.699		
	Total	280.709	394			
Promotion Policy	Between Groups	15.987	1	15.987	18.484	.000
	Within Groups	336.453	389	.865		
	Total	352.440	390			
Health facilities	Between Groups	18.522	1	18.522	25.112	.000
	Within Groups	289.135	392	.738		
	Total	307.657	393			
Over time advantage	Between Groups	1.850	1	1.850	3.212	.074
	Within Groups	219.984	382	.576		
	Total	221.833	383			
Family welfare	Between Groups	20.647	1	20.647	18.422	.000
	Within Groups	429.260	383	1.121		
	Total	449.906	384			
Leave Rules	Between Groups	5.040	1	5.040	10.503	.001
	Within Groups	188.590	393	.480		
	Total	193.630	394			
Offering of Bonus	Between Groups	3.437	1	3.437	8.359	.004
	Within Groups	161.165	392	.411		
	Total	164.602	393			
Incentives and Rewards	Between Groups	22.855	1	22.855	22.949	.000
	Within Groups	388.410	390	.996		
	Total	411.265	391			
Performance appraisal	Between Groups	7.623	1	7.623	9.993	.002
	Within Groups	295.215	387	.763		
	Total	302.838	388			
Policy for woman	Between Groups	.425	1	.425	.807	.370
	Within Groups	185.529	352	.527		
	Total	185.955	353			
Dispute Resolving policy	Between Groups	.637	1	.637	.893	.345
	Within Groups	270.434	379	.714		
	Total	271.071	380			
Grievances Redressal mechanism	Between Groups	.665	1	.665	.861	.354
	Within Groups	281.193	364	.773		
	Total	281.858	365			
Overall Human Resources Magt. policy	Between Groups	5.524	1	5.524	13.734	.000
	Within Groups	154.445	384	.402		
	Total	159.969	385			

Source: Computed by the Author

Except for Grievances redressal mechanism, Dispute Resolving policy, Policy for women, over time advantage and safety measure for all other aspects employees differed in their views when they classified on basis of nature of job. It can be further studied that contractual employees were not much satisfied for all the aspects compared to permanent employees.

**ANALYSIS OF DIFFERENT EXPERIENCE GROUP OF EMPLOYEES**

Lastly analysis is carried out by classifying employees as per their total years of experience and tables have been prepared that shows mean standard deviation and ANOVA of the same:-

**TABLE 9: EXPERIENCE WISE MEAN ON LEVEL OF SATISFACTION**

Components of HR	Experience (Years)	N	Mean	Std. Deviation
Safety measures	1-5	146	4.14	.779
	6-10	71	4.25	.579
	11-15	57	4.49	.710
	16-20	40	4.35	.700
	More than 20	83	4.60	.583
	<b>Total</b>	<b>397</b>	<b>4.33</b>	<b>.710</b>
Staff welfare policy	1-5	145	3.82	.940
	6-10	70	4.13	.741
	11-15	56	4.09	.815
	16-20	40	4.10	.900
	More than 20	83	4.42	.701
	<b>Total</b>	<b>394</b>	<b>4.07</b>	<b>.864</b>
Recruitment policy	1-5	146	3.97	.805
	6-10	71	4.11	.728
	11-15	57	4.42	.596
	16-20	39	4.26	.751
	More than 20	81	4.05	.879
	<b>Total</b>	<b>394</b>	<b>4.11</b>	<b>.787</b>
Training Development	1-5	146	3.98	.906
	6-10	71	4.15	.822
	11-15	57	4.39	.726
	16-20	40	4.28	.847
	More than 20	83	4.55	.649
	<b>Total</b>	<b>397</b>	<b>4.22</b>	<b>.838</b>
Promotion Policy	1-5	145	3.73	.892
	6-10	71	3.87	.861
	11-15	57	4.02	.813
	16-20	40	3.83	1.010
	More than 20	80	3.71	1.171
	<b>Total</b>	<b>393</b>	<b>3.80</b>	<b>.953</b>
Health facilities	1-5	145	3.88	.947
	6-10	71	4.11	.854
	11-15	57	4.09	.872
	16-20	40	4.00	.961
	More than 20	83	4.33	.734
	<b>Total</b>	<b>396</b>	<b>4.06</b>	<b>.891</b>
Over time advantage	1-5	142	4.02	.739
	6-10	70	4.16	.629
	11-15	56	4.18	.789
	16-20	36	3.89	.887
	More than 20	81	4.27	.806
	<b>Total</b>	<b>385</b>	<b>4.11</b>	<b>.763</b>
Family welfare benefits	1-5	144	2.90	1.069
	6-10	65	2.80	.987
	11-15	56	2.95	1.151
	16-20	39	3.15	1.226
	More than 20	83	3.40	1.035
	<b>Total</b>	<b>387</b>	<b>3.02</b>	<b>1.094</b>
Leave Rules	1-5	146	4.03	.689
	6-10	71	4.01	.765
	11-15	57	4.19	.718
	16-20	40	4.30	.648
	More than 20	83	4.46	.591
	<b>Total</b>	<b>397</b>	<b>4.17</b>	<b>.703</b>
Offering of Bonus	1-5	146	4.18	.632
	6-10	71	4.27	.560
	11-15	57	4.30	.654
	16-20	40	4.45	.783
	More than 20	81	4.53	.614
	<b>Total</b>	<b>395</b>	<b>4.31</b>	<b>.647</b>
Incentives and Rewards	1-5	144	3.44	.995
	6-10	71	3.52	.924
	11-15	56	3.68	1.011
	16-20	40	3.73	1.154

	More than 20	83	4.28	.901
	Total	394	3.69	1.029
Performance appraisal	1-5	144	3.85	.831
	6-10	70	3.77	.871
	11-15	55	4.15	.826
	16-20	39	4.10	.912
	More than 20	82	3.98	.981
	Total	390	3.93	.884
Policy for woman	1-5	133	3.07	.761
	6-10	61	2.98	.532
	11-15	52	2.96	.625
	16-20	35	2.89	.900
	More than 20	75	2.92	.767
	Total	356	2.99	.724
Dispute Resolving policy	1-5	138	3.28	.774
	6-10	69	3.04	.580
	11-15	57	3.39	.996
	16-20	40	3.58	.903
	More than 20	79	3.41	.968
	Total	383	3.31	.847
Grievances Redressal Mechanism	1-5	137	3.23	.831
	6-10	62	3.03	.652
	11-15	54	3.31	.968
	16-20	36	3.50	.910
	More than 20	79	3.34	1.011
	Total	368	3.26	.880
Overall Human Resources Magt. Policy	1-5	146	3.98	.709
	6-10	68	3.93	.555
	11-15	54	4.20	.655
	16-20	38	4.18	.692
	More than 20	82	4.22	.498
	Total	388	4.07	.643

Source: Computed by the Author



TABLE 10: EXPERIENCE WISE ANALYSIS OF VARIANCES ON LEVEL OF SATISFACTION

Components of HR	Analysis	Sum of Squares	df	Mean Square	F	Sig.
Safety Measures	Between Groups	13.132	4	3.283	6.895	.000
	Within Groups	186.641	392	.476		
	Total	199.773	396			
Staff welfare policy	Between Groups	19.574	4	4.894	6.958	.000
	Within Groups	273.575	389	.703		
	Total	293.150	393			
Recruitment policy	Between Groups	9.401	4	2.350	3.905	.004
	Within Groups	234.122	389	.602		
	Total	243.523	393			
Training Development	Between Groups	19.711	4	4.928	7.480	.000
	Within Groups	258.224	392	.659		
	Total	277.935	396			
Promotion Policy	Between Groups	4.399	4	1.100	1.214	.304
	Within Groups	351.514	388	.906		
	Total	355.913	392			
Health facilities	Between Groups	10.780	4	2.695	3.479	.008
	Within Groups	302.884	391	.775		
	Total	313.664	395			
Over time advantage	Between Groups	5.416	4	1.354	2.360	.053
	Within Groups	218.003	380	.574		
	Total	223.418	384			
Family welfare benefits	Between Groups	18.201	4	4.550	3.918	.004
	Within Groups	443.633	382	1.161		
	Total	461.835	386			
Leave Rules	Between Groups	11.998	4	3.000	6.401	.000
	Within Groups	183.694	392	.469		
	Total	195.693	396			
Offering of Bonus	Between Groups	7.148	4	1.787	4.413	.002
	Within Groups	157.925	390	.405		
	Total	165.073	394			
Incentives and Rewards	Between Groups	39.868	4	9.967	10.313	.000
	Within Groups	375.972	389	.967		
	Total	415.840	393			
Performance appraisal	Between Groups	6.631	4	1.658	2.146	.075
	Within Groups	297.359	385	.772		
	Total	303.990	389			
Policy for woman	Between Groups	1.595	4	.399	.759	.553
	Within Groups	184.361	351	.525		
	Total	185.955	355			
Dispute Resolving policy	Between Groups	8.857	4	2.214	3.156	.014
	Within Groups	265.170	378	.702		
	Total	274.026	382			
Grievances Redressal Mechanism	Between Groups	6.134	4	1.534	2.000	.094
	Within Groups	278.341	363	.767		
	Total	284.476	367			
Overall Human Resources Magt. policy	Between Groups	5.890	4	1.473	3.660	.006
	Within Groups	154.089	383	.402		
	Total	159.979	387			

Source: Computed by the Author

It can be said with statically evident that for Family welfare benefits, Leave Rules, Offering of Bonus, Incentives and Rewards, means of employees belonging to different experience groups were significantly differed at 0.05 level of significance. It is studied that employees who are new and having one to five years experience were not much satisfied for these aspects compared to employees who have been working since last 15 years.

## FINDINGS

The study found that a large number of employees are fully satisfied with the safety measures, training & development and bonus offered by employers in the selected units. It is also revealed from the study that a large number of employees are satisfied with the recruitment policy, staff welfare policy, promotion policy, health and medical policy, overtime advantage, leave rules and overall human resources policy. The study also divulges that a large number of employees are dissatisfied with the family welfare benefits, grievances redressal mechanism and special policy for woman employees. It is observed that employees of private limited companies are less satisfied with leave rule, dispute resolving policy, grievances redressal mechanism and special policy for woman employees compared to employees of public limited companies. Dissatisfaction among young employees (who have just joined an organization) with the safety measures, staff welfare policy, recruitment policy, incentives & rewards and family welfare benefits compared to senior employees has been seen in the present study. It is found that technical employees and shop floor employees are more satisfied with the safety measures, training & development, health facilities, overtime advantage and overall HRM policy compared to managerial employees. It is clear that contractual employees are dissatisfied for almost all aspects related to HRM as well as IR policy compared to permanent employees.

## SUGGESTIONS

Promotion policy, recruitment policy and incentives and reward policy should be strengthened further to satisfy the employees, as they have replied that there is no proper policy in their organization for these aspects and hence it is suggested to attract the skilled women employees towards engineering units, the industry has to frame special policies for them. Enough efforts should be made to satisfy the shop floor employees, as they are found less satisfied. There are

number of problems faced by contractual employees and they are also not satisfied with the policy of company so it is suggested to develop such policies which do not ignore feelings and interest of contractual employees. Public limited companies should make some more efforts to create competitive and motivational work environment at work place. Inadequate working condition is the main reasons responsible for industrial grievances according to responses of employees of the selected engineering units. Therefore, the management of the selected units has to provide decent working condition and fulfill basic needs of human beings at the work place. Environmental conditions should be improved in the industry to reduce mental and physical fatigue, accidents and absenteeism. A large number of employees are dissatisfied with family welfare benefits so library facility, canteen facility, and transportation for employees and education facility for their children should be provided. It is also suggested that conveyance should be provided to the workers coming from distance areas.

### CONCLUSIONS

As inadequate welfare measures and absence of motivation are the main causes of indiscipline, employers should urgently frame such effective employees' welfare policy which motivates them to work efficiently without creating troubles in the organization. Young employees (who have just joined an organization) are dissatisfied with the safety measures, staff welfare policy, recruitment policy, incentives and rewards and family welfare benefits compared to senior employees. So, employers should also take suggestions from young employees while framing any policy that affects Industrial Relations at the organization.

### SCOPE FOR FURTHER RESEARCH

Every attempt has been made to make the study intensive but due to lack of time and resources there exists certain gaps in the present study. Therefore, further work may be under taken to bridge the gap so as to enhance the scope of analysis. The coverage of this study is limited to only twenty one companies. It can further be extended. Data for the purpose of analysis have mainly been collected from secondary resources having certain limitations. Further research work in above mentioned areas would be of great practical significance and would throw more light on the operation of engineering industries in Gujarat, particularly in Ahmedabad and Anand Districts. An interesting area for further research is to analyze the factors leading to industrial relations through comparison. Further study can also be undertaken by comparing Small Scale and Large Scale engineering industries. Further study can also be undertaken by comparing industrial relations in engineering sector with other sectors too.

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## AN EMPIRICAL STUDY ON TALENT MANAGEMENT – AN OUTMOST OPPORTUNITY FOR ORGANIZATION'S SUCCESS

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### ABSTRACT

*In a competitive- driven labor market landscape, talent management is seen as an engine that propels organization towards success. Talent management is not a cocktail of mere topics per se. It is a mindset. It is a mindset that should be imbedded in the DNA architecture of an organization. Talent management is a perspective which presupposes that talented people play a crucial role in making or unmaking an organization. As organizations continue to pursue high performance and improved results through TM practices, they are taking a holistic approach to talent management – from attracting and selecting wisely, to retaining and developing leaders, to placing employees in positions of greatest impact. The mandate is clear: for organizations to succeed in today's rapidly changing and increasingly competitive marketplace, intense focus must be applied to retaining talented people and continues by sustaining the knowledge and competencies across the entire workforce. With rapidly changing skill sets and job requirements, this becomes an increasingly difficult challenge for organizations. Meeting this organizational supply and demand requires the right Talent DNA" and supporting technology solutions. By implementing an effective talent management strategy, including integrated data, processes, and analytics, organizations can help ensure that the right people are n the right place at the right time, as well as organizational readiness for the future.*

### KEYWORDS

Talent, Talent Management, Retention, HR Professional, People Capability Maturity Model, Recruitment.

### INTRODUCTION

Organizations have long known that they must have the best talent in order to succeed in the hypercompetitive and increasingly complex global economy. Now, however, along with the understanding of the need to hire, develop, and retain talented people, there also is awareness that organizations must approach talent as a critical resource that must be managed in order to achieve the best possible results. **Talent has become a resource that must be managed because it is an increasingly scarce resource.**

The idea of managing talent is not new. But in the past, in the 1960's and 1970's, it was viewed as a peripheral responsibility best relegated to the personnel department. Now, it is an organizational function that is taken far more seriously. In the Conference Board's 2003 and 2004 *CEO Challenge studies*, issues of leadership talent and employee engagement were identified as being among primary CEO concerns. In DDI's 2005-2006 *Leadership Forecast*, meanwhile, more than 4,500 leaders from around the world cited improving and leveraging talent as their second- most important business priorities ( on a list of 14), preceded only by improving customer service/ relationships.

### MEANING OF TALENT MANAGEMENT

It is the system in which people are recruited, developed, promoted and retained to optimize the organization's ability to realize positive business outcomes in the face of shifting competitive landscapes and labor requirements. More specifically, talent management is a business process that systematically closes the gap between the talent it needs to successfully respond to current and emerging business challenges.

Components parts of this process include:

- Articulation of the talent required to execute the organization's business strategy.
- Early identification of potential within the organization's talent.
- Assessing the readiness of talent for advanced positions.
- Accelerating development of talent.

### PROCESSES OF TALENT MANAGEMENT

Talent Management, like it or lump it, is here to stay for a long haul and it may the change the way HR department functions. Undoubtedly, people are the biggest source of competitive advantage today. If organizations are keen on leapfrogging the competition, then the talent needs to be seamlessly harnessed and managed. The rise of the knowledge economy has resulted in enhanced focus on attracting and retaining of skilled manpower. With knowledge being crucial to the continuous and uninterrupted functioning of knowledge- driven companies, a structured framework to build organizational HR processes has become vital. This is in stark contrast to the past few decades when HR evolution moved in fits and starts. While functions like marketing or finance have witnessed the emergence of standards and processes, the evolution of the HR function has been slow.

The winds of change swept across the HR landscape with the growth of the knowledge economy and the emergence of the People Capability Maturity Model (PCMM) in 1995. The PCMM framework put forth by the Software Engineering Institute ( of the Carnegie Mellon University) is perhaps the first initiative to bring about an institutionalized, standards- based approach to building the HR framework for an organization. The essence of this model lies in the words "Capability" and "Maturity". Capability stands for the level of knowledge, skills and process abilities available to perform an organization's business activities. PCMM seeks to build capabilities through structured processes. Maturity indicates an evolutionary improvement path that moves from adhoc, inconsistent workforce practices towards a state of continuous improvement. PCMM helps an organization to progressively move towards this state.



**The Talent Age**

In 1997, a McKinsey study coined the term: war for talent. Now in the new millennium, we find ourselves in the talent age. During the agricultural age, the economy was based on land, a truly physical and very tangible asset. The industrial age followed with a manufacturing- driven economy. Higher business performance was derived through the most, effective use of factories and distribution networks.

The knowledge age moved the basis of economic value to information assets through integrated communications and computer technology. Now the competitive battlefield is for the best people because they are the true creators of value.

**BENEFITS OF TALENT MANAGEMENT**

Today, many organizations are struggling with silos of HR processes and technologies. The future of talent management is embodied in solutions designed from the ground up to provide business- centric functionality on a unified talent management platform. Since nearly all competitive business factors have become commoditized, talent is what ultimately driven business success and creates value. Leading organizations rely on objectives while significantly reducing process costs, improving quality of hire, reducing risk, and achieving higher levels of performance.

Though it may seem intuitive, it is worthwhile to articulate the fundamental significance of successful talent management practices.

- The key enabler of any organization is talent.
- The quality of people is the last true competitive differentiator.
- Talent drives performances.

**Thus Talent Management requires strong executive support, along with systems and processes all directed towards having the right talent doing the right work at the right time.** That’s when talent truly drives higher business performance.

**STATEMENT OF THE PROBLEM**

It takes Talent to spot Talent! A tone deaf will never be able to appreciate the music of maestros. Only a seasoned jeweler would know that all that glitters is not real! Only those who can recognize the worth of a diamond can value it, for others it’s just a stone ! Talent is doing easily what others find difficult.

As India has become the outsourcing capital of the world and this has created its own set of HR challenges. India’s biggest problem is that qualified graduates are becoming scarce. Despite the large population, the supply of engineers cannot keep up with the sharply increased demand. So, does India have the right talent within to attract and retain the best available talent?

**OBJECTIVES OF THE STUDY**

1. To identify the challenges / problems of talent management.
2. To find out the ways to retain the best talent in the organization.
3. To establish upcoming trends in talent management.

**REASONS TO BE THOUGHT**

The supply side puts pressure on companies to attract the best talent and ensure that employees join the company and choose to stay in the organization rather than look for opportunities elsewhere. This study is going to identify the existing talent scenario so as to analyze its emerging challenges and trends.

- **Recognize Talent:** Notice what do employees do in their free time and find out their interests..
- **Attracting Talent:** Good companies create a strong brand identify with their customers and then deliver on that promise. Great employment brands do the same, with quantifiable and qualitative results.
- **Selecting Talent:** Management should implement proven talent selection systems and tools to create profiles of the right people based on the competencies of high performers.
- **Retaining Talent:** The cost of replacing a valued employee is enormous. Organizations need to promote diversity and design strategies to retain people, reward high performance and provide opportunities for development.
- **Managing Succession:** Effective organizations anticipate the leadership and talent requirement to succeed in the future.
- **Change Organization Culture:** A rightly managed talent turns out to be a **Gold Mine**. It’s inexhaustible and priceless. It will keep supplying wealth and value to the organization.

**In turn, Management needs to realize its worth, extract it, polish it and utilize it. Don’t hoard Talent- spend it lavishly, like a millionaire flashing his luxuries, because Talent Is Wealth.**



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**The Focus of Talent Management**

At the heart of talent management is developing the following intrinsic human capacities

1. Capacity to learn (measured as learning quotient LQ)
2. Capacity to think ( measured as conceptual quotient CQ)
3. Capacity to relate (measured as a relationship quotient RQ)
4. Capacity to act (measured as action quotient AQ)



**METHODOLOGY OF THE STUDY**

This study is concerned to IT companies so the researcher had collected the data's both from the primary and secondary sources.

The **primary data** with the help of field investigation i.e. through **structured questionnaire** and **direct interview** method were used in the Five IT Companies to find out the opinion of the HR professionals and also the employees regarding the concept of talent management.

The **secondary data** was collected through

- Reference books
- Research articles
- Published thesis
- HR websites.

**SAMPLING TECHNIQUES**

Two questionnaires, with a majority of the questions being of the close-ended type were distributed to the HR Professionals which are involved with the talent management in the organization and the employees in the organization. Follow up calls were made and after 15 days questionnaires were collected.

**SAMPLE AREA**

Responses for the questionnaires were gathered from **Five IT Companies** in Pune City.

**SAMPLE SIZE**

The researcher approached **25 HR Professionals & 40 employees** in the IT companies.

**STRUCTURE OF QUESTIONNAIRE**

A structured questionnaire was designed to examine the level of expectation of the employees from the HR professionals regarding talent management, the problems faced by the employees in working in the companies as well the problems faced by the HR professionals in retaining the employees.

**DATA ANALYSIS TOOLS**

Questionnaires were analyzed by using **simple percentage method**.

**ANALYSIS**

**HR PROFESSIONAL**

**1. Areas where your organization needs to improve in terms of talent management initiatives?**

- Aligning employees with the mission & vision of your organization 42.30 %
- Creating a culture that makes individuals want to join the organization 49.80 %
- Assessing candidates skills earlier in hiring process 50.00 %
- Creating a culture that makes employees want to stay with the organization 42.89 %
- Identifying gaps in current employees and candidates competency levels 58.76 %
- Creating an environment where employees ideas are listened to valued 74.22 %
- Creating policies that encourage career growth and development opportunities 68.42 %

**2. In the next three years how effectively the following elements of compensation be in terms of attracting and retaining top performers:**

Particulars	1 (most effective)	2	3	4	5 (least effective)
Base pay	57%	34%	0%	9%	0%
Health care benefits	21%	42%	23%	14%	0%
Retirement/ Education benefits	33%	33%	20%	14%	0%
Share option/ Equity Participation	33%	15%	28%	15%	9%
Job security	53%	20%	23%	0%	4%

**3. In your organization who is primarily responsible for:**

Particulars	No one	Departmental heads (excludes employee supervisor)	HR staff	Internal coach (excludes employee supervisor)	Mentor coach (excludes employee supervisor)	Outside consultant	Others
Recruiting individuals	0% (0)	40% (10)	32% (08)	12% (03)	12% (03)	4% (01)	0%(0)
Further developing employees	8% (02)	36% (09)	28% (07)	8% (02)	12% (03)	4% (01)	4% (01)
Retaining employees	8% (02)	48% (12)	24% (06)	12%(03)	4% (01)	0% (0)	4% (01)

**EMPLOYEES**

**1. Please rate your satisfaction with the employee benefits and policies:**

Particulars	Extremely dissatisfied	Dissatisfied	Neither satisfied nor	Dissatisfied	Satisfied	Extremely satisfied
Accuracy of job	0% (0)	3% (01)		13%(05)	62%(25)	22%(09)
Adequate information provided about any	0% (0)	5%(02)		10% (04)	55% (22)	30%(12)
Job changes/Promotion	0% (0)	7%(03)		7%(03)	50%(20)	35%(14)
Leave of absence	0%(0)	3%(01)		13%(05)	60%(24)	24% (10)
Salary review	0%(0)	5%(02)		10%(04)	65%(26)	20%(08)
Health care benefits	0%(0)	7%(03)		3%(01)	57%(23)	33%(13)

**2. What do you know about your job and what would you like to know more about?**

Particulars	I know enough about this	I know a little, but need to know more	I need to know a lot more about this
Your position in this organization	85% (34)	5% (02)	10% (04)
Management to whom you are responsible	90% (36)	0% (0)	10% (04)
Your hours of work	92% (37)	3% (01)	5% (02)
Your pay	85% (34)	12% (05)	3% (01)
Other benefits you are entitled to	70% (28)	10% (04)	20% (08)
The organization computer systems	78% (31)	7% (03)	15% (06)
The staff canteen	75% (30)	12% (05)	12% (05)
The managing director of CEO	65% (26)	27% (11)	8% (03)
The people you are directly responsible for	85% (34)	12% (05)	3% (01)
The people you are indirectly responsible for	60% (24)	25% (10)	15% (06)
The organization directors	55% (22)	35% (14)	10% (04)
The team you work within	87% (35)	0% (0)	13% (05)
The machinery you will operate	80% (32)	5% (02)	15% (06)

**FINDINGS****HR PROFESSIONAL**

- Most of the covered companies have talent specific initiative in place (81%) and they give them top priority in their organization (86%). They also have exclusive staff member for managing talent initiatives (68%).
- HR staff as well as the department heads are responsible for recruiting individuals (72%).
- Retaining the current talent is priority for the organization (48%).
- More than (60%) of the respondent view organizational culture as a main driving force for the new talent and for the existing talent. Even rewarding plays an important role (48%)
- Classroom workshops, mentoring and coaching are usually used by the organization to carry out talent development activities.
- In more than (90%) of the organizations budget for recruiting developing and retaining employee is going to increase over the next three years.

**EMPLOYEES**

- Most of the employees have a clear knowledge about the company's vision, mission and objectives. And they know how to achieve these objectives (76%).
- They are clear about their role and responsibility (85%) and they know about other staff members also.
- Most of the respondent are satisfied by job description, salary review, health care benefits etc.
- Base pay (57%) and job security (53%) are in top priority for the employees in coming year.
- Apart from financial benefits, employee emphasis more on career growth, work culture and international opportunities.
- (91%) of the employees want more training in their specified job.
- (22%) of the employees are satisfied where as (62%) are just satisfied with their organization.

**RECOMMENDATIONS**

- Organizations must be able to relate those skills and capabilities to a role or a centre of demand, such as a job position, project or leadership role.
- Talent management processes must create a comprehensive profile of their talent. They must be able to track meaningful talent related information about all of their people- employees, contractors, or candidates.
- More certified training should be given to the employee to boost their effectiveness and efficiency. It should be used as a tool of motivation.
- The working culture of the organization should be improved and maintained to retain talent in long run.
- Organizations must have meaningful descriptions of the capabilities (skills, behaviors, abilities and knowledge) required throughout the organization.
- To create a sophisticated talent management environment, organizations must:
  - Define a clear vision for talent management.
  - Develop a roadmap for technology and process integration.
  - Integrate and optimize processes.
  - Apply robust technology to enable processes.
  - Prepare the workforce for changes associated with the new environment.

**CONCLUSION**

Talent management is here to stay for a long haul and it may change the way HR departments function. Increasingly, technologies are getting more evolved and may further bolster the talent management in a more ways than one. Clearly, the inevitability of talent management is not lost on management and employees. **For the HR professionals, talent management initiatives could be a magic wand that will help them hone their skills and raise their profile to find their pride of place on the board and increase their elbow room with top management.** So what is stopping HR professionals? Come on and jump on to the "Talent Management Bandwagon" and the "World is Your Oyster".

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**A STUDY OF HUMAN RESOURCES RELATED CONFLICTS IN SOFTWARE INDUSTRIES IN HYDERABAD**

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**ABSTRACT**

*The Key to Software Project's success lies in the team cohesiveness and motivating work environment. During implementation of software projects, many conflicts are arising between managers and team members because of various reasons, conflicting priorities and human perceptions. Project Managers constantly having conflicts with the senior management while providing human resources on time to complete their projects within time. Managers also having intra individual Role conflicts while playing several roles simultaneously on different project's tasks. Team members have conflicts with their managers because of work allocations within the project, lack of recognition and appreciation for their achievements, creation of opportunities to enhance career prospects in the organization, not resolving personal complaints to their satisfactory levels, providing comfort working environment and flexible working hours in the project. Project Managers trying to resolve these conflicts by supporting team members in balancing their personal and work life by creating motivating working environment and flexible working hours, rewarding high performers through rationalized recognition mechanisms and creating opportunities to enhance career prospects for high performers. The present study has been conducted to understand the perception of human resource conflicts in various software industries located in Hyderabad and why they are arising during software project management and their resolution methodologies and how these are interrelated with each other. After getting the data through a simple questionnaire, interpretation was done using relevant statistical tools to check the efficiency of the results.*

**KEYWORDS**

Career prospects, Human Resource Conflicts, Recognition, Role conflicts, Work life balance.

**INTRODUCTION**

Human resources related conflicts between individuals takes place owing to several factors, but most common are personal dislikes or personality differences. Continuous and swift growth in the information technology field increasing the various conflicts arising between groups and teams in the form of team's performance management, project management, quality management etc. Conflicts are unavoidable in Software Project Management because of the Nature of Projects trying to address the needs and requirements of many stakeholders, necessity of obtaining resources on time from Management, appreciation and recognition patterns followed in the project, fulfilling the career aspirations for all the associates working in the projects and because of work allocations, Projects Schedules, Projects Priorities, Resources, Technical Opinions, Project Costs, Personalities etc. Because of the new era of software offshore development and new operating models, many conflicts are arising because of different barriers like communication issues, cross-cultural issues, Emotional & Face values, limitation of resources, competition and differences in values, goals, attitudes, expectations, Group conflicts etc., while delivering the projects to the customers. When there are only differences of opinion between individuals about task-related matters, it can be construed as technical conflict rather than interpersonal conflict. Of course, technical and interpersonal conflicts may influence each other due to role-related pressures. It is often very difficult to establish whether a conflict between two parties is due to manifest rational factors, or it emanates from hidden personal factors.

**REVIEW OF LITERATURE**

Harolds, Jay et al. "Conflict Management and Resolution" When people work collaboratively, conflict will always arise. Understanding the source of conflict and its progression and stages, resolution, and outcome is a vital aspect of leadership. Causes of conflict include the miscomprehension of communication, emotional issues, personal history, and values. When the difference is understood and the resultant behavior properly addressed, most conflict can be settled in a way that provides needed change in an organization and interrelationships. There are serious consequences of avoiding or mismanaging disagreements. Informed leaders can effectively prevent destructive conflicts.

Moe, Nils Brede et al. "Understanding a lack of trust in Global Software Teams: a multiple-case study" - Many organizations have turned towards globally distributed software development (GSD). However, this kind of development has often been reported as being problematic and complex to manage. There are indications that trust is a fundamental factor in determining the success or failure of GSD projects. This article studies the key factors that cause a lack of trust and the effect of lacking trust and present data from four projects in which problems with trust were experienced. They found the key factors to be poor socialization and socio-cultural fit, increased monitoring, inconsistency and disparities in work practices, reduction of and unpredictability in communication; and a lack of face-to-face meetings, language skills, conflict handling, and cognitive-based trust. Further, the managers increased monitoring, which reduced the level of trust even more. These findings have implications for software development managers and practitioners involved in GSD.

**NEED FOR THE STUDY**

To improve the quality and on time delivery of the deliverables, project teams should work as a cohesive team in a friendly environment with less conflicts and having collaborative work practices in place. To achieve this desired functionality there is a requirement to have an effective conflict resolution processes should be in place to be implemented in the projects. To complete this process, we need to know what are the important human resource conflicts and why they are arising during software project management and resolution methodologies and process should be clearly defined to minimize conflicts and hence creating good working environment to deliver the project on time with in budget and with quality.

**STATEMENT OF THE PROBLEM**

This research emphasizes on the human related software conflicts and machinery required to resolve different software conflicts with appropriate conflict resolution techniques.

**OBJECTIVES OF THE STUDY**

- To know the most important factors influencing human resource conflicts during software project implementation.
- Find out the importance of various factors in HR conflict resolution process.
- To know the contribution of recognition patterns and fulfilling career aspirations of associates during project implementation.
- To know the mode of factors impact for HR conflict resolution success.

**RESEARCH METHODOLOGY**

Data collection made through electronically (through E-mails) and hardcopies circulation by a short questionnaire. After collecting the primary data, the interpretation done by using SPSS 19.0, relevant statistical tools are used to check the efficiency of the results.

**PERIOD OF THE STUDY**

The study conducted in December'11-April'12 at different software organizations within Hyderabad city.

**SAMPLE &SAMPLE SIZE**

Sample Respondents are the Project Managers, Account Managers, Group Leaders from various Software organizations in Hyderabad city. Questionnaires distributed 500 (320 Received) for above said respondents with in time period of 150 days.

**THE STUDY**

This paper is an outcome of an analysis of responses received from 320 respondents who include Project Managers, Account Managers, Group Leaders working in different software companies in Hyderabad city. They express their views about concept of Human resources related conflicts in software industry for their resolution process. They express their views about human resources related conflicts arising because of work allocations within the project, lack of recognition and appreciation for their achievements, creation of opportunities to enhance career prospects in the organization, not resolving personal complaints to their satisfactory levels, providing comfort working environment and flexible working hours in the project and how managers facing intra individual conflicts while playing several roles simultaneously on different tasks of the projects and conflicts arising with senior management while providing resources on time to the project.

**STUDY STATISTICAL ANALYSIS**

1) Conflicts arising because recognition and appreciation of team member's achievements.(RECAPP)

Test Statistics	
	RECAPP
Chi-Square	15.392 <sup>a</sup>
df	3
Asymp. Sig.	.0340

**Inference:** The obtain chi-square value is equals 15.392 at 3 degrees of freedom, the significance value is less than 0.05 suggest that there is significant importance for recognition and appreciation of team members in the conflict resolution process.

2) Conflicts arising because associate's personal complaints to not resolved to their individual's satisfactory levels (PERCOMP)

Test Statistics	
	PERCOMP
Chi-Square	8.260 <sup>a</sup>
df	2
Asymp. Sig.	.0230

**Inference:** The obtain chi-square value is equals 8.260 at 2 degrees of freedom, the significance value is less than 0.05 suggest that there is significant importance to be given for associates personal complaints to be resolved to their satisfactory levels.

3) Conflicts because of lack of creation of opportunities to enhance career prospects to team members.(CARPROS)

Test Statistics	
	CARPROS
Chi-Square	4.854 <sup>a</sup>
df	3
Asymp. Sig.	.0328

**Inference:** The obtain chi-square value is equals 4.854 at 3 degrees of freedom, the significance value is less than 0.05 suggest that creation of career prospects to associates plays an important role in resolving human resource conflicts.

4) Conflicts arising because of Work Allocations in the project. (WORKALLOC)

Test Statistics	
	WORKALLOC
Chi-Square	10.840 <sup>a</sup>
df	3
Asymp. Sig.	.021



**Inference:** The obtain chi-square value is equals 10.840 at 3 degrees of freedom, the significance value is less than 0.05 suggest that there is significant importance work allocations playing in resolving the human resource conflicts.

5) Conflicts arising because of lack of comfort working environment & flexible working hours. (FLXENV)

	FLXENV
Chi-Square	4.220 <sup>a</sup>
df	3
Asymp. Sig.	.3102

**Inference:** The obtain chi-square value is equals 4.220 at 3 degrees of freedom, the significance value is grater than 0.05 suggest that there is no significant importance working environment creation and flexing working hours in the project in resolving human resource conflicts.

6) Role Conflicts arising when managers playing several roles simultaneously on different tasks/projects. (ROLECONF)

	ROLECONF
Chi-Square	9.120 <sup>a</sup>
df	3
Asymp. Sig.	.032

**Inference:** The obtain chi-square value is equals 9.120 at 3 degrees of freedom, the significance value is less than 0.05 suggest that there is significant importance role conflicts playing when managers playing several roles simultaneously on different tasks/projects in resolving conflicts.

**CORRELATIONS**

		RECAPP	PERCOMP	CARPROS	WORKALLOC	FLXENV	ROLECONF
RECAPP	Pearson Correlation	1	-.236	-.391**	.158	.285*	.046
	Sig. (2-tailed)		.099	.005	.274	.045	.750
	N	320	320	320	320	320	320
PERCOMP	Pearson Correlation	-.236**	1	.145	.078	-.101	.089
	Sig. (2-tailed)	.099		.316	.591	.484	.539
	N	320	320	320	320	320	320
CARPROS	Pearson Correlation	.391	.145	1	.209	-.275	.092
	Sig. (2-tailed)	.005	.316		.145	.053	.526
	N	320	320	320	320	320	320
WORKALLOC	Pearson Correlation	.258	.078	.209	1	-.051	-.042
	Sig. (2-tailed)	.274	.591	.145		.725	.773
	N	320	320	320	320	320	320
FLXENV	Pearson Correlation	.485	.101	-.275	-.051	1	.108
	Sig. (2-tailed)	.045	.484	.053	.725		.455
	N	320	320	320	320	320	320
ROLECONF	Pearson Correlation	-.046	.089	.092	-.042	.108	1
	Sig. (2-tailed)	.750	.539	.526	.773	.455	
	N	320	320	320	320	320	320

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

\* . Correlation is significant at the 0.05 level (2-tailed).

First let us look at the correlation of all variables with each other. The correlation table is shown above the values in there correlation values are standardize and range from 0 to 1(+ve to -ve). All the variables Flexible working hours and comfort working environment, creation of opportunities to enhance career prospects, work allocations within the projects are highly correlated with human resource personal complaints resolution where as others role conflicts for the managers while playing several roles simultaneously, resolving personal complaints to associates satisfactory levels are negatively correlated. The point to be observed that correlation table is whether independent variables are highly correlate with each other. If they are of independent with each other and we may to use this table to predict dependent variable. As we will see later our regression ends up eliminating some of them independent variable, because all of six are not required some of them being are correlated with other variable, do not add any value to the regression model.

**REGRESSION**

**Variables Entered/Removed**

Model	Variables Entered	Method
1	RECAPP, CARPROS WORKALLOC FLXENV ROLECONF	Enter

a. All requested variables entered.

**MODEL SUMMARY**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.284 <sup>a</sup>	0.08065	.016	.623

a. Predictors: (Constant), RECAPP, FLXENV, CARPROS, FLXENV.

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.738	5	.5476	1.0752	.002 <sup>a</sup>
	Residual	21.392	42	.5093		
	Total	24.13	47			

a. Predictors: (Constant), RECAPP, FLXENV, CARPROS, FLXENV.

b. Dependent Variable: PERCOMP

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.278	.574		2.078	.042
	RECAPP	-.215	.126	-.279	-1.762	.082
	CARPROS	.039	.136	.059	.431	.675
	WORKALLOCC	.087	.189	.113	.826	.418
	FLXENV.	-.132	.128	-.189	-1.215	.194
	ROLECONF.	.046	.077	.082	.656	.522

a. Dependent Variable: PERCOMP

$$PERCOMP = 1.278 - 0.215(RECAPP) + 0.039(CARPROS) + 0.087(WORKALLOCC) - 0.132(FLXENV) + 0.046(ROLECONF)$$

Before we look at the equation however we need to look at the statistical significance of this model and the R<sup>2</sup> value the analysis of variance (ANOVA) table which are given above the last column indicate 0.042 the model is statistically significant at the 95% confidence level.

The above equation indicates that lack of resolution of personal complaints from team members positively depends on work allocations depending on associates' interests, creation of opportunities to enhance career prospects to team members, role conflicts by managers when playing several roles simultaneously and where as recognition and appreciation of achievements of team members and providing a comfortable working environment and flexible working hours in the project negatively impacted.

**FACTOR ANALYSIS**

**ROTATED COMPONENT MATRIX**

Factor	Component			
	1	2	3	4
RECAPP	.419	.769	.289	.289
PERCOMP	.376	-.296	-.681	.686
CARPROS	.621	.411	.629	.231
WORKALLOCC	-.187	.387	-.293	.587
FLXENV	.548	-.561	.895	-.368
ROLECONF	-.245	-.343	.745	-.345

**Inference**

Analysis by factor wise factor analysis the observation indicates that most successful factors for human resource conflict resolution. Factor analysis is a data reduction method where collected data creating complexity for judging. The influencing factors are depend on Eigen values where the value is greater than or equal to 1. According to the above factor analysis the extracted factors are creation of opportunities to enhance career prospects to team members is highly influencing factor for managers which decides their careers as a very strong in implementing factor in conflict resolution process in the organizations. Second influencing factor is recognition and appreciation of team member's achievements plays a vital role in resolving human resource related conflicts. Third influencing factor is creation of comfortable working environment and flexible working hours for the teams in the project will influence in lessening the conflicts between team members and managers. Fourth influencing factor is resolving personal complaints to associate's satisfactory levels will resolve human resources related conflicts.

**RESULTS & DISCUSSION**

Creation of opportunities to enhance career prospects to team members was recommended by most of the respondents because they want to move to higher roles as per their career aspirations.

Resolving associate's personal complaints to their satisfactory levels will decrease the conflicts in the project and whole in the organization, as associates will work with more interest towards organization as their need is fulfilled and completely satisfied, same is suggested by many project managers in the above said survey.

Recognition and appreciation of team member's achievements also plays a prominent role in resolving conflicts as this will motivate the associates to work more towards the projects without having any conflicts with others and managers.

Creating motivating and comfortable working environment including flexible working hours in the project is recommended by many experts to show miracles in their assigned works as they work in a highly motivated and cohesive working environment helping each other.

Assigning the work based on the associate's interests and skills will improve confidence in the team members to deliver the deliverable on time as they will work with more enthusiastic way in their daily work as before.

Providing correct resources on time is highly recommended as this will reduce the conflicts with management.

Training for managers who plays multiple roles in the projects (having role conflicts) is highly recommended where new methodologies and procedures can be learnt from senior experts in the relevant fields.

## CONCLUSION

Human resources related conflicts resolution involves recognizing and managing the particular conflicts and resolving it rationally to satisfy both conflicting parties. This is an essential part of building emotional intelligence, and nurturing relationships. Poorly handled human resource conflict can affect both the employees and the project thereby impacting the on time delivery and company's image. To maintain competitive advantage, we need the entire organization to focus on developing conflict resolution strategies to quickly and effectively resolve human resource conflicts, while building trust and commitment between team members and managers.

Conflict in the workplace can be incredibly destructive to good teamwork. Managed in the wrong way and with incorrect leadership styles, real and legitimate differences between people can quickly spiral out of control, resulting in situations where co-operation breaks down and the team's mission is threatened. This is particularly the case where the wrong approaches to conflict resolution are used. To calm these situations down, it helps to take a positive approach to conflict resolution, where discussion is courteous and non-confrontational, and the focus is on issues rather than on individuals. If this is done, then, as long as people listen carefully and explore facts, issues and possible solutions properly, human resource related conflicts can often be resolved effectively.

## SCOPE FOR FURTHER RESEARCH

Further research can be carried out detailing about the effects on Human resource conflicts taking into consideration of other dimensions of the projects like Project schedule, project costs, communication mechanisms defined in the projects, customer complaints etc. on the HR conflicts while implementing the software projects and how to manage and show leadership in the related conflicts in the software industry.

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**CAPITAL STRUCTURE (DEBT-EQUITY) OF INDIAN PHARMACEUTICAL INDUSTRY – A STUDY**

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**ABSTRACT**

*In this paper, an attempt has been made to study the "Capital Structure (Debt-Equity) of Indian Pharmaceutical Industry". To this end, 12 pharmaceutical companies have been chosen and categorized into three distinct groups (A) Better Performing Companies (BPCs), (B) Moderately Performing Companies (MPCs) and (C) Low Performing Companies (LPCs). An analysis of long-term solvency, impact of financial leverage on the shareholders' earnings and justification for the use of debt by the Indian pharma industry through the application of ratio analysis, trend analysis and statistical test has been undertaken. From the study, it is found that BPCs and MPCs of IPI depended on equity financing, whereas, LPCs were on debt financing. The debt-equity mix of IPI tended to be pro-equity. The degree of financial leverage did not alter the earnings of the shareholders favourably in IPI. The interest coverage has been sufficient in BPCs and MPCs and therefore, justification for the use of debt is valid. But a reverse situation is observed in LPCs.*

**KEYWORDS**

Debt-Equity Ratio, Financial Leverage, Indian Pharmaceutical Industry, Interest Coverage Ratio.

**INTRODUCTION**

One of the most critical areas of the finance function is to make decisions about the firm's capital structure. Capital is required to finance investments in plant and machinery, inventory, accounts receivable and so on. The term 'Financial Structure' refers to a firm's total liabilities. The current liabilities, funded debt and net worth including surplus and the various kinds of stock constitute the financial structure (Burtchett, F.F., and Hicks). The items on the liabilities side are of two kinds - those representing claims of creditors and those representing the claims of equity owners (Guthmann, H.G.1976). The meaning of "Capital Structure" is sought to be limited to long-term sources of funds, viz., share capital, retained earnings and long-term borrowings. The term 'Capital Structure', therefore, has been generally defined to include only long term debt and total shareholders' investment (Walker, E.W, 1976).

It's necessary that companies should have optimal capital structure that can maximize the price of the company's stocks. Companies can choose a mix of financing options to finance its assets but it is very necessary that they choose the financing options that maximize its overall value. When companies don't have debt in their capital structure, then they are unlevered while on the other hand if the companies have debt in their capital structure then they are called leveraged firms. Unlevered company's total assets are always equal to total equity and it is the total value of the company. Proper planning of capital structure also helps companies to enlarge their area for getting funds as well as creates the mobility of sources of the funds.

**OBJECTIVES**

In order to study the capital structure of IPI, it is proposed to cover the following:

- Assessment of Long-term Solvency through debt-equity ratio.
- Impact of financial leverage on the earnings of shareholders.
- Justification for the use of debt through interest coverage ratio.

**METHODOLOGY**

Multi-stage Sampling Technique is adopted in selecting the sample for the study. Companies which undertake (i) Manufacturing; (ii) Research and Development; and (iii) Plant approvals by various International agencies alone are considered for making out the sample. Based on Return on Capital Employed (ROCE), companies have been categorized as: (i) Better Performing Companies (BPCs) under group – A where ROCE is 20 per cent and above; (ii) Moderately Performing Companies (MPCs) under group – B where ROCE is in between 10 and 19 per cent; and (iii) Low Performing Companies (LPCs) under group – C where ROCE is below 10 per cent. Twelve companies were chosen for the study consisting 4 each from A, B and C groups at random. The sample, therefore, constitutes 12 pharmaceutical companies formed into 3 distinct groups – A, B and C for the study. The data drawn from the annual reports of select companies for the period from April, 2002-03 to March, 2009-10 have been tabulated and analysed and interpreted through ratio analysis, trend analysis, co-efficient and student't' test.

**ASSESSMENT OF LONG-TERM SOLVENCY**

The long term solvency of a firm can be judged by using leverage or capital structure ratios. The relationship between borrowed funds and owners' funds is a popular measure of the long term financial solvency of a company. This relationship is shown by the debt-equity ratio. This is a vital ratio to determine the efficiency of the financial management of a business undertaking (Choudhary, A.B.R, 1970). This can be expressed as:

$$\text{Debt-Equity Ratio} = \frac{\text{Long Term Debt (LTD)}}{\text{Shareholders' Equity}}$$

**STATISTICAL ANALYSIS OF DEBT-EQUITY RATIO (DER) OF ALL GROUPS VIS-À-VIS IPI**

The Debt – Equity ratio is a financial ratio indicating the relative proportion of debt and shareholders' equity used to finance a company's assets. These two components are often taken from the firm's balance sheet or statement of financial position. A high debt-equity ratio generally means that a company has been aggressive in financing its growth with debt. This can result in volatile earnings as a result of the additional interest expense. A low debt/equity ratio usually means that a company has been friendly in financing its growth with debt and more aggressive in financing its growth with equity. A high debt-equity ratio is observed in case of LPCs with an average of 0.67 and in MPCs with an average of 0.44. The lowest debt-equity ratio of 0.04 times is found in BPCs group (See Table-1). It means that, the companies under LPC and MPC groups have relatively employed more debt to finance growth. The CV of debt - equity ratio of BPCs,



MPCs and LPCs are 50.00 per cent, 75.00 per cent and 17.91 per cent respectively, which shows that LPCs are more consistent than BPCs and MPCs in employing the debt in their capital structure. Lower variability in the debt-equity ratio in LPCs indicates stable management of debt-equity.

TABLE -1: DEBT-EQUITY RATIO OF ALL GROUPS VIS-À-VIS IPI (RATIO IN TIMES)

Year	Debt- Equity Ratio (DER)			
	BPCs	MPCs	LPCs	IPI
2002 – 03	0.04	0.42	0.77	0.35
2003 – 04	0.04	0.43	0.72	0.36
2004 – 05	0.04	1.03	0.8	0.64
2005 – 06	0.07	0.81	0.73	0.55
2006 – 07	0.06	0.43	0.75	0.36
2007 – 08	0.03	0.17	0.53	0.18
2008 – 09	0.01	0.12	0.64	0.15
2009 – 10	0.01	0.09	0.45	0.12
<b>Mean</b>	<b>0.04</b>	<b>0.44</b>	<b>0.67</b>	<b>0.34</b>
<b>Standard Deviation</b>	<b>0.02</b>	<b>0.33</b>	<b>0.12</b>	<b>0.19</b>
<b>C.V (%)</b>	<b>50.00</b>	<b>75.00</b>	<b>17.91</b>	<b>55.88</b>

TESTING OF HYPOTHESIS OF DEBT-EQUITY RATIO

**Null Hypothesis** : There is no significant difference between the debt-equity ratio of individual groups and that of the IPI.  
**Alt. Hypothesis** : There is significant difference between the debt-equity ratio of individual groups and that of the IPI.

TEST STATISTICS

Name	Mean	Industry Mean	t - Value	Sig (2 tailed)
BPCs	0.04	0.34	4.52*	0.00
MPCs	0.44	0.34	0.73	0.48
LPCs	0.67	0.34	4.22*	0.00

\*significant at 0.05 level (2 – tailed)

After testing the statistical hypothesis it is confirmed that when compared with IPI, the null hypothesis is accepted for MPCs and alternate hypothesis is accepted for BPCs and LPCs. Therefore, there is significant difference between D/E ratio of BPCs and LPCs.

**DEBT-EQUITY RATIO [LONG TERM DEBT (LTD) + SHORT TERM DEBT (STD)]**

Another method to express the debt-equity ratio is to relate the total debt i.e., long term and short term borrowed funds to the shareholders’ equity. This can be expressed as:

$$\text{Debt-Equity Ratio} = \frac{\text{Total Debt}}{\text{Shareholders' Equity}}$$

STATISTICAL ANALYSIS OF DEBT (LTD+STD)-EQUITY RATIO OF ALL GROUPS VIS-À-VIS IPI

All the debt whether long-term or short-term is included to compute debt-equity ratio. The average debt-equity ratio of BPCs, MPCs and LPCs was recorded at 0.43, 1.13 and 1.70 times respectively. ( See Table – 2). A high debt-equity ratio is observed in case of the LPCs and MPCs which implies that the companies under these two groups have been aggressive in financing their growth with debt.

The CV of debt-equity ratio of the BPCs, MPCs and LPCs are 18.60 per cent, 61.06 per cent and 24.71 per cent, which shows that the BPCs are more consistent than MPCs and LPCs in employing debt in their capital structures. Lower variability in the debt-equity ratio indicates proper or efficient management of debt equity.

TABLE – 2: DEBT (LTD+STD)-EQUITY RATIO OF ALL GROUPS VIS-À-VIS IPI (Ratio in Times)

Year	Debt-Equity Ratio			
	BPCs	MPCs	LPCs	IPI
2002 – 03	0.46	1.00	1.43	0.89
2003 – 04	0.48	2.44	1.17	0.87
2004 – 05	0.49	1.64	1.35	1.18
2005 – 06	0.54	1.46	1.87	1.23
2006 – 07	0.42	0.98	2.45	1.02
2007 – 08	0.38	0.59	1.86	0.70
2008 – 09	0.34	0.56	2.00	0.67
2009 – 10	0.31	0.39	1.46	0.52
<b>Mean</b>	<b>0.43</b>	<b>1.13</b>	<b>1.70</b>	<b>0.89</b>
<b>Standard Deviation</b>	<b>0.08</b>	<b>0.69</b>	<b>0.42</b>	<b>0.25</b>
<b>C.V (%)</b>	<b>18.60</b>	<b>61.06</b>	<b>24.71</b>	<b>28.09</b>

TESTING OF HYPOTHESIS OF DEBT (LTD+STD) -EQUITY RATIO

**Null Hypothesis:** There is no significant difference between the debt-equity ratio of individual groups and that of the IPI.  
**Alt. Hypothesis:** There is significant difference between the debt-equity ratio of individual groups and that of the IPI.

TEST STATISTICS

Name	Mean	Industry Mean	t - Value	Sig (2 tailed)
BPCs	0.43	0.89	4.92*	0.0002
MPCs	1.13	0.89	0.95	0.3536
LPCs	1.70	0.89	4.69*	0.0003

\*significant at 0.05 level (2 – tailed)

After testing the statistical hypothesis, it is confirmed that when compared with IPI, the null hypothesis is accepted for MPCs and alternate hypothesis is accepted for BPCs and LPCs. Therefore, there is significant difference between D/E ratio (LTD+STD) of the BPCs and the LPCs.

### EFFECT OF FINANCIAL LEVERAGE ON THE SHAREHOLDERS' EARNINGS

The primary motive of a company in using financial leverage is to magnify the shareholders earnings under favourable economic conditions. The role of financial leverage in magnifying the earnings of shareholders is based on the assumption that the fixed charges funds (debt carrying fixed rates of interest) can be obtained at a cost lower than the company's rate of return on its assets. Thus, when the difference between the earnings generated by assets financed by the fixed charges funds and costs of these funds is distributed to the shareholders, they get additional earnings without increasing their own investments. Consequently, the earnings per share or the rate of return on the common shareholders' equity increases. However, earnings per share or the rate of return on equity will fall if the company obtains the fixed charges funds at a cost higher than the rate of return on the company's assets. The earnings per share (EPS) and the rate of return on equity are important figures for analyzing the impact of financial leverage (I.M. Pandey, 1979).

#### DEGREE OF FINANCIAL LEVERAGE (DFL) IN ALL GROUPS VIS-À-VIS IPI

The DFL at a particular EBIT (Earnings Before Interest and Taxes) level is measured by the percentage change in (EPS) relative to the per cent change in EBIT. The following equation can be used to determine the degree of financial leverage.

$$DFL = \frac{EBIT}{EBT}$$

#### FAVOURABLE AND UNFAVOURABLE FINANCIAL LEVERAGE

The effect of financial leverage may be favourable or unfavourable. Positive or favourable leverage occurs when the earnings per share increases due to the use of debt in the capital structure and vice versa. The Impact of financial leverage on earnings per share, as well as return on equity of BPCs, MPCs, LPCs and IPI are shown in Table - 3. Trends in the DFL of BPCs were maintained uniformly at the same level. Whereas, trends of ROE as well as EPS have shown fluctuations indicating that the DFL has not influenced ROE and EPS in BPCs.

The MPCs have been characterized by a declining trend in DFL. But the trends of ROE and EPS depicted fluctuations, thereby indicating that the DFL did not influence either the ROE or EPS. An analysis of the trends in LPC group points that with an increase in DFL there was decline in both ROE and EPS. It is, thus, evident that DFL had an unfavourable effect on ROE and EPS in LPCs. The LPC trends also are repeated in case of IPI. Hence, it is concluded that DFL had not shown any favourable impact on ROE and EPS in IPI.

TABLE – 3: TRENDS IN THE DEGREE OF FINANCIAL LEVERAGE, RETURN ON EQUITY AND EARNINGS PER SHARE

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
<b>BPCs</b>								
DFL (%)	101.57	100.93	100.78	101.01	101.10	100.92	100.56	100.22
Trends	(100)	(99)	(99)	(99)	(100)	(99)	(99)	(99)
ROE (%)	25.02	30.65	27.29	29.39	39.94	29.16	27.54	23.91
Trends	(100)	(123)	(109)	(117)	(120)	(117)	(110)	(96)
EPS (Rs.)	25.75	39.74	37.26	50.88	65.19	42.45	47.49	40.10
Trends	(100)	(154)	(145)	(198)	(253)	(165)	(184)	(156)
<b>MPCs</b>								
DFL (%)	117.08	109.58	109.92	105.46	105.11	105.32	111.99	106.43
Trends	(100)	(94)	(94)	(90)	(90)	(90)	(96)	(91)
ROE (%)	25.43	25.75	24.23	27.03	24.35	26.38	22.12	16.45
Trends	(100)	(101)	(95)	(106)	(96)	(104)	(87)	(65)
EPS (Rs.)	19.40	17.03	15.38	21.10	16.55	22.88	22.55	18.61
Trends	(100)	(88)	(79)	(109)	(85)	(118)	(116)	(96)
<b>LPCs</b>								
DFL (%)	136.63	123.42	173.62	173.21	118.53	111.41	167.59	111.54
Trends	(100)	(90)	(127)	(127)	(87)	(82)	(123)	(82)
ROE (%)	17.44	16.00	6.21	7.11	19.20	19.64	5.23	22.97
Trends	(100)	(92)	(36)	(41)	(110)	(113)	(30)	(132)
EPS (Rs.)	10.97	14.01	6.74	(2.03)	6.87	7.91	(6.08)	18.91
Trends	(100)	(128)	(61)	(-19)	(63)	(72)	(-55)	(172)
<b>IPI</b>								
DFL (%)	113.50	107.73	108.82	107.48	104.62	104.34	109.15	104.98
Trends	(100)	(95)	(96)	(95)	(92)	(92)	(96)	(92)
ROE (%)	23.71	25.27	21.58	24.02	25.69	26.25	21.60	19.40
Trends	(100)	(107)	(91)	(101)	(108)	(111)	(91)	(82)
EPS (Rs.)	56.12	7078	59.38	69.95	88.61	73.24	63.96	77.62
Trends	(100)	(126)	(106)	(125)	(158)	(131)	(114)	(138)

### JUSTIFICATION FOR THE USE OF DEBT

The use of debt in any business undertaking is justified, provided, the coverage for fixed interest charges is adequate. It indicates the number of times the fixed interest charges (debenture interest, interest on loans) is covered by the net profit (net profit before interest and tax). It is calculated by dividing the net profit before interest and taxes by the amount of fixed interest charges. The higher the coverage, the better will be the position of debenture holders or loan creditors regarding their fixed payment of interest, the greater will be the profitability, and the better will be the management efficiency (S.K.R. Paul, 2002). The universal standard for ICR is around 7 to 8 times.

#### STATISTICAL ANALYSIS OF INTEREST COVERAGE RATIO (ICR) OF ALL GROUPS VIS-À-VIS IPI

This ratio is used to determine how easily a company can pay interest on outstanding debt. The ICR is calculated by dividing a company's earnings before interest and taxes of one period by the company's interest expenses of the same period. The lower the ratio, the more the company is burdened by debt expense. When a company's ICR is lower, its ability to meet interest expenses becomes questionable and it indicates that the company is not generating sufficient revenues to satisfy interest expenses. The ICR is a measure of the number of times a company could make the interest payments on its debt with its earnings before interest and taxes. The lower the ICR, higher is the company's debt burden, and the greater the possibility of bankruptcy or default.

Table 4 shows that the ICR of BPCs which recorded at 156 times is more than IPI average of 16.08 times. This is an indication of the less debt burden and hence more safety to creditors. The average ICR of MPCs and LPCs reported at 14.37 and 5.25 respectively are less than the industry average, which indicates lesser margin of safety for the lenders of credit. The co-efficient of variation of ICR of the BPCs, MPCs, and the LPCs is 82.83 per cent, 37.09 per cent and 59.24 per cent respectively, which shows less consistency during the study period because the CV of the IPI as a whole is 35.45 per cent. Greater variability in the ICR indicates imbalanced use of debt funds.

TABLE – 4: INTEREST COVERAGE RATIO OF ALL GROUPS VIS-À-VIS IPI (Ratio in Times)

Year	Interest Coverage Ratio (ICR)			
	BPCs	MPCs	LPCs	IPI
2002 – 03	64.69	6.85	3.73	8.41
2003 – 04	108.08	11.44	5.27	13.94
2004 – 05	128.73	11.08	2.36	12.33
2005 – 06	99.81	19.3	2.37	14.37
2006 – 07	91.92	20.59	6.4	22.64
2007 – 08	110.12	19.81	9.76	23.97
2008 – 09	180.15	9.34	2.48	11.92
2009 – 10	465.32	16.56	9.66	21.07
<b>Mean</b>	<b>156.10</b>	<b>14.37</b>	<b>5.25</b>	<b>16.08</b>
<b>Standard Deviation</b>	<b>129.29</b>	<b>5.33</b>	<b>3.11</b>	<b>5.70</b>
<b>C.V (%)</b>	<b>82.83</b>	<b>37.09</b>	<b>59.24</b>	<b>35.45</b>

#### TESTING OF HYPOTHESIS OF INTEREST COVERAGE RATIO

**Null Hypothesis** : There is no significant difference between the ICR of individual groups and that of the IPI.  
**Alt. Hypothesis** : There is significant difference between the ICR of individual groups and that of the IPI.

#### TEST STATISTICS

Name	Mean	Industry Mean	t - Value	Sig (2 tailed)
BPCs	156.10	16.08	3.06*	0.008
MPCs	14.37	16.08	0.61	0.547
LPCs	5.25	16.08	4.71*	0.0003

\*significant at the 0.05 level (2 – tailed)

After testing the statistical hypothesis, it is confirmed that when compared with IPI, the null hypothesis is accepted for MPCs and alternate hypothesis is accepted for BPCs and LPCs. Therefore, there is a significant difference between the ICR of BPCs and LPCs.

#### CONCLUSION

The BPCs and MPCs of IPI have depended on equity financing, whereas, LPCs on debt financing. The debt-equity mix of IPI has tended to be pro-equity. DFL didn't influence ROE and EPS in BPCs and MPCs. But, the DFL in LPCs had unfavourable impact on ROE as well as EPS. On the whole, DFL did not alter the earnings of the shareholders favourably in IPI. The Interest coverage is less in LPCs than the other two groups indicating higher amount of debt used and commitment of more interest. The margin of safety available to creditors is not adequate enough in this group. The BPCs and MPCs of IPI may employ more debt funds in their capital structure to reap the advantages of leverage.

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**GAINING LEVERAGE FROM SUPPLY CHAIN TO MAXIMIZE PROFITS**

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**ABSTRACT**

*A supply chain is a network of facilities and distribution options that performs the functions of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these finished products to customers. Supply chains exist in both service and manufacturing organizations, although the complexity of the chain may vary greatly from industry to industry and firm to firm. Many firms are using supply chain management to get an edge over the other to maximize profits.*

**KEYWORDS**

Industries, Logistics, Services, Supply Chain Management.

**INTRODUCTION**

Christopher (1992a) defines a supply chain as the network of organizations that are involved through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate consumer. Supply Chain is the alignment of firms that brings products or services to market (Lambert, Stock and Ellram, 1998). La Londe and Masters (1994) proposed that a supply chain is a set of firms that pass materials forward. Normally, several independent firms are involved in manufacturing a product and placing it in the hands of the end user in a supply chain-raw material and component producers, product assemblers, wholesalers and retailer merchants are all members of a supply chain (La Londe and Masters, 1994).

Although the supply chain concept considers multiple links that guide the flow and transformation of raw materials to finished goods and the ultimate consumer (Cooper & Ellram, 1993; Houlihan, 1998; Stevens, 1989), most articles only explore only dyadic relationships in the channel (Cooper and Ellram, 1993). The objective of managing the supply chain is to synchronize the requirements of the customer with the flow of materials from suppliers in order to effect a balance between what are often seen as conflicting goals of high customer service, low inventory management and low unit cost (Stevens, 1989). SCM is a concept whose primary objective is to integrate and manage the sourcing, flow and control of materials using a total systems perspective across multiple functions and multiple tiers of suppliers (Monczka, 1998).

**SUPPLY CHAIN MODEL**

Meritus Consulting Services, LLC, USA, has a three dimensional approach to a supply chain design focusing on end-to-end view, integrated functional scope and performance. Meritus believes that a supply chain with one or more of these dimensions working inefficiently or not at all, delivers poor or disastrous results. Therefore, its approach addresses all three dimensions:

End-to-end starts with the customer and ends when the required service is delivered and customer expectations are met.

Integrated functional scope strives to integrate all key functions of a supply chain.

Performance is the end result with its client's customer viewing its client as a preferred supplier and its client achieving superior financial results.

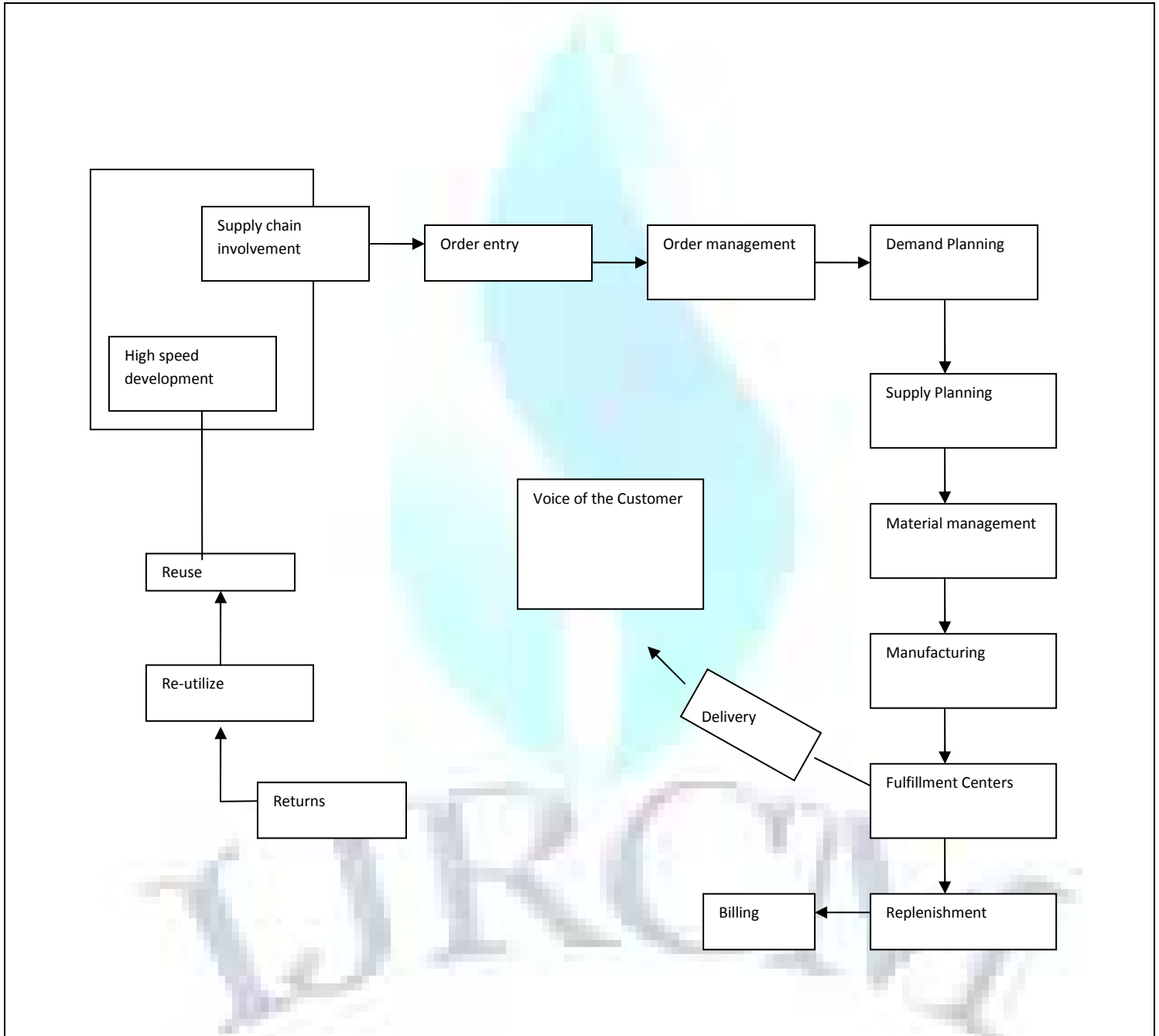


INTEGRATED SUPPLY CHAIN MERITUS MODEL

Customer Requirements

Customer Fulfillment

Make to Market



Reverse logistics

Enablers

- Information Technology
- Change leadership
- Concurrent engineering
- Management system

**SUPPLY CHAIN MANAGEMENT ERAS**

Supply chain management has gone a long way from mass production era to mass customization era.

Mass production era: In the early 1900s, Henry Ford created the first moving assembly line. This reduced the time required to build a Model T from 728 to 1.5 hours and ushered in the mass production era. Over the next 60 years, American manufacturers became adept at mass production and streamlined supply chains with the help of scientific management methods and operations research techniques. Lean manufacturing era: In 1970s, US manufacturing’s superiority was challenged. Foreign firms in many industries made higher quality products at lower costs. Global competition forced US manufacturers to concentrate on improving quality by reducing defects in their supply chains. Starting in the early 1970s, Japanese manufacturers, Toyota, changed the rules of production from mass to lean. Lean manufacturing era focuses on flexibility and quality more than on efficiency and quantity. Significant lean manufacturing ideas include six sigma, just in time, total quality management, kaizen and kanban.

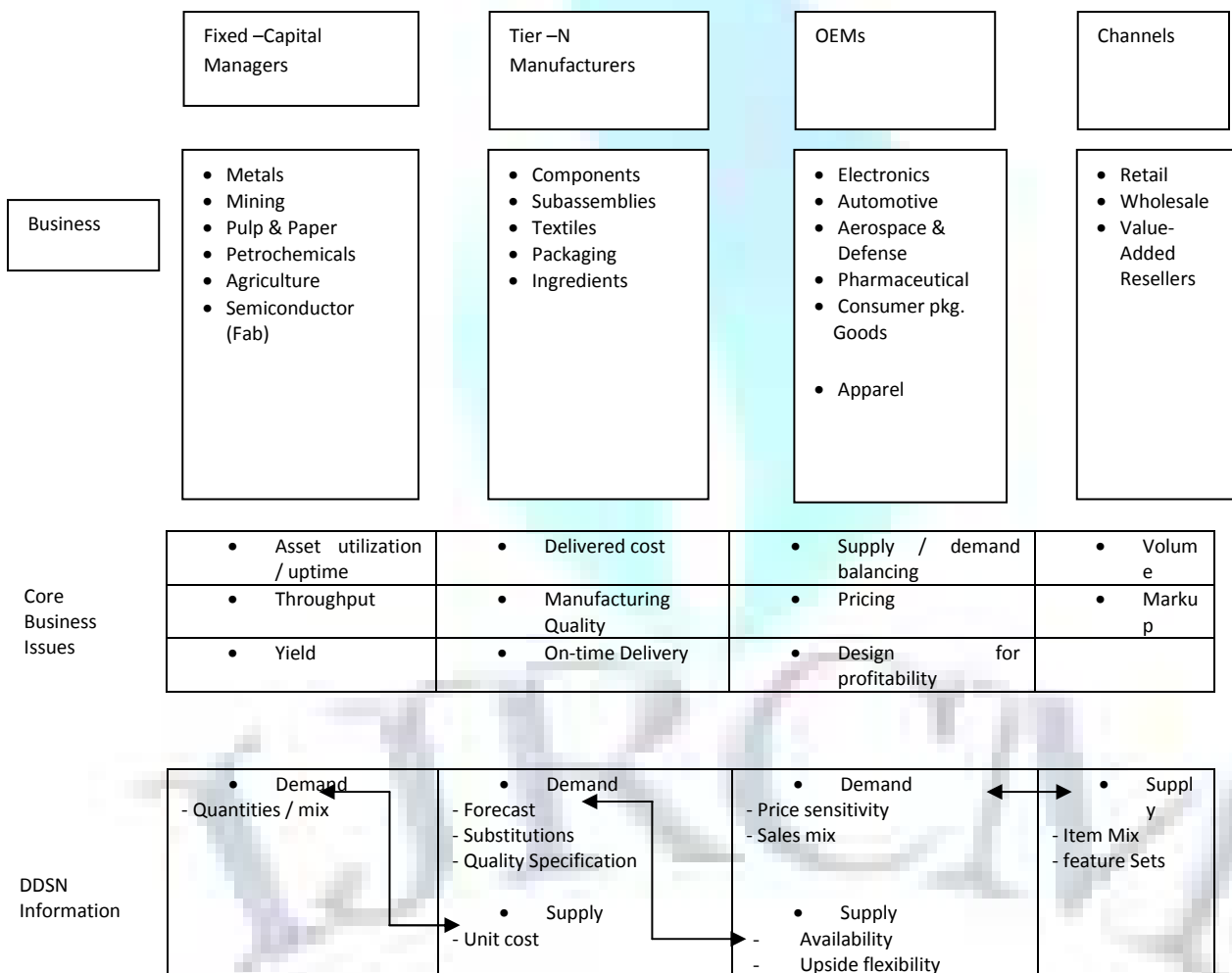
Mass customization era: Beginning in 1995 and coinciding with the commercial application of the internet, manufacturers started to mass produce customized products. Dell is the most famous mass customizer and the sharing of critical information in real time with key partners make this era significantly different.

**INFORMATION FLOW IN DEMAND DRIVEN SUPPLY CHAINS**

Firms are effectively using new information technologies to improve service and delivery processes. Through secure intranet systems and business to business e-commerce platforms, firms focus on improving information management by integrating internal systems with external partners. Amazon.com gives customers the ability to track the delivery status of their purchases. Walmart routinely shares all sales data in real time with its upstream suppliers and manufacturers.

Taking an example of manufacturing sector, at the most basic level, manufacturing industries start with some raw material, typically sourced from suppliers known as fixed capital managers that build and maintain large fixed capital facilities. Output from these producers flow to tiers of manufacturers (tier N) that make and deliver the components that go into final products. At the consumer end of the chain are the demand creators. These original equipment manufacturers (OEMs) conceive new products, line up a supply network to produce them and sell through channels to the ultimate consumer. The fundamental business issues for each type of manufacturer are very different and the information flows specific to each interaction are therefore very different.

**INFORMATION FLOWS IN A DEMAND –DRIVEN NETWORK**



**LOGISTICS COST**

Country	GDP (USD b)	Logistics Cost as % of GDP
Australia	393.0	11
Asian Region		
China Mainland	1237.1	14.5
India	460.0	14.0
Japan	3996.2	10.5
Korea	468.7	12.4
Singapore	87.0	12.4
Taiwan	281.5	13.5

LOGISTICS COST

Country	GDP (USD b)	Logistics Cost as % of GDP
European Region		
France	1419.3	11.7
Germany	1987.0	11.8
Italy	1186.0	12.6
Netherlands	418.8	12.2
Spain	654.0	12.1
UK	1555.2	12.2
North American Region		
Canada	729.3	11.8
Mexico	637.3	14.4
USA	10445.6	8.7

INTERNATIONAL COMPARISON OF CUSTOMER ORIENTATION

Parameters	Product Quality	Product Design	On Time Delivery	After Sales Service	Managing Distribution
Brazil	52.39	56.62	36.34	39.15	51.83
Canada	68.13	58.06	62.19	62.50	66.45
France	55.94	66.96	44.64	45.56	66.09
Germany	92.50	71.39	88.06	78.61	75.83
India	41.08	34.05	30.27	41.08	52.43
Japan	92.66	81.46	93.17	89.76	72.20
Netherlands	72.99	63.11	69.78	68.44	74.76
South Korea	60.71	48.57	59.29	47.14	57.14
Thailand	63.00	58.50	57.00	54.00	66.50
USA	59.67	69.84	62.62	57.70	74.43

Note: Companies are rated 0= poor to 100=excellent

SUPPLY CHAIN RISK

Supply chain problems result from different kinds of risks. There can be natural disasters, labour disputes, supplier bankruptcy, acts of war and terrorism. They can seriously disrupt or delay materials, information and cash flows, any of which can damage sales, increase costs or both. Broadly categorized potential supply chain risks include delays, disruptions, forecast inaccuracies, systems breakdowns, intellectual property breaches, procurement failures, inventory problems and capacity issues. To prevent heavy losses, managers must perform a delicate balancing act to keep inventory, capacity and other elements at appropriate levels across the entire supply chain in a dynamic, fast changing environment.

Dell, Toyota, Motorola and other leading manufacturers excel at identifying risks to their supply chains and at creating powerful mitigation strategies that neutralize potentially negative effects.

The effective risk mitigation strategies are given below.

Risks	Supplier related	Internal	Customer-related
Disruptions	<ul style="list-style-type: none"> <li>Supplier of a key part shuts down plant for a month or at a key part of the production cycle</li> <li>Supplier capacity drops by 20% overnight</li> </ul>	<ul style="list-style-type: none"> <li>Key plant shuts down unexpectedly for one month</li> <li>Capacity at a key plant drops by 20% overnight</li> </ul>	<ul style="list-style-type: none"> <li>Demand goes up by 20% for all product across the board</li> <li>Demand goes down by 20% under conditions above</li> </ul>
Delays	<ul style="list-style-type: none"> <li>Purchase order of keys parts or raw materials delayed by month</li> </ul>	<ul style="list-style-type: none"> <li>Distribution or production orders delayed by a month</li> </ul>	<ul style="list-style-type: none"> <li>Customer order delayed by a month</li> </ul>
System	<ul style="list-style-type: none"> <li>Supplier's order-entry system goes down for a week</li> </ul>	<ul style="list-style-type: none"> <li>Key customer's procurement system inside your company goes down for a week</li> <li>Company's inventory/accounts system goes down for a week</li> </ul>	<ul style="list-style-type: none"> <li>Entry system not working for a week</li> <li>Key customer's procurement system inside your company goes down for a week</li> <li>Credit card information stolen from hacked e-commerce system</li> </ul>
Information processing	<ul style="list-style-type: none"> <li>Supplier rations supplies by 20%</li> <li>Supplier increase minimum order size by 20% then 100%</li> </ul>	<ul style="list-style-type: none"> <li>To take advantage of volume discounts, company begins to order in quantities twice as large as usual, but half as frequently, which impacts supplier's ability to forecast</li> </ul>	<ul style="list-style-type: none"> <li>Key customer begins to order in batches that are twice as large as usual but less frequent (the impact of forecasting)</li> </ul>
Intellectual Property	<ul style="list-style-type: none"> <li>Key supplier redesigns parts and create own product</li> </ul>		
Procurement	<ul style="list-style-type: none"> <li>Supplier delays in processing returns by twice as long</li> <li>Supplier forced to increase price of key components by 20%</li> <li>Transportation costs go up 20% overnight</li> </ul>	<ul style="list-style-type: none"> <li>Unforeseen cash squeeze requires month-long delays in paying key suppliers</li> </ul>	
Receivables			<ul style="list-style-type: none"> <li>Key customer withholds payments one month longer than usual</li> <li>20% of receivable payments delayed by one month</li> </ul>

According to a Forrester survey, 167 supply chain decision-makers in North America were to find out how their supply chain organizations have been affected by market dynamics. In order to cope with external pressures like globalization and more stringent security requirements, supply-chain executives have indicated that:

- There is an increased focus on supply chains as a competitive advantage.
- Approximately 46% of the heads of supply chain groups are now reporting to the CEO directly
- 69% of the organizations have a centralized supply chain function
- 32% of the manufacturers surveyed are using RFID in their factories, not just in warehouses
- Respondents also indicated an increase in transportation spending to cope with transportation capacity shortages and additional security requirements.

## CONCLUSION

No matter what business you are in, finally you have to manage your supply chain. Today successful companies feel that a lean, efficient supply chain maximizes revenue and helps stimulate growth. With the advent of internet and the subsequent e-commerce revolution, supply chain solutions are capable of doing what so many companies had long dreamed about, managing their inventories in real time. The result is streamlined interactions with partners and suppliers, faster transactions and reduced inventory and delays. In just a few years it became common for companies to manage vast supply chains that stretched across the globe and were capable of handling orders, inventory, shipments, forecasts, production and service fulfillment. With increased global competition, expansion into new markets, mergers and acquisitions and global sourcing and operations, companies are migrating from operating unit footprints to global footprints. Supply chain has tackled many of the challenges associated with successfully implementing globalization initiatives and, in-turn, have realized significant value.

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## BUSINESS CYCLE STAGES AND HUMAN CAPITAL COST – AN EMPIRICAL STUDY OF SERVICE SECTOR COMPANIES IN INDIA

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### ABSTRACT

*Service Sector in India today accounts for more than half of India's GDP. The share of services, industry in India's GDP is approximately is 55.1 per cent. Service industry has gained a great momentum lately in the decade after 1990's. Service sector covers a wide gamut of activities like trading, banking & finance, entertainment, real estate, transportation, security, management & technical consultancy among several others. India is one country that provides a wide array of professionals and talent pool to most of the global and national service based companies. The fuel for this sector is human capital and a country like India provides an extremely efficient and cheap fuel to this industry and hence a study of how human capital contributes in growth and development and in turn attainment of high profit level becomes essential. On the other hand co-integrating this study by studying the business cycle stage of the companies makes it more analytical. Business cycle is the economy wide fluctuation in production or revenues over several months or years and has three phases- growth, maturity and decline. Business cycle is important but difficult to study. A lot has been researched about it in the past about applicability and analysis of business cycle, but only for capital intensive industries. This concept has not been very keenly applied to non-capital intensive industries or one may say industries those comes under services sector. This research attempts to study companies from service sector under various industries type for their 'realized revenue' which is calculated on basis of 'human capital, bad debt and accounted revenue'. The basic kolder model used for calculating realized revenue in capital intensive industries is modified in this paper to make it appropriate for service sector. Further, a business cycle model is developed and applied to these companies on basis of realized and accounted revenue. The data is analyzed on the basis of Regression analysis, Pearson's' correlation test and paired samples t- test. The findings of this paper give deeper insight into business cycle fluctuations of service sector and impact of human capital investment on growth of this sector. The proposed model can be used as generalized measure to evaluate true value of companies across service sector.*

### KEYWORDS

Business cycle, growth rate, service sector, cost of human capital.

### INTRODUCTION

The Indian service sector stands out for its size and dynamism with a contribution of 55.2 percent in gross domestic product (GDP) to the Indian economy and is growing annually near about at 10 percent. It contributes to about a quarter of total employment. The service industry has formed a backbone of major economic development that has taken place in the few decades. This sector emerged as the largest and fastest-growing in the world economy, making higher contributions to the global output and employment.

The economic liberalization has ushered in a rapid change in the service industry. As a result of it what is witnessed is India being transformed from agriculture-based economy to a service economy. The key service sector industries in India that have changed the face of Indian economy are IT and ITES, telecommunications, Media and entertainment, healthcare, consulting, retail, banking, hotel and tourism and so on.

This transformation in the economy has had positive effects in terms of creation of better working platform for professionals, creating better opportunities, creation of skilled talent pool, higher employment etc. And thereby it becomes extremely important to understand and analyze the effect that human capital has over growth and sustainability of the industries that fall under service sector. Because human capital measurement and accounting would provide a better insight as for service sector industries the key asset is the human capital on whose performance the business thrive.

Human capital is recently a very talked about concept and the aim of this paper lies in using this concept to understand the true value of companies along with business cycle model. The sector is highly competitive in nature, it becomes important to know about which part of life cycle or business cycle the company is moving in such that accordingly the frequent actions are taken.

This research would help in finding out the actual realized revenues of the companies along with what impact human capital has in revenue and profit. The concept of realized revenue has been well researched for capital intensive industries. This paper modifies one of the established models of capital accumulation and applies it to the service sector industries. This modification in the model serves the purpose of calculating realized revenue by calculating the realized human capital. Thus, it can be applied to service sector companies for calculating there realized revenues. The proposed model is further applied to business cycle of the company. The stages in the business cycle of the company are estimated with realized revenue. A comparison of this drawn with accounted revenue. Thereby this paper would attempt to help in creating a better understanding of the company's true position in the business cycle along with the impact human capital has and providing a better insight, a better picture of the company and it's true value which could in-turn be used as decisive tool for investors and professionals.

### OBJECTIVE OF STUDY

The Primary objective of the research is to study the business cycle stages and do valuation of various companies in various sectors by quantifying the human capital employed and the changes in the cost of human capital that happen with changes in business cycle. This model helps the companies to analyze their business cycle through which realized revenue and accounted revenue can be compared at different stages of the cycle. This can be used as a tool to value companies and would help in finding where the company is placed in business cycle and not inflated place. Thereby, the basic objectives of the study are-

1. To calculate the "Realized Revenue" for a company by making adjustments to the accounting revenue in terms of stock and human capital.
2. To explore the relationship if any between accounted revenue and realized revenue, realized revenue being calculated by making adjustments for stock and human capital.

3. To calculate business cycle stages and to explore the difference if any in business cycle stage of company derived on basis of Accounting revenue and realized revenue.

This would also give the better picture of the company which would help investors to decide whether to invest in the company or not and appropriate decisions can be taken by company in many situations by having more accurate information about company itself and market by comparing business cycle results from realized revenue with accounting revenue which comprises of finding out the stage of business cycle in business cycle through realized revenue as well as accounted revenue. Identify the difference if any, in two stages of business cycle identified by realized revenue and accounted revenue for the company.

## LITERATURE REVIEW

The business cycle has interested many researchers. Several models have been proposed for studying the same. Kaldor was one of the prominent researchers who worked on business cycle. Kaldor in his "Disequilibrium growth theory" has explained the capital accumulation as a concept is solely determined by savings decision as in neoclassical growth model. The increase flow of capital is the sum of workers' savings and capitalists' saving which has been explained through the model.

Another interesting research is the one by Marek Szydłowski and Adam Krawiec (June 2002). In their paper titled "The Kaldor-Kalecki Model of business cycle as two-dimensional dynamical system", they analyse the Kaldor model of business cycle and have introduced Kaleckis' idea of delay in investment in capital accumulation equation. This system is analysed in details by methods of quantitative analysis. In another research, James Kahn (2003) reformulates his argument in a business cycle accounting framework that apportions fluctuations between three types of "wedges" productive inefficiency, the consumption-leisure margin and inter-temporal inefficiency.

Sabastian Wende (2001) in paper titled- "Business Cycle Dynamics", relaxes the perfect foresight assumption implied by rational agent hypothesis. It is replaced by imperfect adaptive expectations. This model is extended with a delay between investment and capital accumulation. This paper also stimulates a non-equilibrium time differential wage adjustment in a model economy. The models show that the boom produced by a single positive technology shock that can be followed by equivalent of a recession. The models are solved using numerical methods for differential equations, which allow for non-linear dynamics, as opposed to usual log linearization.

In another study, D Little proposed a model "ADL Matrix" in which life cycle in portfolio management is compared to life cycle stages of a firm, dimensions like business strength and environmental assessment are used. Rober Lucas (2002) in his paper titled -"Methods and problem in Business Cycle", have analysed Keynesian and neo classical theories of business cycle and assessed their practicality. Similarly Sergio Roberto (2003), has reviewed the contribution of real business cycle models to understand economic fluctuations and discussed open issues in business cycle.

A paper by Xavier Gabaix named "The Granular Origins of Aggregate fluctuations" explained the concept that individual firm shocks average out in aggregate. This paper proposes idiosyncratic firm level fluctuations can explain an important part of aggregate shocks and provide a micro foundation for aggregate productivity shocks and show that this argument breaks down if the distribution of the firm sizes is fat-tailed as documented empirically. This "granular" hypothesis suggests new direction for macro-economic research, in particular that macro-economic questions can be clarified by looking at the behavior of large firms. This paper's ideas and analytical results may also be useful to think about the fluctuations of other economic aggregates, such as exports or trade balance. A more empirical research paper analyses the business cycle is given by Yahya sharahili and Yao Liu titled "Empirical analysis II: Business cycles and Inward FDI in China". This paper analyses how the business cycle development and inward FDI react to each other. By constructing an endogenous growth model, they after processing correlation analysis and testing coefficient significance of each variable, found out original momentum of Chinese economic growth and explored whether there exist some long term relationship through Johansen co-integration test.

"The plucking model of business cycle fluctuation" by Milton Friedman is based on the business fluctuation model which he created 20 years back that stressed upon occasional events producing contraction and subsequent revival rather than self-generating cyclic process. This research further does the empirical work for US and other countries and applies there.

Jean Frnacois Bacmann shows few more ideas about business cycle, in his paper on "Ideas business cycle can generate for business" focus was on how business cycle applicability impacts investment strategies. This paper documents profitability of momentum strategies in countries from G-7 and explores some conjectures about links existing between return of these strategies, business cycle and industries.

All these researches have provided a basis for understanding fluctuations in business cycle. But in an economy like India, which is service oriented and dominated by human capital, there is no research that guides the incorporation of "Human Capital" in the calculation of stages of business cycle. The present paper focuses on modifying the accounting revenue to realized revenue to incorporate "Human Capital" and see its impact on business cycle of a company.

## RESEARCH METHODOLOGY

The paper aims at three basic objectives - calculate the "Realized Revenue" for a company by making adjustments to the accounting revenue in terms of stock and human capital, study relationship if any between "Accounted revenue" and "Realized revenue" and to calculate business cycle stages and to explore the difference if any in business cycle stage of company derived on basis of Accounting revenue and realized revenue.

Analyzing the smallest details becomes crucial, which may help companies to measure difference between accounted and realized revenue and further help in comprehending the data and figures in a better way. The study would pave a way for investors and portfolio managers to understand the actual position of the company in much better and company itself can analyze its true position and understand its position in the life cycle in much comprehensive manner.

Human capital is one resource which is extremely important and its effect is not taken in to account so well as it should be, therefore this study helps in understanding the significant role human capital plays in affecting the revenue in all.

The present study is focused on sectors comprising service sector in India and sectors namely -IT and ITES (including consultancy), Healthcare, Media and Entertainment, Telecom, Retail, Banking, Hotel. A sample of 19 companies is taken which falls under these sectors and are majors in the particular sector. The data was secondary data collected from P&L accounts, balance sheets and Annual Reports. Time frame for present study was taken as 2 years, 2009 and 2010.

Non- probability convenience technique is used in the study because different sectors were important to be covered and sample was drawn from the data that was available for particular sectors.

### VARIABLES DESCRIPTION

The variables for which data was collected were Revenue, Stock, Bad-debt and human capital. Brief description about the company's has been mentioned before.

There are two major variables used in the research are:

- AR = "Accounted revenue" taken from the balance sheet of the company
- RR = "Realized Revenue" which is calculated by modifying the accounting revenue.
- Sr = Revenue Realization
- HCr = human capital realization
- Ir = stock realization

The dependent variables are –

- Realized revenue (including realized human capital only)
- Realized revenue (including realized human capital and realized stock)
- Human capital value added

The explanatory variables are-

- Accounted revenue
- Revenue realization

- Stock realization
- Human capital realization

**THE MODEL**

According to Kaldor model of capital accumulation, the flow of output at time t, X' is determined by the flow of labor force at time t, Lt, and the stock of capital, Kt. The production function, F, is assumed to be twice differentiable and homogenous of degree one, Yt= F(Kt,Lt)

Capital accumulation is solely determined by the savings decision as in the neoclassical growth model. In the Kaldor model, the increase in flow of capital is the sum of workers' saving and capitalists' saving:

$$K^* = Sw * WL + Sk(Y-WL) \text{ ----- equation 1}$$

where,

- K\* = capitalist accumulation
- Sw = Wage saving rate
- W = wage rate
- L = labor force
- Sk = Capital saving rate

This model is good for capital intensive companies. But, the service sector companies are not capital intensive, they are human intensive. Human capital is the biggest capital for the. The model had various equations for its different scenarios like Kt/Lt = K(Wd) in full employment and underemployment regime and Kt/Lt = Kt in over employment regime and such type of modifications were not necessary in many cases. Thereby for overcoming certain challenges a new model was tried and created following the similar lines as Kaldor model.

**REALIZED REVENUE MODEL**

The proposed model introduced concept of realized revenue, which meant revenue that is cashed out. This meant to convey that there is significant difference between what the company receives as revenue in terms of cash and what it has accounted. This is the basic assumption of this model that in practical scene what books shows is not the same. Therefore this term is introduced around which the model is built.

The model aims to calculate realized revenue by taking few assumptions-

- There is difference between cashed out and accounted revenue.
- The companies generally do not account a part of stock that is being realized.
- The company follows the realization trend as it had in previous years.
- Human capital and the value addition by human capital is not accounted by companies.

Income is basically affected by capital and labor, So,

$$R^*(\text{realized revenue}) = f(\text{accounting revenue, human capital, stock})$$

The model can be broken in three parts of understanding-

**REALIZED SALES**

Realized sales is the actual sales which is being cashed out. Generally cashed out sales is not realized by companies. The assumption also persists that accounted and actual numbers are different. The Realized Sales rate is calculated as follows:-

Realized sales rate is denoted as "Sr". Sr shows how much percentage of sales is realized in current year and this depends on previous year debt and revenue figure at year end.

$$Sr = (R_n - \text{Bad debt}_{n-1}) / R_{n-1} \text{ ----- equation 2}$$

Where, n stands for current year. Previous years' bad debt is deducted from previous years' revenue and divided by previous years' revenue. Bad debt is very important factor to arrive at Sr. Increase in previous years' bad debts means the company is unable to collect funds and this would affect current years' realization. Percentage is calculated on previous years' end amounts assuming company follows similar pattern of realization during current year.

$$\text{Now, Realized sales} = Sr * R_n$$

Rn is the revenue for the current year and Sr is the realized sales rate.

**REALIZED HUMAN CAPITAL**

Human capital is an important asset for any type of IT, Consultancy, Telecom, Healthcare, Media, Retail, Banking, Insurance or any type of service based industry. It is the Human capital that is not solely accounted by companies and is not considered in profit. Human capital accounting is quintessential to truly evaluate a company and in order to understand the nature of realized revenue, human capital calculation as a part of accounted sales is important to know in order to reach to realized revenue.

Realized human capital is determined as HCn and is calculated as percent of revenue. Now,

$$HC_n = (HC_n - HC_{n-1}) / R_{n-1} \text{ ----- equation 3}$$

Where, n = current year.

Increase in human capital indicates better efficiency of company.

$$\text{Realized human capital} = HC_n * R_n$$

Human capital is calculated in two parts-

$$\text{Human capital value added} = \text{operating expenses} - \text{employee cost} / \text{total employees}$$

$$\text{Human capital return on investment} = \text{profit} / \text{human capital cost}$$

**REALIZED STOCK**

Generally for companies that provides services of various kinds, high stock maintenance is not very essential, since the sector is not capital intensive, the dependency is mostly on human capital but again for industries like healthcare, media and retail certain level of stock is important to be maintained.

Realized stock is the stock which is not being sold but could not be formed part of sales, so its' inclusion is important to know true value of cashed revenue.

Stock realization rate is calculated and then is realized stock finally calculated.

Ir<sub>n</sub> is used to denote realized stock rate. Ir depends upon last year stock amount at the end of the year. Change in stock is not a deliberate change by the company but some part of it is due to stocks that are being sold.

$$Ir_n = (I_n - I_{n-1}) / R_{n-1} \text{ ----- equation 4}$$

This is basically a change in stock as percentage of previous year revenue. Reduction in sales in any year for company is not solely affected by increasing stock sales rate but also changes in human capital but again calculation of stock realization is important.

$$\text{Realized stock} = Ir_n * \text{Stock}_n$$

Finally,

$$R^* = Sr * R_n + Ir * S_n + HC_n + \text{human capital} \text{ ----- equation 5}$$

Finally R\* can be calculated, now it has to be checked whether R\* shows the same result when applied from accounted revenue or different. For that purpose the revenues are taken and some other necessary accounting figures from the balance sheet, P&L account and annual reports of leading companies in various sectors and then figures are calculated to business cycle model.

**MODEL 2: BUSINESS CYCLE APPLICABILITY**

For application of our calculated figure we have taken various concepts which will be used to compare. An important model is Business Cycle.

Business cycle is an economy wide fluctuation in production or revenues over several months or years. The reason why we call it a cycle is that it moves in a cyclic manner i.e. coming back to the original position from where it had started. Every company moves in cyclical manner and strategic decision of companies depends upon in which part of the cycle the business moving. Though there is number of ways business cycle is divided in to stages to simplify we have divided business cycle in to three stages:

**GROWTH, BOOM AND RECESSION**

Every company moves through these stages in the lifetime and as they reach the end stage the cycle restarts which means that after reaching Recession Company back to growth.

The Growth Stage of a business cycle is characterized by high production, Machinery is under-utilized and Sales are very high even the change in revenue is very high. The Maturity Stage of a business is characterized by high production, Machinery is fully utilized, Sales are high but the change in sales and revenue falls. The recession stage is characterized by over utilization of resources and decline in both sales and revenue.

Since we have only revenue as our given indicator thus we will decide about the stage of the company through this only. Thus,

- If average change in revenue is > 15% then company is in growth stage.
- If average change in revenue is < 15% but > 5% then company is in maturity stage.
- If average change in revenue is < 5% then company is in maturity stage.

The results from both the variables Accounting Return and Relaxed Return are compared by putting values in this business cycle stage criterion.

Accounting revenue = F (R\*<sub>Stock+HC</sub>, R\*<sub>Only HC</sub>, HC value added, time)

The regression equation would be as follows-

$$AR = \beta_0 + \beta_1 R^*_{SH} + \beta_2 R^*_{H} + \beta_3 HC + \alpha_1 t + u_1 \text{ ----- equation 6}$$

Instead of applying this equation as it is for regression analysis, the equation can be broken in to three different parts and primary reason for this is high probability of existence of multicollinearity amongst the variables. So, now the equations would be as follows-

$$AR = \beta_0 + \beta_1 R^*_{SH} + u_1 \text{ ----- equation 6 a}$$

$$AR = \beta_0 + \beta_1 R^*_{H} + \alpha_1 t + u_2 \text{ ----- equation 6 b}$$

$$AR = \beta_0 + \beta_1 R^*_{HS} + \alpha_1 t + u_3 \text{ ----- equation 6 c}$$

Regression analysis would be used to establish relationships amongst various variables.

Relationship between accounted revenue and Realized revenue (human capital only), accounted revenue and realized revenue (stock +human capital), accounted revenue and human capital value added would be established.

Also,

The converse would be applied by formulating the following equation-

$$\text{Realized revenue} = f(\text{accounted revenue})$$

Since realized revenue is deduced from accounted revenue it can be taken in to account that realized revenue depends on the accounted revenue, change in accounted revenue would lead to change in accounted revenue.

Initially the cause and effect relationship was established by making accounting revenue dependent over realized revenue (stock+ human capital), realized revenue (only human capital) ,value added by human capital and time but the converse cause and effect relationship is important to be established to find out whether the proposed model actually holds good or not and which relationship is a better indicator when applied to business cycle model.

So, regression equation would be-

$$RR = \beta_0 + \beta_1 AR + \beta_2 H + u_1 \text{ ----- equation 7}$$

And this cause and effect relationship would be established.

A basic Paired samples t-test is applied to compare difference if any between Accounting revenue and Realized revenue. Further, a Pearson correlation is applied to see the direction of relationship between the two variables. Lastly, the regression analysis is applied according to equations 6 and 7. A Jarque Bera test is applied on the residuals to check the normality of the residuals which would establish the appropriateness of the model.

**FINDINGS AND DISCUSSIONS**

This research attempts to study companies from service sector under various industries type for their ‘realized revenue’ which is calculated on basis of ‘human capital, bad debt and accounted revenue’. The basic kolder model used for calculating realized revenue in capital intensive industries is modified in this paper to make it appropriate for service sector. Further, a business cycle model is developed and applied to these companies on basis of realized and accounted revenue. The data is analyzed on the basis of Regression analysis, Pearson’s’ correlation test and paired samples t- test.

**TABLE 5.1: DESCRIPTIVE STATISTICS**

	Minimum	Maximum	Mean	Std. Dev.	Skewness		Kurtosis	
					Statistic	Std. Error	Statistic	Std. Error
Accounting Revenue	147.94	31092.50	8837.74	9214.62	0.80	0.38	-0.68	0.75
Realized Revenue with Human Capital & Stock Adjustment	135.59	37491.30	10125.03	11398.37	1.09	0.38	0.13	0.75
Realized Revenue with Human Capital Adjustment	135.59	37491.30	10125.38	11398.29	1.09	0.38	0.13	0.75
Value Added by Human Capital	1.00	175.31	55.18	56.08	0.88	0.38	-0.52	0.75

The first step in assessing the proposed model is calculation of realized revenue i.e. R\*<sub>HS</sub> and R\*<sub>H</sub> for the sample along with added human capital for the period of two years, this was done exactly the way pointed in research methodology by applying formulas to deduce the results.

Further after R\*<sub>HS</sub>,R\*<sub>H</sub> and value added by human capital were calculated, now relationship amongst accounted revenue, realized revenue (stock+human capital),realized revenue (human capital) and value added by human capital are deduced.

**TABLE 5.2 PAIRED SAMPLES TEST**

	Paired Differences				t	df	Sig. (2-tailed)	
				95% Confidence Interval of the Difference				
	Mean	Std. Deviation	Std. Error Mean	Lower				Upper
Accounting Revenue - Realized Revenue with Human Capital & Stock Adjustment	-1287.29	4660.04	755.96	-2819.01	244.43	-2.30	37.00	0.01
Accounting Revenue - Realized Revenue with Human Capital Adjustment	-1287.64	4660.02	755.95	-2819.35	244.07	-2.30	37.00	0.01

Table 5.1 shows that the mean value of accounting revenue is lesser that the mean value for realized returns. Also, the skewness and kurtosis are well within acceptable range indicating the normal distribution of data.



**TABLE 5.3: CORRELATIONS COEFFICIENTS**

		Accounting Revenue	Realised Revenue with Human Capital & Stock Adjustment	Realised Revenue with Human Capital Adjustment	Value Added by Human Capital
Accounting Revenue	Pearson Correlation	1.00	.919**	.919**	.922**
	Sig. (1-tailed)		0.00	0.00	0.00
Realised Revenue with Human Capital & Stock Adjustment	Pearson Correlation	.919**	1.00	1.000**	.923**
	Sig. (1-tailed)	0.00		0.00	0.00
Realised Revenue with Human Capital Adjustment	Pearson Correlation	.919**	1.000**	1.00	.923**
	Sig. (1-tailed)	0.00	0.00		0.00
Value Added by Human Capital	Pearson Correlation	.922**	.923**	.923**	1.00
	Sig. (1-tailed)	0.00	0.00	0.00	

\*\* . Correlation is significant at the 0.01 level (1-tailed).

In order to test the difference between Accounted revenue and realized revenue paired samples t- test was applied. Since data seemed to be normally distributed which meant R and R\* were normally distributed, further paired samples test is being used to see what kind of relationship persists amongst accounted revenue and realized revenue(stock+ human capital), accounted revenue and realized revenue (human capital), accounted revenue and value added by human capital and accounted revenue and time factor.

The first paired sample test was applied between Accounted revenue and realized revenue (Stock and human capital) and at 95% confidence level it was significant, the p value is also less and at 10% this is significant indicating that there is difference between accounted and realized revenue. The second paired sample test was applied between accounted revenue and realized revenue (with human capital) and it was significant as well. Value added by human capital and time factor was excluded.

Next step was to establish correlation among Accounted revenue, Realized revenue (stock and human capital), Realized revenue (Human capital) and value added by human capital. (Table 5.3). The results for Pearson correlation test shows that accounting revenue is positively correlated to the three variables chosen, directionality is single and results are significant at 0.01 level. This means that as accounted revenue increases or decreases, Realized revenue (human capital) and realized revenue (human capital and stock) are also expected to increase or decrease.

The next step was to establish cause and effect relationship is any among accounted revenue, realized revenue (human capital) and realized revenue (human capital and stock). The regressions analysis for Realized Revenue as dependent variable and Human Capital Value and Accounting Revenue as independent variable was run. The results are summarized in table 5.4

**TABLE 5.4 :- REGRESSION ANALYSIS FOR REALIZED REVENUE, ACCOUNTING REVENUE AND HUMAN CAPITAL VALUE**

Independent Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R Square	Adjusted R Square	F value for Regression	Sig.
	B	Std. Error	Beta						
(Constant)	-494.85	922.42		-0.54	0.60	0.88	0.87	132.11	0.00
Accounting Revenue	0.56	0.19	0.46	3.04	0.00				
Human Capital	102.36	30.41	0.50	3.37	0.00				

Dependent Variable: Realized Revenue Adjusted for Stock and Human Capital

Adjusted R<sup>2</sup> value of 0.87 depicts the fitness of model is high and is acceptable. Overall F value of the regression was significant at 132.11. Regression analysis results depict that constant beta is insignificant hence other factors doesn't affect realized revenue except for those taken in the model, beta value for value added by human capital is 0.504 and 0.455 for accounted revenue. The values are positive and significant, which means one unit change in realized revenue means 0.455 unit change in accounted revenue and 0.504 unit change in value added by human capital.

From equation 7 model was described as-

$$RR = \beta_0 + \beta_1 AR + \beta_2 H + u_i$$

And finally the proposed model was-

$$RR = 0.46 AR + 0.50 H + u_i$$

The residuals of the regression were saved and tested for normality. The results of residual analysis depict that JB value is around 2 and p-value is around 0.2. Both values are in consistence to what is required and hence null hypothesis can be accepted stating that variable are normally distributed and the model can be accepted, statistically it holds good and model can be validated.

The further analysis was done for the business cycle.



## THE BUSINESS CYCLE MODEL

Company	Accounted revenue value	stage	Realized revenue value	Stage
1	8.5%	Maturity	8%	Maturity
2	2.1%	Decline	1.616%	Decline
3	2.04%	Decline	1.55%	Decline
4	5%	Maturity	4.51%	Decline
5	9.6%	maturity	9.11%	Maturity
6	13.66%	Maturity	13.17%	Maturity
7	13.13%	Maturity	12.64%	Maturity
8	33.7%	Growth	33.21%	Growth
9	31.2%	Growth	30.71%	Growth
10	13.61%	Maturity	13.12%	Maturity
11	5.198%	Maturity	4.70%	Decline
12	23.9%	Growth	23.41%	Growth
13	18.39%	Growth	17.90%	Growth
14	15.26%	Growth	14.77%	Maturity
15	20.85%	Growth	20.36%	Growth
16	28.39%	Growth	27.09%	Growth
17	11.15%	Maturity	10.66%	Maturity
18	15.63%	Growth	15.14%	Growth
19	16.4%	growth	15.91%	Growth

As mentioned in the previous section, the three stages of the business cycle are identified as follows: -

Growth stages : the average growth in revenue is >15%

Maturity stage : the average growth in revenue is between 5-15%

Decline stage : the average growth in revenue is <5%

Table 5.5 shows the stages in which the companies taken in the sample lie. The stages are identified according to the accounted revenue from profit and loss statement of the company and the stage is also identified according to the realized revenue for the company which is calculated in the previous sections by modifying for human capital.

The table depicts that average change in value of accounted revenue is more than average change in realized revenue. For most cases it shows similar results but yet for some since realized revenue average is less it leads to assessment of business cycle stage for the company as different. These changes are due to factors like human capital and stock adjustments. In many cases companies as per accounted revenue are on verge of maturity still growing but as per realized revenue they have entered maturity. In few cases the company is supposed to be still in maturity but as per realized revenue has reached decline and likewise.

So, this business cycle model indicates the actual position of the company as per realized revenue, actual revenue average value is not always correct at times companies perceive to be on verge of one stage but they do not realize that they have actually entered the other stage, business cycle model reveals the true stage in business cycle for the company in lieu of realized revenue.

## CONCLUSION

The need for this research was the difference between accounted and actual scenarios, which was the basic assumption as well. Various tests were applied to check the reliability, validity of the model and relationships were deduced amongst accounted and realized revenue along with value added by human capital. The research shows that human capital plays an important role in determining the realized revenue. For most companies realized revenue (stock+ human capital) is same as realized revenue (human capital only) because of the fact that the service sector industries are not much capital intensive and there business is through human resource, there stock, there assets are human capital and thereby the two are same except for healthcare, retail and media production where equipment, machinery and other stock is important. As per regression analysis results 1 unit change in accounted revenue means 0.484 unit change in realized revenue and 0.474 unit change in human capital, which indicates that means 1% growth or decline in accounted revenue is actually only 0.484 % change as per realized revenue and hence business cycle valuation that is done through accounted revenue leads the business cycle valuation through realized revenue.

Business cycle and realized revenue model proved the fact that accounted and realized revenues are different as per results derived.

The project would not only help companies but individuals to evaluate true position of a company as more accurate figures close to practical situations are available. The companies can take better decisions and investors can choose better companies. Since this is applied to a mix of companies that falls under various companies this can be used as a generalized tool for evaluation and application of this project would give a clearer picture of the reality.

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## A COMPARATIVE STUDY ON CUSTOMER PREFERENCE ON MOBILE COMMUNICATION WITH REFERENCE TO THE SERVICE PROVIDED BY PRIVATE (AIRTEL) AND PUBLIC (BSNL) SECTOR IN COIMBATORE DISTRICT

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### ABSTRACT

*The intention of the study is to compare the customer preference on mobile communication with reference to service provided by private and public sector at Coimbatore district. AIRTEL and BSNL are selected due to their high competitive nature in providing 3 generation technologies such as GPRS and MMS. Influence of demographic variables in the level of satisfaction yielded by the mobile users and to know their usage pattern, pre-purchase and post-purchase behavior and the media of influence behind the customer preference.*

### KEYWORDS

Post purchase behavior, Pre -purchase behavior, GPRS, MMS.

### INTRODUCTION

The Indian cellular industry has been instrumental in bringing to the Indian consumer, a world-class telecom infrastructure. The Indian Cellular Industry is the flag-bearer of the Indian liberalization process. This industry is the largest recipient of Foreign Direct Investment (around Rs. 2200 Crores)-A responsible performing sector that has met all its obligations to the GOI. The Industry would have invested over Rs. 25,000 crores. Coimbatore is a district where Industries of various categories function. Further several reputed Educational institutions belong to this district. This diversified mass attracts several marketers to root their foot in this area. It caters to the needs to world's renowned fashion labels. Nearly all service providers have their network in this area. BSNL is the public player operating and AIRTEL, AIRCEL, VODAFONE, TATA INDICOM, RELIANCE are the private mobile service providers. Among the private service providers BPL is relatively expensive when compared to the other players so in spite of their established network most of customers have not opted for VODAFONE, TATA INDICOM and RELIANCE are the mobile service providers functioning on the CDMA (Code Division Multiplexing Access) basis and the service of these mobile players are just budding in this region. "Early Bird Hatches Eggs", AIRCEL is the private service provider who addressed this market first so as a result they are enjoying a greater customer share. AIRTEL from Bharathi Teleservices is extending its customer base with new attractive schemes, value added services and enhanced coverage. They were able to retain the customer through their service. BSNL is the only public mobile service provider.

### TELEMEDIA

#### AIRTEL

The Telemedia business provides services in 89 Indian cities and consists of two brands.

Airtel Broadband provides broadband and IPTV services. Airtel provides both capped as well as unlimited download plans (reduced speeds at unlimited data are implied). The maximum speed available for home users is 16Mbit/s.

Airtel has about 3.16 million wireline customers, of which 42.6% are broadband internet subscribers as of August 2010. Until 18 September 2004, Bharti provided Fixedline telephony and broadband services under the Touchtel brand. Bharti now provides all telecom services including fixedline services under a common brand "Airtel".

In 2000, Bharti acquired control of Skycell Communications, in Chennai. In 2001, the company acquired control of Spice Cell in Calcutta. Bharti Enterprises went public in 2002, and the company was listed on Bombay Stock Exchange and National Stock Exchange of India. In 2003, the cellular phone operations were rebranded under the single Airtel brand. In 2004, Bharti acquired control of Hexacom and entered Rajasthan. In 2005, Bharti extended its network to Andaman and Nicobar. This expansion allowed it to offer voice services all across India. In 2009, Airtel launched its first international mobile network in Sri Lanka. In 2010, Airtel

Today, Airtel is the largest cellular service provider in India and the fourth largest in the world.

#### BSNL

At present BSNL enjoys around 60% of market share of ISP services. 2007 was declared as "Year of Broadband" in India and BSNL announced plans for providing 5 million broadband connectivity by the end of 2007. BSNL upgraded Dataone connections for a speed of up to 2 Mbit/s without any extra cost. BSNL planned to increase its customer base to 108 million customers by 2010. With the frantic activity in the communication sector in India, the target appears achievable.

On 20 March 2009 BSNL advertised the launch of BlackBerry services across its Telecom circles in India. The corporation has also launched 3G services in select cities across the country. Presently, BSNL and MTNL are the only players to provide 3G services, as the Government of India has completed auction of 3G services for private players. BSNL shall get 3G bandwidth at lowest bidder prices of Rs 18,500 crore, which includes Rs 10,186 crore for 3G and Rs 8313 crore for BWA.

As of December 2011, many other private operators have started rolling out their 3rd Generation (aka 3G) services alongside and are enjoying some success in their campaigns to get market share. While BSNL still maintains its connectivity standard and expands to many more areas including rural areas with their 3G services. Also the network infrastructure has been upgraded from to provide 3.6 Mbit/s to 7.2 Mbits/sec. It is enjoying a slow but somewhat steady success in gaining market share in this regard.

### OBJECTIVES OF THE STUDY

- To study the influence of Demographic variables in the Level of satisfaction yielded by the Mobile users.
- To know the Usage pattern of the Mobile users.
- To know the Media of Influence behind the customer preferences.
- To know about the Pre purchase and Post Purchase behavior of the Mobile users, this could provide a lead to the service providers about their area of enhancement.

### METHODOLOGY

The Study is based on both the primary and secondary data. Primary data have been collected through well structured Questionnaire and the secondary data have been collected from the books, journals, magazines and newspapers. The researcher has adopted Clusture sampling is employed in enrolling the AIRTEL and BSNL subscribers for survey. The tools used for this research are Percentage analysis, Chi-Square.

**PERCENTAGE ANALYSIS**

Percentage refers to a special kind of ratio in making comparison between two or more data and to describe relationships. Percentage can also be used to compare the relation terms the distribution of two or more sources of data.

$$\text{Percentage of Respondents} = \frac{\text{Number of Respondents}}{\text{Total Respondents}} \times 100$$

**CHI-SQUARE ANALYSIS**

Chi-square is a non-parametric test of statistical significance for bi-variate tabular analysis. A non-parametric test, like chi square, is a rough estimate of confidence.

Chi-square is used most frequently to test the statistical significance of results reported in bivariate tables and interpreting bivariate tables is integral to interpreting the results of a chi-square test.

**Chi – Square Test Method**

The Chi – square method is the application of testing the significant difference between observed and expected values.

**Null Hypothesis (H<sub>0</sub>)**

The hypothesis, or assumption, about a population parameter we wish to test, usually an assumption of the status quo.

**Alternative Hypothesis (H<sub>1</sub>)**

The conclusion we accept when the data fail to support the null hypothesis.

**Statistical Test:**

$$\text{Chi-square test } (\chi^2) = \sum \frac{(O - E)^2}{E}$$

Degrees of freedom = (R-1) (C-1)

- whereas, O = Observed frequency
- E = Expected frequency
- R = Number of rows
- C = Number of columns

**To find E:**

$$\text{Expected Frequency} = \frac{\text{Row Total} \times \text{Column Total}}{\text{Grand Total}}$$

**Level of Significance (α):**

A value indicating the percentage of sample values that is outside certain limits, assuming the null hypothesis is correct, that is, the probability of rejecting the null hypothesis when it is true.

**REVIEW OF LITERATURE**

The review of pertinent literature is an important step in a research and it's meant to locate, elucidate and present the past as well as the current literature of research in a planned investigation. The review gives a clear perspective of the over all field of research and allows comparing the result of the studies in the particular field with the present research. It provides the researcher with an opportunity of gaining insight into the method and approaches employed by others and help to pursue the research.

The study entitled "Consumer attitude towards cell phone in Coimbatore",<sup>1</sup> an M.Phil. Dissertation submitted to Madurai Kamaraj University by Smt. Revathi Murali, focuses upon the market share of AIRTEL and AIRCEL. Further, the researcher measured the satisfaction levels of the customers. She had suggested many strategies for the Service Providers.

An article titled "Preference in cellular service providers in the post liberalization era"<sup>2</sup> by Miss. S. Revathi and Dr. S. Padmavathy concluded that the majority of the cellular service users are male and graduates. It suggests that the cellular service providers should reduce their charges to retain their market share and growth.

R. E. Butler,<sup>3</sup> in his study has pointed out that all countries should undertake in depth review and analysis of their policies on communications development and stimulate accelerated development and communication infrastructure.

T. H. Chowdary,<sup>4</sup> in his study points out that the skills and tasks of employees are crucial in case of external plant maintenance. Their moral and mobility, their ambassadorial role while interacting with customers must all be enhanced by proper management policies.

A. Narayanan,<sup>5</sup> in his study has mentioned that inadequate and poor investments made by the developing countries in their telecommunication sectors have originate bottlenecks in many fields of development.

N. Manoharan,<sup>6</sup> in his work, "Telecommunication – The case of Madurai" points out the introduction of modern technology in the external plant network which will result not only reliability but also reduction in the cost of maintenance.

**COMPARATIVE ANALYSIS OF BSNL AND AIRTEL ON THEIR SATISFACTION LEVEL**

S.No.	Facilities	BSNL					AIRTEL				
		HS	S	N	DS	HDS	HS	S	N	DS	HDS
1	Network Coverage	63*	54	18*	0	0	50	67*	8	10*	0
2	Dealers Service	29*	78	26*	1	1*	24	87*	20	4*	0
3	Billing Practice	34*	64	31	5	1*	19	66*	39*	11*	0
4	Tariff Plan & Rate	54*	54*	24	3	0	46	47	37*	4*	1*
5	Response to query	33	62*	28*	8	4*	60*	46	20	9*	0
6	Advertisement	28	50	46*	10*	1	43*	64*	26	1	1*
7	Promotional Offers	22	47	57*	8	1	27*	54*	39	10*	5*
8	Access Mode	29	57	42*	7	0	36*	64*	18	12*	5*
9	Economical Viability	16	90*	19*	10*	0	24*	84	18	8	1*

\* Indicates Maximum Number of Respondents compared with other.

The above table clearly portrays that, 87% are satisfied with the Dealers Service of AIRTEL. The BSNL subscribers are highly satisfied with Access mode, and the 90% of the respondents are highly satisfied with the economic viability,

**FINDINGS**

The level of satisfaction is high for respondents who use their mobile both for personal and official purpose in case of both BSNL and AIRTEL. 46% of AIRTEL respondents and 35% of BSNL subscribers know about their service providers through their friends, relatives, colleagues and so on. 5% of AIRTEL and 16% of BSNL subscribers know about their service provider through press media. 21% of the AIRTEL and 15% of BSNL respondents know about their service provider through Television advertisements. Through Dealers 18% of the AIRTEL and 15% of BSNL customers came to know about their service providers. 19% of BSNL and 10% of AIRTEL respondents know their service provider through outdoor advertisements. Only 9% of AIRTEL and 5% of BSNL subscribers have availed the service of more than a Mobile service provider. 11.4% of BSNL respondents' family members use AIRTEL. 68.6% use BSNL, 20.0% use Reliance and none of the family members of BSNL respondents use BPL or Aircel or Tata Indicom. There are more prepaid subscribers in AIRTEL and postpaid subscribers in BSNL. BSNL subscribers use the roaming facility more than that of the AIRTEL respondents. AIRTEL subscribers use the GPRS facility more than that of the BSNL respondents.

**SUGGESTIONS**

The mobile service providers could offer schemes based on the purpose of usage since this variable has a greater influence in the level of satisfaction yielded by the customers. Significant weightage should be given by the Mobile service providers in the promotional activities that could add a satisfied customer to its basket rather than other Advertisements since Word of Mouth communication is the best mean of reach. Since the percentage of switching from AIRTEL to BSNL is high, AIRTEL has to take some initiatives to retain its customers and to extend its market. AIRTEL has to enhance its network since the percentage of switching to AIRTEL is downsized due to low coverage. BSNL has to improve its service at customer desk since the percentage of switching to BSNL is low due to the lack of assistance at customer desk. The Mobile service providers could focus the crew around the existing subscriber for adding new clients to their basket. AIRTEL could offer attractive postpaid schemes for enrolling their pre-paid subscribers into Post-paid plan.

**CONCLUSION**

The influence of Demographic variable in the level of satisfaction yielded by the mobile user as well as the Behavioral pattern of the mobile user is analyzed in this study. It is landed that Demographic variables do influence the level of satisfaction as well as the Variable in which the Public and Private Service provider should focus for their enhancement is suggested. Further the customer expectations are comprehended from their usage pattern. On the basis of this comprehension it is suggested that AIRTEL should enhance its coverage. BSNL should focus on the service at customer desk and the promotional measures.

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## THE BRAND IMAGE & SATISFACTION LEVEL OF DEALERS AND SURROGATE BUYERS OF AMBUJA CEMENT LIMITED IN SAURASHTRA REGION

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### ABSTRACT

Cement Industry is very competitive one. There is plenty of Brands Available within a same Segment. In this Kind of Competitive market there is a need to check Brand image and Satisfaction Level of Dealers and Surrogate Buyers of Ambuja Cement in Bhavnagar and Rajkot city. This is how we came to our research topic. We started our research by secondary study. In that we collected the literature review and other studies related to our topic and to cement industry. we again started the study of factors and variables which satisfy the Dealers and Surrogate Buyers. While framing the questionnaire for 50 Dealers we divided them according to their monthly Turnover and Surrogate Buyers which includes three parties (1)22 Contractors (2) 20 Builders and (3) 35 Masons. Our main objectives were to know about Brand image & the satisfaction level of Both Dealers and Surrogate Buyers of Ambuja Cement. Major outcomes from the studies are that Ambuja is a very well known brand. It is a qualitative brand, it provides good Transportation Facility, and it is a Highly Recommended Brand. Promotion Tools of Ambuja Cements are Competitive. But Ambuja is a most Costliest Brand. In Overall ambuja's performance and satisfaction level among both Dealers and Surrogate Buyers is very good Ambuja should provide cash discounts as the Dealers, contractor And Builder preferred as the most. They should provide a gift to the mason as they preferred it the most, because the mason doesn't buy in bulk and they want gifts.

### KEYWORDS

Ambuja cement ltd., brand image.

### CURRENT SCENARIO OF INDIAN CEMENT INDUSTRY

Cement industry in India is currently going through a consolidation phase. Some examples of consolidation in the Indian cement industry are: Gujarat Ambuja taking a stake of 14 per cent in ACC, and taking over DLF Cements and Modi Cement; ACC taking over IDCOL; India Cement taking over Raasi Cement and Sri Vishnu Cement; and Grasim's acquisition of the cement business of L&T, Indian Rayon's cement division, and Sri Digvijay Cements. Foreign cement companies are also picking up stakes in large Indian cement companies. Swiss cement major Holcim has picked up 14.8 per cent of the promoters' stake in Gujarat Ambuja Cements (GACL). Holcim's acquisition has led to the emergence of two major groups in the Indian cement industry, the Holcim-ACC-Gujarat Ambuja Cements combine and the Aditya Birla group through Grasim Industries and Ultratech Cement. Lafarge, the French cement major has acquired the cement plants of Raymond and Tisco. Italy based Italcementi has acquired a stake in the K.K. Birla promoted Zuari Industries' cement plant in Andhra Pradesh, and German cement company Heidelberg Cement has entered into an equal joint-venture agreement with S P Lohia Group controlled Indo-Rama Cement.

#### MAIN CEMENT COMPANIES IN INDIA

Company	Installed Capacity (METRIC TONES)	Production (METRIC TONES)
ACC	18640	17902
AMBUJA CEMENT	14860	15094
ULTRATECH	17000	13707
GRASIM	14115	14649
INDIA CEMENTS	8810	8434
JK GROUP	6680	6174
JAYPEE GROUP	6531	6316
CENTURY TEXTILES	6300	6636
MADRAS CEMENTS	5470	4550
BIRLA CORP.	5113	5150
LAFARGE	5000	4573

(SHOBJIT CHANDOK, RESEARCH PAPER ON CEMENT INDUSTRY)

### COMPANY OVERVIEW OF AMBUJA CEMENT LIMITED

Ambuja Cement Limited is India's one of the major Company in the cement industry. Its first plant "Ambuja Cement" is located near the costal town of Kodinar in the Saurashtra region of Gujarat. The area has huge deposits of limestone, a key of ingredient in the manufacturing of high quality of cement. The plant with an installed capacity of 0.7MTPA (million tone per year) was a huge success with some equipment changing and optimizing the existing plant company had produced 1MTPA from the plant. Then another plant "Gujarat Line-1" again with an installed capacity of 1MTPA was erected in the same area and commissioned in 1992. Then a new unit "Gujarat Line-2" with an installed capacity of 1MTPA was beside the existing plants at Kodinar and commissioned in 1996.



(1) Detecting cartel in the Indian cements industry.

By Rituraj Arora, Runa Sarkar, Kanpur

Type of cartels	Description
customers	Allocation of supplier to certain producer
Specialization	divides market differentially
territorial	By allocation the area geographically
Quota	Limitation the production of certain producer
Price	Agreed upon among the member and usually independent agency monitors it
syndicate	More united front against firms entering the market

(2) awareness or customer satisfaction on study of Tata sudh cement

By- Prashant k gajjan, (Globsyn. B school) (2008-10 Batch)

**Findings**

- Masonry users are satisfied with strength parameter.
- People feel inconsistency with the quality of cement.
- Color of cement is dissatisfactory
- Users dissatisfied with availability of cement

(3) A project report on "Market survey of retail market and sales promotion in area of Bhubneshvar Region for Lafarge"

By –pankaj kenan, Bhubneshvar, (2006-08)

- Companies are spending much more in the advertisement than they should in actual

**RESEARCH METHODOLOGY**

**OBJECTIVES**

- (1) To check the satisfaction level of Dealers and Surrogate Buyers of Ambuja cement in Saurashtra Region.
- (2) To check the Brand image of Ambuja brand in the mind of Dealers and Surrogate Buyers of Ambuja cement in Saurashtra Region.

**PROBLEM STATEMENT**

"In homogeneous oligopoly market like cement the middleman play a vital role as a strong influencer to the customer decision making process. So at each alternate period, there is an acute need to study the satisfaction level of them towards a particular brand for framing the future marketing strategy."

**JUSTIFICATION**

We have chosen the most 8 brands used in cement industry. We have collected data among various parameters like Logistic, Advertisement, and Customer Care etc.

**TYPE OF RESEARCH**

It is a Basic research.

**RESEARCH DESIGN**

Our research started with Exploratory Research as we found out the Literature review then it falls in conclusive research. We used Descriptive Cross sectional Design.

**TYPES OF DATA COLLECTED**

Primary and Secondary

a.) Primary Source:

Personal Interview of Dealers and Surrogate Buyers of Ambuja Cement

b.) Secondary Sources:

- Websites
- Literature Review

**SAMPLE PLAN**

- Sample area : Bhavnagar and Rajkot City
- Sample size : 50 Dealers 77 Surrogate Buyers
- Sample method : Convenience sampling
- (Non Probability sampling)
- Research design : Descriptive
- (Single Cross Sectional Design)
- Scale used : Nominal, Ordinal, Interval
- Time Period of Data Collection : December 2011 to February 2012

**RESEARCH APPROACH**

- We adopted survey approach for this project.

**RESEARCH INSTRUMENT**

- Structured Questionnaire (close ended)

**CONTACT METHOD**

- We contacted the concern parties personally by survey approach. We visited their location based on accessibility.

**STATISTICAL TOOL**

- We have use parametric as well as non-parametric Hypothesis test in this Research Paper. We used only quantitative method only.
- We used Factor Analysis, two sample t-tests, Chi square, Weight age Average.

**DEALER'S ANALYSIS**

**TEST OF RELIABILITY**

**Case Processing Summary**

	N	%
Cases Valid	50	100.0
Excluded <sup>a</sup>	0	.0
Total	50	100.0

**Reliability Statistics**

Cronbach's Alpha	N of Items
.589	9

**DESCRIPTIVE STATISTICS**

[1= Strongly Agree, 2= Agree, 3= Neither Agree nor Disagree, 4= Disagree, 5= Strongly Disagree]

DESCRIPTIVE STATISTICS

	N	Mean	Std. Deviation
The promotional tolls offered by Ambuja Cements are Competitive.	50	2.2800	1.29426
Advertisement of Ambuja Cements is effective.	50	1.8800	1.02300
I would like to recommend my customers to buy Ambuja Cement.	50	1.3400	.62629
Attitude of construction worker is positive towards Ambuja Brand.	50	1.7600	.79693
I would suggest my relative or friends to work as a dealer of Ambuja Cements if Opportunity comes.	50	2.1600	1.13137
Ambuja Delivers your orders in a Proposed time.	50	1.3000	.46291
Ambuja Cements has very less Complaints from its Customers.	50	2.0800	1.30681
Ambuja Company's personnel visit your shop regularly for improvement in bilateral relationship	50	1.4600	.73429
Ambuja informs you faster about price change in the market.	50	1.2800	.60744
<b>Valid N (listwise)</b>	<b>50</b>		

Q3- Rank the Following Incentives Schemes on the basis of Your Preference.  
(1 means highest ranking and 5 means lowest ranking)

HIGH TURNOVER DEALERS

Rank	1	2	3	4	5	w.score
Share	1	2	4	8	1	42
Tour	2	2	8	4	0	50
Discount	8	6	2	0	0	70
Credit	5	6	2	3	0	61
Other	0	0	0	1	13	15

(Source: Computed from Questionnaires)

Out of 16 High Turnover dealers, 8 dealers rank cash discount as their first preference. 13 dealers rank other as their 5<sup>th</sup> preference. Tour ranked second by 2 dealers.

MEDIUM TURNOVER DEALER

Rank	1	2	3	4	5	W.score
Share	2	2	7	15	1	70
Tour	7	6	9	4	1	95
Discount	13	9	4	1	0	115
Credit	5	10	5	7	0	94
Other	0	0	2	0	25	31

(Source: Computed from Questionnaires)

Out of 27 Medium Turnover dealers, 13 dealers rank cash discount as their first preference. 25 dealers rank other as their 5<sup>th</sup> preference. Tour ranked second by 6 dealers.

LOW TURNOVER DEALER

Rank	1	2	3	4	5	W.score
Share	0	1	3	3	0	19
Tour	1	3	3	0	0	26
Discount	5	2	0	0	0	33
Credit	1	1	1	3	1	19
Other	0	0	0	1	6	8

(Source: Computed from Questionnaires)

Out of 7 Medium Turnover dealers, 5 dealers rank cash discount as their first preference. 6 dealers rank other as their 5<sup>th</sup> preference. Tour ranked second by 3 dealers.

Q-4 Compare the Following Brand of Cement on the basis of Criteria Mentioned.

(You suppose to rank the company and to those companies regarding which you have adequate Knowledge Pertaining to Mentioned Criteria. Rank 1 means Highest)

OVERALL DEALER ANALYSIS PROFIT

Brand\Rank	1	2	3	4	5	6	7	8	W. Score	Rank
ACC	17	2	7	5	3	1	1	1	243	4
AMBUJA	8	9	10	14	7	1	1	0	288	2
ULTRATECH	13	11	5	7	6	6	6	0	290	1
HATHI	4	9	13	7	7	3	3	0	245	3
SANGHI	2	10	6	8	8	10	10	0	226	5
JAYPEE	0	3	2	2	4	5	5	5	109	7
SIDDHI	6	5	9	4	4	3	3	0	186	6
BINANI	0	1	0	1	0	0	0	18	46	8

(Source: Computed from Questionnaires)

OVERALL DEALER ANALYSIS CREDIT SYSTEM

Brand\Rank	1	2	3	4	5	6	7	8	W. Score	Rank
ACC	9	9	8	5	2	1	1	0	244	3
AMBUJA	17	14	12	5	1	0	0	0	335	1
ULTRATECH	8	10	7	4	16	0	0	0	260	2
HATHI	6	4	11	8	2	1	0	0	193	5
SANGHI	6	6	5	17	7	0	0	0	233	4
JAYPEE	1	1	2	2	10	3	1	0	88	7
SIDDHI	3	4	5	7	2	3	2	0	138	6
BINANI	0	2	0	0	0	0	0	4	18	8

(Source: Computed from Questionnaires)

**OVERALL DEALER ANALYSIS PROMOTION**

Brand\Rank	1	2	3	4	5	6	7	8	W. Score	Rank
ACC	10	11	7	3	2	0	0	0	222	4
<b>AMBUJA</b>	<b>11</b>	<b>20</b>	<b>11</b>	<b>6</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>328</b>	<b>1</b>
ULTRATECH	12	6	12	5	8	0	0	0	297	2
HATHI	3	3	10	8	5	0	0	0	165	5
SANGHI	7	4	7	17	9	0	0	0	247	3
JAYPEE	3	1	1	4	5	0	0	0	77	7
SIDDHI	4	5	2	7	4	0	0	0	130	6
<b>BINANI</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>8</b>

(Source: Computed from Questionnaires)

**OVERALL DEALER ANALYSIS TRANSPORTATION**

Brand\Rank	1	2	3	4	5	6	7	8	W. Score	Rank
ACC	12	18	6	2	0	0	0	0	268	2
<b>AMBUJA</b>	<b>25</b>	<b>19</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>361</b>	<b>1</b>
ULTRATECH	6	9	14	8	4	0	0	0	251	3
HATHI	2	1	12	12	4	0	0	0	171	4
SANGHI	2	0	5	13	15	0	0	0	171	4
JAYPEE	0	0	1	4	11	2	0	0	76	7
SIDDHI	2	2	8	7	3	0	0	0	125	6
<b>BINANI</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>8</b>

(Source: Computed from Questionnaires)

**BEST COMPANIES**

Rank\Criteria	Profit	Credit	Promotion	Transportation
<b>1</b>	Ultratech	Ambuja	Ambuja	Ambuja
<b>2</b>	Ambuja	Ultratech	Ultratech	Acc
<b>3</b>	Hathi	Acc	Sanghi	Ultratech

(Source: Computed from Questionnaires)

**WORST COMPANIES**

Rank\Criteria	Profit	Credit	Promotion	Transportation
<b>1</b>	Binani	Binani	Binani	Binani
<b>2</b>	jaypee	jaypee	jaypee	jaypee
<b>3</b>	siddhi	siddhi	siddhi	siddhi

(Source: Computed from Questionnaires)

**Q-5 Show your level of Agreement with below Mentioned Statement.**

[1= Strongly Agree, 2= Agree, 3= Neither Agree nor Disagree, 4= Disagree, 5= Strongly Disagree]

No.	Statement	1	2	3	4	5
1	The Promotional tools offered by Ambuja Cement are Competitive.	19	13	5	11	2
2	Advertisements of Ambuja Cement are effective	20	23	2	3	2
3	I would like to recommend my Customers to buy Ambuja Cement.	36	12	1	1	0
4	Attitude of Construction worker is Positive Towards Ambuja Brand.	20	25	2	3	0
5	I would suggest my relative or friends to work as a dealer/retailer for Ambuja if opportunity comes.	19	12	12	6	1
6	Ambuja Delivers your orders in a very proposed time.	35	15	0	0	0
7	Ambuja cement has very less complaints from its customers.	20	20	2	2	6
8	Ambuja company's personnel visit your shop regularly for improvement in Bi-lateral Relationship.	32	15	1	2	0
9	Ambuja informs you faster about price change in the market.	39	9	1	1	0

(Source: Computed from Questionnaires)

**SURROGATE BUYER'S ANALYSIS**

**Case Processing Summary**

	N	%
Cases Valid	77	98.7
Excluded <sup>a</sup>	1	1.3
Total	78	100.0

**Reliability Statistics**

Cronbach's Alpha	N of Items
.779	17

DESCRIPTIVES ANALYSIS

[1= Strongly Agree, 2= Agree, 3= neither Agree nor Disagree, 4= Disagree, 5= Strongly Disagree]

DESCRIPTIVE STATISTICS

Statements	N	Mean	Std. Deviation
The Promotional tools offered by Ambuja cements are competitive.	77	2.1039	1.19851
The Advertisement of Ambuja cements are effective.	77	2.1818	1.18907
I would like to recommend my customers to buy Ambuja cements.	77	1.8831	.97298
Attitude of Ambuja Dealers is positive Towards Ambuja brand.	77	1.9221	.89980
I would like to recommend client to use Ambuja.	77	1.9610	1.00579
Ambuja distributors deliver orders at proposed time.	77	1.9351	1.01745
Surrogate buyers find difficulty and have complaints about Ambuja cement.	77	3.1558	1.47849
Ambuja company's distributor contacts you regularly for improvement in customer-company relationship.	77	2.6623	1.39180
Ambuja Distributors informs you faster about price change in the market	77	2.2338	1.27626
Ambuja is very easy to stick at the time of construction.	77	2.1558	.98762
Satisfaction on strength of Ambuja cement.	77	1.7792	.91225
workability satisfaction	77	2.0000	.91766
use of cement	77	2.1818	1.18907
overall satisfaction	77	2.0909	.93445
availability in nearest area	77	1.8961	.96769
Satisfaction level on Schemes offered by Ambuja cement.	77	3.1688	1.36114
Satisfaction on Listening to the complaints	77	2.8701	1.47211
<b>Valid N (list wise)</b>	<b>77</b>		

(Source: Computed from Questionnaires)

Q-1 up till now how many Brands of cement have you ever recommended your client to use?

Brand	Overall surrogate buyers	in %
One Brand	7	9.09%
More than one Brand	70	90.90%
Total	77	100%

(Source: Computed from Questionnaires)

Out of 77 Overall surrogate buyers, 9.09% Overall surrogate buyers recommends 1 brand While 90.9% Overall surrogate buyers Recommends More than one brand.

Q-2 from the Below Mentioned cement Brands which Brand/Brands of Cement have you ever recommended your client to use?

Brand	Recommended	Not Recommended
ACC	46	31
AMBUJA	77	0
JAYPEE	37	40
ULTRATECH	65	12
GRACIM CEMENT	2	75
INDIA CEMENT	5	72
SANGHI	56	21
OTHER	51	26

(Source: Computed from Questionnaires)

Q-3 Rank the Following Incentives Schemes on the basis of Your Preference.

Criteria\Rank	RANK 1	RANK 2	RANK 3	W.score
Cash	36	19	22	168
Gift	34	35	8	180
Other	7	23	47	114

(Source: Computed from Questionnaires)

Out of 77 overall surrogate buyers, 36 rank cash discount as their first preference. 47 buyers rank other as their 3<sup>rd</sup> preference. Gift ranked second by 35 buyers.

Q-4 Compare the Following Brand of Cement on the basis of Criteria Mentioned Horizontally. (You suppose to rank the company and to those companies regarding which you have adequate Knowledge Pertaining to Mentioned Criteria. Rank 1 means Highest)

WEIGHTAGE SCORE

Brand Name	Cost	Rank	Credit System	Rank	Quality	Rank	Transportation	Rank
ACC	241	5	277	4	291	4	507	3
AMBUJA	458	1	545	1	546	1	942	1
ULTRATECH	453	2	412	2	399	2	801	2
HATHI	231	6	227	6	255	5	309	5
SANGHI	291	3	348	3	313	3	398	4
JAYPEE	276	4	153	7	176	7	281	7
SIDDHI	159	8	240	5	230	6	290	6
BINANI	215	7	104	8	115	8	140	8

(Source: Computed from Questionnaires)

OVER ALL INTERPRETATION OF OVERALL SURROGATE BUYERS

BEST-3 COMPANY	OVERALL Surrogate Buyers			
Rank\Criteria	Cost	Credit	Quality	Transportation
1	AMBUJA	AMBUJA	AMBUJA	AMBUJA
2	ULTRATECH	ULTRATECH	ULTRATECH	ULTRATECH
3	SANGHI	SANGHI	SANGHI	ACC

(Source: Computed from Questionnaires)

Worst-3 Company	OVERALL Surrogate Buyers			
Rank\Criteria	Cost	Credit	Quality	Transportation
1	SIDDHI	BINANI	BINANI	BINANI
2	BINANI	JAYPEE	JAYPEE	JAYPEE
3	HATHI	HATHI	SIDDHI	SIDDHI

(Source: Computed from Questionnaires)

Q-5 Show Your level of Agreement with below Mentioned Statement.

[1= Strongly Agree, 2= Agree, 3= neither Agree nor Disagree, 4= Disagree, 5= Strongly Disagree]

No.	Statement
1	The Promotional tools offered by Ambuja Cement are Competitive.
2	Advertisements of Ambuja Cement are effective
3	I would like to recommend my Customers to buy Ambuja Cement.
4	Attitude of Dealers/Retailers is Positive Towards Ambuja Brand.
5	I would Recommend their Client to use Ambuja.
6	Ambuja Distributors delivers your order at proposed time.
7	You find difficulty and have complaint about the Ambuja cement.
8	Ambuja company's Distributor Contacts you regularly for improvement in Customer-Company Relationship.
9	Ambuja Distributor informs you faster about price change in the market.
10	Ambuja is very easy to stick at the time of Construction.

(Source: Computed from Questionnaires)

Statement No.	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
1	40.26%	31.17%	10.39%	14.29%	3.90%
2	36.36%	32.47%	10.39%	18.18%	2.60%
3	44.16%	31.17%	18.18%	5.19%	1.30%
4	35.06%	45.45%	12.99%	5.19%	1.30%
5	40.26%	33.77%	16.88%	7.79%	1.30%
6	37.66%	45.45%	5.19%	9.09%	2.60%
7	18.18%	22.08%	10.39%	24.68%	24.68%
8	27.27%	24.68%	14.29%	22.08%	11.69%
9	38.96%	27.27%	9.09%	20.78%	3.90%
10	20.78%	59.74%	6.49%	9.09%	3.90%

(Source: Computed from Questionnaires)

Q-6 Ambuja Cement Satisfied Customers with Below Mentioned Criteria.

No	Criteria	Extremely Dissatisfied	Dissatisfied	Neutral	satisfied	Extremely Satisfied
A	Strength	45.45%	38.96%	9.09%	5.19%	1.30%
B	Workability	29.87%	49.35%	14.29%	3.90%	2.60%
C	Consumption	36.36%	29.87%	18.18%	10.39%	5.19%
D	Satisfaction	22.08%	59.74%	9.09%	5.19%	3.90%
E	Availability	42.86%	33.77%	14.29%	9.09%	0.00%
F	Schemes	12.99%	23.38%	19.48%	22.08%	22.08%
G	Listen on Complaints	19.48%	32.47%	12.99%	11.69%	23.38%

(Source: Computed from Questionnaires)

INFERENCE STATISTICS

H0: There is no Statistically Significant Difference in recommending more than one Brand of Cement to Customers By Contractors, Builders and Mason.

OBSERVED DATA

RECOMMEND	CONTRACTOR	BUILDER	MASON	TOTAL
ONE BRAND ONLY	5	2	10	17
MORE THAN ONE BRAND	15	20	25	60
TOTAL	20	22	35	77

(Source: Computed from Questionnaires)

EXPECTED DATA

RECOMMEND	CONTRACTOR	BUILDER	MASON	TOTAL
ONE BRAND ONLY	4.42	4.86	7.72	17
MORE THAN ONE BRAND	15.58	17.14	27.78	60
TOTAL	20	22	35	77

(Source: Computed from Questionnaires)

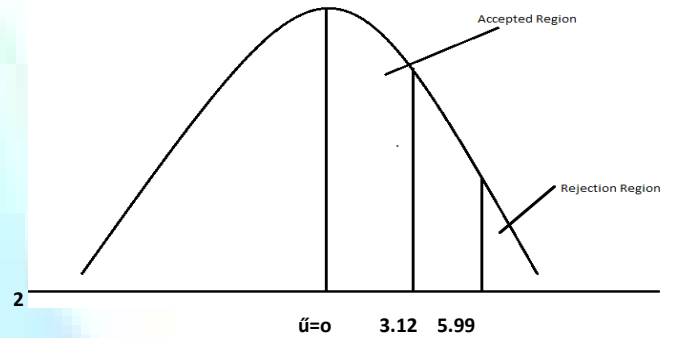


O <sub>i</sub>	E <sub>i</sub>	(O <sub>i</sub> -E <sub>i</sub> )	(O <sub>i</sub> -E <sub>i</sub> ) <sup>2</sup>	(O <sub>i</sub> -E <sub>i</sub> ) <sup>2</sup> /E <sub>i</sub>
5	4.42	0.58	0.3364	0.076
15	15.58	-0.58	0.3364	0.0215
2	4.86	-2.86	8.1796	1.683
20	17.14	2.86	8.1796	0.477
10	7.72	2.28	5.1984	0.673
25	27.78	-2.28	5.1984	0.191
<b>Total chi square</b>				<b>3.1215</b>

df = (Row-1)\*(Column-1)  
 (2-1)\*(3-1)

Table Value of chi-square = 0.05 alpha, df 2 = 5.99

**Here we fail to reject Null Hypothesis (H<sub>0</sub>) that Means Surrogate Buyer Recommends More Than One Brand to Their Client.**



**HYPOTHESIS NO.2 TWO SAMPLE T-TEST**

H<sub>0</sub>: There is no Statistically Significant Difference in Company's Efforts for Improving Bi-lateral Relationship with Dealers and Surrogate Buyers of Ambuja Cement.

Sample 1 Dealer	Sample 2 Surrogate Buyer
Sample size =50	Sample Size = 77
Sample mean =1.46	Sample mean = 2.66
Sample Std. variance =0.7343	Sample Std. variance = 1.3918

(Source: Computed from Questionnaires)

$$T = \frac{|X_1 - X_2|}{s} \sqrt{\frac{n_1 n_2}{n_1 + n_2}}$$

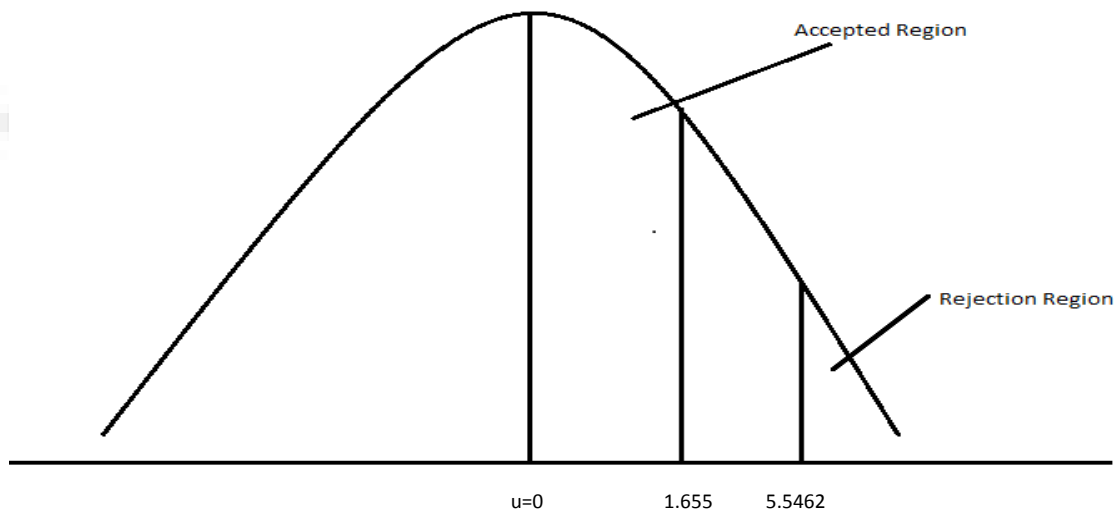
$$S = \sqrt{\frac{n_1 s_1^2 + n_2 s_2^2}{n_1 + n_2 - 2}}$$

= 1.19

Calculated T value= 5.5462

Degree of Freedom = n<sub>1</sub> + n<sub>2</sub> - 2  
 = 55 + 77 - 2  
 = 125

Table Value = 0.05 alpha level, df 125 = 1.655



**Here we reject Null Hypothesis (H<sub>0</sub>) that Means There is Statistically Significant Difference In Company's Efforts for Improving Bi-lateral Relationship with Dealers and Surrogate Buyers Of Ambuja Cement.**

**SUMMARY OF HYPOTHESIS ANALYSIS**

NO.	NULL HYPOTHESIS	TABLE VALUE	CAL. VALUE	RESULT
1	There is no Statistically Significant Difference in recommending more than one Brand of Cement to Customers By Contractors, Builders and Mason.	5.99	3.1215	FAIL TO REJECT HO
2	There is no Statistically Significant Difference in Company's Efforts for Improving Bi-lateral Relationship with Dealers And Surrogate Buyers Of Ambuja Cement.	1.655	5.5462	REJECT HO
3	There is no Statistically Significant Difference in the Effectiveness of advertisement for Dealers And Surrogate Buyers Of Ambuja Cement.	1.655	1.4470	FAIL TO REJECT HO
4	There is no Statistically Significant Difference in the Reaching of Information Regarding Price Change To Dealers And Surrogate Buyers Of Ambuja Cement.	1.655	4.8708	REJECT HO
5	There is no Statistically Significant Difference in a Delivery Time To Dealers And Surrogate Buyers Of Ambuja Cement.	1.655	4.1068	REJECT HO

**FACTOR ANALYSIS OF DEALERS**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.672
Bartlett's Test of Sphericity	Approx. Chi-Square	121.148
	Df	36
	Sig.	.000

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy for the various Attributes categories measured is 0.672., which indicates the scale is appropriate and helps in extracting the factor. The ideal measure for this test (KMO>0.50) and here in this case KMO is 0.672 indicates the variables are measuring a common factor.

**TOTAL VARIANCE EXPLAINED**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.011	33.460	33.460	3.011	33.460	33.460	2.911	32.341	32.341
2	1.593	17.704	51.164	1.593	17.704	51.164	1.432	15.907	48.248
3	1.206	13.396	64.559	1.206	13.396	64.559	1.276	14.173	62.420
4	1.009	11.211	75.770	1.009	11.211	75.770	1.201	13.350	75.770
5	.620	6.885	82.655						
6	.613	6.813	89.468						
7	.357	3.971	93.439						
8	.324	3.605	97.045						
9	.266	2.955	100.000						

Extraction Method: Principal Component Analysis.

It is cleared from the above table that four components cover 7% of the data under Principle Component Analysis method and cover considerable variation. Again if we broaden the limit then, the statistics reveal that five components cover almost 83% of the data. Study reveals the fact that Bi-lateral Relationship, Suggestion to be a Future Dealer of Ambuja Cements, Promotion Tools and Advertisement are the categories which have very slight influence in terms of Satisfaction Level of Dealers.

ROTATED COMPONENT MATRIX <sup>a</sup>				
STATEMENTS	Component			
	1	2	3	4
The promotional tolls offered by Ambuja Cements are Competitive.	.742			
Advertisements of Ambuja Cements are effective.	.783			
I would like to recommend my customers to buy Ambuja Cement.	.815			
Attitude of construction worker is positive towards Ambuja Brand.	.850			
I would suggest my relative or friends to work as a dealer of Ambuja Cements if Opportunity comes.	.528			
Ambuja Delivers your orders in a Proposed time.		.868		
Ambuja Cements has very less Complaints from its Customers.			.883	
Ambuja Company's personnel visit your shop regularly for improvement in bilateral relationship		.697		
Ambuja informs you faster about price change in the market.				.876

Following table clearly indicates the variables and factors relationship

Variables	Factor Extracted
Promotion Tools Advertisement Recommendations To Customers Attitude of Construction worker Suggestions To Be a Future Dealer	<b>Branding &amp; Opinions say</b>
Delivery Time Company's Personnel's Visits	<b>Logistic Support &amp; Bi-Lateral Relationship</b>
Complaints	<b>Qualitative Measure</b>
Information of Price Change	<b>Communication</b>

It is clear from the factor analysis that Satisfaction Level of Ambuja Dealers are more effective in the Qualitative Measure and Communication. Logistic Support and Bi-Lateral Relationship affect the Satisfaction level of Dealers significantly. The other factor emerged from the analysis reveal about the Branding and opinions say more important which is Essential to build the trustworthiness from the Dealer's perspective.

**FACTOR ANALYSIS OF SURROGATE BUYERS**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.728
Bartlett's Test of Sphericity	Approx. Chi-Square	420.711
	df	136
	Sig.	.000

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy for the various Attributes categories measured is 0.728., which indicates the scale is appropriate and helps in extracting the factor. The ideal measure for this test (KMO>0.50) and here in this case KMO is 0.728 indicates the variables are measuring a common factor.

**TOTAL VARIANCE EXPLAINED**

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.464	26.260	26.260	4.464	26.260	26.260	2.825	16.615	16.615
2	2.502	14.717	40.977	2.502	14.717	40.977	2.476	14.562	31.177
3	1.565	9.204	50.180	1.565	9.204	50.180	2.101	12.358	43.535
4	1.094	6.437	56.618	1.094	6.437	56.618	1.755	10.323	53.857
5	1.030	6.060	62.678	1.030	6.060	62.678	1.499	8.820	62.678
6	.918	5.398	68.076						
7	.854	5.021	73.097						
8	.822	4.838	77.935						
9	.645	3.793	81.728						
10	.625	3.678	85.406						
11	.600	3.531	88.937						
12	.415	2.444	91.380						
13	.407	2.397	93.777						
14	.322	1.894	95.671						
15	.284	1.669	97.341						
16	.266	1.567	98.908						
17	.186	1.092	100.000						

Extraction Method: Principal Component Analysis.

It is cleared from the above table that five components cover 11% of the data under Principle Component Analysis method and cover considerable variation. Again if we broaden the limit then, the statistics reveal that five components cover almost 63% of the data. Study reveals the fact that Advertisement, Recommendation, Attitude and Stickiness are the categories which have very slight influence in terms of Satisfaction Level of Surrogate buyers.

ROTATED COMPONENT MATRIX <sup>a</sup>					
STATEMENTS	Component				
	1	2	3	4	5
The Promotional tools offered by Ambuja cements are competitive.		.814			
The Advertisement of Ambuja cements are effective.			.482		
I would like to recommend my customers to buy Ambuja cements.		.455			
Attitude of Ambuja Dealers is positive Towards Ambuja brand.				.440	
I would like to recommend client to use Ambuja.					.740
Ambuja distributors deliver orders at proposed time.				.781	
Surrogate buyers find difficulty and have complaints about Ambuja cement.				.695	
Ambuja company's distributor contacts you regularly for improvement in customer-company relationship.		.638			
Ambuja Distributors informs you faster about price change in the market		.768			
Ambuja is very easy to stick at the time of construction.					.517
satisfaction on strength of Ambuja cement.	.764				
workability satisfaction	.673				
use of cement	.782				
overall satisfaction	.828				
availability in nearest area	.577				
Satisfaction level on Schemes offered by Ambuja cement.			.779		
Satisfaction on Listening to the complaints			.737		

Following table clearly indicates the variables and factors relationship

Variables	Factor Extracted
Satisfaction On Strength of Ambuja cement Workability Use Of Cement Overall Satisfaction Availability	contentment
Promotion Tools Recommendations To Customers Relationship Information of Price Change	Endorsement & Bi-Lateral Relationship
Advertisement Satisfaction on Schemes Complaints	Customer care & Branding
Attitude of Dealers Delivery Difficulty And Complaints	Logistic Support & Stance
Recommend To Client Easy To Stick At Construction	Counsel

It is clear from the factor analysis that Satisfaction Level of Surrogate Buyers is more effective in the Contentment and Endorsement & Bi-Lateral Relationship. Customer care & Branding and Counselling affect the Satisfaction level of Dealers significantly. Logistic Support and Stance are affecting the Satisfaction level of Dealers only just.

**FINDINGS**

- **According To Dealers**
  - Best three companies in Profits are Ultratech, Ambuja And Hathi
  - Dealers Demands cash Discounts as their first preference.
  - Ambuja provides highest credit facility and Binani provides worst credit facility.
  - Promotion Tools of Ambuja cement are very effective.
  - Ambuja provide best transportation facility.
- **According To overall surrogate buyer**
  - Overall 90.90% surrogate buyers recommend more than one brand to their customer.
  - Ambuja is highly recommended brand while Grasim is most un-recommend brand.
  - Cash discount is highly preferred by overall surrogate buyer.
  - Ambuja is rank at no.1 in all criteria that is cost, credit facility, quality and transportation.
  - Siddhi is cheapest brand.
  - Binani provides worst credit facility.
  - Binani has a worst quality among all brands.

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**ANNEXURE**

**NO.1 DISTRIBUTOR/RETAILER QUESTIONAIRE**

We are conducting this survey for completing our Research paper in the cement industry. We assure that your detail will be used only for Research purpose only. Your data will not be misused.

- READ INSTRUCTIONS CAREFULLY

Q-1 with How many Brand/Brands of Cement You Are Dealing?

One  More than one

Q-2 with Which of the Below Mentioned Brand/Brands of Cement You Are Dealing?

ACC  GRASIM CEMENT  
 AMBUJA CEMENT  INDIA CEMENT  
 JAYPEE CEMENT  SANGHI CEMENT  
 ULTRATECH CEMENT  OTHERS

Q-3 rank the following incentives schemes on the basis of your preference.(1 means highest ranking and 5 means lowest ranking)

SHARES OF THE COMPANY  TOUR PACKAGES  
 DISCOUNTS  CREDIT PERIOD  
 OTHER

Q-4 Compare the Following Brand of Cement on the basis of Criteria Mentioned Horizontally. (you suppose to rank the company and to those companies regarding which you have adequate Knowledge Pertaining to Mentioned Criteria. Rank 1 means Highest)

Company	Profit Margin	Credit Facility	Promotion Tools	Transportation Facility
ACC				
AMBUJA				
ULTRATECH				
HATHI				
SANGHI				
JAYPEE				
SIDDHI				
BINANI				

Q-5 Show Your level of Agreement with below Mentioned Statement.

[1= Strongly Agree, 2= Agree, 3= neither Agree nor Disagree, 4= Disagree, 5= Strongly Disagree]

No.	Statement	1	2	3	4	5
1	The Promotional tools offered by Ambuja Cement are Competitive.					
2	Advertisements of Ambuja Cement are effective					
3	I would like to recommend my Customers to buy Ambuja Cement.					
4	Attitude of Construction worker is Positive Towards Ambuja Brand.					
5	I would suggest my relative or friends to work as a dealer/retailer for Ambuja if opportunity comes.					
6	Ambuja Delivers your orders in a very proposed time.					
7	Ambuja cement has very less complaints from its customers.					
8	Ambuja company's personnel visit your shop regularly for improvement in Bi-lateral Relationship.					
9	Ambuja informs you faster about price change in the market.					

Demographic Information

Name \_\_\_\_\_

Shop name \_\_\_\_\_

Address \_\_\_\_\_

Contact No \_\_\_\_\_

Turnover

High  Medium  Low

We are Very Much Thankful to you for providing Your Precious Time to us for our Research Paper. Thank you very much for your co-operation.

**RESEARCHERS**  
 UTKARSH TRIVEDI  
 JIGNESH TOGADIYA



**NO.2 SUURROGATE BUYERS QUESTIONAIRE**

We are conducting this survey for completing our Research paper in the cement industry. We assure that your detail will be used only for Research purpose only. Your data will not be misused.

- READ INSTRUCTIONS CAREFULLY

Q-1 up till now how many Brands of cement have you ever recommended your client to use?

One  More Than one

Q-2 from the Below Mentioned cement Brands which Brand/Brands of Cement have You ever recommended your client to use?

ACC  GRASIM CEMENT  
 AMBUJA CEMENT  INDIA CEMENT  
 JAYPEE CEMENT  SANGHI CEMENT  
 ULTRATECH CEMENT  OTHERS

Q-3 Rank the Following Incentives Schemes on the basis of Your Preference.

Cash Discount  Gifts  Others

Q-4 Compare the Following Brand of Cement on the basis of Criteria Mentioned Horizontally. (you suppose to rank the company and to those companies regarding which you have adequate Knowledge Pertaining to Mentioned Criteria. Rank 1 means Highest)

Company	Cost	Credit Facility	Quality	Transportation Facility
ACC				
AMBUJA				
ULTRATECH				
HATHI				
SANGHI				
JAYPEE				
SIDDHI				
BINANI				

Q-5 Show Your level of Agreement with below Mentioned Statement.

[1= Strongly Agree, 2= Agree, 3= neither Agree nor Disagree, 4= Disagree, 5= Strongly Disagree]

No.	Statement	1	2	3	4	5
1	The Promotional tools offered by Ambuja Cement are Competitive.					
2	Advertisements of Ambuja Cement are effective					
3	I would like to recommend my Customers to buy Ambuja Cement.					
4	Attitude of Dealers/Retailers is Positive Towards Ambuja Brand.					
5	I would Recommend their Client to use Ambuja.					
6	Ambuja Distributors delivers your order at proposed time.					
7	You find difficulty and have complaint about the Ambuja cement.					
8	Ambuja company's Distributor Contacts you regularly for improvement in Customer-Company Relationship.					
9	Ambuja Distributor informs you faster about price change in the market.					
10	Ambuja is very easy to stick at the time of Construction.					

Q-6 Ambuja Cement Satisfied Customers with Below Mentioned Criteria.

No	Criteria	Extremely Dissatisfied	Dissatisfied	Neutral	satisfied	Extremely Satisfied
A	Strength					
B	Workability					
C	Consumption					
D	Satisfaction					
E	Delivery Time					
F	Availability					
G	Schemes					
H	Listen on Complaints					

Demographic Information

Name \_\_\_\_\_

Address \_\_\_\_\_

Role

Contractors  Builders  Mason (Construction Worker)

We are Very Much Thankful to you for providing Your Precious Time to us for our Research Paper. Thank you very much.

**RESEARCHERS**  
 UTKARSH TRIVEDI  
 JIGNESH TOGADIYA

## SMALL PACKAGING- MAKING THINGS AFFORDABLE (A STUDY OF RURAL CONSUMERS)

**RANJEET KAUR**  
**ASST. PROFESSOR**  
**GURU NANAK NATIONAL COLLEGE**  
**DORAHA**

**AMANDEEP KAUR**  
**ASST. PROFESSOR**  
**GURU NANAK NATIONAL COLLEGE**  
**DORAHA**

### ABSTRACT

Rural India is home to approximately 70% population of India. Economic reforms in India have brought about several changes in the whole marketing environment especially in rural market. Marketers use innovative packaging to capture the rural market because in modern marketing times packaging has become a very important part of product management. This paper aims to study the attitude of rural consumer towards sachet marketing of FMCG products by using convenience sampling. Mainly eight products washing powder, hair oil, shampoo, tooth paste, fairness cream and biscuits, talcum powder and mobile recharge cards are taken into account to study the behavior of consumers. It is evident from this study that rural consumers are price sensitive as they're daily wage earners. So they consider products in sachet cheaper and easily affordable. So companies should provide more and more products in sachets to tap the Indian rural market and to get success, more sales promotion schemes for sachets should be launched.

### KEYWORDS

affordable, innovative, rural, sachet, tap.

### INTRODUCTION

In modern marketing times, packaging has become a very important part of product management. With increasing competition, marketers are turning to innovative packaging to gain a distinctive edge to their overall product offers. Marketers also use packaging as a device for renovating the product. When a declining trend in the sale of the product noticed, marketers often use the packing to arrest the decline. They change the package and give a new look to the product without bringing about any substantive change in the product. The product is then advertised as new on the strength of the newness of the packing. Examples of innovating packaging are: Harpic liquid toilet cleaner with its directing nozzle, Bourn vita's 200gm reusable mug-cum jar pack, Cadbury' drinking chocolate in a shaker pack, its cococa in a special measuring cup, catch 22 and products like shampoo, biscuits are available in small pouch(sachets).

In India more than 70% population lives in rural areas and rural India is dominated by unorganized retailing where local provisional stores caters to the needs of local population. They may or may not deal with branded products. But after the advent of visual media (e.g. television) into rural India, the rural consumers are also looking for designer and quality branded products from their village stores. Also because of its huge size, large industries and multinational companies ranging from cars to detergents, shampoos are rushing to rural India to market their wares and tap the huge potential. There is a vast difference in life styles of the rural and urban consumers and traditional four P's of marketing **Product, Price, Promotion and Place** have been replaced by a different framework for analysis. A no. of companies have taken four A's – **Acceptability, Affordability Availability and Awareness** as challenges for rural marketing and they are developing their marketing strategies accordingly. The rural consumers in India are price sensitive as they are generally the daily wage earners and they don't have monthly income like their urban counterparts. The companies are providing value addition to the products and greater benefits to the consumers through packaging route. They are focusing on their core competency such as technological expertise to design specific products for the rural economy that are affordable. The most remarkable example in this context is the launch of sachets, which has transformed the rural market considerably, as packaging in smaller units and lesser priced packs, increases the product's affordability.

### SACHET MARKETING

Sachet marketing is nothing but efforts made by marketers to make the goods available to those who otherwise cannot afford to buy branded and costly products. It can broadly be defined as micro-selling concept that comprises small sized offerings, light product versions, services and loans in small portions. It not only makes product affordable to the target consumer, but also motivates them to adopt new product. Today many items such as Washing powder, Coconut oil, Hair oil, Shampoo, Coffee etc are available in sachets. Majority of the products which were earlier not used by the rural consumers have today become a part of their lives due to sachets and cheaper price.

Sachet signifies a revolution in marketing. It introduces the customer into a product category and makes it accessible to him. It also gives consumers more opportunity to experiment with a larger range of brands. Sachet has picked up fast in rural areas. Lower purchasing power and limited availability of cash for shopping force the rural consumers to go for small packs( with low unit price).In some cases, consumers also prefer small packs so that they can make a trial on small scale and after satisfaction go in for bulk purchases. So it has become the ideal tool for entering the highly price sensitive rural markets.

Firms went in for small packs in order to-

- a. Capture new market segments.
- b. Boost the sales volume.
- c. Compete through differentiation cum price oriented strategy with a small size and a low unit price.

Sachet was first introduced in India in 1990 by Cavincare by launching a 10ml sachet of velvette shampoo, at a very low price. The other companies later followed the strategy with great joy. The company also offered single use perfumes at Rs.2. Most of the FMCG Products are available in small packs from facial creams to shampoos, detergents, tea, coffee biscuits and chocolates etc.

### EXAMPLES OF SOME FMCG PRODUCTS AVAILABLE IN SMALL PACKING

\* **SHAMPOOS:** Brands like velvette & chick were the sachets pioneers; they gained a lot of penetration in the rural market through sachets. The low unit price of the sachets at Rs 1 and in some cases 75 paisa made it affordable. Masses of consumers could not afford to buy 80-100 ml bottles with a starting price of Rs 30 - 45 and up, but they readily welcomed the Rs 1.50 sachet of shampoo. The contribution of the rural market in the region of 15% in the late 1980's has grown to 35-40%. Garnier now has products in sachets, which includes shampoos & conditioners (Rs 3 & Rs 4 respectively).

\* **SOAPS AND DETERGENTS:** HUL has launched lifebuoy at Rs. 2 for 50 gm and Godrej has Cinthol, fairglow in 50 gm at Rs. 4-5. Mysore sandal soap is available in travel pack. India today has mini planner cum wallet, which is easy to carry aimed at modern woman. HUL plans combo sachets of shampoo and hair oil at Rs 1.

It also hiked the price of its detergent bar Surf Excel (120 g) earlier known as Rin Supreme from Rs 13 to 15 and also increased some of their toilet soap brands.

\***PARLE:** Sales have gone up 250% ever since it launched the Rs 5 half - litre bottle of bailey.

\* **CADBURY'S CHOCOLATES:** Small pack volumes are now outstripping the volumes of the large dairy milk bar. Perk also came in the small pack- perk slim at Rs 5 and Cadbury gems are Rs 1 for a pack of four units.

\***CADBURY'S BOURNVITA:** It is pushing the sale of bourn vita through Rs 3.50 sachet.

\* **FAIR & LOVELY:** HUL's premium brand fair & lovely fairness cream came in 5 ml at Rs 3.

\* **NESCAFE:** It was launched in a single serve pack at Rs 5.

\* **KIT KAT:** It was launched in Rs 2 pack.

\***HORLICKS:** It was launched in a 25 gms sachet and then in 18 gms.

\***PROCTER & GAMBLE:** P&G has reduced the pack size of its flagship detergent brand 'Tide' from 1 kilo to 850 gm while maintaining the price point at Rs 62. They have also reduced the size of its 500 gm to 480 gm at the same price.

The 5 gms Vicks vaporub tin, small size lifebuoy soap, talcum powder, detergents are a couple of other examples.

**REVIEW OF LITERATURE**

- In a survey conducted by MART (a rural marketing consultancy) and RMAI (Rural Marketing Association of India), it is stated that against 17% growth rate in urban areas, the rural sector has seen a 20% growth last year- contributing over 50% of India's total FMCG Market.
- Mckinsey and co. predicts that given the right investment in rural infrastructure, the rural market may be worth \$500-\$600 billion by 2020.
- Industry body ASSOCHAM projects that growth in FMCG segment is likely to be driven by increased consumption in rural and semi-urban areas and market size of FMCG industry will be Rs.1,23,363 crore by 2012.
- According to Dr.B.Nagaraja (2004), quality, easy availability and price of product are dominating factors influencing the buying behavior in rural areas.
- According to Sakkthivel, Mishra (2005), sachet zing is a bold move by FMCG conglomerates to motivate rural consumers to try out new products .It is a positive step towards the modification of buying behavior and consumption pattern of rural consumer.
- Joseph A. Sy-Changco, Ramendra Singh and Avenida Padre Tomas Pereira, (2009) in their article on "Mini-sizing consumption or whetting the appetite? Managerial insights on sachet marketing strategies of consumer goods companies" describe that sachet marketing depends on the applicability of packaging and compatibility of product itself .Commodities like detergents, seasonings and personal products can be sachet dependent and get distributed in territory channels.
- Sara Huhmann in his article "Tapping India's Rural Market"(2004) concluded that rural Indians need to purchase consumer goods just as their Western counterparts do. Rural Indian consumers have a different set of needs that must be met by both package and product. Packages need to be designed to withstand more distribution abuse due to poor roads and more primitive modes of transportation. When creating a package for rural India, small sizes allow consumers to try new products. It also caters to the fact that most rural Indians have low disposable incomes and little storage space at home.
- Pricewaterhouse Coopers for IBEF in their report on Fast Moving Consumer Goods said that the Indian FMCG sector is the fourth largest sector in the economy with a total market size in excess of US\$ 13.1 billion. Availability of key raw materials, cheaper labour costs and presence across the entire value chain gives India a competitive advantage. a number of companies followed the strategy of launching a wide range of package sizes and prices to suit the purchasing preferences of India's varied consumer segment.

**OBJECTIVES OF THE STUDY**

- \* To study the various reasons that influence the rural consumers to purchase goods in small packs.
- \* To study the time and place of using sachet package.
- \* To study the satisfaction level of rural consumer regarding quantity and quality of goods purchased in sachets.

**METHODOLOGY**

The study is intended to analyze the attitude of rural consumer towards sachet marketing of FMCG products. Mainly eight products washing powder, hair oil, shampoo, tooth paste, fairness cream, biscuits, talcum powder and mobile recharge cards are taken into account for the purpose of study.

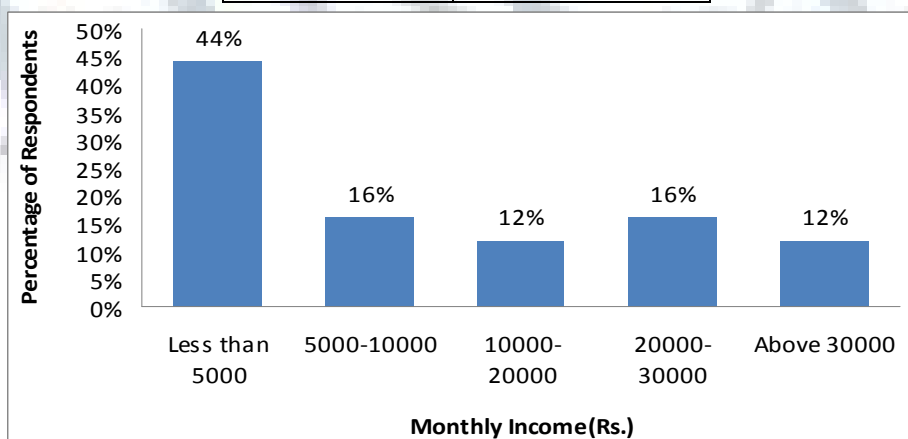
**SOURCES OF DATA COLLECTION:** Data is collected from both primary & secondary sources. The data for the study, primary in nature, has been collected by using questionnaires. Secondary data is collected from journals, newspapers, books, business magazines and websites.

**SAMPLING DESIGN:** The present study was carried in Ludhiana district by selecting the respondents from four villages namely Begowal, Rampur, Malhipur & Rajgarh near Doraha. Sample of 100 customers was selected for collecting primary data. To carry out the study in a more accurate and easier way, convenience sampling was adopted.

**DATA ANALYSIS AND INTERPRETATION**

**TABLE 1: MONTHLY INCOME OF RESPONDENTS**

Monthly Income(in Rs)	Respondents(percentage)
Less than 5000	44%
5000-10000	16%
10000-20000	12%
20000-30000	16%
Above 30000	12%

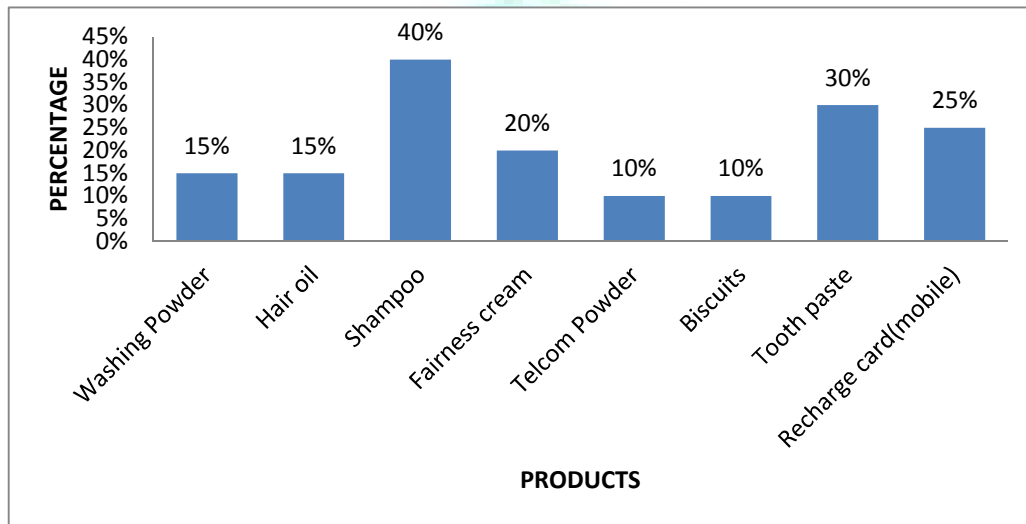


It is evident from this table that the majority of (44%) respondents belongs to income group whose monthly income is less than Rs 5000. Due to their low income, they prefer to purchase items in sachets than in large packs.

2. The respondents were asked to tick the products given in the list, they are purchasing in sachet. The responses are as follows:

TABLE 2

Products	Percentage of respondents
Washing Powder	15%
Hair oil	15%
Shampoo	40%
Fairness cream	20%
Talcum Powder	10%
Biscuits	10%
Tooth paste	30%
Recharge card(mobile)	25%

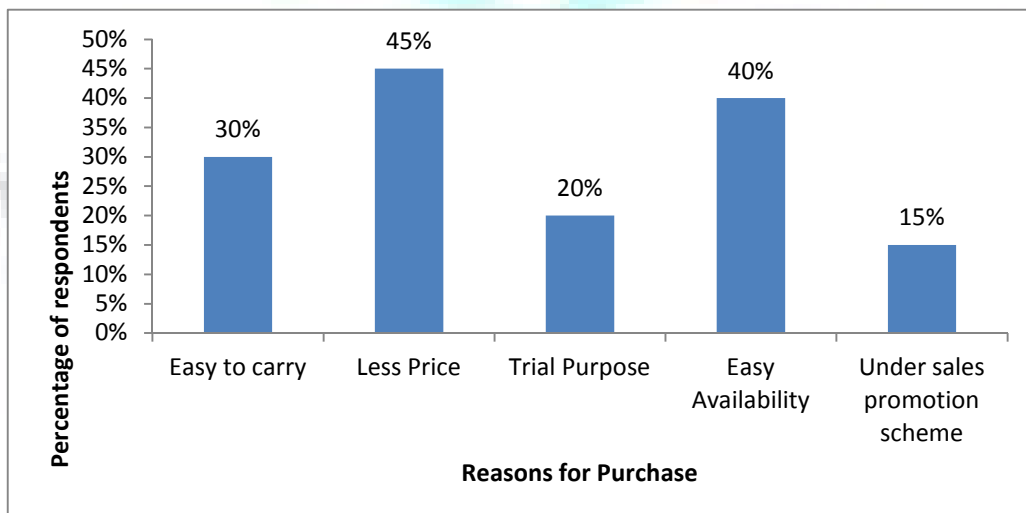


The respondents were asked to choose as many product categories as they purchase in small packs. So the above table shows that out of the 100 respondents, 40% respondents purchase shampoo in sachets, 10% biscuits, 30% toothpaste, and 15% washing powder and 20% fairness cream, 10% talcum powder, 15% hair oil and 25% mobile recharge card. So majority of respondents purchase shampoo in sachets followed by toothpaste and mobile recharge card.

3. The respondents were asked to mention the reason of purchasing the products in sachet. The responses are as follows:

TABLE 3

Reasons for purchase	Percentage
Easy to carry	30%
Less Price	45%
Trial Purpose	20%
Easy Availability	40%
Under sales promotion scheme	15%

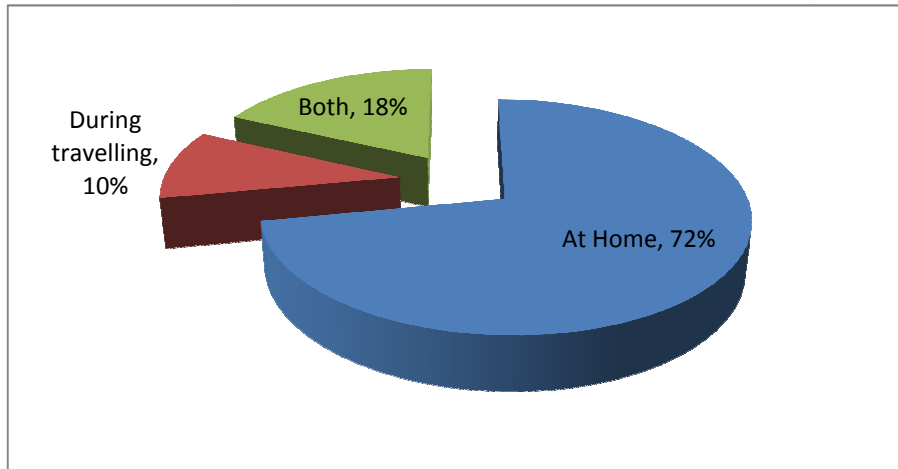


The respondents were asked to mention as many reasons as they consider for purchasing the products in sachet. The above table reveals that the main reason behind sachets purchasing is less price. Out of 100 respondents, 45% said that they purchase sachets due to lesser price, 40% due to easy availability as these are easily available from any shop, 15% respondents purchase due to sales promotion schemes, 20% for trial purpose, and 30% find them easy to carry.

4. The respondents were asked whether they use sachet only at home or during travelling or both. The responses are as follows:

TABLE 4

At Home	72%
During Travelling	10%
Both	18%

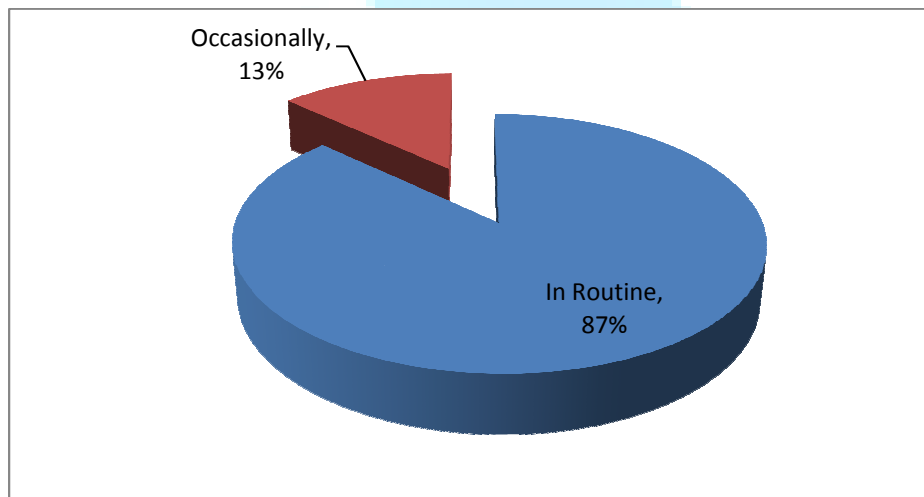


So it is evident that majority of respondents use sachet both at home.

5. The respondents were asked whether they use sachet in routine or occasionally. The responses are as follows:

TABLE 5

In Routine	87%
Occasionally	13%

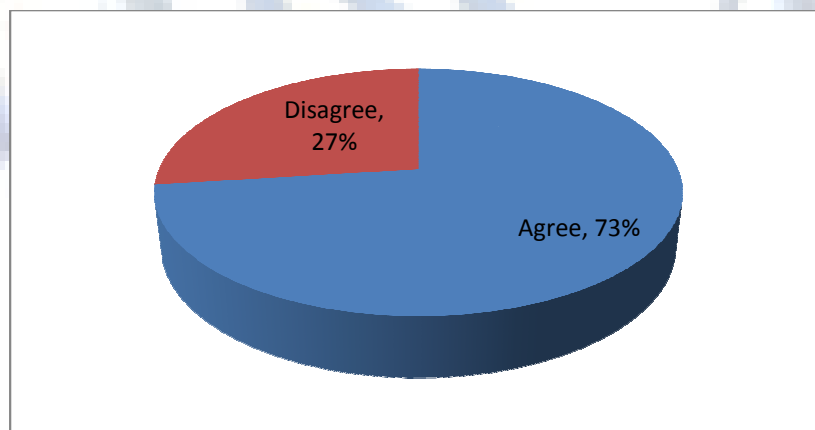


So it is evident that majority of respondents use sachet both at home as well as during travelling.

6. The respondents were asked whether they agree that multiple sachet purchasing is cheaper than one time large pack purchasing or not. The responses are as follows:

TABLE 6

Agree	73%
Disagree	27%



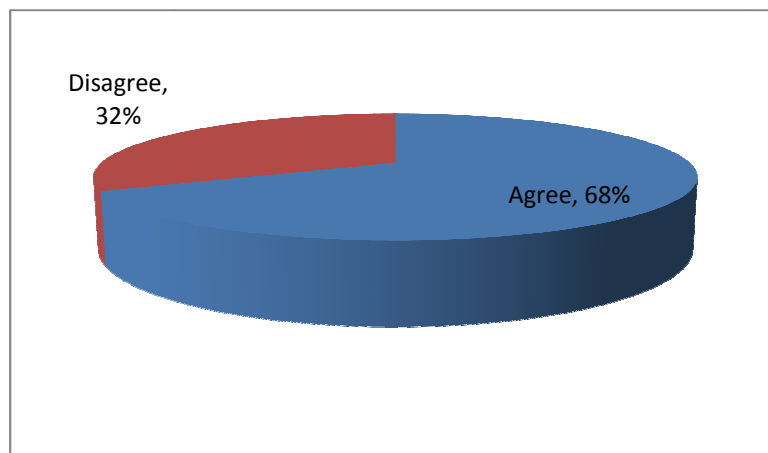


The above table indicates that out of total 100 respondents, 73% respondents think that purchasing multiple sachets for a particular quantity is still cheaper than purchasing a large bottle of same quantity.

7. The respondents were asked whether they agree that sachet has the same quality as that of large pack or not. The responses are as follows:

TABLE 7

Agree	68%
Disagree	32%

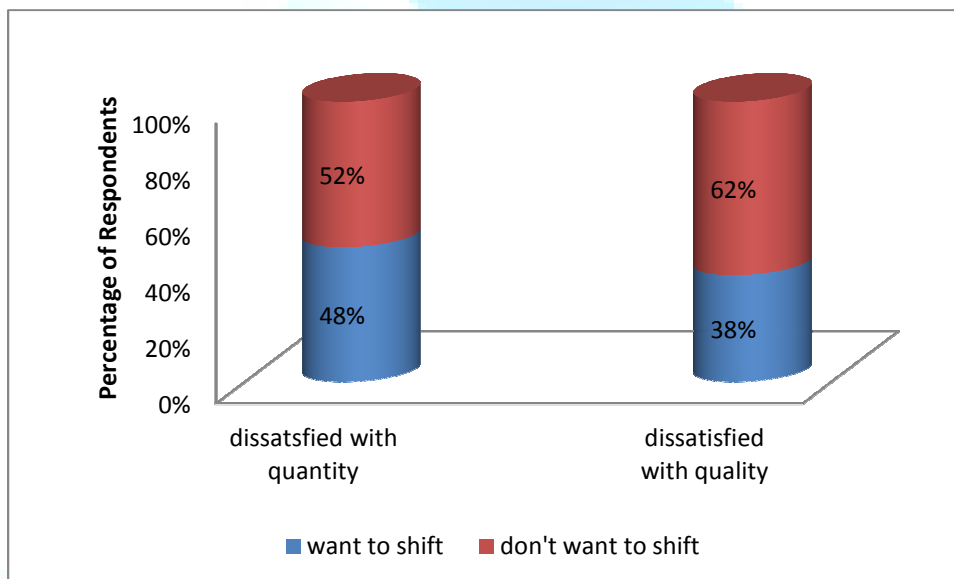


It is evident that 68% agree and 32% disagree, which shows that majority of consumers agree that the quality of sachet corresponds the quality of large size pack.

8. The respondents, who were disagreed with the quantity or quality of sachet packing, were asked whether they want to shift towards large pack purchasing or not. The responses are as follows:

TABLE 8

	Respondents dissatisfied with quantity	Respondents dissatisfied with quality
Want to shift	48%	38%
Don't Want to shift	52%	62%



It shows that out of 27% customers who were not satisfied with the quantity of multiple sachets in comparison to quantity available in large pack, 48% want to shift their purchasing to large size pack.

On the other hand, out of 32% respondents, who are not satisfied with the quality of sachet, 38% want to shift to large size pack.

**MAJOR FINDINGS OF THE STUDY**

- Majority of the rural consumers are of lower income group. So they prefer these products in sachets.
- Products like shampoo, toothpaste and mobile recharge cards are mostly purchased in sachets.
- Majority of respondents think that the items in sachets are quality wise good which shows that they are satisfied with the quality of products available in sachets.
- The major reasons behind their purchase are lesser prices followed by easy availability. Also majority of respondents purchase sachet because it is easy to carry. But some persons also use these products for trial purpose. Only few consumers purchase under sales promotion schemes.
- Majority of respondents use product sachets at home in routine. Only few use small packs during travelling and also on special occasions.
- Majority of consumers think that purchasing multiple sachets is cheaper rather than purchasing one time large pack. And majority is satisfied with the quality of product available in small pack.
- Out of 27% respondents who are not satisfied with quantity available in sachet, only 48% want to shift and out of 32% respondents who are not satisfied with the quality of product available in sachet, only 38% want to shift towards large pack purchasing. So majority of respondents want to continue their purchase of small packs.

**CONCLUSION**

So it is evident that packages are invaluable aid to decision making by the consumers. A package design itself acts as a registered brand. The rural consumers in India are price sensitive and sachets have transformed their life style. They have shifted their purchase from non branded goods to branded ones which are now available in affordable price. Companies are spending crores of rupees on attracting rural customers by designing the products and package as per their requirements. But to get more and more success in this move of making the product affordable to rural consumers, more and more sales promotion schemes for sachets should be launched. Also, the companies must ensure that the quality of product available in small pack must correspond to quality available in large pack. They should try to put more products in the consumption basket of rural consumers by practicing this move of sachet packing on other products also.

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**A REVIEW OF VIRTUAL LEARNING METHODOLOGY IN THE DEVELOPMENT OF SALES WORKFORCE**

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**ABSTRACT**

*This research paper analyzes the application of virtual learning methodology (VLM) in the training and development of the sales workforce in telecom industry. The Indian Telecom market is growing at the rate of 18% p.a. and the fierce competition at the marketplace demands a highly skilled and competent sales workforce. As a part of the study, a survey of 133 sales managers was conducted using a structured and non-standard questionnaire based on likert scale. The data was analyzed using Statistical Package for Social Sciences (SPSS) and the two hypotheses were tested using non parametric tests. The research findings would be beneficial to practicing training managers for imparting training programs for high impact learning for a geographically dispersed sales force.*

**KEYWORDS**

Sales Training, Sales workforce, Training Effectiveness, Training Framework, Virtual Learning Methodology.

**INTRODUCTION**

The Indian Telecom Industry has grown substantially over the last decade due to the liberalization policies of the government, extensive need for communication, favorable demographic outlook and the political stability. The market was dominated by public sector organizations until 1991 but the liberalization of the industry opened the doors to the private players. New Telecom policies of 1994 and 1999 revolutionized the industry and many foreign operators started their operations in the country. The Indian telecom network is currently the 3<sup>rd</sup> largest in the world and the 2<sup>nd</sup> largest in Asia.

The industry provides a variety of solutions related to voice, data, Value Added Services (VAS), entertainment, network and passive infrastructure etc. Telecom operators have deployed number of cutting edge technologies like Global System for Mobile communication (GSM - 2G/3G), Code Division Multiple Access (CDMA), General Packet Radio Service (GPRS), Enhanced Data-rates for Global Evolution (EDGE), High Speed Data (HSD), Evolution Data Optimized (EVDO), Universal Mobile Telecommunication System (UMTS), High Speed Packet Access (HSPA), Long Term Evolution (LTE), Wireless Inter-operability for Microwave Access (WiMAX), Next Generation Network (NGN), Synchronous Digital Hierarchy (SDH), Dense Wavelength Digital Multiplexing (DWDM) and Metro Ethernet Network (MEN) on their network in order to offer a host of products and services such as Fixed Wireless Phone (FWP), Fixed Landline Phone (FLP), Mobile phones (prepaid and postpaid), 3G Tabs, data cards, Direct To Home (DTH), Internet Protocol Television (IPTV), Voice over Internet Protocol (VoIP), broadband, leased lines, Internet Data Center (IDC), Virtual Private Network (VPN) and cloud computing etc. The industry has a segmented customer base and organizations use diverse channels like Enterprise / Corporate, Retail, Direct and Mass Distribution for reaching out to the customers.

The Learning Center (LC) of a leading telecom player in India, an ISO 9001:2008 certified entity, is actively engaged in providing learning solutions to employees and other stakeholders using various methodologies which includes instructor led training programs through regular and virtual classroom sessions, webcast, audio broadcasting and Self Learning Modules (SLMs). The virtual classroom sessions are facilitated using audio and video conferencing technologies and SLMs (animated presentation with voice over) provide self paced learning solutions to the employees. The LC portfolio contains over 250 instructor led training (ILT) and 92 self learning modules (SLMs) on different technologies, telecom equipments, behavioral and generic soft skills. The entity has trained and developed more than 32000 employees over the last nine years using following state-of-the-art learning models:

- Accelerated Learning Solutions (ALS)
- Blended Learning
- 3Ts Model (Telecommunication, Technology and Training)

The ALS program accelerates the learning curve of fresh engineering graduates by engaging them to learn, develop and enhance their on-the-job productivity and performance by a combination of Instructor led Classroom and Distance Learning Training Programs, On-line Interactive Self Learning Modules, On-the-job Mentoring, Cross Functional training, Job rotation and Enrichment, Project Presentation, Certifications, Quizzes, Workshops, Seminars and Conclaves.

The Blended Learning model uses a mix of conventional instructor led training (ILT) – direct as well as over audio/video conference for theory, product and services hands-on, supplemented by SLMs. All the modules include an evaluation mechanism to validate employee learning (Ram, Warier, & Krishnan, 2012).

3Ts model is a cost effective learning solution in comparison with conventional and virtual classroom techniques. It is tempered with a voluntary self learning and mandatory certification mechanism, thereby increasing its effectiveness and creating a learning organization. The model goes beyond traditional e-learning and is an amalgamation of online learning, virtual learning, distributed learning, networked or web-based learning techniques (Verma, Warier, & Krishnan, 2012).

**LITERATURE REVIEW**

Literature review has been undertaken to analyze the various aspects of the subject and the key works and models that are pertinent to the study have been reproduced in this section.

In many cases, training efforts focus exclusively on skills and techniques. While these elements are essential to good training, if there is no process 'backbone' to attach new practices to, the new methods are applied sporadically and soon fall into disuse. In essence, new skills fail to 'stick' without a committed change in the overall sales approach and philosophy. The application of new methods is typically reduced to a few good ideas gleaned from the training at an individual level. Many initiatives (and training vendors) apply a partial or fragmented training approach that fails to address specific types of learning. Simply providing 'blended' learning that is comprised of instructor led and eLearning courses may not improve retention and application results. An appropriate blend of controlled learning 'events', on-demand resources, 'push' reinforcement, and on-the-job learning is required to meet the needs of next generation sales professionals (Sales Performance International, 2010).

Most sales training is focused around a two- or three-day event where salespeople learn and practice new skills. The problem with event-only training is that the effects of the event fade. Without reinforcement, it's nearly impossible to make learning stick. Then you don't get the changes in behavior and increased performance results you're looking for. With event-only training, after short-term bumps in sales improvement, salespeople forget learned skills and knowledge, forget how inspired and motivated they were given what they covered, and the learning effectiveness decreases. Indeed, ES Research estimates that 85 percent to 90 percent of sales training fails after 120 days because the sales training is not reinforced (Schultz, 2012).

Corporate managers are constantly looking for more cost-effective ways to deliver training to their employees. E-learning is less expensive than traditional classroom instruction. Many expenses like booking training facilities, travel costs for employees or trainers, plus employee time away from the job etc. are greatly reduced. In addition to positive economic benefits, advantages such as convenience, standardized delivery, self-paced learning and variety of available content, have made e-learning a high priority for many corporations (Strother, 2002).

The majority of trainers we work with differentiate themselves in tenders by simply offering an online training module. When someone thinks about online training, it sometimes surprises that this is a differentiator in itself. But the fact is that the majority of trainers still don't offer it which, especially in the training of soft skills, provides a big opportunity. Almost all corporations feel they should offer their employees the opportunity to train their skills anywhere, anytime (Reijden, 2012).

A brief discussion of the underlying principles behind distance learning is necessary to understand the associated problems. In 1973 Moore introduced the theory of independent study. An important foundation of distance education, it suggests that successful teaching can take place even though teacher and learner are physically separated during the learning process. This separation can occur in several ways depending on the nature of the course content and delivery medium. Because of the competing priorities of work, home, and school, adult learners desire a high degree of flexibility. The structure of distance learning gives adults the greatest possible control over the time, place and pace of education; however, it is not without problems. Technology has also changed the face of education. Advances in telecommunications technology has opened up the possibility of personal and group interaction in distance education (Galusha, 1997).

The US army has taken a paradigm shift in its training methodology to provide self driven learning solutions to soldiers. The Army plans to convert over 500 courses to a distance learning format, delivering training to a soldier when needed. As described in the Total Army Distance Learning Plan, in the 21st Century, soldiers will attend streamlined resident courses, preparing themselves through diagnostic-driven, self-paced distance learning modules delivered at home station in unit learning centers, at the job site, or in their residence. In recent years, there has been an escalating interest on the part of academia, industry, as well as the military to shift from the traditional face-to-face classroom to a distance learning format. This shift has been driven by an interest in reducing training costs while increasing accessibility (Wisher et al., 1999).

One of the few generalizations that can be made about any distance learning program – whatever the communications media used and the content level – is that a good monitoring and evaluation system is likely to lead to a successful program, and a poor system is almost certain to lead to failure (Moore, 1999). The three key features of a good system are as follows:

- The preliminary specification of good learning objectives, with this crucial question at the heart: Did each participant produce evidence of having learned what was required as specified in the learning objectives? If not, why not?
- The construction and handling of assignments, which are the participants' evidence of learning and an important source of feedback for the program
- A good data gathering and reporting system and a solid review of all of the data by both instructors and program administrators

It is a daunting task to maintain an educated, high-performance workforce in today's global economy. Increased competition, regulatory bodies, changing technology, and process re-engineering conspire to disrupt traditional employee practice and capability. The need for training, retraining and lifelong learning by professionals, demands that continuing education and staff development accommodate diverse learning environments, including the home, office or offsite conference room. To meet such demands, organizations and businesses are relying on communications technology and distance learning to deliver training (Schreiber & Berge, 1998).

Schreiber and Berge (1998) have also proposed a model for technology based learning. This model employs a reiterative process of analysis and design and is derived from the theories of instructional systems development and conceptual frameworks of learning. The goal is to maximize utilization of technology and institutionalize an organization's distance training efforts:

- Analyze business needs
- Identify strategic distance training events and programs
- Apply conceptual frameworks of learning to distance training
- Identify and select delivery tools (develop organizational technology plan)
- Correlate distance learning instructional materials to technology delivery tools
- Secure implementation support
- Implement a balanced roll-out strategy
- Evaluate distance learning processes and measure transfer

Attwell (2006) has discussed the variables that affect the learning when it comes to the use of technology in training:

#### **Individual learner**

- Physical characteristics (e.g. age, sex, physical abilities)
- Learning history (negative/positive experience, level of attainment, duration, recency etc.)
- Learner attitude (positive/negative)
- Learner motivation (high/low)
- Familiarity with the technology

#### **Learning environment**

- The immediate (physical) learning environment
- The organizational or institutional environment
- The subject environment

#### **Contextual**

- Socio-economic factors (e.g. class, gender,)
- The political context (e.g. who is funding/ paying for the e-learning and for what reason?)
- Cultural background (e.g. how highly is learning/e-learning valued?)
- Geographic location (e.g. country, language, urban/rural)

#### **Technology**

- Hardware
- Software
- Connectivity
- Media
- Mode of delivery

#### **Pedagogic**

- Level and nature of learner support systems
- Accessibility issues
- Methodologies
- Flexibility
- Learner autonomy
- Selection and recruitment
- Assessment and examination

- Accreditation and certification

Managers from around the world are constantly trying to do more with less. The service or product they provide demand faster delivery, more variety, and better quality. Training and development practices are constantly adapting to new technology. The collaboration enabled via computers helps eliminate miscommunication. Project managers have discovered that they can be 'on the same page' even when they are not in the same room or geographical location. Learning and certification that can be done online can shorten training timelines. The latest information, knowledge and skills can be communicated instantly (Applied Training Solutions.com, 2012).

#### MODELS

##### a) Kirkpatrick's Model (Kirkpatrick & Kirkpatrick, 2006)

The 4 levels of the model are as under:

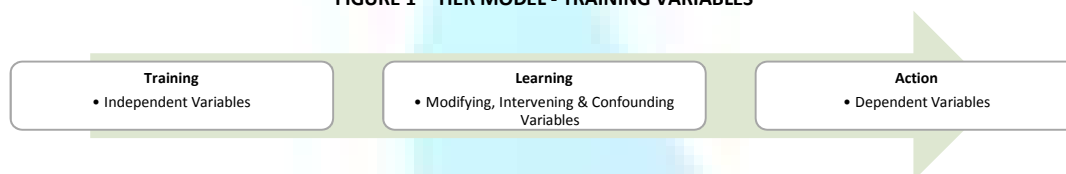
- **Level 1: Reaction** – It indicates the feedback of the participants with regard to the coverage, deliverability, content, presentation and duration of the program
- **Level 2: Learning** – The purpose of this stage is to obtain information on the amount of learning by the trainees. Getting feedback in an organized manner helps in correct and valuable evaluation
- **Level 3: Behavior** – It measures changes in on-the-job behavior. It is very important to give time to learners to reflect their learning on their work place
- **Level 4: Results** – Evaluation at this level consists of an attempt to measure aspects of the effects of trainee's job behavior –whether on productivity or efficiency of trainee's department

Training effectiveness dashboard will give real-time reporting of above measures for HR, line managers and executives. This will simplify and visualize key report data to facilitate faster decision-making. Training progress is also available via dashboard which provides a complete overview of all training variables.

##### b) TIER Model (NIOSH, 1999)

The TIER model (training intervention effectiveness research model) regards five types of study variables as integral to training effectiveness research: independent, dependent, modifying, intervening, and confounding variables (figure 1).

FIGURE 1 – TIER MODEL - TRAINING VARIABLES



- **Independent Variables** are the manipulated variables—that is, the training inputs and activities that are implemented and studied. They are presumed to cause or influence certain training outcomes. Depending on the study, independent variables could include timing, format, and location of training as well as modifications to the training rationale, content, or educational approach under study
- **Dependent Variables** are the intended aims of training, which are expected to result from exposure to the independent variables. As exposure varies, results may differ, allowing effectiveness to be measured. The model differentiates between dependent variables that are immediate effects of training (termed "outcomes") and dependent variables that are later-emerging effects of training (termed "impacts"). Sample outcomes of training include participant satisfaction with the course; changes in knowledge, attitude, and behavioral intent; and demonstrated skills or abilities. Sample impacts of training include the following: diffusion of course material into the field, retention of knowledge and attitudes, transfer of behavioral intent into practice, application of learned skills and abilities, transfer of training to new populations, and acceptance of instructional content as normal operating procedure
- **Modifying Variables** can modify the influence of independent variables on dependent variables. Therefore, to preserve the integrity of results, modifying variables must be controlled or neutralized for all study conditions. Learner variables (age, sex, socioeconomic status, etc.), trainer variables (experience, teaching style, etc.), and context variables (class size, classroom instruction versus apprenticeship training, etc.) can all modify learning outcomes. Typically, when modifying variables are suspected, research design techniques such as stratified sample selection can be used to control and study their effects on dependent variables
- **Intervening Variables** are inferred concepts intended to explain the processes between stimulus (independent variables) and response (dependent variables). Intervening variables cannot be meaningfully observed, manipulated, or measured. In educational research, such constructs frequently relate to learner attentiveness, ability and motivation to learn, learning style, and individual coping mechanisms when ingesting new material. Intervening variables may also pertain to (1) the trainer's ability to engage learners with the subject matter, and (2) contextual attributes such as the structure and formality of the educational environment. Random selection and assignment of subjects are presumed to control for most intervening variables
- **Confounding Variables** act synergistically with the independent variables and thus are suspected of altering the effects on the dependent variables. Factors beyond the learner's control can influence training outcomes. Therefore, confounding variables can bias the interpretation of data. Possible confounding variables in effectiveness research are changes in institutional policy, implementation of new technologies, and other non training factors that could influence dependent variables. Again, controls applied to sample selection, research design, and data analysis can identify and compensate for the effects of concurrent exposure to multiple causative agents

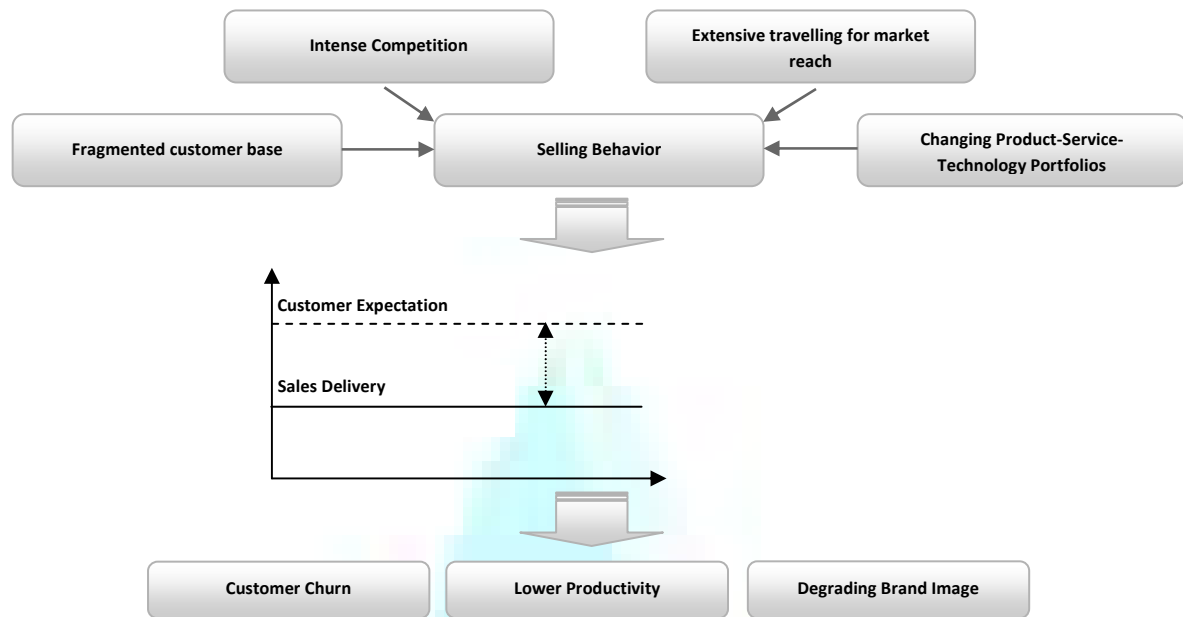
#### RESEARCH PROBLEM

In a dynamic telecom market environment, the sales workforce has to continuously enhance the skills to enjoy a competitive advantage. The sales managers have to ensure that their team members are fully up-to-date with the rapidly changing technology-product-service portfolio. To manage such a large number of channel partners, distributors and sales workforce, the sales managers must have a complete understanding of go-to-market strategies.

The selling behavior in the telecom industry is getting impacted by intense competition, extensive travelling and continuously changing product-service-technology portfolios. Consequently, there is a clear gap between the customer expectations and the sales delivery. Sales workforce is unable to convert the sales advantage into sales proposition due to lack of understanding of products and services. Figure 2 shows how all these factors are impacting the brand image, productivity and revenue of the organizations.



FIGURE 2: CHANGING SELLING BEHAVIOUR AND ITS IMPACT



The Indian telecom industry requires a highly techno-savvy, product and market centric sales workforce that can cover the length and breadth of the country through various distribution channels geographically spread across various states, zones, districts, towns and villages. The key problem areas pertaining to the research are summarized below:

- Organizations find it challenging to provide learning solutions to such a geographically dispersed sales workforce using conventional learning techniques only. The need for extensive market reach necessitates considerable travel which is an impediment for classroom training
- High cost and time involved in the travelling to attend the classroom training is another factor which needs to be addressed. The sales workforce operates out of various non-office locations spread across the marketplace. Classroom training has an adverse impact on the availability of the sales workforce
- The industry has an ever changing technology, product and service portfolio and hence the training solutions need to be innovative

### OBJECTIVES

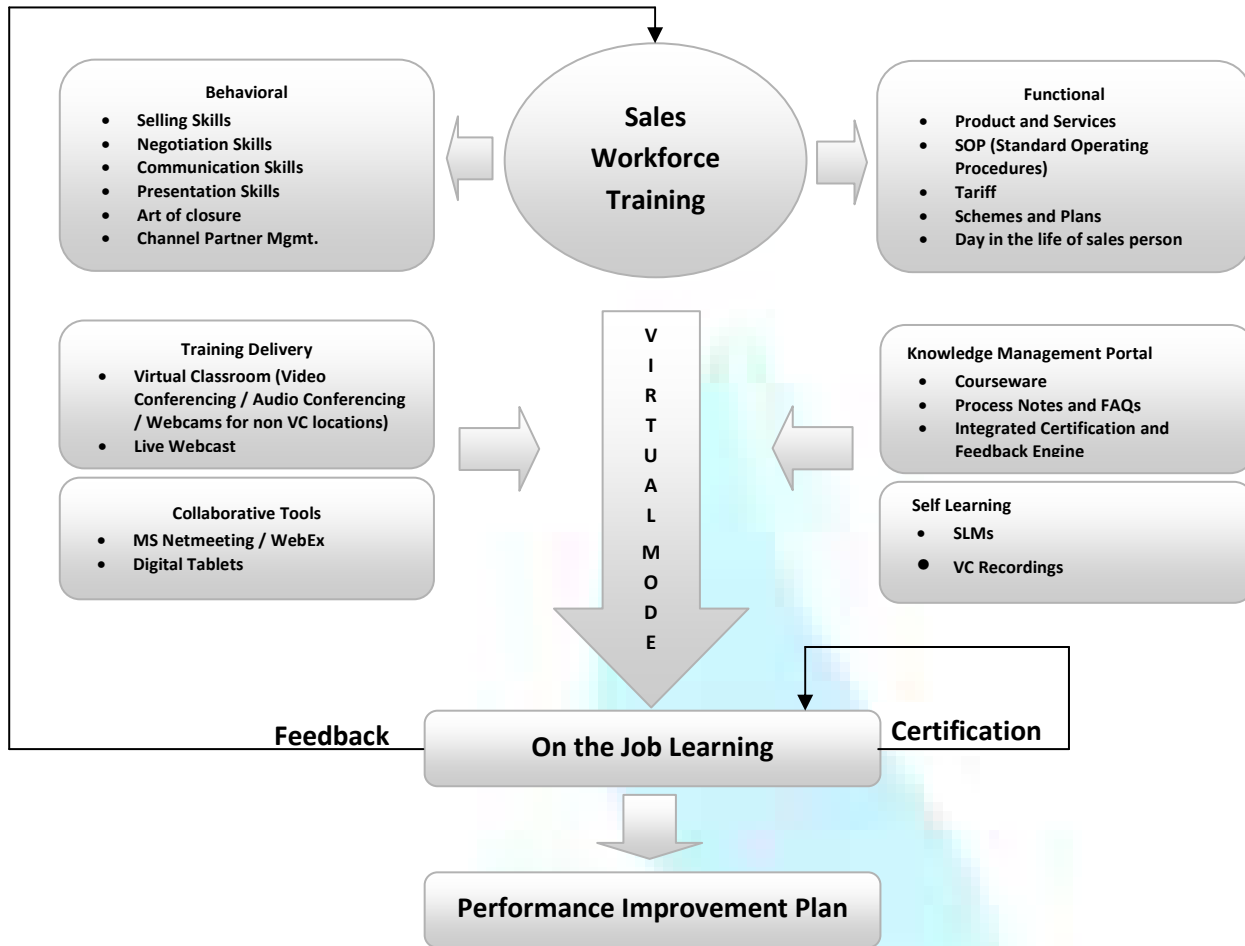
The primary objective of this research is to analyze the application of virtual learning methodology (VLM) for the training and development of sales workforce in the telecom industry. The specific objectives are listed hereunder:

- To create and validate a virtual learning framework for field sales workforce
- To evaluate the effectiveness of VLM for the training of sales workforce and establish a linkage with learning and competency development

### VIRTUAL LEARNING FRAMEWORK

This research paper aims to provide a holistic learning framework that bridges this gap by deploying a model that transcends geographical barriers and facilitates competency development of the sales workforce. The fundamental framework used for the sales workforce training through virtual learning methodology (VLM) is shown in figure 3. The sales managers, distributors, channel partners and other sales team members were trained on different behavioral and functional aspects using this framework for a period of three months as a part of the study. The behavioral training covered soft skills such as selling, negotiation, communication, presentation, art of closure, leadership, supervisory and channel partner management etc. The functional aspects related to products, services, process, tariff, schemes, plans were also covered in the training. All the training programs were designed and developed in alignment with the Subject Matter Experts (SMEs) and channel specific requirements.

FIGURE 3: VIRTUAL LEARNING FRAMEWORK



The training programs were delivered through different virtual modes such as virtual classroom (Video conferencing / audio conferencing) and webcasting. Participants joined the training program from their respective locations, or in some cases from their workplace, using the video conferencing facilities or even with a webcam and a speaker phone (from non VC locations). Trainers drove the sessions using collaborative aids like Microsoft Netmeeting, WebEx and digital tablets to simulate a classroom experience. A dedicated knowledge management portal was designed for the purpose of information and courseware sharing, training calendar display and to provide a platform for the integrated certification and feedback engine. Recordings of virtual classroom sessions, Self Learning Modules (SLMs) and deferred webcasts were also made available on the portal to drive the self learning for sales workforce. Besides this, a helpdesk was created to resolve participants’ queries and sponsors were appointed in all the geographies and they were responsible for the end-to-end facilitation and administration of training delivery, nominations and attendance, IT and other logistics in their respective geographies. The sponsors were aligned with the trainers throughout the training.

The participants were mandated to take certification test and provide feedback after each training program. The findings from the feedback analysis were incorporated to further develop and enhance learning solutions. The post training assessment scores were used to identify learning gaps of participants and also formed a part of their performance improvement plan.

**RESEARCH METHODOLOGY**

As a part of the study, sales managers, sales executives, distributors and channel partners from different distribution channels were trained over a period of three months through different virtual learning modes. The training covered functional and behavioral aspects as described in the conceptual framework section (Figure 3). The courseware was tailor-made to serve channel specific needs and post training, all the participants were mandated to provide feedback and undertake a certification test. The impact study was done at the end of three months to ascertain the effectiveness of training using VLM. The methodology used for the research is described in table 1.

TABLE 1: RESEARCH METHODOLOGY

S.N	Parameter	Value
1	Type of Research	Empirical
2	Length of Study	3 months
3	Research Instrument	Structured and Non Standard Questionnaire
4	Survey Administration	Email and Telephonic
5	Instrument Validity Testing	Cronbach Alpha
6	Sampling Type	Purposive and Judgmental Sampling
7	Sample Size	133
8	Analysis	Descriptive, Spearman’s Co-relation and Cronbach Alpha
9	Hypothesis Testing	Non Parametric Test - Kolmogorov-Smirnov

**SAMPLING DESIGN**

A purposive sampling technique was used for the study. The sample included 133 sales managers from different sales and distribution channels (Appendix 2).

**DATA COLLECTION**

The primary data was collected through the administration of a structured and non-standard questionnaire (Appendix 1) using emails and telephonic calls.

**ASSUMPTIONS**

- Sales managers are representative of the entire sales population

- The findings of the study could be extended to all the business units of an organization
- The sales training processes and requirements are uniform across the telecom industry

**LIMITATIONS**

- The sampling size is a major limitation of the study
- The sample is restricted to a specific business unit of a leading telecom player in India

**HYPOTHESES**

**H1:** VLM imparts a holistic learning experience to the sales workforce to discharge their on-the-job responsibilities

**H2:** VLM promotes learning and results in the competency development of the sales workforce

**DATA ANALYSIS AND INTERPRETATION**

The data collected through the responses was collated and tabulated. The parameters tested, the tests employed and the tables listing the results are as listed in Table 2.

**TABLE 2: TESTS USED FOR DATA ANALYSIS**

S.N	Parameter	Test	Table
1	Descriptive Statistics	Mean, Std. Deviation, Skewness and Kurtosis	Table 4
2	Reliability Testing	Cronbach Alpha	Table 5, 6 and 7
3	Data Correlation	Spearman's Correlation	Table 8 and 9
4	Hypothesis Testing	Kolmogorov-Smirnov	Table 10

Table 3 provides the response count summary of different questions used in the research instrument. The data was subsequently analyzed using SPSS Statistics Ver. 20 software. The tests validated both the hypotheses.

**TABLE 3: QUESTION WISE RESPONSES**

Question	Response					Weighted Avg.
	5	4	3	2	1	
Q1	50	76	6	1	0	4.32
Q2	53	71	6	3	0	4.31
Q3	2	34	39	40	18	2.71
Q4	13	58	27	27	7	3.33
Q5	35	72	16	7	2	3.99
Q6	55	68	8	1	0	4.34
Q7	68	60	3	1	1	4.45
Q8	29	87	15	1	0	4.09
Q9	39	80	8	4	1	4.15
Q10	36	82	13	2	0	4.14
Q11	40	82	11	0	0	4.22

**Descriptive Analysis**

Table 4 shows the descriptive data analysis of the responses collected through the survey. This includes mean, standard deviation, skewness and kurtosis. Skewness is used for distribution analysis and is indicative of a sign of asymmetry and deviation from a normal distribution. All 11 questions indicate negative skewness.

**TABLE 4: DESCRIPTIVE ANALYSIS**

Questions	N	Mean	Std. Deviation	Skewness	Kurtosis
		Statistic	Statistic	Statistic	
Q1	133	4.32	.595	-.455	.628
Q2	133	4.31	.665	-.912	1.616
Q3	133	2.71	1.041	-.056	-.955
Q4	133	3.30	1.108	-.553	-.360
Q5	133	3.96	.924	-1.385	2.994
Q6	133	4.31	.730	-1.857	8.358
Q7	133	4.45	.657	-1.609	5.450
Q8	133	4.06	.694	-1.601	8.275
Q9	133	4.12	.808	-1.801	6.250
Q10	133	4.14	.641	-.486	.859
Q11	133	4.22	.582	-.063	-.346

Kurtosis is a measure of the heaviness of the tails of a distribution. A normal distribution has kurtosis 0. Extremely non-normal distributions may have high positive or negative kurtosis values, while nearly normal distributions will have kurtosis values close to 0. Kurtosis is positive if the tails are "heavier" than for a normal distribution and negative if the tails are "lighter" than for a normal distribution. Kurtosis is an indicator used in distribution analysis as a sign of flattening or "peakedness" of a distribution. 4 out of 11 questions have a Kurtosis < 3 which is indicative of a Platykurtic distribution, flatter than a normal distribution with a wider peak. The probability for extreme values is less than for a normal distribution, and the values have a wider spread around the mean.

**Cronbach Alpha Reliability Test**

Cronbach's Alpha is a coefficient of reliability. It is commonly used as a measure of the internal consistency or reliability of a test score for a sample of respondents. Cronbach's alpha reliability coefficient normally ranges between 0 and 1. The closer coefficient is to 1.0, the greater the internal consistency of the items in the scale. The research instrument was tested using Chronbach Alpha to measure the internal reliability of different questions. The alpha coefficient for the research instrument is 0.811 (Table 5) which indicates a very high internal consistency of the scale items. Question 6 could not be grouped during the reliability testing.

**TABLE 5: CRONBACH ALPHA TEST OUTPUT FOR THE RESEARCH INSTRUMENT**

CASE PROCESSING SUMMARY			
Cases	Valid	N	%
		133	100.0
	Excluded <sup>a</sup>	0	0.0
	Total	133	100.0

*a. List wise deletion based on all variables in the procedure.*

RELIABILITY STATISTICS	
Cronbach's Alpha	N of Items
.811	11

Table 6 shows the Chronbach Alpha test output for Questions - Q3, Q4, Q5, Q10 and Q11. The internal consistency is high as the value of Chronbach Alpha coefficient is 0.681. It shows that these five questions can be grouped together and represent the training effectiveness.

TABLE 6: CRONBACH ALPHA RELIABILITY TEST - GROUP 1 – Q3, Q4, Q5, Q10 AND Q11 – TRAINING EFFECTIVENESS

RELIABILITY STATISTICS				
	Cronbach's Alpha	N of Items		
	.681	5		

ITEM-TOTAL STATISTICS				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Q3	15.62	5.827	.337	.685
Q4	15.04	5.461	.370	.677
Q5	14.38	5.797	.439	.629
Q10	14.20	6.083	.667	.565
Q11	14.12	6.561	.572	.606

Table 7 shows the Chronbach Alpha test result for Questions- Q1, Q2, Q7, Q8 and Q9. The internal consistency of these questions is very high as the value of Chronbach Alpha coefficient is 0.740. These questions also can be grouped together and they represent the learning and competency development of the participants.

TABLE 7: CRONBACH ALPHA RELIABILITY TEST – GROUP 2 – Q1, Q2, Q7, Q8 AND Q9 – LEARNING AND COMPETENCY DEVELOPMENT

RELIABILITY STATISTICS				
	Cronbach's Alpha	N of Items		
	.740	5		

ITEM-TOTAL STATISTICS				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Q1	16.94	4.178	.514	.693
Q2	16.95	4.111	.456	.711
Q7	16.80	3.946	.538	.681
Q8	17.20	4.083	.435	.719
Q9	17.14	3.391	.585	.661

**Spearman's Correlation Analysis**

Spearman's Correlation test assesses how well the relationship between two variables can be described using a monotonic function. If there are no repeated data values, a perfect Spearman correlation of +1 or -1 occurs when each of the variables is a perfect monotone function of the other (Wikipedia, 2012). Table 8 shows the Spearman's Correlation coefficient value between different questions. It validates that the group 1 (Q3, Q4, Q5, Q10 and Q11) and group 2 (Q1, Q2, Q7, Q8 and Q9) have positive internal correlation.

TABLE 8: SPEARMAN'S CORRELATION TEST OUTPUT

Correlations		Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11
Q1	Correlation Coefficient	1.000	.507**	.195*	.359**	.342**	.422**	.434**	.392**	.338**	.517**	.530**
	Sig. (2-tailed)		.000	.024	.000	.000	.000	.000	.000	.000	.000	.000
	N	133	133	133	133	133	133	133	133	133	133	133
Q2	Correlation Coefficient	.507**	1.000	.243**	.221*	.346**	.355**	.307**	.253**	.384**	.397**	.603**
	Sig. (2-tailed)	.000		.005	.011	.000	.000	.000	.003	.000	.000	.000
	N	133	133	133	133	133	133	133	133	133	133	133
Q3	Correlation Coefficient	.195*	.243**	1.000	.183*	.198*	.170	.147	-.011	.100	.355**	.280**
	Sig. (2-tailed)	.024	.005		.035	.022	.051	.092	.899	.252	.000	.001
	N	133	133	133	133	133	133	133	133	133	133	133
Q4	Correlation Coefficient	.359**	.221*	.183*	1.000	.244**	.229**	.361**	.196*	.315**	.399**	.317**
	Sig. (2-tailed)	.000	.011	.035		.005	.008	.000	.024	.000	.000	.000
	N	133	133	133	133	133	133	133	133	133	133	133
Q5	Correlation Coefficient	.342**	.346**	.198*	.244**	1.000	.308**	.435**	.087	.212*	.445**	.424**
	Sig. (2-tailed)	.000	.000	.022	.005		.000	.000	.319	.014	.000	.000
	N	133	133	133	133	133	133	133	133	133	133	133
Q6	Correlation Coefficient	.422**	.355**	.170	.229**	.308**	1.000	.387**	.253**	.357**	.392**	.397**
	Sig. (2-tailed)	.000	.000	.051	.008	.000		.000	.003	.000	.000	.000
	N	133	133	133	133	133	133	133	133	133	133	133
Q7	Correlation Coefficient	.434**	.307**	.147	.361**	.435**	.387**	1.000	.324**	.420**	.488**	.517**
	Sig. (2-tailed)	.000	.000	.092	.000	.000	.000		.000	.000	.000	.000
	N	133	133	133	133	133	133	133	133	133	133	133
Q8	Correlation Coefficient	.392**	.253**	-.011	.196*	.087	.253**	.324**	1.000	.511**	.132	.181*
	Sig. (2-tailed)	.000	.003	.899	.024	.319	.003	.000		.000	.131	.038
	N	133	133	133	133	133	133	133	133	133	133	133
Q9	Correlation Coefficient	.338**	.384**	.100	.315**	.212*	.357**	.420**	.511**	1.000	.407**	.350**
	Sig. (2-tailed)	.000	.000	.252	.000	.014	.000	.000	.000		.000	.000
	N	133	133	133	133	133	133	133	133	133	133	133
Q10	Correlation Coefficient	.517**	.397**	.355**	.399**	.445**	.392**	.488**	.132	.407**	1.000	.660**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.131	.000		.000
	N	133	133	133	133	133	133	133	133	133	133	133
Q11	Correlation Coefficient	.530**	.603**	.280**	.317**	.424**	.397**	.517**	.181*	.350**	.660**	1.000
	Sig. (2-tailed)	.000	.000	.001	.000	.000	.000	.000	.038	.000	.000	
	N	133	133	133	133	133	133	133	133	133	133	133

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

\* Correlation is significant at the 0.05 level (2-tailed)

Table 9 shows the correlation between the two group variables – Training Effectiveness and Learning and competency development. It is clear from the table that the variables are also positively correlated with each other as the value of spearman’s coefficient is 0.0362.

TABLE 9: SPEARMAN’S CORRELATION SCORE AMONG THE GROUPS

Spearman's Correlation		Training Effectiveness	Learning and Competency Development
Training Effectiveness	Correlation Coefficient	1.000	.362**
	Sig. (2-tailed)		.000
	N	133	133
Learning and Competency Development	Correlation Coefficient	.362**	1.000
	Sig. (2-tailed)		.000
	N	133	133

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

\* Correlation is significant at the 0.05 level (2-tailed)

**HYPOTHESIS TESTING AND RESULTS**

Kolmogorov Smirnov test was used for hypotheses testing and the SPSS output of the data is given in table 10.

TABLE 10: KOLMOGROV-SMIRNOV TEST RESULTS

Hypothesis Test Summary				
Sr. No.	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Training Effectiveness is normal with mean 3.69 and standard deviation 0.63.	One-Sample Kolmogorov-Smirnov Test	0.00	Reject the null hypothesis
2	The distribution of Learning and Competency Development is normal with mean 4.25 and standard deviation 0.54.	One-Sample Kolmogorov-Smirnov Test	0.00	Reject the null hypothesis

Asymptotic significances are displayed. The significance level is .05.

**H1: VLM imparts a holistic learning experience to the sales workforce to discharge their on-the-job responsibilities**

Table 10 shows the Kolmogorov-Smirnov test results of the hypotheses. The mean of the training effectiveness score is 3.69 with standard deviation of 0.63. 95% participants feel that trainer was effective in translating the training into a learning experience. 93% participants also feel that the content delivered through the virtual mode was highly effective and relevant for them to discharge their on-the-job tasks. It can be concluded on the basis of responses and hypotheses test results that training was highly effective and the hypothesis can be retained.

**H2: VLM promotes learning and results in the competency development of sales workforce**

It is shown in the table 10 p-value for the learning and competency development variable is less than significant level of 0.05. The mean of variable score is 4.25 with standard deviation of 0.54. 90% of the participants feel that they along with their team members are highly motivated to attend such training sessions for further enhancement of skills and knowledge. Kolmogorov-Smirnov tests results show that the hypothesis can be retained and it can be concluded that VLM promotes learning and results in competency development of sales workforce.

**KEY Findings**

The key findings of the research are listed below:

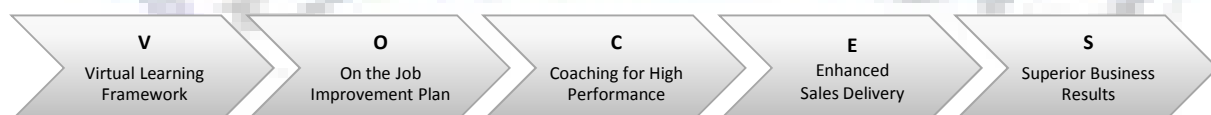
- **VLM framework is an effective tool and driving the desired objectives for sales workforce**
  - 81% of the sales managers feel virtual learning model is convenient
  - 95% of the sales managers feel that VLM framework is effectively used by the trainers for to translate training objectives into learning experience
  - 93% of the sales managers feel that content delivered through VLM was relevant and useful for their on-the-job responsibilities
- **The sales workforce is motivated to actively participate in training programs through VLM**
  - 96% of the sales managers want to attend more such programs for further enhancement of their skills and knowledge
  - 88% of the sales managers want to organize such programs for their team members
  - 90% of the sales managers feel that their team members want to attend more such programs
- **Overall quality and training satisfaction level is high**
  - 93% of the sales managers feel that certification and feedback process is user friendly
  - 89% of the sales managers rate the overall experience and satisfaction level as high
  - 92% of the sales managers find the quality of training inputs received as good and satisfactory

**CONCLUSION**

The research findings empirically validate effectiveness of the VLM framework for training and development of sales workforce. The study has also contributes to the understanding that quality of the training delivered through VLM is quite high and training programs are driving the end objectives. The sales workforce is motivated to participate in training initiatives through VLM as it provides the flexibility for pursuing one’s learning needs.

The organizations can also utilize the VLM framework as a cornerstone to leverage the intellectual capital and improve the sales performance. The VOCES model shown in the figure 4 provides the roadmap to the sales managers to enhance their productivity and achieve superior business results

FIGURE 4: VOCES MODEL FOR EFFECTIVE SALES DELIVERY THROUGH VIRTUAL LEARNING FRAMEWORK



Sales managers can utilize the post training assessment scores to identify the gaps and chalk out the necessary performance improvement plan. The research findings are also helpful to the practicing training managers to deploy dynamic and high impact training programs for competency development and skill enhancement to a geographically spread sales workforce.

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APPENDICES

APPENDIX 1 – RESEARCH INSTRUMENT

Name	Role / Channel	
Location	Designation	

Sr. No.	Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Trainer was effective in translating the training objectives into learning experience	0	0	0	0	0
2	Training content was relevant and useful for discharging your roles and responsibilities	0	0	0	0	0
3	Virtual Learning methodology is not driving the desired objectives	0	0	0	0	0
4	The Training duration was convenient and not adversely impacting your work	0	0	0	0	0
5	The Virtual Learning methodology was more convenient and preferable	0	0	0	0	0
6	Feedback and Certification process was user friendly	0	0	0	0	0
7	You are motivated to attend VC training programs for further enhancement of your skills and knowledge	0	0	0	0	0
8	You want to organize VC training programs for your channel members in your respective location	0	0	0	0	0
9	Your team members are motivated to attend the training programs organized by you in your respective location	0	0	0	0	0
		Very Good	Good	Average	Below Average	Poor
10	Please rate the overall satisfaction and experience of the training programs attended	0	0	0	0	0
11	Please rate the quality of training inputs received	0	0	0	0	0

APPENDIX 2 – CHANNEL WISE RESPONSES

Channel	Responses
Corporate / Enterprise	15
Direct Sales	45
Mass Distribution	59
Retail	14
<b>Total</b>	<b>133</b>

## CLASSIFICATION OF INVESTORS' IN INDIAN SECURITIES MARKET WITH REFERENCE TO TAMILNADU – A DISCRIMINANT ANALYSIS

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### ABSTRACT

*The needs and the mental make-up of the individuals' changes very often, it is necessary to understand the influence of factors on portfolio management so that individualized portfolios can be planned and developed by the policy makers and corporate after taking the personal characteristics of the individuals into account. This paper tries to identify the classification of investor's in Indian Securities Market with reference to Tamilnadu and it reveals that the investors in Tamilnadu are influenced by two domains of factors. This has been identified on the basis of factor analysis by applying Discriminant analysis.*

### KEYWORDS

Classification of Investors', Indian Securities Market, Discriminant Analysis, Investors Behaviour, Individual Investors.

### INTRODUCTION

Investors are strange creatures, they wait until the market has risen before they put money in and then sell out when the market has plunger or worse, hold on to a floundering stock, waiting for it to get back to the value they paid for it. The securities market has invited enormous number of investor through the innovative changes emerged in the forms of electronic media and other advanced facilities. But the single most important factors which influence the portfolio management of individuals are the personal factors of the investors<sup>1</sup>. Since the background, the needs and the mental make-up of the individuals' changes very often, it is necessary to understand the influence of factors on portfolio management so that individualized portfolios can be planned and developed after taking the personal characteristics of the individuals into account.

### NEED FOR THE STUDY

The Economic Utility Theory views of the individual investment decision as a trade off between immediate consumption and deferred consumption. The individual investor weighs the benefits of consuming today against the benefits that may be gained by investing unconsumed funds in order to enjoy greater consumption at some point in the future.

**Scheinman's**<sup>2</sup> view is that most investors lose because they try to apply rational measures, fundamental and technical to an irrational market of human emotion. He demonstrates convincingly the uselessness of most investment advice, or at least its application by the average investors.

As he sees it, the unsophisticated investors is mainly governed by the hope of profit and fear of loss especially the latter and consequently does the wrong thing at the wrong time. To improve his performance, the investor must not only price the right stocks but must correctly time the purchases and sales by anticipating the actions of others. By knowing himself, he can interpret market psychology in better way. While individual action is impossible to predict, the action of the crowd can often be anticipated.

In all the studies, there is one common streak namely the investor's obsession with maximization of return from safe investment. However, **Scheinman's** observation makes a deviation. He feels that an investor by knowing himself can make a better investment decision. As he pointed out that it is impossible to predict individual action, the action of the crowd can be anticipated. It is precisely discussed in this observation that provided the clue for the present study on investor's behaviour.

### DIFFERENT INVESTORS' BEHAVIOUR IN SECURITIES MARKET – LITERATURE REVIEW

**MCKELVEY**<sup>3</sup> in his study entitled "intangible factor in stock evaluation" pointed out that when making an investment decision, one should look for certain factors beyond current earnings and dividends. The factor suggested in his study are growth trend, quality of growth, qualitative factors, management factors, validity of earnings, use of leverages, diversification, shareholder relations and other intangible factors. The intangible factors are stocks with restricted voting rights, full voting right, reputation of the underwriter and the length of time that the shares have been marketed. The study emphasizes that current earnings and yield are important factors in determining the attractiveness of a stock, but they are not the only ones.

The findings of a study on the behaviour of individuals in security investment decisions by **KELLER**<sup>4</sup> are as follows:

1. Although each decision process was highly individualized, it was possible to synthesize the size of a multi step general model.
2. The expectation of desirable future "reported earnings" to be generated from "adequate company resources" by a good management is a requisite to any investment;
3. Financial leverage in a company under consideration for investment has some optimal range relative to "adequate resources" and risk.
4. Dividend had value only for their possible information content and any "yield floor" was considered to be beyond the range of acceptable down side risk and therefore of no consequences
5. Investors tend to identify with their investments and any particular stock was rarely regarded dispassionately as a more portfolio item.
6. Potential market realization was the hall-mark of success even among investors who held that any sale was unjustified unless the original purchases had been a mistake.

**WESTERFIELD**<sup>5</sup> in his study "A Behavioral, approach to the investment management decision and to the securities markets" examined the individual investment decision. The major findings may be summarized as follows;

1. There is a significant difference between an amateur investor and non investor with respect to risk performances.
2. Certain personality and cognitive judgmental factors are associated with choice rationality, perceived risk and risk preferences.
3. Choice rationality, in the portfolio theory sense is exceptional on gleaning the investment scene.

**FRANK R. KELLER** (1970)<sup>6</sup> focused on the determinants of security values, share holder satisfaction and the nature of successful investment practice. He found each decision process to be highly individualized

<sup>1</sup> N.J.Yasaswy, Equity Investment Strategy, Tata McGraw-Hill Publishing Co. Ltd, 1982, p226.

<sup>2</sup> Scheinman William X.(1970), Why most investor are mostly wrong most of the time, Weybright & Talley, New York.

<sup>3</sup> Mckelveykent J. intangible factors in stock evaluative financial executive Aug 1966 pg.52

<sup>4</sup> Keller R. fronk the behavior individual in security investment decisions, dissertation at harword bus school 1967

<sup>5</sup> Westerfield Rondolph A Behavior - Dissertation at university of California 1968.

<sup>6</sup> Frank R. Keller, The Behaviour of individuals in security investment decisions, the Journal of Finance, sept 20, 1970. pp 942-43

**SCHIENMAN**<sup>7</sup> felt that most investors lose because they try to apply rational measures, fundamental and technical to an irrational market of human emotion. He demonstrates convincingly the uselessness of most investment advice or atleast its application by the average investors. The published "experts" tend to be consistently wrong since mutual fund performance is inconsistent.

In his book "The battle for stock market profits" **LOEB**<sup>8</sup> states that Successful investor requires a special kind of judgment and flair in analyzing market behaviour which is associated more with psychology than with pure fact and formula".

The survey of senior executives of financial institutions by **HINDUSTAN THOMPSON ASSOCIATES (1978)**<sup>9</sup> found both merchant bankers and financial institutions feeling that the occupation of investor had little relevance to equity market and agreed the single most important influence on an investor's decision to be the stock broker.

A later survey by the **HINDUSTAN THOMPSON ASSOCIATES (1980)**<sup>10</sup> found that portfolio value increases equity acquiring an edge over other forces of investments.

**SHANMUGAM et al**<sup>11</sup> in an attempt to describe the investment process of Indian investors concluded that the investment public in India drawn from middle income group investors are divided into three groups namely tax savers, traditionalists and risk takers. An attempt has been made to highlight the differences in investors' preference over various investment parameters. Apart from giving importance to regional industry in personal portfolio, occupation of investors was found to be having an impact on investment decision.

**Chalapati Rao (1999)** et al<sup>12</sup> in their research article "Some aspects of the Indian Stock Market in the post liberalization period" evaluates that as a part of the process of economic liberalization, the stock market has been assign an important place in financing the Indian corporate sector. Besides enabling mobilizing resources for investment, directly from the investors, providing liquidity for the investors and monitoring and disciplining company management are the principal functions of the stock market. This paper examines the development in the Indian stock markets during the nineties in terms of these three roles.

**Santi Swarup (2003)**<sup>13</sup> in her research article "Measures for improving common investor confidence in Indian primary market a survey", concentrates on the decisions taken by the investors while investing in primary markets, the study indicates that the sample investors give importance to their own analysis as compared to broker's advice. They also consider market price as a better indicator than analyst recommendations. The study also identifies factors that are affecting primary market situation in India. Issue price, information availability, market price after listing and liquidity emerge as important factors. This study suggests that investors need to be assured of some return and current level of risk associated with investment in the market is very high. They have had bad experience in terms of lower market price after listing and high issue price. Accordingly number of measures in terms of regulatory, policy level and market oriented were suggested to improve the investor confidence in equity primary markets. However, this paper does not highlight the measures for improving investor confidence in secondary market.

## OBJECTIVES OF THE STUDY

The main purpose of this paper is to identify the influencing factors and classify the investor based on the influencing factors. The following are the specific objectives of the study.

1. To identify the influencing factors of Individual Investors in securities market in Tamilnadu.
2. To identify the classification of Individual Investors in Tamilnadu based on influencing factors.
3. To Perform linear Discriminant analysis and to predict the correct group to which the individual investors belongs to.

## METHODOLOGY

### SAMPLE SIZE

Sample sizes of 1122 respondents are taken for the study, among the 1122 questionnaire only 825 samples are found useable. The sample of this study covers the following cities Chennai, Madurai, Trichy, Salem, Tirunelveli, Karaikudi and Coimbatore.

### DATA ANALYSIS

The sources of the data are primary as well as secondary. The data collected from the investors' survey constitute the primary and information gathered through books, journals, magazines, reports consists of secondary. The data collected from both the sources are scrutinized edited and tabulated. The data are analyzed using statistical package for social sciences (SPSS). Statistical tools like Parametric paired one sample t-test, Factor analysis and K-means Cluster analysis are used in the study.

## RESULTS AND DISCUSSION

### FACTORS DETERMINING BEHAVIOUR OF INVESTORS AND THEIR CLASSIFICATIONS

Based on the review of literature some predominant factors are identified which are affecting the behaviour of investors. In this study the twenty five variables like expected corporate earnings, diversified business activities, influence of firms product and quality, information from financial statement, reputation of the business unit, recommendation of brokers, information in report and prospectus, price of shares, performance of stock in the previous years, expected dividend, institutional holding, risk return analysis, tax concession, performance of stock market, portfolio experience of investors, current economic indicators, reputation of promoters, financial need of investors, recent price movement of stock, friends and co-workers recommendation, international operation, exchange listing, tips and information on the business journals, attraction of non-stock investments like Gold etc, and political stability have been considered as indispensable elements of liberalization and they have been considered as indispensable elements affect the behaviour of investors. The respondents were requested to express their opinion about the impact of predominant factors on individual investment strategies especially on securities market in Likert five point scales which is ranging from strongly agree to strongly disagree. The one sample 't' – test with test value of 3 is applied on these twenty five variables of the predominant factors.

<sup>7</sup> Scheinman William x. why most investors are mostly wrong most of the time we bright a tally New York 1970.

<sup>8</sup> Loeb gerold m the battle of stock market profits simon a schaster New York feb 1971. In a study of financial disclosure investor confidence and corporate credibility cased

<sup>9</sup> H.T. Association, Equity Issues – phase I "A Communication Perspective based on interviews with Financial Institution and Merchant Bankers". Bombay : Hindustan Thompson Association Ltd 1978

<sup>10</sup> H.T. Association, Ibid

<sup>11</sup> Shanmugam R and Muthuswamy P. Decision Process of individual investors in Indian Capital Market, UTI Institute of Capital Market PP. 62-71.

<sup>12</sup> Rao Chalapati K.S., M.R. Murthy and K.V.K Ranganathan, 1999, 'Some aspects of the Indian Stock Market in the post liberalization period', Journal of Indian School of Political Economy

<sup>13</sup> K Santi Swarup, 2003, Measures For Improving Common Investor Confidence In Indian Primary Market A Survey, [Online], National Stock Exchange India Limited, Available from <http://www.nseindia.com/content/research/Paper64.pdf>

TABLE 1: ONE-SAMPLE STATISTICS FOR THE PREDOMINANT FACTORS

Variables	N	Mean	Std. Deviation	Std. Error Mean
F1	825	4.5067	.61752	.02150
F2	825	4.0582	.62629	.02180
F3	825	4.2364	.77343	.02693
F4	825	4.0800	.74775	.02603
F5	825	4.0048	.81400	.02834
F6	825	3.8836	1.01973	.03550
F7	825	3.9345	.83351	.02902
F8	825	4.0618	.95902	.03339
F9	825	4.1297	.84411	.02939
F10	825	3.8764	.89320	.03110
F11	825	3.9976	.85616	.02981
F12	825	3.8958	.79366	.02763
F13	825	4.0691	.93155	.03243
F14	825	3.8255	.89012	.03099
F15	825	4.0836	.85986	.02994
F16	825	4.2364	.68877	.02398
F17	825	4.0194	.73214	.02549
F18	825	4.1164	.87358	.03041
F19	825	4.1430	.76571	.02666
F20	825	4.0352	.89631	.03121
F21	825	3.9564	.77462	.02697
F22	825	4.0642	.81669	.02843
F23	825	3.8145	.82337	.02867
F24	825	3.9394	.86810	.03022
F25	825	3.7891	.95105	.03311

Source: Computed data

It is found that the mean values are greater than four and standard deviation are strictly less than one. The significance of 't'- test value for the test value 3 are presented in the following table

TABLE 2: ONE-SAMPLE TEST FOR THE PREDOMINANT FACTORS

Variables	Test Value = 3					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
F1	70.080	824	.000	1.50667	1.4645	1.5489
F2	48.530	824	.000	1.05818	1.0154	1.1010
F3	45.915	824	.000	1.23636	1.1835	1.2892
F4	41.485	824	.000	1.08000	1.0289	1.1311
F5	35.457	824	.000	1.00485	.9492	1.0605
F6	24.890	824	.000	.88364	.8140	.9533
F7	32.204	824	.000	.93455	.8776	.9915
F8	31.802	824	.000	1.06182	.9963	1.1274
F9	38.440	824	.000	1.12970	1.0720	1.1874
F10	28.181	824	.000	.87636	.8153	.9374
F11	33.467	824	.000	.99758	.9391	1.0561
F12	32.418	824	.000	.89576	.8415	.9500
F13	32.964	824	.000	1.06909	1.0054	1.1328
F14	26.636	824	.000	.82545	.7646	.8863
F15	36.198	824	.000	1.08364	1.0249	1.1424
F16	51.558	824	.000	1.23636	1.1893	1.2834
F17	39.992	824	.000	1.01939	.9694	1.0694
F18	36.705	824	.000	1.11636	1.0567	1.1761
F19	42.877	824	.000	1.14303	1.0907	1.1954
F20	33.172	824	.000	1.03515	.9739	1.0964
F21	35.462	824	.000	.95636	.9034	1.0093
F22	37.429	824	.000	1.06424	1.0084	1.1201
F23	28.415	824	.000	.81455	.7583	.8708
F24	31.082	824	.000	.93939	.8801	.9987
F25	23.832	824	.000	.78909	.7241	.8541

Source: Computed data

The one sample 't' – test reveals that , the mean values of twenty five variables of influencing factors and its impact on investors behaviour are significantly greater than 3 in fact they are greater than 4 also. So it is observed that the investors give much important for the corporate expected earnings and also the product superiority and its quality of product produced by the company. The current economic indicator of the country and it is impacts on the recent price movement of the firm's stock price gives important while choosing the investment strategies. The performance of stock in the securities market over the years and the experience of the investor in the market give a good return to meet the financial needs of the investor. Tax concession given by the government to the investor for investing their surplus money on securities market is also welcomed by the investor. The exchange listing provides a good scope for the investor to liquidate their holding at right time. It is found that after the careful analysis of financial statement and the need for the diversified business activities of the business help the investor to invest their surplus holding in to the securities market. While investing the money the price band of the share play a vital role. Reputation of the firm and the promoter of the companies and the recommendation of the coworker are vitally creating the notions to the investor in choosing the portfolio. Institutional holding and the wide spreading of business through international level are also observed while investment made by the investor in securities market after considering the attraction of non-stock investment. Information from the report, stockbroker's recommendation, and tips available on business journals are also induces the investor to enter into the securities market. Investors in securities market are always having an expectation on dividend announcement and market performance. On the whole, political stability is also having an immense presence on the activities of the securities market. So it is concluded that the investors in Tamilnadu are highly influenced by the predominant factors like expected corporate earnings and nature of firm's product. They

have significant current economic indicator to identify the price movement of stock and it is also the aid to determine the past performance of stock and financial needs of the investors.

**INFLUENCING FACTOR ON INVESTMENT BEHAVIOUR**

The factor analysis by the principle component method is applied on 25 variables of Influencing factor on the investment behaviour in securities market and the following results are obtained.

In this study, the Kaiser-Meyer-Olkin (KMO) measure is found to be 0.71 which is well above the screening limit of 0.5. Hence, it is also validated for the factor analysis.

**TABLE 3: KMO AND BARTLETT'S TEST**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		<b>.710</b>
Bartlett's Test of Sphericity	Approx. Chi-Square	7568.530
	df	300
	Sig.	.000

Source: Computed data

**TOTAL VARIANCE EXPLAINED**

The table defines the percentage of variance by each component to take the most important representation. The components whose Eigen value is greater than 1.00 are considered for the reduction. Accordingly, the first 7 components have been taken as factors. It is understood that by using the 7 factors, 63.538% of the variance of the parameters can be defined.

**TABLE 4: NUMBER OF FACTORS OF INFLUENCING FACTOR ON INVESTMENT BEHAVIOUR**

Component	Initial Eigen values			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.646	18.585	18.585	3.387	13.549	13.549
2	3.179	12.716	31.301	2.559	10.234	23.783
3	2.322	9.290	40.591	2.237	8.949	32.732
4	1.959	7.835	48.426	2.129	8.515	41.247
5	1.439	5.755	54.181	2.057	8.227	49.473
6	1.182	4.729	58.910	1.840	7.361	56.834
7	1.157	4.628	63.538	1.676	6.704	63.538
8	.999	3.995	67.533			
9	.853	3.412	70.945			
10	.842	3.369	74.314			
11	.754	3.014	77.328			
12	.655	2.620	79.948			
13	.633	2.531	82.479			
14	.552	2.206	84.685			
15	.486	1.945	86.630			
16	.468	1.872	88.502			
17	.441	1.765	90.267			
18	.428	1.714	91.980			
19	.395	1.580	93.561			
20	.338	1.351	94.912			
21	.323	1.292	96.204			
22	.287	1.148	97.351			
23	.244	.976	98.327			
24	.219	.878	99.205			
25	.199	.795	100.000			

Source: Computed data, Extraction Method: Principal Component Analysis.

It is found that the 25 variables of Influencing factors on investment behaviour in securities market explain 63.538 percent of total variance and seven factors are emerged, this emergence is identified by the eigen values as greater than one. The emerged factors are allowed to rotate through varimax rotation to identify the variable loading in each factor and the result obtained through rotated component matrix is presented below.

**ROTATED COMPONENT MATRIX**

It shows the various parameters which fall under each factor. It can be seen that the factors loading for each parameter against each factor is significant enough to set under any of the factor and none of the parameters are disqualified for the same.



TABLE 5: VARIABLES LOADING OF INFLUENCING FACTOR ON INVESTMENT BEHAVIOUR

	Component						
	1	2	3	4	5	6	7
F20	<b>.802</b>	-.081	-.037	-.098	.130	.092	.104
F24	<b>.784</b>	-.009	.121	-.132	.119	-.140	-.023
F6	<b>.710</b>	.072	.313	-.108	-.001	.018	.089
F18	<b>.571</b>	.120	-.127	.097	.545	-.053	.126
F7	<b>.463</b>	-.085	.094	.138	.259	.391	-.028
F25	-.107	<b>.780</b>	.007	.230	.105	.046	-.184
F12	.127	<b>.715</b>	-.069	-.195	-.079	.092	.097
F8	.202	<b>.622</b>	.034	-.359	.331	.140	.108
F5	-.238	<b>.592</b>	.160	.269	-.281	.203	.071
F9	.103	.067	<b>.705</b>	.106	-.068	.219	.076
F11	.214	.145	<b>.646</b>	-.112	.183	-.064	.065
F13	.541	-.046	<b>.577</b>	.055	-.066	-.272	.049
F14	.323	.299	<b>-.532</b>	.351	-.123	.324	.164
F21	.021	-.215	<b>.405</b>	.252	.303	.257	.162
F17	-.213	.012	.096	<b>.797</b>	-.085	.013	.167
F19	-.034	.021	-.061	<b>.740</b>	.089	.060	-.067
F3	.034	-.146	.131	.004	<b>.786</b>	.083	.188
F22	.420	.163	.105	-.092	<b>.542</b>	-.200	-.023
F16	.249	.225	-.310	.358	.376	.341	.054
F10	-.091	.272	-.008	.018	.016	<b>.796</b>	-.059
F23	-.070	.432	.178	.191	-.222	<b>.484</b>	-.192
F15	.346	-.021	.374	.188	.390	-.392	.096
F1	.136	-.171	6.07E-005	-.096	.151	-.025	<b>.828</b>
F2	-.026	.247	.139	.187	.075	-.131	<b>.755</b>
F4	.260	-.231	.209	.349	.086	.286	.371

Source: Computed data, Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a Rotation converged in 11 iterations.

Based on the above, the factors and the parameters under each factor are defined below

- Friends and co-workers recommendation 0.802
- Attraction for non stock investment 0.784
- Stock brokers recommendations 0.710
- Competing financial needs of investors 0.571
- Information in report and prospects 0.463

Hence, factor one is called as **External Influencers** and the factor two consist of the following

- Political stability 0.780
- Risk return analysis 0.715
- The price of the share 0.622
- Reputation of the firm 0.592

Hence, the factor two is suitable named as **Primary Sources** and factor three consists of the following

- Past performance of stock 0.705
- Institutional Holding 0.646
- Tax concession / Exemption 0.577
- Expected stock market performance -0.532
- International operation 0.405

Hence, the factor three is coined as **Prudential Benefits** and factor four consists of the following

- promoters / management reputation and track records 0.797
- Recent price movement of the firm's stock 0.740

Hence, the factor four is named as **Reputed Movement** and factor five consists of the following

- The influence of the nature of the firm's product and quality of service 0.786
- Exchange listing 0.542

Hence, the factor five is suitable named as **Performance Identification** and factor six consists of the following

- Expected dividend 0.796
- Influence of tips and information from business journals 0.484

Hence, the factor six is suitably coined as **Valuable Expectation** and factor seven consists of the following

- Expected corporate earnings 0.828
- Diversified business activities 0.755

Hence the factor seven is coined as **Wide Expectation**

The factor analysis on the variable of Influencing factors on investment behaviour in securities market inferred that external influencer like friends and stock brokers' recommendations have influenced the behaviour of investor. It is also observed that the investors widely expect the prudential benefit for the factors they thoroughly check the primary source like return, reputation, and political stability for the investment process. The available and transparent information about the performance of firm's issuing the shares have deep impact over the investment decision of investors.

**CLASSIFICATION OF INVESTOR BASED ON THE INFLUENCING FACTOR**

In this study, it is identified that External Influencers, Primary Sources, Prudential Benefits, Reputed Movement, Performance Identification, Valuable Expectation and Wide Expectation are influencing the investment behaviour so it has necessitated, the classification of investor based on the perception level of influencing factor. The application of cluster analysis ascertained in the following classification (table 6).

TABLE 6: FINAL CLUSTER CENTERS OF INFLUENCER

Factors	Cluster		
	1	2	3
External Influencers (EI)	3.41	3.81	2.35
Primary Sources (PS)	3.73	3.89	3.03
Prudential Benefits (PB)	3.60	3.71	2.68
Reputed Movement (RM)	3.68	3.96	2.78
Performance Identification (PERI)	3.49	2.49	3.82
Valuable Expectation (VE)	3.72	2.75	3.33
Wide Expectation (WE)	3.66	2.74	3.54

Source: Computed data.

TABLE 7: NUMBER OF CASES IN EACH CLUSTER OF INFLUENCER

Cluster 1	382.000
Cluster 2	242.000
Cluster 3	301.000
Valid	825.000

Source: Computed data.

From table 7, it is inferred that the existing three group of investor based on their perception level of influencing factor, the first group consists of 46.3% of investor, the second group consists of 29.33% of investors and third classification consists of 24.36% of investors of securities market. The nature of cluster of investor is identified in the following manner

TABLE 8: NATURE OF CLUSTER OF INFLUENCER

Factors	Cluster		
	1	2	3
External Influencers (EI)	Moderate	Strong	Weak
Primary Sources (PS)	Moderate	Strong	Weak
Prudential Benefits (PB)	Moderate	Strong	Weak
Reputed Movement (RM)	Moderate	Strong	Weak
Performance Identification (PERI)	Moderate	Weak	Strong
Valuable Expectation (VE)	Strong	Weak	Moderate
Wide Expectation (WE)	Strong	Weak	Moderate

Source: Computed data.

From the above nature of cluster (table 8), it is identified that the first cluster is strong in valuable expectation and wide expectation and second cluster is strong in four aspects of External Influencers, Primary Sources, Prudential Benefits and Reputed movement. The third cluster uniquely strong in Performance Identification. So the first is **Expectation Oriented** because the investors in this cluster always expect better return from their investments. The second cluster is named as **Benefit and Reputation Oriented** cluster this implies that the investor in second cluster always look for prudential benefits and reputation of companies shares.. The third cluster is named as **Performance Oriented** cluster. So it is deduced that the investor in this cluster always take risk and allow their investment to work hard to give maximum return to their investment.

**JUSTIFICATION OF CLUSTER OF INFLUENCING FACTORS**

The discriminant analysis is brought to bear on the problems of justifying the classification of cluster in this analysis. The cluster is again considered as grouping variable and the seven influencing factor are considered as independent variables. The test of equality of group means is clearly exhibited the significance of influencing factor in classifying the investors is presented as follows.

TABLE 9: TESTS OF EQUALITY OF GROUP MEANS OF INFLUENCER

Factors	Wilks' Lambda	F	df1	df2	Sig.
External Influencers	.481	442.803	2	822	.000
Primary Sources	.747	139.422	2	822	.000
Prudential Benefits	.580	297.972	2	822	.000
Reputed Movement	.554	331.402	2	822	.000
Performance Identification	.493	423.315	2	822	.000
Valuable Expectation	.727	154.621	2	822	.000
Wide Expectation	.732	150.320	2	822	.000

Source: Computed data.

From table 9, it is found that all the seven factors are External Influencers, Primary Sources, Prudential Benefits, Reputed Movement, Performance Identification, Valuable Expectation and Wide Expectation discriminate properly to classify the investors perception about influencing factor. The classification of cluster predominantly emerged two discriminated functions and their respective canonical correlation with wilks lambda.

TABLE 10: EIGEN VALUES OF INFLUENCER

Function	Eigen value	% of Variance	Cumulative %	Canonical Correlation
1	2.051	75.2	75.2	.820
2	.676	24.8	100.0	.635

Source: Computed data. , First 2 canonical discriminant functions were used in the analysis.

TABLE 11: WILKS' LAMBDA OF INFLUENCER

Test of Function(s)	Wilks' Lambda	Chi-square	Df	Sig.
1 through 2	.196	1336.356	14	.000
2	.597	422.780	6	.000

Source: Computed data.

From the above Eigen value and wilks lambda table ( table 10 and 11), it is found that the two discriminate functions of seven influencing factors are highly significant in influencing the discrimination of variables in fact the wilks lambda for these functions are significant to express the formation of structured matrix and discriminant mechanism.

TABLE 12: STRUCTURE MATRIX OF INFLUENCER

Factors	Function	
	1	2
External Influencers (EI)	*.686	.405
Primary Sources (PS)	*.677	.363
Prudential Benefits (PB)	*.584	.400
Reputed Movement (RM)	*.369	.298
Performance Identification (PERI)	-.253	*.603
Valuable Expectation (VE)	.514	*.522
Wide Expectation (WE)	-.331	*.457

Source: Computed data.

From table 12, it is found that two discriminate functions have their respective variable to discriminate in the following manner

**Discriminate Function One (F1)**

$$Z = 0.686 * EI - 0.677 * PS + 0.584 * PB + 0.369 * RM$$

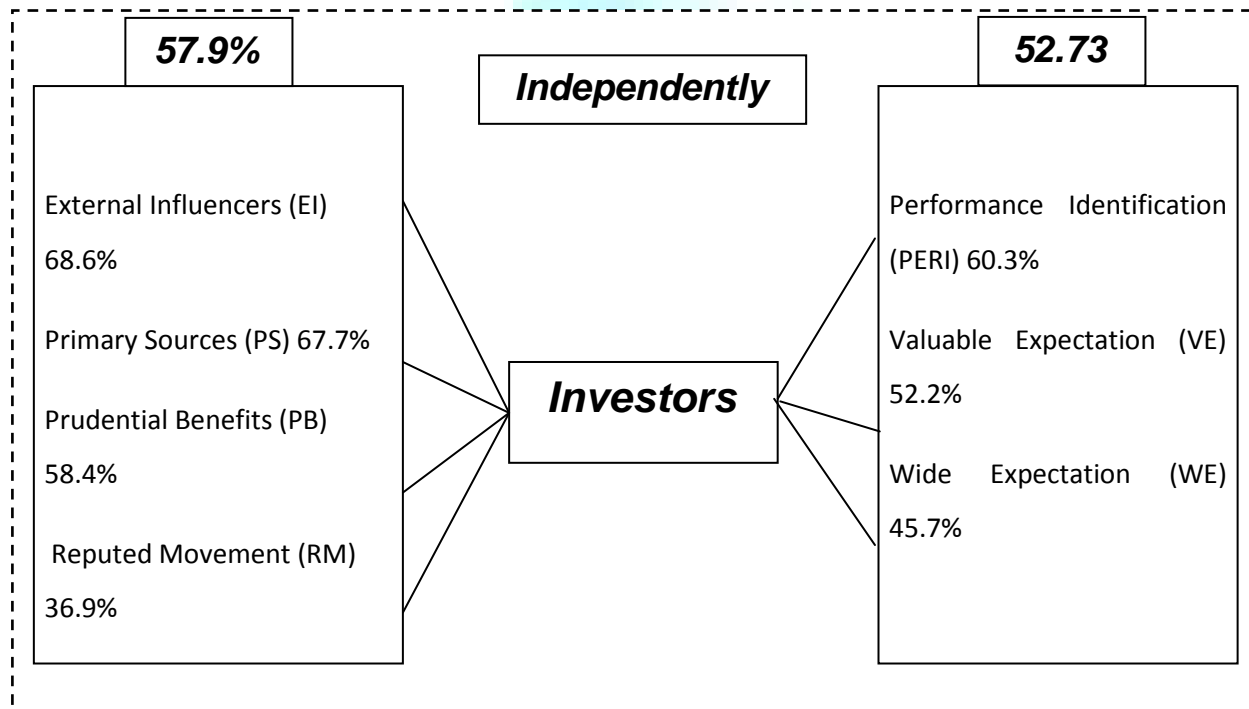
Similarly the second discernment function is given by

**Discriminate Function Two (F2)**

$$Z = 0.603 * PERI + 0.522 * VE + 0.457 * WE$$

The two discriminate functions ascertained the investors behaviour in Indian Securities Market are found to be F1 and F2 (shown in Fig.1)

FIGURE: 1



This shows that the **external influencer** like friends, co-workers and stock brokers recommendation, competing financial needs of investors' and information in reports of the company's are consider crucial by the investors, they have a peculiar kind of behaviour in giving more importance to **primary sources** like political stability, returns and price of the share and reputation of the firm. Microscopically it is found that **prudential benefit** for the future and **reputed movement** of the stock are essentially observed as behaviour aspects of investors in Indian securities market.

Empirically the above mentioned four factors found to influence the investors behaviour with 57.9% of influence. The factor analysis in this research work is also identify the other crucial blocks of the variables are **performance identification, valuable expectation, wide expectation** this shows that investors in Indian securities market are influenced by the nature of firms and its product as well as its quality of service. They are meticulous about performance identification and valuable expectation of their return these variable in the second block influence the investors with 52.73% of measure. Schematically these two blocks with empirically tested notion are presented above.

**CONCLUSION**

The securities market has invited enormous number of investors through the innovative changes emerged in the form of electronic media and other advanced facilities. The impact of liberalization as its own influence on the investor by giving them many financial advantages in securities market. The present study is concluded that the investors are classified on two different dimensions and are influenced by two domains of factors, i.e., the investors are influenced by external influencers, primary sources, prudential benefits and reputed movement simultaneously they are also influenced by valuable expectation, performance identification and wide expectation. Financial planning, portfolio allocation and advice tailored to individual's risk tolerance will become the hall marks of the new full service orientation for brokers, bankers, portfolio managers, mutual funds and other financial service providers who wish to lay more emphasis on customer relationship management. This study provides a beginning towards understanding the classification of investors. Based on the above findings the policy makers and corporate can plan and develop individualized portfolios for Investors' in Indian Securities Market with Reference to Tamilnadu after taking the personal characteristics of the individuals into account.

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**MARKETING IN ORGANIZED RETAIL ENVIRONMENT: A RETAILERS PERSPECTIVE**

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**ABSTRACT**

*The retail sector in India is witnessing a huge revamping exercise as traditional markets make way for new formats such as departmental stores, hypermarkets, supermarkets and speciality stores. Retail is India's largest industry, accounting for over 10 per cent of the country's GDP and around eight per cent of the employment.. It has emerged as one of the most dynamic and fast paced industries with several players entering the market. Western-style malls have begun appearing in metros and second-rung cities alike introducing the Indian consumer to a shopping experience like never before. India's vast middle class and its almost untapped retail industry are key attractions for global retail giants wanting to enter newer markets.*

**KEYWORDS**

Hypermarkets, Merchandise, Revamping.

**INTRODUCTION**

**R**etailing encompasses the business activities involved in selling goods and services to consumers for their personal, family, or household use. It includes every sale to the final consumer.

Retailing is the set of activities that adds value to the products and services sold to consumers for their personal or family use. Retailers attempt to satisfy consumer needs by offering the right merchandise, at the right price, at the right place, in the right time. For Indian retailing, things started to change slowly in the 1980's when India first began opening its economy. Textiles sector (which companies like Bombay Dyeing, Raymond's S Kumar's and Grasim) was the first to see the emergence of retail chains. Later on, maker of premium watches successfully created an organized retailing concept in India by establishing a series of elegant showrooms.

For long, these remained the only organized retailers, but the latter half of 1990's saw a fresh wave of entrants in the retailing business. This time around it was not the manufacturer looking for an alternative sales channel. These were pure retailers with no serious plans of getting into manufacturing. These entrants were in various fields, like Food world, Subhiksha and Nilgris in food and FMCG: Planet M and Music World in music; Crossword and Fountainhead in books.

As of the year ending 2000 the size of the organized retail industry was estimated at around Rs 13,000 crore. The various segments that make up the organized retail industry along with their size are in table given below. Retail growth is already gathering momentum and organized retail industry is expected to grow by 30 percent in the next five years and is expected to touch Rs 45,000 crore in 2005. Thus, the growth potential for the organized retailer is enormous.

Segment	Market Size (Rs. Crore)
Textiles and clothings	4050
Jewellery	2,000-2,500
Consumer Durables	1500
Footwear	1,300-7,500
Food and personal care	1,000
Non -store retail	900
Luggage, watches and tyre	500
Books and music	390

SOURCE: www.retailasiaonline.com

**TRENDS IN RETAILING**

Retailing in India is at a nascent stage of its evolution, but within a small period of time certain trends are clearly emerging which are in line with the global experiences. Organized retailing is witnessing a wave of players entering the industry. These players are experimenting with various retail formats. Yet, Indian retailing has not been able to come up with many successful formats that can be scaled up and applied across India. Some of the notable exceptions have been garment retailers like Madhura garments & Raymonds who has scaled their exclusive showroom format across the country.

- **EXPERIMENTATION WITH FORMATS**

Retailing in India is still evolving and the sector is witnessing a series of experiments across the country with new formats being tested out; the old ones tweaked around or just discarded. Retailers are also trying out smaller versions of their stores in an attempt to reach a maximum number of consumers. Crossword bookstores is experimenting with Crossword Corner, to increase reach and business from their stores. Foodworld is experimenting with a format of one-fourth the normal size called Foodworld Express.

- **STORE DESIGN**

Irrespective of the format, the biggest challenge for organized retailing is to create an environment that pulls in people and makes them spend more time shopping and also increases the amount of impulse shopping. Research across the world shows that the chances of senses dictating sales are as much as 10-15% for certain categories. This reason is good enough for organized retailers to bring in professional designers while developing a new property. And, that is why retail chains like Musicworld, Baristal, Piramyd and Globus and laying major emphasis and investing heavily in store design. Music world spent three months in college campus and metros studying the market and talking to youngsters before starting work. The brand identity was created after extensive research: a logo was designed and the look of the stores across the country was decided upon. Apart from the visual, the functionality, of the store design was also taken care of. Listening posts have been created for people to listen to their favorite album and an area in the centre of the stores has been earmarked for celebrity visits and promotions.

- **EMERGENCE OF DISCOUNT STORES**

What does Subhiksha In Chennai, Margin free in Kerala and recent entrants like Bombay Bazaar in Mumbai, RPG's- Giant in Hyderabad, Big Bazaar in Kolkata, Hyderabad and Bangalore have in common? Their products are below MRP. Discount stores have finally arrived in India and they are expected to spearhead the revolution in organized retailing. Though this segment is growing, it is small compared to international standards where around 60 percent of the business comes from this format. Internationally, the largest retailer in the world Wal-Mart is a discounter. These discount stores have advantages of price, assortment dominance and quality assurance and have the ability to quickly build scale and pass on the benefits. However, the success would be for retailers who are able to build the scale fast and manage their operations efficiently while offering value to the customer consistently.

- **UNORGANIZED RETAILING IS GETTING ORGANIZED**

To meet the challenges of organized retailing that is luring customers away from the unorganized sector, the unorganized sector is getting organized. 25 stores in Delhi under the banner of Provision mart are joining hands to combine monthly buying. Bombay Bazaar and Efoodmart have also been formed which are



aggregations of kiranas. In a novel move, six Delhi based restaurants have come together and formed a consortium: NFC, to promote New Friends Colony, a posh locality in the Capital, as a branded place in town. The aim is to increase footfalls in the area, which is fast placing its shine to its closest and upcoming destinations such as large cineplexes, and malls, which are backed by the corporate house such as 'Ansals' and 'PVR'.

## PRESENT STUDY

The research was conducted in two phases: Primary and Secondary research. The primary research is based on the customer's preference, habits, expectations, needs, beliefs and studying the gaps that exists between the retailers and the shoppers. Various factors that make a mall different from the other were now unveiled and introspected upon. The ambiances, location, parking etc that contribute to the success of a mall were seen from the customer's point of view. Giving the retailers a peak into the question, what the future holds?

The ever growing malls and the shrinking margins of the retailers is a big question that still remains unanswered. The face of India is changing, the preferences are drastically differing. The retailers want to come with innovative ideas to stand ahead of its competitors. This study will reveal what is the point of parity that all the players in the market are providing. Success lies in how you can surprise the customer and go beyond is expectations and provide Just Noticeable Difference.

And the Secondary research focuses on understanding the background of the industry and then current market scenario. The retail face of India is shining and the sector is booming. We here try to understand the market by evaluating the various formats in the retail industry. The retail industry has a Life cycle through which every retail model had to go through. The retail strategies are studied for the formats that are in different stages of the lifecycle. This will enhance the introspection into the various approaches, their future prospects, growth and the problems which could be faced by them in the future. Therefore three different retail models that are to be studied belonging to different stages of Life Cycle.

The study even includes a proper understanding of the evolving organized retail environment and the traditional unorganized retail environment. The retail industry of Delhi is studied along with the retail formats and the latest trends in the market.

## REVIEW OF LITERATURE

### ARTICLE 1

Who will execute the great Indian retail dream [www.imagesfashion.com/back/june/retail.htm](http://www.imagesfashion.com/back/june/retail.htm)?

Retailing is not up there with engineering, Medicine, law, IT and other exalted professions, and it needs to get there real quick. A few years back, NASSCOM's unprecedented campaign to position it as a highly desirable career option, literally spawned the genesis of huge pool of skilled professionals, to fit into every software organization and firmly placed IT- based options in every educated Indian's job map. The beneficiaries of this phenomenal marketing drive ranged from students to firms to academia, including the thousands of cyber cafés and training schools set up the last decade.

### ARTICLE 2

The Industry Handbook- The Retailing Industry [www.investopedia.com/features/industryhandbook/retail.asp](http://www.investopedia.com/features/industryhandbook/retail.asp)

Retailing can be a fairly general description for an industry. All businesses that sell goods and services to consumers fall under the umbrella of retailing, but there are several directions we can take from here. For starters there are department stores, discounts store, specialty stores, and even seasonal retailers. Each of these might have their own little quirks; however, for the analysis overlaps to all areas of retailing. This section of the industry handbook, will try to focus more on general retailers and department stores.

Over the past couple decades there have been sweeping changes in the general retailing business. What was once strictly a made-to-order market for clothing has changed to a ready-to-wear market. Flipping through a catalogue, picking the color, size and type of clothing a person wanted to purchase and then waiting to have it sewn and shipped was standard practice. At the turn of the century some retailers would have a storefront where people could browse, meanwhile new pieces were being sewn or customized in the back rooms. Without getting into specific product categories within the retailing industry, the overall segments can be divided into two categories:

- Hard – these types of goods include appliances, electronics, furniture, sporting goods, etc. Sometimes referred to as “hard-line retailers”
- Soft –this category includes clothing, apparel, and other fabrics.

Each retailer tries to differentiate itself from the competition, but the strategy that the company uses to sell its products is the most important factor. Here are some different types of retailers:

- Department Stores- very large stores offering a huge assortment of goods and services.
- Discounters – these too tend to offer a wide array of products and services, but they compete mainly on price.
- Demographic – these are retailers that aim at one particular segment. High-end retailers focusing on wealthy individuals would be a good example.

Each of these has its own distinct advantage, but it's important to know how these advantages play out. For example during tough economic times the discount retailers tend to outperform the others, the opposite is true when the economy is doing good. The more successful retailers attempt to combine the characteristics of more than one type of retailer to differentiate itself from the competition.

## OBJECTIVES OF THE STUDY

- To understand the factors that influence shoppers to visit organized retail outlets.
- To find out ways to leverage these factors so that there is an increased flow of walk-ins into these organized retail outlets.
- To uncover Consumer preference and loyalty for different malls.
- To look at factors that can ensure sustenance and success of malls in the country in the long term.

## LIMITATION OF STUDY

The present study is a study of sample. Alternatively, we could have studied the universe. This has not been done because of two reasons. First, it was not possible to study the entire universe with the limited resources and time available at hand. Secondly, it is well-established fact that the study of universe and representative sample would provide similar results. It is in this background that a sample study was opted. It is hoped that the results obtained would be appropriate for the universe.

## REASON FOR UNDERTAKING THIS RESEARCH

- To begin with, why I selected the retailing sector for my final research project was that in the current scenario this sector is growing at a rapid rate of 24 % (department store) and it provides a lot of opportunities for future potential growth. With the opening up of the Retailing sector and the incoming of the private players in the industry the dynamics have changed. The situation has tremendously changed in favour of providing quality services to the customers.
- There are number of factors that are considered by the customers before visiting a retail outlet. They want to shop from that retail outlet which provides the customer with maximum benefits. Each customer has it's own perception and it is very important for a retail outlet to satisfy the customers.
- Ambience in the current scenario plays a very important factor and therefore the retailers try to develop a healthy atmosphere in order to create a competitive edge over their competitors.
- Retailing in India is witnessing a huge revamping exercise. India is rated the fifth most attractive emerging retail market: a potential goldmine.

**FINDINGS**

- From the research undertaken it was found that people prefer to shop in the evening. So the retailers should be well equipped to deal with this rush hour.
- It was found that people mostly prefer to shop with their friends or with their family. It was found that very few people prefer to shop alone.
- Majority of the respondents felt that discounts offered by the retailers are an important factor that attracts them to the stores. This makes imperative for the retailers to come out with attractive discount schemes to lure the visitors to their stores. But a retailer should balance the discounts in such a manner that his store is later not termed as a Discount Store. This in turn be negative for the image.
- The display and layout of stores is an important factor that pulls the consumers towards shopping malls. Good interiors which facilitate display of items in an attractive way is necessary to elicit response from the target consumers.
- The location of a mall is the primary concern for the retailer and so they end up focusing on and getting clustered around a few roads or corridors in the city. This is due to the catchments of the key residential areas and also each successive project ends to catch in on the footfalls of the already established malls of the area.
- Ambience attracts people. This goes along with shopping malls too. Aesthetically designed interiors attract shoppers as this has an affect on their mind. It lifts their self-esteem to a higher level.

**CONCLUSION & SUGGESTIONS**

The Retail Industry in India has emerged as one of the largest among all the industries, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. The marketer tries to attract the consumer and boost the sale with the permutation and combination of different retail format. The success of this business will depend upon the consumer mood, their sentiment and perception toward different retail format. Following suggestions can be given on the bases of study

- Company should pay accurately under the various acts
- The company should try to commensurate with hike in prices as this will help to retain their consumer.
- As there is no adequate policy adopted by the management of the company, it should be restructured.
- Direct scheme should be launched, so that consumer benefit in hand.
- Monthly or quarterly meeting must be arranged between workers and management members so that issues should be resolved more easily and at right time.

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## A STUDY ON EFFECT OF CSR INITIATIVES OF AUTOMOTIVE COMPANIES ON CONSUMER BUYING BEHAVIOR

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### ABSTRACT

CSR has recently become the focus of companies, governments and NGOs all over the world. This increased attention raises the question to what extent consumers are influenced by socially responsible initiatives. This research article identifies the essence of social responsibility as perceived by consumers of automobile companies and examines empirically the specific dimensions of social responsibility which are most relevant for brand evaluations. This study is based on the responses of the consumers of automobile companies. This research besides studying the awareness of the concept of CSR analyzed the effect of the CSR activities undertaken by various automobile companies on consumer buying behavior. At the same time, it also examined the difference in behavior on account of demographic factors. The effect of CSR activities on consumer buying behavior was analysed through the MEAN method. The awareness about the CSR activities has been studied through the percentage analysis. Cross Tabulation has been applied to find out the difference in the buying behavior according to the demographic factors. From the analysis, it was found that there is an effect of CSR activities on consumer buying behavior of automobile companies. On the other hand, there is no significance difference in the buying behavior of consumers with respect to different demographics. Therefore, it can be concluded that companies following CSR activities are able to build a favorable image in the minds of the consumers. Also the above mentioned dynamics give the reason that CSR activities produce an overall positive impact on society through economic, environmental and social actions.

### KEYWORDS

Corporate Social Responsibility; Consumer Buying Behaviour, CSR Initiatives.

### INTRODUCTION

Since businesses play a pivotal role in job and wealth creation in society, CSR is a central management concern. It positions companies to both proactively manage risks and take advantage of opportunities, especially with respect to their corporate reputation and broad engagement of stakeholders. Above all, CSR is about performance: moving beyond words on a page to effective and observable actions and societal impacts. Performance reporting is all part of transparent, accountable -- and, hence, credible -- corporate behavior. There is considerable potential for problems when stakeholders perceive that a firm is just engaging in a public relations exercise and cannot demonstrate concrete actions that lead to real social and environmental benefits.

### DRIVING FORCES AND OBJECTIVES IN CSR ACTIVITIES

- Increased Affluence
- Ecological Sustainability
- Globalization
- Free Flow of Information
- The Power of the Brand

### BARRIERS IN DEVELOPMENT OF CSR

- Absence of clear linkage between CSR and financial success
- Low voluntary adoption of CSR- Leads to 'green washing'
- Lack of mechanisms to measure, monitor evaluate and report impacts
- Smaller companies think it the responsibility of the bigger ones it is mainly a philanthropic exercise
- High 'overheads' of implementing and sustaining CSR efforts.
- No universally accepted frameworks.

### THE NEED FOR A CONSUMER-CENTRIC VIEW ON CSR

Among most researchers in the field of CSR, there is consensus that consumers are mainly responsible for the emergence of CSR policies (Auger, Devinney and Louviere 2007). So far, academic research proposes that negative CSR associations have an unfavorable effect on consumer's product or company evaluation while positive CSR associations have a favorable effect on a consumer's product or company evaluation (Brown and Dacin, 1997). However, these CSR attitudes coexist with consumers' beliefs about the corporate ability to produce and deliver a certain product or service. Nevertheless, favorable CSR beliefs can induce consumers to switch to the 'good brand' if price and quality are fairly similar (Bhattacharya and Sen, 2004).

After all, the knowledge about CSR actions on consumers' responses is limited. In particular, there is a gap in the literature in how far the communication of SR issues affects consumers' associations and evaluations of a brand. Thus, it is recommendable to find out what 'social' actually means to the consumer and who the consumer feels responsible for. Therefore, a theoretical conceptualization of SR activities could help to categorize them and 'break down' the elusive concept into different dimensions. In other words, how important is the social, (non)-product related feature and how does it affect the customer's mindset (internal outcome) and subsequent buying behavior (external outcome)? Such information can be especially relevant in times of ethical consumerism and consumer activism, in which ethical standpoints may be expressed through the purchasing decision (GOLOB, LAH & JANI, 2008). CSR has become a crucial element of firms' efforts to foster sustainable and equitable development within countryside and worldwide since last two decades. Because, in today's business environment sustainable business success and shareholder value cannot be achieved solely through maximizing short-term profits, but instead through market-oriented yet responsible behavior. Thus, companies, as well as automobile supply manufacturers, should be aware that they could contribute to sustainable development by managing the operations in such a way as to enhance economic growth and increase competitiveness whilst ensuring environmental protection and promoting social responsibility, including consumer interests (Eraslan and Bulu, 2004).

## CSR INITIATIVES OF AUTOMOTIVE COMPANIES

Tata Motors	Hyundai Motors	Maruti Suzuki	Honda	Ford
Reducing Pollution	Health Care	Institute of Driving, Training & Research	Creating, expanding and assuring joys for next generation	Greenhouse Gas Reduction Plan
Restoring Ecological Balance	Education & Vocational Training	Adoption of villages	Development of safety technology	Training and education
End of Life Vehicle Treatment and Recycling	Environment	Road Safety	Traffic safety education	Water conservation programs
Community Development	Road Safety	Environment	Environmental initiatives	Environmental Savings
Rural development	Arts, Science & Technology		Safe driving promotion	
Health & Sanitation	Natural Calamities and Disasters		Solar Power Generation Systems	
Employment Generation	Donor Activity			
Community Centers			Creating, expanding and assuring joys for next generation	Greenhouse Gas Reduction Plan

## NEED OF STUDY

India has come a long way from the days when the automotive industry in India portrayed limited choice, old technology, obsolete designs and endless waiting period to be a proud owner of a vehicle. The automotive industry in India is one of the largest in the world and one of the fastest growing globally. India's passenger car and commercial vehicle manufacturing industry is the seventh largest in the world, with an annual production of more than 3.7 m units in 2010. The Indian auto industry today churns out a large number of new model and variant launches every year and exports almost 12% of the vehicles produced by it to the most competitive auto markets globally. The past ten years have witnessed a six fold increase in the auto industry turnover.

The growth of the transportation sector also brings with it the challenges associated with rapid depletion and the rising cost of fossil fuels, the impact of vehicles on the environment and climate change. These are areas of grave concern not only to the Governments around the world but also to industry experts and automobile leaders alike.

Hence, CSR has become an increasingly important construct for corporate strategies in the automotive industry. Consumers in emerging markets expect automotive corporations to take an active role in the economic and social development of their country, according to recent findings from TNS Automotive, the world's largest automotive research company.

It has been researched that Thailand, India, and China have recorded phenomenal industry growth in the automobile sector and consumers in these markets the companies playing an integral role in the economic and social development of their country.

This necessitates understanding the automotive industry in regards to compliance and contribution towards corporate, social, environmental, and philanthropic activities. The consumers across the world are very likely to accept or reject a corporation based on its reputation for social and environmental responsibility. Nearly nine out of ten consumers indicated that they were more likely to purchase a product or service from a corporation with responsible business practices while eight of ten indicated that they would refrain from purchasing a product or service if the corporation failed to follow environmentally friendly or ethical business practices.

Large corporations are increasingly aware that their social responsibility directly affects their image and brand equity - and consequently, their business success. As a result, many are investing heavily in CSR initiatives - particularly in those markets where they are focusing on

## REVIEW OF LITERATURE

Sen Sankar and Bhattacharya C.B. (2004) shows that consumer reactions to CSR are not as straight forward and evident as the marketplace polls suggest; there are numerous factors that affect whether a firm's CSR activities translate into consumer purchases. The research reveals three key findings. First, there is significant heterogeneity across consumers in their reactions to CSR initiatives. Second, the impact of CSR initiatives on outcomes "internal" to the consumer (e.g., awareness, attitudes, and attributions) is significantly greater and more easily assessable than its impact on the "external" or visible outcomes (e.g., purchase behavior, word-of-mouth). Third, the focal company is not the only one that benefits from engaging in CSR initiatives; both consumers and the social issues the initiatives represent benefit as well.

Mohr a. Lois, Deborah j.webb and Katherine h. Harris (2001) recommends that it is important for socially responsible companies to work to develop consumer trust and to engage in strategic csr program that are meaningful to their customers. Consumer education program could also be conducted to teach people about CSR issue and about their role in encouraging CSR.

Becker-Olsen, Karen L, and Hill, Ronald (2005) builds on the growing body of marketing literature through two investigations that manipulate consumers' perceptions of fit, motivation, and timing of corporate social initiatives embedded within promotions. Further, consumers consider the timing (proactive versus reactive) of the social initiative as an informational cue, and only the high-fit, proactive initiatives led to an improvement in consumer beliefs, attitudes, and intentions. Across their two studies they found that greater than 80% of respondents believed firms should engage in social initiatives and 76% felt those initiatives would benefit firms. In second study they found that 52% stated that they would boycott if reasonable alternatives were available. Thus, results suggest that consumers expect firms to be involved in social initiatives and may reward them for their efforts through purchase behavior.

N Craige Smith and Daniel Read (2010) pointed out that consumer preference for product deemed ethical/sustainable is expected to encourage firms to be more socially responsible. Their research suggests that consumers may make well inference about company CSR performance on the basis of very limited information. The CSR halo effect suggests that consumers might extrapolate from a small number of examples of CSR related practices.

Hanna Schramm-Klein and Joachim Zentes pointed out the impact of retailers' CSR activities with the role of other retailers' marketing mix activities. They showed in this study that CSR is more important as a direct factor of influence on consumers' purchasing behavior while customer loyalty is less affected; all in all, the positive impact on consumer behavior is affirmed.

Yuan-Shuh Lii (2011) studied the influences of three types of Corporate Social Responsibility (CSR) initiatives: sponsorship, cause-related marketing, and philanthropy, on consumers' identification with consumer-company (C-C identification). Consumers reacted more favorably to companies that donated large amounts of money to a cause/NPO directly than to those that undertook the more indirect approaches of sponsorship and CRM.

Dr. Bro. Vinai Viriyavidhayavongs and Siriwan Yothmontree (2002) suggested that the perceived ethics of a firm plays an important role during purchase decisions. Ethical behavior can thus provide an effective way of differentiating a product in consumer's perceptions. They also indicate that the firms should encourage ethical behavior not only as corporate citizens but because this behavior may benefit the enterprise in a world where consumers care about business ethics and are willing to back up this concern with action when making purchases.

Rahizah Abd Rahim, Farah Waheeda Jalaludin and Kasmah Tajuddin in their study (2011) indicated that all of the CSR components have a significant relationship with consumers' buying behavior. A substantial, viable and identifiable consumer group exists that considers a company's level of social responsibility in its purchase decisions. Malaysian consumers have clearly indicated their ranking on the most preferred CSR activities that need to be engaged by the corporations, and the ranking seems to be quite different from the other nations.

Imran Ali, Kashif Ur Rehman, Ayse Kucuk Yilmaz, Sajid Nazir and Jawaria Fatima Ali (2010) analyzed the linkage between corporate social responsibility and customer attitude regarding purchase intention and retention with corporation in future. The study found very low awareness level in customers regarding CSR



activities. No linkage was found in CSR activities and customer purchase intentions depicting that customers in Pakistan do not consider corporation's contribution towards society in their buying decisions. Significant relationship was found between service quality and customer satisfaction.

Todd Green and John Peloza (2011) indicated that consumers do indeed retrace in their decision-making processes over all, and find that consumers do indeed forsake CSR. Emotional and social value appear to be somewhat "expendable" with consumers in a context of economic uncertainty, while CSR that provides functional value can become an even more salient criteria for decision making. When CSR is delivered through product features the consumer is repeatedly reminded of the functional CSR benefit creating a higher level of involvement and awareness of the impacts of consumption.

N. Senthikumar, A. Ananth and A. Arulraj (2011) found that customer satisfaction is the mediating factor for banking service quality and the CSR is the most influential factor for the customer satisfaction. The study reveals that Customer Satisfaction is most significant predictor of banking service quality. Corporate Social Responsibility (CSR) positively influences customer satisfaction toward banking service quality.

Denni I Arli, Hari K Lasmono (2012) found that corporate social responsibility (CSR) increasingly receives attention from managers and researchers, especially in the area of consumer perception and response of CSR. The examination of consumer perception in the developing country of Indonesia produced mixed results, suggesting that CSR is still a concept waiting to be applied in the developing country. Consumers are often unaware and unsupportive towards CSR. This is the opposite finding of consumer perception in developed countries, where most consumers are willing to support CSR launched by corporations. Nevertheless, there is an interesting finding: When consumers have to buy similar products with the same price and quality, CSR could be the determining factor.

## OBJECTIVES

- To gather knowledge about the CSR initiatives taken up by top five automobile companies in India.
- To study the awareness of automobile consumers' about the CSR done by organizations.
- To find out the general perception of consumers about companies following CSR activities.
- To analyze the effect of CSR activities on consumer buying behavior.

## HYPOTHESIS

H<sub>0</sub>: There exist no relation between CSR activities and consumer buying behavior.

H<sub>0</sub>: There exist no significance difference in the buying behavior of the male and the female automobile consumers with respect to demographic factors like age, income groups, educational level of consumers and gender

## RESEARCH METHODOLOGY

### TYPE OF RESEARCH

Descriptive research has been done. Questionnaires were administered to the employees. Hypotheses were set in the beginning of the study and were verified through the analysis.

### COLLECTION OF DATA

Questionnaires used as a source of primary data were used to collect information from customers of various automobile companies. The questionnaire consisted of three sections. The first section was demographics of the respondents. The second section asked questions to know the general awareness of the respondents about the concept of CSR and the final section had questions to understand the effect of CSR initiatives of automobile companies on consumer buying behavior.

Administration of one booklet of questionnaire took approximately 3-5 minutes.

At the same time, information about the various CSR practices of different companies was also collected from:

- ✓ Companies' Website
- ✓ Companies' Manuals.
- ✓ Previous records and documents of Companies
- ✓ Journals

**Sample Size:** 200 (188 respondents filled the questionnaire fully, 7 were filled incompletely and 5 gave no response.)

### SAMPLING METHOD

Convenience sampling

### Technique for data analysis

SPSS Software has been used to apply certain tests on the data.

Mean method is used to analyze the effect of CSR activities on consumer buying behavior.

Cross Tabulation has been applied to find out the differences in demographic factors consumer buying behavior with respect to the CSR practices carried out in automotive companies.

## RESULTS AND DISCUSSION

### SECTION A

TABLE 1: DEMOGRAPHIC FACTORS

Gender	Number of respondents
Female	65
Male	123
Age (years)	Number of respondents
20-30	82
31-40	75
Above 40	31
Educational Qualification	Number of respondents
Under Graduate	64
Graduate	77
Post Graduate	47
Income Group (per month)	Number of respondents
Below 10,000	5
10,000-25,000	82
25,001-40,000	60
Above 40,000	41
Tenure	Number of respondents
Less than 5 years	126
5-10 years	59
More than 10 years	12



**SECTION B**

**AWARENESS ABOUT CSR**

According to the responses collected from the respondents 89% of people were aware about the concept of CSR. This shows majority of the customers are aware about the corporate social responsibility. 26% of the respondents sometimes participate in the social cause but still there are 19% respondents who never participate in any kind of social cause. 98% of respondents answered that the corporate should undertake CSR activities. Only 2% respondents said that CSR should not be done by the companies. 62% respondents think that CSR initiatives in an automobile company are a differentiating factor. This shows that customers are aware of the CSR activities done by automobile companies. It can be observed that 62% of the respondents felt that the companies undertake CSR activities just for its publicity and nothing else. Only 8% of the respondents feel that companies do CSR for fulfilling obligation towards the society. The majority of the customers feel that brand image is created through the quality of the product offered by the organization. Only 14% of the respondents said that CSR activities build the brand image of a company. This shows that though small in number but there are customers who consider the CSR activities of a company in building its brand image. Large percentage of respondents favoured Tata Motors as far as CSR activities are considered. Tata Motors is considered to be more socially responsible company as compared to the other automotive companies.

**SECTION C**

**EFFECT OF CSR ACTIVITIES BY AUTOMOBILE COMPANIES ON CONSUMER BUYING BEHAVIOUR**

**TABLE 2**

VIEWPOINT	MEAN
Automotive companies should inform their customers about their social obligations	1.96
Information about CSR activities taken up by an automotive company increase your willingness to buy from that company.	2.615
Automobile companies should offer training program on road safety.	2.255
You would prefer automobile company which is into philanthropic activities.	2.53
Automobile Companies should maintain Ecological balance.	3.185
You want to buy automobiles from the company that work for the development of the community.	2.755
It is important for you to purchase automobiles from organizations that are environmental friendly.	2.02
Price being equal, If the choice is between a Non CSR driven company and CSR driven company, your preference will be the company with CSR initiatives.	3.36
You are willing to pay a premium price for automobiles provided by socially responsible organizations	3.305
Products of socially responsible automotive companies always bring happiness and delights to you	3.37

The above table shows the mean of all the questions. The mean has been calculated to analyze the effect of CSR activities on consumer buying behavior of automobile companies.

2.3985 is the total mean of all the questions which shows that the customers somehow agree to the viewpoint that the CSR activities of automotive companies have impact on consumer buying behavior. As consumers are becoming aware about what the companies are doing for the society, their inclination is towards the company that is more socially responsible. Thus, the hypothesis is rejected.

**ONE WAY ANNOVA TEST FOR ANALYSING DIFFERENCE IN CBB WITH RESPECT TO DEMOGRAPHIC FACTORS**

**1. GENDER**

**TABLE 3: CHI-SQUARE TESTS**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	30.156 <sup>a</sup>	21	.089
Likelihood Ratio	33.629	21	.040
Linear-by-Linear Association	4.045	1	.044
N of Valid Cases	188		

a. 29 cells (65.9%) have expected count less than 5. The minimum expected count is .36.

**SYMMETRIC MEASURES**

	Value	Approx. Sig.
Nominal by Nominal	Phi	.388
	Cramer's V	.388
N of Valid Cases	188	

**2. AGE GROUP**

**TABLE 4: CHI-SQUARE TESTS**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	52.009 <sup>a</sup>	42	.138
Likelihood Ratio	58.559	42	.046
Linear-by-Linear Association	1.605	1	.205
N of Valid Cases	188		

a. 57 cells (86.4%) have expected count less than 5. The minimum expected count is .16.

**SYMMETRIC MEASURES**

	Value	Approx. Sig.
Nominal by Nominal	Phi	.510
	Cramer's V	.361
N of Valid Cases	188	

3. INCOME GROUP

TABLE 5: CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	71.104 <sup>a</sup>	63	.226
Likelihood Ratio	81.741	63	.056
Linear-by-Linear Association	.497	1	.481
N of Valid Cases	188		

a. 79 cells (89.8%) have expected count less than 5. The minimum expected count is .09.

SYMMETRIC MEASURES

	Value	Approx. Sig.
Nominal by Nominal Phi	.596	.226
Cramer's V	.344	.226
N of Valid Cases	188	

4. EDUCATIONAL LEVEL

TABLE 6: CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	55.149 <sup>a</sup>	42	.084
Likelihood Ratio	59.269	42	.040
Linear-by-Linear Association	.625	1	.429
N of Valid Cases	188		

a. 55 cells (83.3%) have expected count less than 5. The minimum expected count is .12.

SYMMETRIC MEASURES

	Value	Approx. Sig.
Nominal by Nominal Phi	.525	.084
Cramer's V	.371	.084
N of Valid Cases	188	

The above tables show that there is no significance difference in the buying perceptions of consumers, with respect to demographic factors, of the automotive companies. There is no difference in the willingness of consumers in buying the product from the company which initiates CSR activities. The perception about road safety programs, philanthropic activities, maintenance of ecological balance, and development of the community by automobile companies is taken equally by all the consumers. All are willing to pay a premium price for automobiles provided by socially responsible organizations and they agree on an equal footing that it bring happiness and delight too

Therefore, it can be analyzed that there is no significance difference in the consumer buying behavior with respect to demographic factors in automotive sector. **Thus, the hypothesis is accepted.**

FINDINGS

The successful completion of the study projects the following findings:-

1. The 'Corporate Social Responsibility Practices' most prevalent in the Automotive companies are:
  - Reducing pollution
  - Offering training programs on road safety
  - Participating in philanthropic activities
  - Ecological balance
2. The consumers have considerable knowledge about the concept of CSR. Though there are few consumers that are not aware about what CSR is and what companies are doing for the benefit of the society.
3. Although no difference has been observed in the buying behavior of consumers with respect to demographic factors, it is necessary for automotive companies to continuously communicate their CSR activities to their consumers. Before purchasing a socially responsible brand, consumers want to be persuaded that the CSR activities are not just a marketing tool. For this reason, it is important that companies are showing their CSR commitment on a long-term basis.
4. TATA motors is the most preferred company by the consumers if the CSR activities are kept in mind.
5. The main finding of the research is that there is effect of CSR activities by automotive companies on consumer buying behavior. There are several ways in which these activities have an impact on consumers purchasing behavior.

The most important purchase factors of the automobile consumers are the quality and the price. The consumers did not mention CSR as one of their purchase factors. However, it can be stated that even though they not directly consider CSR as purchase factor, it does have a significant influence on their buying decisions. The factor quality is closely related with the CSR activities of automotive companies. However, there is no difference in opinion of the consumers with respect to different demographic factors i.e., gender, age, income group and educational level.

CONCLUSION

Corporate Social Responsibility is the way companies manage their businesses to produce an overall positive impact on society through economic, environmental and social actions.

Well-known companies have already proven that they can differentiate their brands and reputations, as well as their products and services, if they take responsibility for the well-being of the societies and environments in which they operate. These companies are practicing Corporate Social Responsibility (CSR) in a manner that generates significant returns to their businesses.

As per the study, **QUALITY** was the main factor of consideration while making a purchase and CSR activities was given very less consideration. However after taking price as the main factor, given a choice between a non CSR driven company and a CSR driven company, most of the consumers preferred CSR driven company.

Therefore it can be concluded that companies following CSR activities are able to build a favorable image in the minds of the consumers. Also the above mentioned dynamics give the reason that CSR activities produce an overall positive impact on society through economic, environmental and social actions.

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**ANNEXURE**

**QUESTIONNAIRE ON EFFECT OF CSR ACTIVITIES ON CONSUMER BUYING BEHAVIOUR**

This questionnaire consists of three sections. Section 1 comprises of demographics of consumer. Section 2 deals with general awareness about CSR and Section 3 consists of questions that will be used to analyze the effect of CSR activities on consumer buying behavior.

**DEMOGRAPHIC QUESTIONS**

AGE GROUP : 20-30 \_\_\_ 31-40 \_\_\_ 40 ABOVE \_\_\_  
 SEX : Male Female

**INCOME LEVEL (PER MONTH):**

BELOW 10000 \_\_\_ 10000-25000 \_\_\_ 25001-40000 \_\_\_ Above 40000 \_\_\_

**EDUCATIONAL LEVEL**

Under graduate \_\_\_ Graduate \_\_\_ Post graduate \_\_\_

**GENERAL AWARENESS ABOUT CSR**

Q1. Are you aware of the concept of CSR?

Yes \_\_\_ No \_\_\_

Q2. Do you participate in social causes?

Many times \_\_\_ Often \_\_\_ Sometimes \_\_\_ Very less \_\_\_ Never \_\_\_

Q3. Do you think corporate should undertake CSR activities?

Yes \_\_\_ No \_\_\_

Q4. CSR is a differentiating factor in an automobile company.

Yes \_\_\_ No \_\_\_

Q5. What according to you is the main purpose of company following CSR?

Publicity \_\_\_ Maximization of shareholder's wealth \_\_\_ Fulfilling obligation towards society \_\_\_ seriously working for the cause \_\_\_

Q6. According to you what helps an organization enhance its brand image?

- Quality of product offered
- Customer's service rendered
- Pricing and distribution
- CSR activities
- Other

Q7. Which automotive company you prefer to buy the product of, keeping in mind the CSR initiatives taken by the company?

- Maruti
- Honda
- Hyundai
- Ford
- Volkswagen

## EFFECT OF CSR ON CONSUMER BUYING BEHAVIOUR IN AUTOMOTIVE INDUSTRY (USE LIKERT SCALE)

SN	VIEWPOINT	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	Automotive companies should inform their customers about their social obligations					
2	Information about CSR activities taken up by an automotive company increase your willingness to buy from that company.					
3	Automobile companies should offer training program on road safety.					
4	You would prefer automobile company which is into philanthropic activities.					
5	Automobile Companies should maintain Ecological balance.					
6	You want to buy automobiles from the company that work for the development of the community.					
7	It is important for you to purchase automobiles from organizations that are environmental friendly					
8	Price being equal, If the choice is between a Non CSR driven company and CSR driven company, your preference will be the company with CSR initiatives					
9	You are willing to pay a premium price for automobiles provided by socially responsible organizations					
10	Products of socially responsible automotive companies always bring happiness and delights to you					

## EMPLOYEES PERCEPTION ON DAY – SHIFT V/S NIGHT - SHIFT JOBS (WITH SPECIAL REFERENCE TO BPO SECTORS IN HYDERABAD)

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**DEPARTMENT OF COMMERCE**  
**BADRUKA COLLEGE – PG CENTER**  
**KACHIGUDA**

### ABSTRACT

*In today's modern 24/7 economy, night shifts are becoming more common. Previously, night shift jobs were a relative rarity, confined to particular businesses or skeleton crews that kept a bare minimum of a functions operating until morning. However many businesses now by necessity maintain full operations around the clock. This increasing demand for night shift workers has highlighted many of the social and health negatives that can be associated with working such unsociable hours, and many studies have been devoted to this area. However, there are some real tangible advantages to working the night shift. The impact of shift work on people's daily health habits and adverse health outcomes should be well understood. Night jobs or graveyard shifts are one of the most difficult works available on the job market today. However, they also offer the best pay and incentives because most employers know that working at night is totally different from working a day shift job. Night jobs have been on an increasing trend ever since a few years back. Aside from jobs in which night shifts are really necessary, the trend to work at night has been proven to be paying more as compared to day jobs. Money is the main difference between the two as night shifts usually offer more pay with most industries paying more financial premiums.*

### KEYWORDS

Night shifts, Business process outsourcing, IT industry, Employees perception.

### INTRODUCTION

**B**PO stands for Business Process Outsourcing and is "the delegation of an intensive business process to an outside service provider who owns administers and manages it according to a defined set of metrics". BPO is generally for back-end administrative functions that are necessary to run a business but are not a part of the core business. Business Process Outsourcing is the transfer of direct managerial responsibility but not accountability to an unaffiliated, third party service provider who performs services previously delivered by internal staff and management. Globalization, competitive markets and mergers and acquisitions are the primary stimuli for BPO.

#### COMPANY PROFILE

- **AUTOMATIC DATA PROCESSING INC (ADP)**

Automatic Data Processing Inc (NASDAQ:ADP) is one of the largest global service providers of a wide range of mission – critical, information – based transaction processing business solutions. In fact, as their corporate line says we are "THE BUSINESS BEHIND BUSINESS". Globally, ADP is a highly respected company. It's the only IT service company to, have got "AAA" rating from both standard & Poor's and Moody's. Enabled Services to ADP business divisions worldwide. Established in 1999,

- **THOMSON REUTERS**

Thomson Reuters is a global leader in providing essential information to the world's businesses and professionals in Law, Financial Services, Tax & Accounting, Media & News, Healthcare and Scientific Research. With their deep expertise and understanding of these professions, they are able to offer our customers a broad range of innovative products and services. The relevant, insightful information and intuitive supporting systems we provide enable our customers to be successful. Thomson Reuters has operations in 93 countries around the globe.

### LITERATURE SURVEY

Preliminary evidence from studies of business process outsourcing (BPO) experiences, like those into IT outsourcing's success, suggests that only a minority of organizations report their BPO arrangements as satisfactory, implying that many are caught in this "can't go back" bind. In this paper the authors examine two organizations contemplating the adoption of BPO, and consider their expectations and experiences in light of existing empirical literature. The paper concludes with a set of principles to assist organizations to avoid BPO failure. The people who work in these call centers — indeed, in any company in India — do so out of choice, not coercion. Modern society is moving toward a pattern of working twenty-four hours a day.

Essential services provided by police departments, fire brigades, ambulance officers and hospital employees have traditionally always operated throughout a twenty-four period. Increasingly other services such as restaurants, petrol stations, and grocery/convenience stores are open twenty-four hours in order to accommodate night workers (Geliebter, 2000). Over the last several decades, there has been a rapid increase in the number of shift workers worldwide (Sudo and Ohtsuka 2001). In Australia in 2003, a national survey found that over one million employees (14%) had worked shift work in the previous four weeks. Of these shift workers, 46% had worked a rotating shift (ABS 2004). Health and community services have the second highest proportion of shift workers of any industry in Australia (32.3%: ABS 2004). As people work irregular hours, their daily routine is interrupted. Regular eating and exercise habits are difficult to maintain (Geliebter, 2000). Consequently, shift workers have a higher prevalence of being overweight (Chee, 2004; Sudo and Ohtsuka 2001). In addition, shift workers also have more adverse life-style behaviours, such as higher tendency to smoke (Reeves 2004) and drink alcohol (Nakamura, 1997). These daily habits (diet, exercise, smoking and alcohol consumption) and their immediate consequences (e.g. obesity) are the fundamental causes of many chronic diseases (Mcginis and Foege 1993). An unhealthy diet often leads to being overweight and contributes to circulatory diseases, diabetes mellitus and various forms of cancer (Vuori 1998). Lack of exercise is closely associated with food related ill health (Nestle and Jacobson 2000). A person who is obese is at greater risk of cardiovascular risk factors (Orzano and Scott 2004). Cigarette smoking has been identified as a classical risk factor for coronary heart disease (Kannel, 1987). Alcohol consumption also increases the risk of chronic disease (Rehm, 2006).

### NEED OF THE STUDY

This study is taken up to know the perception of the employees towards day – shifts v/s night shifts. As BPO sector is a booming industry, today's youth are getting more attracted towards BPO jobs when compared to the other jobs. The motivational factors behind the selection of a particular shift are also sufficiently highlighted. As night shifts involve lot of mental stress and health related issues, this study is taken to analyse as to what are the adverse effects of night shifts when compared to day – shift jobs

### OBJECTIVES

1. To study the role and significance of BPO jobs in Hyderabad
2. To study the motivational factors affecting the employees in choosing day – shift jobs or night shift jobs
3. To know the benefits and adverse effects of BPO jobs on the employees.



**RESEARCH METHODOLOGY**

**SAMPLE SIZE**

The project data is collected on the information from 100 respondents who are the BPO company employees. The companies included in the study are ADP and Thomson Recruiters in Hyderabad.

**SAMPLING TECHNIQUE**

The sampling technique adopted was the random sampling technique. The respondents for the study were chosen following the random sampling method.

**SOURCES OF DATA COLLECTION**

The data collected for the study included Primary data and the secondary data

**1. PRIMARY DATA**

Primary data is the original data collected specially for the problem at hand. Two methods are used to collect primary data are Structured Questionnaire and Formal Interview

• **STRUCTURED QUESTIONNAIRE**

A structured questionnaire was prepared and circulated to the employees to know their opinion on employees' perception on day – shift v/s night - shift jobs in their organization. They had to tick the right option given for each question.

• **FORMAL INTERVIEW**

Formal interview was conducted with the employees of the organization to know about the quality and management activities implemented in the organization.

**2. SECONDARY DATA**

The secondary data for the study was obtained from Books, Journals, Catalogues & Websites

**DATA ANALYSIS AND INTERPRETATION**

Data obtained has been analyzed and interpreted for each questionnaire, percentage method was used and graphs were drawn accordingly.

**PERCENTAGE METHOD**

Percentage method is used in making the comparison between the series of data

$$\text{Percentage of Respondents} = \frac{\text{Number of respondents}}{\text{Total number of respondents}} \times 100$$

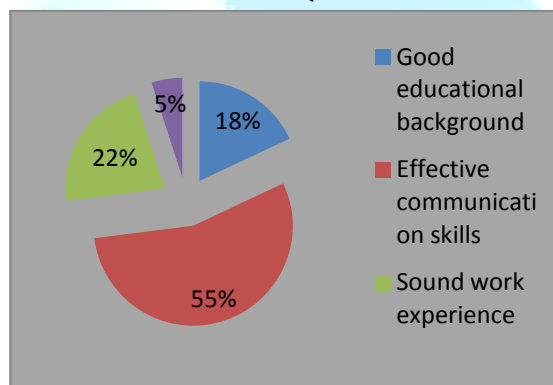
**LIMITATIONS**

1. Duration of the study was for period of 45 days which was not sufficient for a detailed study.
2. The study has been conducted in Hyderabad only by taking a limited sample of 100 which may not give the true picture of population.
3. The study was confined to middle level and junior level management executives excluding top management executives because of their busy schedule.

**DATA ANALYSIS & INTERPRETATION**

1. According to you what are the pre-requisites for an individual to possess BPO jobs

**CHART 1: CHART SHOWING THE PRE-REQUISITES TO POSSESS BPO JOBS.**

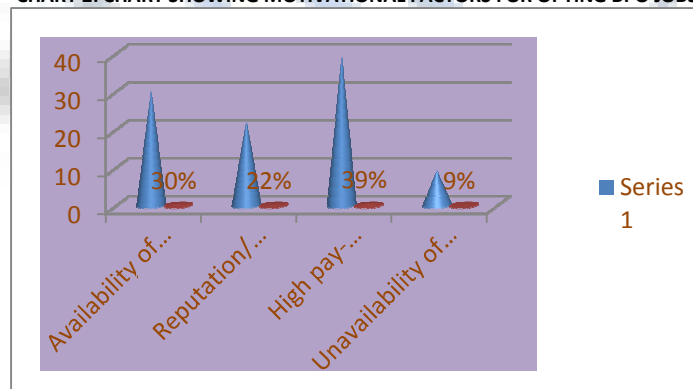


**INTERPRETATION**

From the above analysis, it can be inferred that 18% of the employees say that good educational background is the pre-requisites for an individual to possess BPO jobs, 55% of the employees say that effective communication skills are the pre-requisites for an individual to possess BPO jobs, 22% of the employees say that sound work experience is the pre-requisites, while 5% say that other factors too are required.

2. What according to you acts as motivational factor for an individual to opt for BPO jobs?

**CHART 2: CHART SHOWING MOTIVATIONAL FACTORS FOR OPTING BPO JOBS**

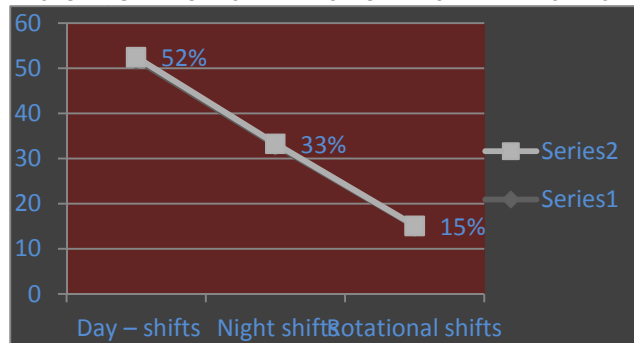


**INTERPRETATION**

From the above analysis, it can be observed that 30% say that availability of more number of vacancies is motivational factor for an individual to opt for BPO jobs, 22% say that reputation/ brand is motivational factor, 39% of the employees say that high pay – package motivational factor for an individual to opt for BPO jobs while 9% motivational factor for an individual to opt for BPO jobs

3. Which shift do you prefer?

**CHART 3: CHART SHOWING EMPLOYEES PREFERENCE TOWARDS DIFFERENT SHIFTS IN THE COMPANY**

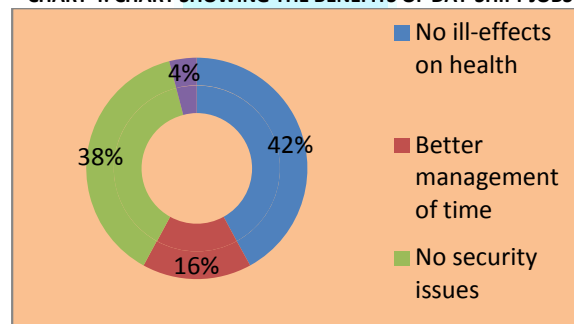


**INTERPRETATION**

From the above analysis, it can be inferred that 52% of the employees prefer day-shifts, 33% of the employees prefer day-shifts while 15% of the employees prefer rotational shifts.

4. What are the benefits of day-shift jobs?

**CHART 4: CHART SHOWING THE BENEFITS OF DAY-SHIFT JOBS**

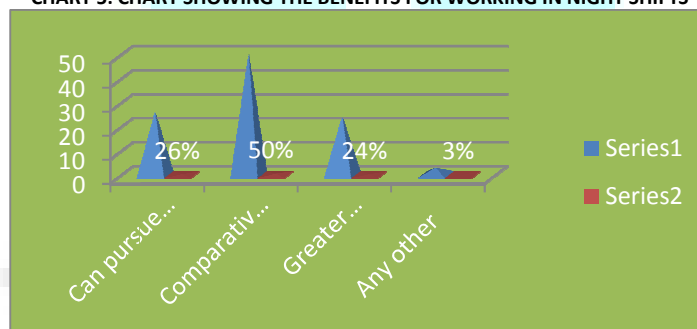


**INTERPRETATION**

From the above analysis, it can be observed that 42% of the employees say that one of the benefits of day-shifts is no ill-effects on health, 16% say that they can have better time management, 38% say that no security issues in day-shifts jobs while 4% of the employees say that other than the above there are other benefits too.

5. According to you what are the benefits for working in night shifts

**CHART 5: CHART SHOWING THE BENEFITS FOR WORKING IN NIGHT SHIFTS**

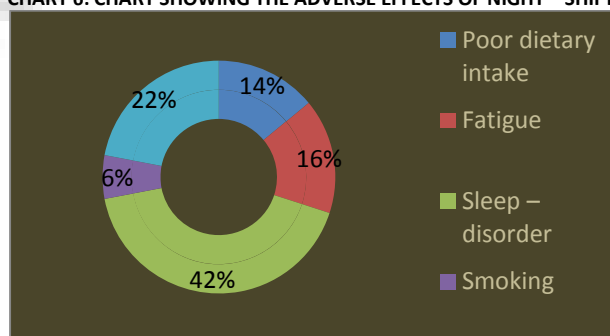


**INTERPRETATION**

From the above analysis, it can be inferred that 26% of the employees say that they can pursue higher education, 50% of the employees say that comparatively high salaries are offered, 24% of the employees offer greater scope for promotions and 3% say that there are other benefits also.

6. What are according to you are the adverse effects of night – shifts?

**CHART 6: CHART SHOWING THE ADVERSE EFFECTS OF NIGHT – SHIFTS**

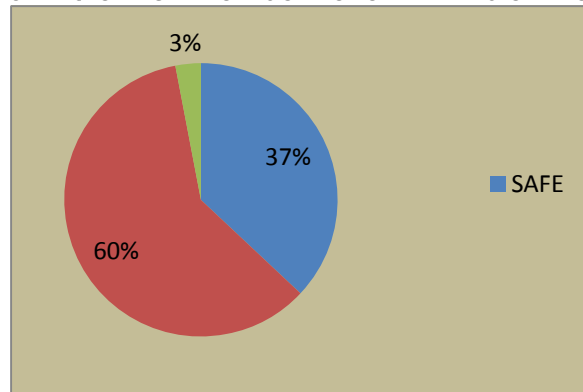


**INTERPRETATION**

From the above analysis, it can be concluded that 14% employees say that poor dietary intake is one of the adverse effects of night – shifts, 16% say that fatigue is one of the adverse effects of night – shifts, 42% of the employees say that sleep –disorder is the adverse effect of night – shifts, 6% of the employees say that smoking is the adverse effect of night – shifts, 22% of the employees say that stress is the adverse effect of night – shifts.

7. What is your opinion about the transportation facility provided by your company?

**CHART 7: CHART SHOWING EMPLOYEES OPINION ON THE TRANSPORTATION FACILITY**

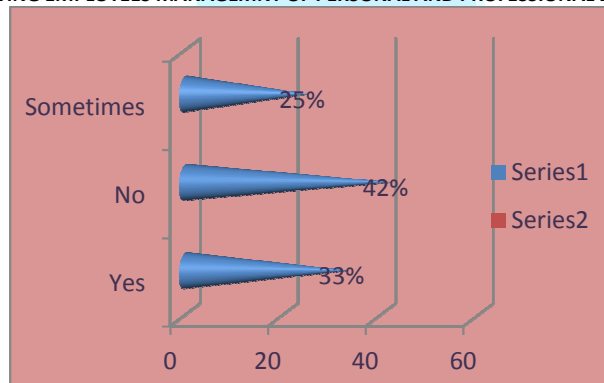


**INTERPRETATION**

From the above analysis, it can be observed that only 37% of the employees say that they feel safer with transportation facilities provided by their company, 60% of the employees say that the transportation facility provided by their company is very unsafe while 3% of the employees are neutral about the transportation facility provided by their company,

8. Are you able to manage your personal and professional life in a better and efficient way?

**CHART 8: CHART SHOWING EMPLOYEES MANAGEMENT OF PERSONAL AND PROFESSIONAL LIFE IN AN EFFICIENT WAY**

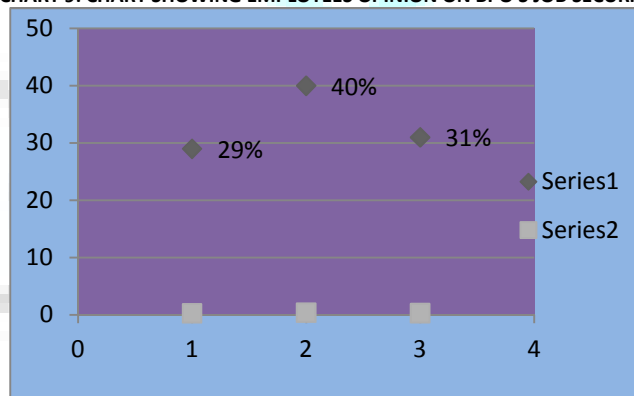


**INTERPRETATION**

From the above analysis, it can be concluded that 33% of the employees are able to manage their personal and professional life in a better and efficient way, 42% of the employees are not able to manage their personal and professional life in a better and efficient way and 25% of the employees are sometimes able to manage their personal and professional life in a better and efficient way.

9. Do you think that BPO jobs promise job security?

**CHART 9: CHART SHOWING EMPLOYEES OPINION ON BPO'S JOB SECURITY**

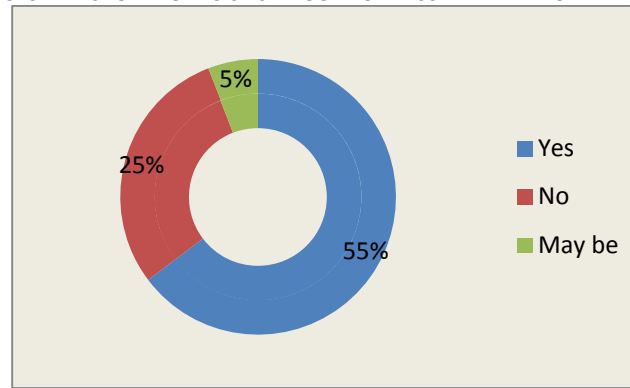


**INTERPRETATION**

From the above analysis, it can be inferred that 29% of the employees believe that BPO jobs promise job security, 40% of the employees do not believe that BPO jobs promise job security and 31% of the employees are unsure about BPO jobs promising any kind of job security

10. Do you think BPO's are Boon to the current employment scenario?

CHART 18: CHART SHOWING BPO'S AS A BOON TO THE CURRENT EMPLOYMENT SCENARIO



#### INTERPRETATION

From the above analysis, it can be inferred that 55% of the employees have a opinion that BPO's are boon to the current employment scenario, 25% of the employees do not believe that BPO's are boon to the current employment scenario while 5% of the employees are unsure about BPO's being a boon to the current employment scenario

#### FINDINGS

1. It is found that more number of employees working in the organization are un-married as such they find it little easy to manage their personal life
2. Only 29% of employees have been found to be working with the company for a period of 2- 5 years. There is a stability issue
3. Effective communication skills beside sound work experience in the relevant field are found to be the most demanding pre-requisites to posses the BPO jobs in the current scenario
4. Most of the employees are attracted to the BPO jobs because there are multiple vacancies and they offer a handsome pay – package.
5. Night – shift jobs are available in abundance but it's very difficult to get a day – shift job. As direct entry into a day –shift job is not easily available
6. Employees prefer day-shift jobs because there are no ill – effects on health and thus they can manage both their personal and professional life in a better way
7. Personal interview with the employees revealed that they are here working to gain experience in the relevant field and then pursue higher education as there is no job security provided
8. Canteen/refreshments facilities are not meeting the required expectations of the employees. Fresh and nutritional food should be thus provided
9. Cab – facilities are available to employees only after 9.00 P.M. Employees have to depend on their personal or public mode for transportation
10. In spite of the adverse effects of night shifts, still BPO sector is a booming field and is attracting employees from all parts of the world

#### CONCLUSIONS

1. It is observed that married employees find it slightly difficult to carry night shift jobs because of family demands and for unmarried employees, as family is not dependent on them for many things. so its little easy for them to carry on with night- shift jobs
2. It can be concluded that effective communication skills and sound work experience are the pre-requisites for an individual to possess BPO jobs
3. Availability of vacancies and High pay-package acts as motivational factor for an individual to opt for BPO jobs
4. According to the survey, it is not easy to get day-shift jobs in the current employment scenario
5. Majority of employees prefer day – shift jobs and the least preference is given to rotational shifts
6. No ill-effects on health and No security issues are the major advantages of having a day-shift jobs
7. The major advantages of working in night –shifts are the employees are paid high salaries and there is increased scope for promotions and incentives
8. Sleep – disorder , stress and poor dietary intake are the adverse effects of night – shifts
9. It can be concluded that the canteen facilities are not “BEST” but “GOOD”, thus leading to poor dietary intake.
10. Cab – facility is not provided during day timings. As such employees have to make their own arrangements and depend on public transportation in reaching the work – place Women employees find the transportation “unsafe” in the nights. A provision of a “body – guard” should be made mandatory
11. Surveyed employees feel that they are not paid adequately. Because there is no distinction for a graduate and a post – graduate employee. Both are paid the same salary
12. As the night – shifts jobs are abundantly available in the present employment scenario; employees are not able to devote sufficient time to their family and friends.
13. Most of the employees feel that BPO jobs do not offer any job security. As such then it is still evolving from the recession impact and any closure of the units of the host company may result in unemployment in subsidiary company
14. Most of the employees still assume that BPO's are boon to the current employment scenario as there are abundant vacancies available and attracting large number of crowd all over the world

#### SUGGESTIONS

- 1) This study shows that proper and systematic training must be evaluated in the organization
- 2) The organization should choose the correct strategy for the task environment that can help the employees reduce the effects of night shift decrements in alertness.
- 3) Coping with the potentially harmful work schedules involves helping people to cope and by designing workplace environments and shift scheduling schemes that lead to the least disruption to mental, physical, and social wellbeing.
- 4) The company should adopt very stringent security rules and provide an efficient and friendly environment for employees working in night shift, specially for women
- 5) It is suggested that sacrifices toward social life should be compensated by more additional benefits with the effective implementation of mandatory benefits, so that employees feel motivated to give their best to the company
- 6) Company should provide child- care facility for working mothers.
- 7) Employees should be equipped with in-house training facilities on self-defense and safety. Companies need to network with other organizations like police and NGOs who can train the employees to protect themselves when the need arises.
- 8) It is also suggested that employees in night shift should try to restrict the use of caffeine, alcohol, cigarettes and chocolates. Yoga and meditation will prove beneficial for them.

- 9) The employers should take full responsibility in providing security arrangements. Sometimes employees face problems at night in going out to have food and sometimes to the hospitals. By considering this seriously, the company/organization should provide food and healthcare services within their campus.
- 10) Companies should provide escorts for female employees from their homes to their workplace and also keep record of photographs and work histories of their drivers that they hire for commuting purposes of their employees.
- 11) Companies must take responsibility for security practices like verification of third party workforce and posting of security guards on vehicles carrying women employees.
- 12) A proper grievance handling mechanism should be adopted where the employees feel free to raise their voices

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## AN OVERVIEW OF THE CHALLENGES FACED BY ITES /BPO EMPLOYEES IN INDIA AND THE NEED FOR NATIONAL LEGISLATURE TO PROTECT EMPLOYEE RIGHTS OF THIS SECTOR

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**PUNE**

### ABSTRACT

*Business Process Outsourcing (BPO) is a growing industry that is garnering interest from all other sectors such as government, business, and academicians. India has the most number of BPOs in the world and this sector in India is growing at the rate of 40 -50 percent since inception. This paper is an attempt to explain the problems faced by the ITES / BPO workers within the legal context in which they work. It also tries to bring to fore, the problems faced while implementing the legislature and the consequences of exemptions granted by state level laws to encourage ITES sector. Flexible timings, counseling services, stress management trainings, job rotations, provisions for child care and creation of opportunities for individual growth are some ways in which the inherent monotony of work in BPOs can be addressed. This will also help in managing the high attrition rate affecting this sector.*

### KEYWORDS

BPO, ITES, legislature, outsourcing.

### INTRODUCTION

India has the largest number of BPO companies in the world and has now become a prominent destination for outsourcing in the services sector. Outsourcing to India began with the growth of IT industry and today BPO has become a very important part of the export oriented IT software & Services environment. While BPO services have helped to put India on the map for outsourcing business, it has also created a host of new problems such as burnouts and changed family structures in the society. This paper discussed various problems faced by the employees of ITES/ BPO sector and the local legislations which cover this sector. The paper also discusses some of the concerns facing the sector like attrition and work organization and concludes with some suggestions on how some of the problems particularly can be addressed

### BPO

Business Process Outsourcing is a broad term referring to outsourcing in all fields. BPO is the allocation of one or more IT intensive business processes to one or more external provider that in turn owns administers and manages the selected process based on defined and measurable criteria. A BPO organization can also be seen as performing a process or a part of a process for another business organization, in order to gain in productivity or save on costs. A call centre on the other hand, performs that part of the client's business which involves handling telephone call. These are called voice based BPOs and usually used for sales, customer service or support activities. Call Centre can be seen as a 2d services industry.

### NEED AND IMPORTANCE OF THE STUDY

BPO industry is still in its nascent stage in India and although it is booming today, it has not been without its share of problems. BPO/ ITES sector requires people who have basic skills at entry levels and therefore the average age is 20-23 and the job profile is usually generating revenues or troubleshooting over the phone. Employees are trained to speak in foreign accents to talk to their customers and they have to work odd hours to reach their overseas customers. This is important aspect of BPO work as it means taking advantage of different time zones to maximize on productivity and costs. However the stress and unnatural hours are adversely affecting not only the physical and mental well-being of the employees but are also affecting our social structures. The problems associated with ITES industry need to be understood in relation to the demands and nature of the this industry. Moreover this being new sector legislation at national and state level also needs to be fine tuned to cover this industry and offer protection of fundamental rights to the employees. As ITES sector is growing at a rapid stage various states like Bengal and Karnataka are offering exemptions to encourage the sector locally. All this needs to be considered in the light of long term sustainability of the industry. Therefore there is an urgent need to understand the problems facing workers of this sector and work out solutions that will help and promote the sector at the same time ensure basic rights to its employees.

### GROWTH OF BPO IN INDIA

BPO has emerged as one of India's most promising sectors and has been growing at a rate of 40-50 per cent since inception. Taking advantage of the abundant skills and low cost benefits, a large number of BPOs have sprung up in India in recent years as many well established companies have started BPO divisions. Outsourcing has increasingly gained popularity because of reasons like cost advantage, economy of scale, business risk mitigation, superior competency and utilization competency

As per the Nasscom website India has a 55% share in global sourcing and the IT BPO industry accounts for 26% of India's exports and 11% of the services revenues while directly employing 2.54 million professionals. BPOs in India offer different types of services like Customer support, Technical support, Telemarketing, Employee IT helpdesk, Insurance processing, Data Entry, Medical transcription, Data Processing & Date conversion services, Form processing, Book keeping and Online Web research services. BPO in India has grown rapidly as compared to software services as the advantages offered by the country were well known and tested in IT outsourcing. Most of the required infrastructure was already in place and the companies only needed to set processes to get BPO going in India. The evolution of BPO can be seen in three phases:

- Large multinational companies set up their captive centers in country. American Express, GE and Citibank were the pioneers followed by numerous banks, financial services manufacturing companies who set up captive centers for back office operations and customer services.
- These captive centers were followed by setting up of BPO operations often backed by Venture capitalists.
- IT majors such as IBM with experience in managing offshore IT operations ventured into India BPO market to tap the opportunity.

### PROBLEMS IN BPOS IN INDIA

The average age of a BPO staffer is between 20-23 years and the work profile is generally trouble shooting, sales or revenue collection done through tele-calling. Since the work profile is not skill specific, young people with little or no experience are attracted to this industry to make quick money. They are totally unprepared for working in high pressure environments and more particularly working at odd hours. Indian BPOs often service multiple geographies and hence work in varying time zones. Therefore a BPO employee might work in night shifts starting anywhere from 10pm to 2 am and ending at 6am to 10am. There is also a graveyard shift starting at 4am. Working such odd hours has started to show hazardous results on the health of the Indian youth such as irregular sleep, unhealthy food habits, nausea, chronic fatigue, body ache, headaches, dry eyes, violence, infertility etc. When these are coupled with stress brought on by high targets it results in psychological problems like nervousness, insomnia, anxiety, hypertension, restlessness and even depression. Indian call centre workers are also increasingly facing racism abuse from Americans resulting from outsourcing.

Stress of talking to foreigners in fake foreign accent, solving other people's problems, facing and handling anger and abuse is thus resulting in high attritions rates within BPO centres. According to a survey by Dataquest (2004) an average agent in a BPO puts in 11-12 hours per day which sometimes extends to 14 hours. Operational Heads regularly work 17-18 hours per day basis staying back for customer conference calls.

With no time for personal life, erratic schedules that disturb family life and monotonous work of business process outsourcing, employees are increasingly showing signs of frustration and instability. Due to the unnatural hours, family ties become weak and the person gradually becomes socially isolated. BOSS – Burn out syndrome is a common syndrome among BPO employees and includes chronic fatigue and insomnia due to change in biological rhythm. Incidences of loss of identity are also on the increase. Due to the increasing gap between supply and demand of the talent for BPOs the companies are doing their best to attract more young people and struggling to retain them.

Despite these concerns BPOs have often been seen as a boon as they have provided bulk employment to largely unemployed graduates. However a bigger problem looming over the horizon is sustainability of this workforce given the high stress levels and limited educational and professional opportunities after a few years.

As a result of the prolific growth of off-shoring services, research regarding off-shored work from the perspectives of globalization of labor has been extensively discussed, however studies relating to off-shoring have not focused much on its legal aspects. A review of the legislations relevant to the ITES/BPO sector will help to relate the problems discussed above as well as bring to the fore the need for specific legislation for ITES and better enforcement policies.

It is hoped that it will highlight the urgent need to provide a balance of work life and personal life to employees of this sector through strong legislation and thus in turn support the growth of this industry.

## LEGISLATIVE PERSPECTIVE

The Constitution of India gives the citizens many rights and protections, some of which are particularly relevant to labour such as the right of equality before the law, prohibition against discrimination, right to form associations or unions, the freedom to practice a profession and to carry on any trade or occupation. (articles 14, 15, 19). The Constitution clearly distinguishes the activities of the central and state /territory legislatures and also specifies the independent powers and shared powers of the Central governments and State / territory governments.

The Constitution also covers conditions of work, provident funds, employers' liability, workmen's compensation, invalidity and old age pensions and maternity benefits (Constitution of India 1949 articles 22-24). However Indian labour laws have often been called too rigid and too protective to allow the country to take full advantage of its entry into the global market, and there has recently been much discussion on the need to modernize labour laws and practices, in order to enhance competitiveness in a globalizing world (Second National Commission on Labor 2002).

For the purpose of this article however, the main question is whether or not these numerous Indian labor laws provide adequate protections for BPO/ITeS workers with respect to working conditions, terms of employment, salary, leaves, working hours, work-life balance and so on given the specific and demanding nature of work of the ITES sector.

## LEGISLATIVE PROTECTIONS

Central laws in India provide for minimum wage levels, arrangements for payment of wages, hours of work, paid holidays and sick leave, maternity leave, termination of employment, workers' compensation, health insurance, provident funds (superannuation), gratuities (reward for long service), bonuses (profit sharing), freedom of trade union membership, and prohibition of unfair labor practices.

In India, some legislations protect 'workmen' as opposed to supervisors and managers, some apply only to workers whose employers do not otherwise provide such protections at a higher level, while some legislations protect only workers below certain wage levels. Some national legislations do not apply where state laws cover the same area.

The extent to which BPO/ITES workers are covered by central legislation thus depends upon their status, their location, their wage levels, and the conditions under which they work. In addition to the general Indian legislation, there are myriad legislations covering specific industries, as well as state legislations governing the same issues and a broad range of other topics. Specific legislations relating to workers in BPO/ITeS are generally state-based, most commonly falling under a state Shops and Commercial Establishments Act, or similar. Such legislations lay out the provisions of employment in commercial establishments, which are sometimes specified, and sometimes simply assumed, to cover ITES establishments and the workers therein. State of Karnataka has been one of the pioneers in designing its legislation to promote the potential growth of this sector. Karnataka Shops and Commercial Establishments Act 1961 which covers ITeS industry defines Commercial establishment as "a commercial or trading or banking or insurance establishment, an establishment or administrative service in which persons employed are mainly engaged in office work, a hotel, restaurant, boarding or eating house, a café or any other establishment and includes such establishments as the State Government may by notification declare to be a commercial establishment for the purposes of this Act"

In Karnataka, the Shops and Commercial Establishments Act 1961 covers BPO/ITES workers except those 'occupying positions of management' (Shops and Commercial Establishments Act 1962, s. 3(1) (h)). Maximum daily and weekly hours, and hours of overtime are prescribed by the Act (s. 7), as are penalty rates for overtime (s. 8), requirements for rest periods (s. 9), and limits on the spread of hours (s. 10). The Act allows a minimum of 13 days paid holiday (s. 15(1)) and 12 days paid sick leave per year (s. 15(3)). The Act also provides a measure of job security i.e. no employee who has worked for the employer continuously for 6 months shall be removed or dismissed 'except for a reasonable cause', and 'unless or until one month's notice or pay in lieu' has been given (Shops and Commercial Establishments Act 1961, s. 39(1)).

Under other provisions of Karnataka Shops and Establishments Act all shops and establishments must remain closed on one day per week (Shops and Commercial Establishments Act 1961 s. 12), and the government may fix the opening hours of shops and establishments (s. 11). The legislation, however, specifically provides that IT establishments, and IT-enabling services or establishments, are exempt from these provisions, and can thus be open seven days a week, and for any number of hours. Further, IT and IT-enabled services have been exempted from prohibitions in the Act against night work for women and young people (Shops and Commercial Establishments Act 1962, s. 25), subject to employers providing transport and security for those working at night.

West Bengal's IT Policy in addition to relaxing restrictions on opening hours, weekly closures, and women's work hours allows BPO/ITeS employers to 'self-certify' their compliance with legislation such as the Payment of Wages Act, Minimum Wages Act, Shops and Commercial Establishments Act, Workers Compensation Act, and Employees State Insurance Act (Department of Information and Technology, Government of West Bengal 2003).

The IT Policy of Uttar Pradesh exempts ITES businesses, as 'constituents of the knowledge industry', from routine inspections such as those for excise, labour and pollution compliance. ITeS in some areas has been declared a 'public utility,' bringing the sector under extremely restrictive provisions with regard to strikes and other industrial actions.

It appears that the law at least formally offers substantial protections to BPO/ITeS workers but the exemptions granted to encourage the industry at state level are undermining the protection built into the legislature. Moreover legislative protection is only one aspect of the environment within which labor is situated. To make an evaluation of the real protections offered by any legislative regime, it is also necessary to examine also how well such laws are enforced. Enforcement of labor law is a major concern in India. Corruption is seen as a serious problem (Centre for Media Studies and Transparency International India 2005), and corruption of labor inspectors is reported to be even more frequent than corruption of other inspectors (Ahsan 2006)

## TRADE UNIONS

Unions in the BPO/ITeS sector have not been taken seriously by employers and by the employer representative National Association of Software and Services Companies (NASSCOM). BPO/ITeS workers on the other hand fear employer backlash against those joining trade unions. Unlike many countries where trade unions are seen to be closely aligned to the 'left' parties, in India all political parties are likely to have a union base. Consequently, trade unions are not viewed well by both employers and employees in private enterprise, and tend to have low membership levels. Further, because off-shored service work is a recent development in India, and is done exclusively by private companies, there are few unions covering such workers. Some have however been established recently,

mostly with sponsorship from national or international unions. For example, the Centre for Indian Trade Unions (CITU) sponsored the establishment of the IT Services Union in West Bengal (WBITSU). The US-based Communications Workers of America, and Jobs With Justice, has been collaborating with India's New Trade Union Initiative (NTUI) to research the situation of ITeS workers, and to identify and connect the common interests of workers in the developed and less developed world.

Union Network International (UNI) sponsored the establishment of the IT Professionals' Forum (ITPF) for both IT and BPO/ITeS workers, as well as UNITES, solely for BPO/ITeS workers. This union has managed to negotiate six collective agreements with BPO/ITeS employers. Although these agreements do not deal with specifics such as hours and wages they have laid a foundation for a dialogue between union and company to recognize the union as the employees' representative, to abide by relevant health and safety standards and charters, and to follow agreed procedures for the resolution of grievances. NASSCOM and employers have claimed however that unions are neither needed nor wanted by ITeS workers. The formation of BPO/ITeS unions has been seen as 'counter productive' (Karnik 2005) and a 'retrograde step' which may damage the industry and scare away current and potential ITeS investors (Roy 2006). NASSCOM also considers such moves unnecessary, as the hierarchy in BPO/ITeS firms allows any employee to 'approach senior management with his/her problem' (Karnik 2005). The Bengal Chamber of Commerce and Industry claims that 'companies can take care of their employees much better [than trade unions] and each company can ably handle its own affairs' (Roy 2006).

Unions on the other hand suggest that BPO/ITeS employees need and desire unions, but are often scared to join owing to hostility from employers. In a study of UNITES members, more than half of those surveyed reported employer opposition to unionism as an important obstacle to joining, while a similar percentage thought that the fear of being sacked would stop colleagues from signing up. Thus whatever freedom employees are given under legislation to form and join trade unions will be ineffective in practice so long as workers fear reprisals for pursuing them.

In addition, unions accept that it is difficult to form unions and to recruit members while the sector is new and booming, and high-paying jobs are plentiful. In such circumstances, many employees may not yet see the advantages of unionization. These advantages are more likely to be realized when growth in the sector slows, in the case of a general market downturn, or when jobs begin to move from India to cheaper overseas competition.

Labor in the BPO/ITeS sector in India is subject to a high level of formal legal protection, yet enforcement is lacking. As a result of corruption, exemptions, delay and high cost of litigation workers often move to new employment rather than trying to enforce their rights. Trade unions are protected, and rights to membership are guaranteed, yet trade unions are often not recognized by employers, and union members continue to suffer victimization.

In addition to the legal environment, the work itself and its organization contribute to workers' difficulties. Employers offer good pay and benefits in modern working environments, but the work is often dull and dead-end, carried out under extreme pressure, with little autonomy and little scope for progression. Nevertheless while workers leave their employment in droves, two-thirds of them take another job in the same sector.

### MODE OF EMPLOYMENT

It is generally believed that permanent employees tend to reap the benefits of labor regulation, while others (temporary, fixed term, casual employees, and non-employees) are often excluded from its protection. It is also observed that even though most of the ITeS employees are permanent employees, they do not necessarily gain the advantages of permanent employment. This could be because employees do not work with one employer long enough to go beyond the probationary period and thus never gain the benefits of permanent employment.

**Attrition:** Attrition in this sector is another problem emerging as a major concern for future growth and stability. At a recent NASSCOM summit, representatives of the BPO/ITeS industry pointed out that the staff attrition had emerged as a key problem for companies and was as high as 50 per cent in some organizations (NASSCOM 2007). One major reason for high attrition rates in this sector is the sheer availability of alternative jobs. The constant growth of the sector means that more and more alternative opportunities are available. Although organizations constantly decry the problems resulting from high attrition, they inadvertently encourage it with their policies of giving bonuses to employees who can recruit others and paying out the notice periods of prospective new employees to attract them to leave their current employers.

Attrition has two major effects on the legal protections available to and sought by BPO/ITeS workers. Firstly, it means that many workers do not stay with one employer long enough to gain entitlements to legal rights and protections. Secondly, because so much work is available, many workers simply leave jobs and take up new ones rather than trying to enforce rights against their employers. Workers have reported leaving jobs to take holidays or bear children, rather than trying to enforce rights to maternity or annual leave. The difficulty of accessing rights, coupled with the easy availability of alternative employment, encourages attrition. Another factor encouraging attrition is the nature and organization of the work itself.

### BPO/ITeS WORK

While the BPO/ITeS sector encompasses many types of work, much of the actual work is unattractive. It appears that the 'higher-end' the process is, the less attrition there is (Tejaswi 2007), and attrition seems to be a much larger problem in voice operations such as call centres, than in other BPO/ITeS work. Work in outgoing call centres particularly those working for the international market, does not allow much autonomy or opportunity to use initiative, there is constant surveillance followed by high level monitoring of performance but worst of all there is little opportunity to progress within and beyond the call centre.

Widely expressed concerns from workers in the sector include constant shift work; heavy monitoring; frequent performance reviews; and lack of opportunities for learning, skills development and use of initiative. In addition, workers are frequently over-educated for the roles they are asked to play resulting in wastage of human resources and de-skilling of workers.

Researchers have suggested ITES / BPO work may be improved through rotating jobs between workers, rotating shifts, and giving all employees some opportunity for non-scripted work or non-standard jobs during some of their working hours. Likewise surveillance may be necessary for security, monitoring of work may be necessary for quality control, and night work may be necessary to cater to the overseas market however performance targets need not be set so high that stress and burn-out are almost inevitable.

### CONCLUSIONS

Labor in the BPO/ITeS sector in India is subject to a high level of formal legal protection and yet, it is suffering because enforcement is lacking. Corruption, exemptions and delay are not only affecting workers' constitutional rights but will eventually affect the future prospects of the industry. In addition to the legal environment, the work itself and its organization, is contributing to workers' difficulties.

Good pay and benefits in modern working environments are not making up for work which is not challenging and is often carried out under extreme pressure. Little autonomy and virtually no scope for progression are adding to the woes. So while attrition is high so is recruitment.

Organizations can address these problems by initiating practices which help employees de-stress and help them enjoy a better work life balance. Offering good counseling services and flexi timings can help address lot of problems created by the nature of work and odd hours. Provisions for child care for women employees will also encourage more women to join the forces and make life easier for those already with the organization. Employees across the sector need to be organized and need to have a collective voice to present their problems and ensure practical solutions are worked out.

While it is undeniable that ITES / BPO has contributed extensively to providing employment and is contributing to the economy, the prevailing work conditions and lack of a strong national legislature that protects ITES/ BPO employee's rights is negatively affecting India's first generation of ITES employees.

Thus the need of the hour is to ensure legislative protection and proper enforcement of the laws nationally and pave the way for a healthier and stronger IT generation for tomorrow.



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**INSURANCE BUSINESS IN INDIA - AN OVERVIEW**

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**ABSTRACT**

Insurance has been the back bone of society. For country like India, insurance does serve the need as social security practices that are not present in India compared to some foreign nations. There is no support from the government agencies to the ailing families of India, who have lost their bread winner in past, which resulted in weakening the economic front of the family. The origin of Insurance can be dated in 18th century when for the need of some European sailors the idea of Insurance was discussed and brought in light for the mutual benefit. With emergence of Life Insurance Act in 1912 and provident fund Act, gave the regulation to the business. Many Insurance companies flourished in India and started their operations. Mal Practices became rampant as on every corner new "Insurance Shops" were opened. In 1999, the IRDA was set up under Companies Act., aspiring to carry on insurance and reinsurance business in India. Insurance business in India is growing at the rate of 15.20% annually India's insurance sector is to show an unprecedented progressive growth of more than 200% by the period of 2010-11 the business of insurance is expected to reach at Rs.2000 billions in coming 2 years from the present level of Rs. 500 billion-. With new insurance company coming in India, increase in awareness about Insurance in India and good marketing and advertising campaigns carried out by the marketers will give rise and will grow the Insurance market in future. The tendency and dependency in the product is surely benefitting the industry to achieve its growth targets that they are expecting. With more companies coming up every day and the growing demand of the industry the markets are becoming very Competitive. Until and unless the existing companies makes a mark and create their very own brand name it would be quite tough to sustain their position in the market. There is also a probability of big companies taking over the new emerging companies. With new Distribution channels emerging for the markets, creating and crafting the products for these new intermediaries, surely will cater the Insurance need of the end customer. Fuelled competition, increased awareness will bring the customers on the centre- stage. More Customer awareness, more regulatory frame work and ethical sales practices will be one to look forward in the Insurance Business. This paper discusses the present scenario of Insurance industry, the future developing channels and the perceptions and expectations of end users toward Insurance Industry.

**KEYWORDS**

Insurance industry, services.

**INTRODUCTION**

The Insurance sector in India governed by Insurance Act, 1938, the Life Insurance Corporation Act, 1956 and General Insurance Business (Nationalisation) Act, 1972, Insurance Regulatory and Development Authority (IRDA) Act, 1999 and other related Acts. With such a large population and the untapped market area of this population Insurance happens to be a very big opportunity in India. Today it stands as a business growing at the rate of 15-20 per cent annually. Together with banking services, it adds about 7 per cent to the country's GDP. In spite of all this growth the statistics of the penetration of the insurance in the country is very poor. Nearly 80% of Indian populations are without Life insurance cover and the Health insurance. This is an indicator that growth potential for the insurance sector is immense in India. It was due to this immense growth that the regulations were introduced in the insurance sector and in continuation "Malhotra Committee" was constituted by the government in 1993 to examine the various aspects of the industry. The key element of the reform process was Participation of overseas insurance companies with 26% capital. Creating a more efficient and competitive financial system suitable for the requirements of the economy was the main idea behind this reform. Since then the insurance industry has gone through many sea changes. The competition LIC started facing from these companies were threatening to the existence of LIC. Since the liberalization of the industry the insurance industry has never looked back and today stand as the one of the most competitive and exploring industry in India. The entry of the private players and the increased use of the new distribution are in the limelight today. The use of new distribution techniques and the IT tools has increased the scope of the industry in the longer run. As of now today India is having 23 Life Insurance company serving the need of customers in all parts of India. These are:

**LIST OF LIFE INSURANCE COMPANIES IN INDIA TILL 2011**

1. Life Insurance Corporation of India
2. MetLife India Life Insurance
3. ICICI Prudential
4. Bajaj Allianz Life Insurance
5. Max New York Life Insurance
6. Sahara Life Insurance
7. TATA AIG Life Insurance
8. HDFC Standard Life
9. Birla Sunlife
10. SBI Life Insurance Company Limited
11. Kotak Life Insurance
12. Aviva Life Insurance
13. Reliance Life Insurance Company Limited – Formerly known as AMP Sanmar LIC
14. ING Vysya Life Insurance
15. Shriram Life Insurance
16. Bharti AXA Life Insurance Co Ltd
17. Future Generali Life Insurance Co Ltd
18. IDBI Fortis Life Insurance
19. AEGON Religare Life Insurance 1
20. DLF Pramerica Life Insurance
21. Canara HSBC Oriental Bank of Commerce Life Insurance
22. Star Union Dai-ichi Life Insurance Co. Ltd.
23. India First Life Insurance Company

These companies are not only able to create the awareness about the Insurance in country but also are able to create a good competitive environment needed for any business to flourish. With better Corporate Governance, fair business practices and transparency in business they are now able to break the monopoly of single Insurance provider in Life Insurance business in India.



## THE INDIAN INSURANCE MARKET

### REGULATION OF BUSINESS

With changing economies and open trade barriers, there was also a need for regulation of business is concern. With this need arising a regulator was formalized for the Insurance sector. In 1999, Insurance regulatory development authority (IRDA) was set up under Companies Act. Any Company aspiring to do business either in Life or in Non-life Insurance arena need to register itself with IRDA. They not only look at regulative frame work but also prohibit 100% foreign ownership of an Indian Insurance Company. An Indian Promoter is require to invest either wholly or team up with a foreign insurer, which can own not more than 26% of the shares in a venture. With 26% share capital with the foreign partner and remaining 74% with the Indian player.

### MAJOR PLAYERS AND GROWTH

The Insurance market of India, especially Life Insurance was mainly dominated by Life Insurance Corporation of India (LIC). With other players coming into the market provided a competitive environment to the Industry. LIC (Life Insurance Corporation of India) still remains the largest life insurance company accounting for 64% market share in 2010. Its share, however, has dropped from 74% a year before, mainly owing to entry of private players with innovative products and better sales force. In private players ICICI Prudential Co Ltd is the biggest private life insurance company in India. It experienced growth of 58% in new business premium. In line with expectations, life Insurance industry's new business volumes in the individual new business segment remained strong, growing 36% Y-o-Y and 23% M-o-M, in year 2010.

### INSURANCE PENETRATION AND DENSITY IN INDIA

Year	Density (USD)	Penetration (% age)
2001	9.1	2.15
2002	11.7	2.59
2003	12.9	2.26
2004	15.7	2.53
2005	18.3	2.53
2006	33.2	4.10
2007	40.4	4.00
2008	41.2	4.00
2009	47.7	4.60

Source: Swiss Re, Various Issues.

Insurance density is measured as ratio of premium (in US Dollar) to total population. Insurance penetration is measured as ratio of premium (in US Dollars) to GDP (in US Dollars). With the data, it can be seen that in business arena, the estate owned insurer LIC is still holding its base and position as number one Life Insurance Company in India. At the same way the private players are also leading an upward direction. Due to the competitive environment the awareness, and also due to the marketing activity of all insurers together has surely helped to increase the penetration and increase in the insurance density in India.

### PRODUCTS IN INSURANCE MARKET

Insurance market today consists of multiple products. To have a classification of products they can be mainly classified as;

#### TERM PRODUCT

#### ENDOWMENT PRODUCTS, ANNUITY (PENSION) PLANS

Though today Insurance is projected as an investment product to the customer, the avenues of these investments can be into traditional markets (Been tagged as a traditional products which gives fixed Guaranteed returns) and Unit linked products (Investment made in capital market). Along with need generation new product lines were introduced by many insurers and developed products like children products, short duration products, single payment products, limited period products and many more. With recent societal change also gave rise to products like "Reverse Mortgage "by these insurers. They are now able to developed and market the products depending upon the need and demands of customers. This has indeed helped the customer in form of customization of products at their disposal.

### FOREIGN COMPANY INFLUENCE

Several global insurers are today operating in Indian soil with the Indian partner. Prudential of United Kingdom, Aviva plc the major British insurer, AIG the America, Dutch insurance firm AEGON, French firm AXA and many more has entered the market and are earning now major share in the insurance market. With vast experience about the insurance business and cash rich Pockets these companies have changed the total way of business in India. With expertise in their work they have designed best products and best management practices have helped the customers to have these products at their end. The competition by large has provided an equal opportunity employability in India. With global business practices the cultural changes in working place has been able to seen in India. Best management styles of working today have helped to create best process not only the front end process but also the backed technological driven process. With customer relationship management (CRM) coming into picture the data storage and information sharing became must easier for all the insurers.

### CUSTOMER CENTRIC

A consumer remains the most important centre of the insurance sector. After the entry of the foreign players the industry is seeing a lot of competition and thus improvement of the customer service in the industry is been seen and is also been practiced. Customers have tremendous choice from a large variety of products from pure term (risk) insurance to unit-linked investment products. Customers are offered unbundled products with a variety of benefits as riders from which they can choose. More customers are buying products and services based on their true needs and not just traditional money back policies, which is not considered very appropriate for long-term protection and savings. There is lots of saving and investment plans in the market. Insurance industry is a data-rich industry, and thus, there is a need to use the data for trend analysis and personalization. With increased competition among insurers, service has become a key issue. Moreover, customers are getting increasingly sophisticated and tech-savvy. People today don't want to accept the current value propositions, they want personalized interactions and they look for more and more features and add ones and better service. The insurance companies today must meet the need of the hour for more and more personalized approach for handling the customer. Today managing the customer intelligently is very critical for the insurer especially in the very competitive environment; customer gone is gone forever and will never ever come back to the same insurer. Companies need to apply different set of rules and treatment strategies to different customer segments. With educating the customers by Insurance Regulatory Development Authority (IRDA) and the steps taken by them has been able to help the customers to know many things about the insurance. Also the detailed about their policy, the investment patterns, the charges applied, the expected returns on the policy the benefits and all fine prints about the policy has been provided by the regulator and also by the insurer to the customer, hence making customer a real " King " and keeping him at the center stage. Proper process for his queries, provision of district, state and nation form to clear the ambiguities and anything related by law are now addressed properly by the process came into picture. This has not only safeguarded the interest of the customer but also his involvement in the business by telling him his rights as a customer and the privilege he owns by giving the business to the insures across India.

### DISTRIBUTION AND INTERMEDIARIES

The insurance agents still remain the main source through which insurance products are sold. With growing competitiveness and good marketing strategies has given rise to other is attribution channels. The present channels for insurance sale in India available are:

- Direct Agents

- Direct Selling
- Group Selling
- Bank assurance
- Brokers
- Cooperative Societies

These new channels apart from the direct agents are able to penetrate the market much deeper than the traditional way of selling insurance through the agents. The channel partners are also benefited by this as more value is generated in their business by adding one more product and customer also gets benefited of their valuable and professional advice. These partners for insurance companies have been the major benefit for increase in sale of their products. Also with their wide reach in market and better customer relationship skills has widen the horizon of their business as they are able to get another product at their end to sell to their valued and loyal customers. Thus enhancing their relationships with the customers.

### **FUTURE PLAY**

Insurance industry has witnessed major changes over period of time. The regulator has been keen over the proper functioning of the business, with keen watch over the business capital to be invested with advancement in business also keen over creating awareness about unfair business practices nurtured by the insurer. Not only it has safe guarded the interest of the customer but has also played a keen role in educating the customer. With constant competitive environment the business delivery has been niche and constantly working toward been excellent. The best are the one to survive in the business. We may see big companies taking over the troubled one. Fuelled competition, increased awareness will bring the customers on the centre stage. Customer will be the single most important factor driving change in the life insurance business. Customer experience will be the key differentiator. Service will focus on enhancing the customer experience and maximizing the customer convenience. Apart from the new distribution channels evolved, internet will be another effective media to sell the insurance by effective comparison shopping. Technology will be playing a crucial role in delivering the highest standard of service to both, the end customer and also to the intermediary.

### **REGULATORY FRAME WORK**

The regulator till date has been firm tightening the business. Same would be seen from there end in coming future. While the regulator authority has done a superb job in putting place a framework, it needs to focus now to maintain consistency in the regulations applicable to each provider so as not to create a disadvantageous position for any one provider.

### **SIMPLIFICATION OF LAW**

Another cause of concern is the delay in the formulation of unified Act for issues relating to the insurance. Also with new modules coming in the financial planning arena, it is again necessary to frame out some laws to control the activities in future. With fee regime coming slowly into the market, regulating and controlling over the same will be require as a need of hour.

### **RISK MANAGEMENT**

India has seen an exit of one insurer (AMP Sanmar). The role of regulator in monitoring the risk profile of each participant will be crucial to maintain the good health of the sector. Insurers will need to take appropriate risk mitigation measures to minimize risk, while the regulator will need to strengthen their armory of risk measuring tools.

### **THE RURAL MARKET**

Insurance companies have established a presence and extended coverage in the rural areas as well, but there a lot more that needs to be done. The insurance companies need to design products that meet their need. Service delivery mechanisms will be crucial to success in rural areas. Mainly lesser premium a year will be required to explore the market.

### **FOREIGN DIRECT INVESTMENT (FDI)**

One of important reform the industry is looking for. Lobbying has been done for implementing the 49 per cent FDI in insurance sector. This will not only helped the sector but also helped the Indian partner in a big way. The precautionary measures have to be taken for safeguarding the existence of Indian partner if at all it is allowed in the sector.

### **PENSION FUND**

An important area of business which has been a key segment for insurers worldwide and will be critical to the growth and development of the insurance industry of India. Been a pensions fund at most care has to been taken for implementation as will affect many senior citizens.

### **MODERN MARKETING APPROACH**

Marketing strategies for insurance in the emerging scenario could be understood in terms of the following steps:

Having done market research and finalizing on segmentation, targeting and positioning the strategy would focus on the marketing mix namely, Product, Price, Place and Promotion. While determining the implementation methodology, the four characteristics viz. Intangibility, Inseparability, Perish ability and Variability gives rise to certain unique requirements that deserve careful attention while formulating the marketing strategy for insurance. After implementation, the insurers should concentrate on the effective control that would enhance their business.

In India, Insurance is sold and not bought. The agents / Advisors by using various strategies sell the product by convincing the customers. Moreover, they push Policies with the highest premium to pocket a higher commission. The consultative approach to selling is the modern approach, which helps customers and prospects to buy. A consultant makes calls and sells just like any other sales person. The difference is in their attitude, their approach and their commitment. Here, the customer is seen as a person to be served and not a person to be sold. It helps the purchaser to make an intelligent decision. The four-step process includes:

- Need discovery
- Selection of the product
- Need satisfaction presentation, and
- Serving the sale

This approach to selling their products requires understanding of concepts and principles borrowed from the fields of psychology, communications, and sociology and needs a lot of personal commitments and self – discipline from the seller.

The commitments referred are:

- Finding and understanding the needs of the customers.
- Partnering with the customers.
- Helping the customers to achieve his business and other objectives by the purchase of the product or service.
- Believing that your products / services are a great fit with your customer's needs, and

- Believing in yourself and your ability to help the customers in solving their problems.

## CONCLUSION

Since the opening of insurance sector to private players there has been many significant developments like product innovations, introduction of riders, new channels of distribution i.e., banks, corporate agents, group insurance business etc. While these changes are most welcome and will benefit the growth of the industry and the customers, there are some key issues that need to be addressed immediately namely regulating framework, simplification of insurance laws, risk management, the rural market and the pension and role for insurance companies. This market has the potential to grow into one of the largest markets in the world within the foreseeable future. However, if appropriate steps are not taken now to get the structural aspects right, this industry will face many challenges that affect the growth.

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## LEADERSHIP STYLES IN DYEING AND PRINTING INDUSTRY (WITH REFERENCE TO JETPUR CITY OF RAJKOT DISTRICT)

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### ABSTRACT

*Leadership is the factor which is responsible for the success or failure of the business. It is the challenging task for the management because one step can change the future of the organization. That's why companies organize Leadership Development Programmes for developing leaders within the organization so as to achieve their desired goals. Many leadership theories and styles are developed by the researchers. But no one can say that the particular style would be applicable in the particular situation. This paper attempts to analyze different leadership styles in Dyeing and Printing Industry at micro level. An attempt is also made to find out whether leadership styles of owners-managers vary with age, education, experience and family background. An analysis is also made to know whether there is any association between leadership styles of owners-managers and their demographic characteristics. The results shows that the leadership styles of owners-managers vary with the type of decision and the demographic characteristics do not influence the leadership styles.*

### KEYWORDS

Dyeing and Printing Industry, Leadership Styles, Owners-managers.

### INTRODUCTION

Leadership is an integral part of management and plays a vital role in managerial operations. If there is any single factor that differentiates between successful and unsuccessful organizations, it could be considered as dynamic and effective leadership. **Peter Drucker (1954)** points out that, "Managers (business leaders) are the basic and scarcest resources of any business enterprise". **Gorge Terry (1960)** points out that "Of every one hundred new business establishment started, approximately 50 or one half go as out business within two years. By the end of 5 years, only one-third of the original one hundred will still be in business." Perhaps, it would be a valid assumption to state that the major cause of these failures would be ineffective leadership. According to **Samuel C Certo (2003)**, "Leadership is the process of directing the behavior of others toward the accomplishment of objectives." Directing, in this sense, means causing individuals to act in a certain way or to follow a particular course. Ideally, this course is perfectly consistent with such factors as established organizational policies, procedures and job descriptions. The central theme of leadership is getting things accomplished through people.

Many researches have been done at international level. As a result, theories of Leadership have been developed like The Trait Theory, The Behavior Theory, Contingency Theory, The Path-Goal Theory, The Vroom-Yetton-Jago Model (1973 and 1988), The Hershey-Blanchard Life Cycle Theory of Leadership, The Situational Approach (1969), The Managerial Grid by Robert Blake and Jane Mouton (1978) etc. Leadership is not an attribute of business alone. In the army, in the government, in universities, in hospitals etc. and anywhere, where people work in groups, the leadership function emerges. There must be somebody to guide the group.

Leaders in modern organizations have been confronting many situations rarely encountered by organizational leaders of the past. Today's leaders are often called upon to make massive personnel cuts in order to eliminate unnecessary levels of organizations and thereby lower labor expenses, to introduce work teams in order to enhance organizational decision making and work flow, to reengineer work so that organization members will be more efficient and effective and to initiate programmes designed to improve the overall quality of organizational functioning. In relation to the new situations, four leadership styles have emerged in recent years which are Transformational Leadership, Coaching, Super Leadership and Entrepreneurial Leadership. Each of these four contemporary leadership styles has received notable attention in recent management literature. Currently two popular leadership topics are leadership substitutes and women leaders.

A style of a leadership is a "Relatively enduring set of behaviors which is a characteristic of the individual, regardless of the situation". In other words, the behavior exhibited by a leader during supervision of subordinates is known as leadership style. The leadership styles can be classified according to the philosophy of the leaders or there are probably as many different styles of leadership as there are leaders. But leadership styles used for the present research work are as follows:

**Style I: Benevolent Autocrat:** Under this style, the owner-manager gets required information from his subordinates and then makes the decision without the involvement of the subordinates at any stage of decision making process. His motivation style is positive.

**Style II: Strict Autocrat:** Under this style, the owner-manager centralizes decision making power in him self. He structures the complete work situation for his employees and they do what they are told. His motivation style is negative.

**Style III: Prior Consultation:** Under this style, the owner manager shares the problem with his subordinates for their advice and suggestions and then, he makes the decision.

**Style IV: Democratic Style:** The owner-manager and his subordinates together analyze the problem, evaluate alternatives and come to a decision.

**Style V: Delegation:** Under this style, the owner-manager once determines policy programmes and limitations for action and then, the entire process is left to subordinates. He maintains contacts with outside persons and intervenes only in exceptional cases.

The respondents were asked to tick one of the five styles. Some units have not faced some of the situations, such information is shown under the column "Style uncovered". Since managerial styles are determined by a host of factors such as forces in superiors, subordinates and situations, it is unlikely to expect a uniform leadership style. Demographic characteristics like age, experience, education and family background also influence the style of leadership.

### OBJECTIVES

- To study various leadership styles in Dyeing and Printing Industry of Jetpur city among the owners- managers.
- To examine the influence of age, education, experience and family background on the leadership styles of the owners- managers.

### HYPOTHESES

- The owners- managers adopt different types of leadership styles depending on situations.
- Leadership styles of owners- managers vary with the type of decision.
- Leadership styles of owners-managers vary with age, education, experience and family background.

### METHODOLOGY

There were more than 2,000 units in Jetpur city in 2006 out of which 550 were registered with The Dyeing and Printing Association of Jetpur (Dist. Rajkot, Gujarat). 50 units were selected for the purpose of the study. Both primary and secondary data have been used in the study. Primary data were collected from the 50 owners-managers of units of Dyeing and Printing Industry of Jetpur City. A structured schedule and questionnaire was used for this purpose. In the



method of making decisions, 5 leadership styles and 21 situations were incorporated. The secondary data were collected from magazines, periodicals, journals and newspapers related to the industry and subject matter. For the purpose of analysis of data and to test various hypotheses, statistical techniques like Average, Karl Pearson Co-efficient of correlation, Spearman's Rank correlation test and ANOVA technique have been used.

**LIMITATIONS**

- The study has been restricted only to 50 owners- managers of the industry of Jetpur.
- Though leadership is interpersonal relationship between the leader-managers and followers, the study is focused on the former.

**LEADERSHIP STYLES**

To determine the leadership styles of sample units, a questionnaire containing 21 situations were introduced and the owners-managers were asked to indicate their style of decision making in relation to each of the situations. Their responses are presented in Table 1.

**TABLE 1: LEADERSHIP STYLES OF OWNERS-MANAGERS IN PERCENTAGE OF TIMES THE STYLE USED**

Situation	Leadership Styles						Total
	I	II	III	IV	V	Style Uncovered	
<b>Production</b>							
1	78 (39)	12 (6)	4 (2)	6 (3)	-	-	100
2	70 (35)	14 (7)	8 (4)	4 (2)	-	4 (2)	100
3	70 (35)	14 (7)	6 (3)	2 (1)	6 (3)	2 (1)	100
4	68 (34)	18 (9)	10 (5)	2 (1)	2 (1)	-	100
5	66 (33)	12 (6)	14 (7)	4 (2)	4 (2)	-	100
<b>Average</b>	<b>70.4</b>	<b>14</b>	<b>8.4</b>	<b>3.6</b>	<b>2.4</b>	<b>1.2</b>	<b>100</b>
<b>Technical</b>							
6	70 (35)	8 (4)	18 (9)	4 (2)	-	-	100
7	48 (24)	20 (10)	22 (11)	8 (4)	2 (1)	-	100
8	52 (26)	20 (10)	14 (7)	14 (7)	-	-	100
9	26 (13)	10 (5)	28 (14)	32 (16)	2 (1)	2 (1)	100
<b>Average</b>	<b>49</b>	<b>14.5</b>	<b>20.5</b>	<b>14.5</b>	<b>1</b>	<b>0.5</b>	<b>100</b>
<b>Financial</b>							
10	68 (34)	14 (7)	6 (3)	12 (6)	-	-	100
11	70 (35)	16 (8)	6 (3)	6 (3)	-	2 (1)	100
12	70 (35)	14 (7)	6 (3)	2 (1)	2 (1)	6 (3)	100
<b>Average</b>	<b>69.3</b>	<b>14.7</b>	<b>6</b>	<b>7</b>	<b>0.7</b>	<b>2.7</b>	<b>100</b>
<b>Personnel</b>							
13	52 (26)	10 (5)	16 (8)	22 (11)	-	-	100
14	56 (28)	10 (5)	6 (3)	28 (14)	-	-	100
15	68 (34)	8 (4)	12 (6)	8 (4)	2 (1)	2 (1)	100
16	60 (30)	12 (6)	12 (6)	10 (5)	2 (1)	4 (2)	100
17	48 (24)	10 (5)	4 (2)	32 (16)	-	6 (3)	100
<b>Average</b>	<b>56.8</b>	<b>10</b>	<b>10</b>	<b>20</b>	<b>0.8</b>	<b>2.4</b>	<b>100</b>
<b>Marketing</b>							
18	46 (23)	10 (5)	12 (6)	4 (2)	4 (2)	24 (12)	100
19	52 (26)	10 (5)	16 (8)	-	-	22 (11)	100
20	8 (4)	14 (7)	20 (10)	24 (12)	12 (6)	22 (11)	100
21	32 (16)	10 (5)	12 (6)	16 (8)	2 (1)	28 (14)	100
<b>Average</b>	<b>34.5</b>	<b>11</b>	<b>15</b>	<b>11</b>	<b>4.5</b>	<b>24</b>	<b>100</b>
<b>Mean</b>	<b>56.0</b>	<b>12.84</b>	<b>11.98</b>	<b>11.22</b>	<b>1.86</b>	<b>6.24</b>	<b>100</b>

Source: Data collected from sample industrial units.

Note: Figures in brackets indicates no. of respondents to total respondents.

From the above table 1, it is observed that the dominantly style used by the owners-managers is style I. Style I is used for maximum number of times in production matters while it is used for less number of times in marketing matters. Similarly, style II is used to the same extent in production, technical and financial matters while in personnel and marketing matters, it is used to the extent of 10 to 11%. Style III is used for maximum number of times in technical matters and it is used for less number of times in financial matters. Style IV is used for maximum number of times in personnel matters while it is used for less number of times in production matters. Style V is used to a negligible extent in all matters. In case of situations 2, 3, 4, 6, 10, 11, 12 and 15, decisions relating to size, location and layout of the plant, method of production, purchase, practices and amount of inventory, change of operating procedures, all financial matters and to assign a different job to workers, the owners-managers use style I (70%). But in case of situations 9 and 20, relating to employ new subordinates, to operate the machines and method of sales promotion, it is used to the extent of 26% and 8% accordingly.

In production matters, on an average, about 71% of the sample owners-managers have adopted style I i.e. Benevolent Autocratic style. The mean percentage of style I and II put together comes to about 84 percent and thus, maximum owners-managers are adopting the autocratic style. Style III is used to the extent of 8.4% followed by style IV (3.6%) and style V (2.4%). 1.6% of the sample respondents have not faced some of the situations in production matters. Thus, the owners-managers are adopting style I in production matters significantly compared to other styles. The leadership styles of owners-managers of sample units in technical matters are adopting style I (49%), followed by style III (20.5%), and style II & IV (14.5%). Style V is used to a negligible extent (1%) while 0.5% of the respondents have used uncovered style. Thus, the owners-managers are adopting style I in technical matters. But it should also be remembered that style III is more popular than style IV. But the mean percentage of style III and IV put together comes to about 35% and thus more than 1/3<sup>rd</sup> of the owners-managers are adopting participative and democratic approach while taking decisions about technical matters. In financial matters, the mean percentage shows that about 70% of the samples owners-managers of Dyeing and Printing Industry of Jetpur city have adopted style I, followed by style II (14.7%). The mean percentage of style I and II put together comes to about 85 percent and thus more than 3/4<sup>th</sup> of the owners-managers are adopting autocratic approach while taking decisions about financial matters. The adoption of style III and IV is very lower as compared to style I and II. Style V (Delegation) is used to a negligible extent. Thus, style I is the most popular style in financial matters. In personnel matters, on an average, about 57% of the sample owners-managers have adopted style I followed by style IV (20%). The adoption of style II and III is same (10%). Style V is used to a negligible extent. 2.4% of the owners-managers have adopted uncovered style. Style IV is used for more times than any other business matters. Thus, style I is the most important style in personnel matters. In marketing matters, on an average, 34.5% of the sample owners-managers have adopted style I. It is followed by uncovered style with 24%. Style III is used to the extent of 15% while style II and IV



have been used to the same extent (11%). Style V is used to the negligible extent. Thus, more than 1/3<sup>rd</sup> of the owners-managers are adopting benevolent autocratic style. Style I is most important style in marketing matters.

Thus, style I is the popular leadership style used by owners-managers of the Dyeing and Printing Industry of Jetpur city (56%), followed by style II (12.84%), style III (11.98%), style IV (11.22%) and style V (1.88%). The mean percentage of style I and II put together comes to about 70%. Thus, more than 2/3<sup>rd</sup> of the owners-managers are adopting autocratic style. Style III and IV put together comes to about 25% and thus 1/4<sup>th</sup> of the sample owners-managers are adopting participative and democratic approach while taking decisions about all these business matters. But style I is the most important style in the units of the Dyeing and Printing Industry of Jetpur city.

TABLE 2: ANALYSIS OF VARIANCE TABLE

Situations	Source of Variation	Sum of Square	D.F.	Mean Sum of Square	F-ratio
Production	Between	15616.24	4	3904.06	380.51
	Within	184.76	18	10.26	
	<b>Total</b>	<b>15801.00</b>	<b>22</b>		
Technical	Between	4174.78	4	1043.70	8.03
	Within	1689.00	13	129.92	
	<b>Total</b>	<b>5863.78</b>	<b>17</b>		
Financial	Between	8753.22	4	2188.31	312.61
	Within	56.01	8	7.00	
	<b>Total</b>	<b>8809.23</b>	<b>12</b>		
Personnel	Between	8314.47	4	2078.62	44.35
	Within	796.80	17	46.87	
	<b>Total</b>	<b>9111.27</b>	<b>21</b>		
Marketing	Between	1710.11	4	427.53	3.67
	Within	1515.67	13	116.59	
	<b>Total</b>	<b>3225.78</b>	<b>17</b>		

However, whether difference between mean score of leadership styles is significant or not is tested at 5% level of significance with the help of 'F' test. The above table 2 expresses the statistical analysis of respondents' views regarding the situations of production, technical, financial, personnel and marketing matters. The calculated value of F is higher than the tabulated value of F in all the matters. Therefore, null hypothesis is rejected and there is a significant difference between mean score of leadership styles regarding production, technical, financial, personnel and marketing matters within various situations.

From the whole analysis, it is observed that all the owners-managers are adopting different styles depending upon the situation. They do not use particular one type of leadership styles while taking all the business decisions. They act as the demand of the situation. Therefore, the formulated hypothesis that the owners-managers adopt different types of leadership styles depending upon the situations is accepted. The above analysis also indicates that the leadership style of owners-managers vary with the type of decision. Therefore, the formulated hypothesis that the leadership styles of owners-managers vary with the type of decision is also accepted.

**DEMOGRAPHIC CHARACTERISTICS AND LEADERSHIP STYLES**

An attempt is also made to find out whether the leadership styles of owners-managers vary with their demographic characteristics such as age, education, experience and family background. Further an analysis is also made to know whether there is any correlation between the leadership styles of managers and their demographic characteristics.

TABLE 3: DEMOGRAPHIC CHARACTERISTICS OF OWNERS-MANAGERS AND THEIR LEADERSHIP STYLES

Sr. No.	Variables	Styles					Total
		I	II	III	IV	V	
<b>1.</b>	<b>Age of owners-managers (in Years)</b>						
	0-30	102(60.4)	28(16.6)	22(13.0)	17(10.1)	-	169
	30-40	151(73.7)	2(1.0)	22(10.8)	28(13.7)	2(1.0)	205
	40-50	163(51.4)	52(16.4)	54(17.0)	36(11.4)	12(3.8)	317
	50-60	133(50.4)	52(19.7)	29(11.0)	34(12.9)	16(6.1)	264
	60-70	50(90.9)	-	1(1.8)	4(7.3)	-	55
	<b>Total</b>	<b>599(59.3)</b>	<b>134(13.3)</b>	<b>128(12.7)</b>	<b>119(11.8)</b>	<b>30(3.0)</b>	<b>1010</b>
<b>2.</b>	<b>Experience owners-managers (in Years)</b>						
	0-5	97(74.1)	24(18.3)	6(4.6)	4(3.1)	-	131
	0-10	11.5(63.9)	24(13.3)	19(10.6)	20(11.1)	2(1.1)	180
	10-15	139(68.1)	7(3.4)	28(13.7)	28(13.7)	2(1.0)	204
	15-20	40(41.7)	21(21.9)	23(24.0)	11(11.5)	1(1.0)	96
	20-25	92(65.7)	3(2.1)	18(12.9)	22(15.7)	5(3.6)	140
	25-30	38(37.3)	7(6.9)	29(28.4)	22(21.6)	6(5.9)	102
	30-35	15(25.9)	42(72.4)	-	1(1.7)	-	58
	35-40	54(67.5)	6(7.5)	5(6.2)	11(13.8)	4(5.0)	80
	<b>Total</b>	<b>590(59.5)</b>	<b>134(13.5)</b>	<b>128(12.9)</b>	<b>119(12.0)</b>	<b>20(2.0)</b>	<b>991</b>
<b>3.</b>	<b>Education Level</b>						
	Below S.S.C.	136(56.0)	64(26.3)	25(10.3)	17(7.0)	1(0.4)	243
	S.S.C.	231(64.7)	18(5.0)	42(11.8)	50(14.0)	16(4.5)	357
	H.S.C.	31(59.9)	22(36.1)	8(13.1)	-	-	61
	Graduate	136(66.7)	3(1.5)	29(14.2)	34(16.7)	2(1.0)	204
	Post-Graduate	46(43.8)	25(23.8)	19(18.1)	14(13.3)	1(1.0)	105
	Any Other	9(45.0)	2(10.0)	5(25.0)	4(20.0)	-	20
	<b>Total</b>	<b>589(59.5)</b>	<b>134(13.5)</b>	<b>128(12.9)</b>	<b>119(12.0)</b>	<b>20(2.0)</b>	<b>990</b>
<b>4.</b>	<b>Family Background</b>						
	Agriculture	187(52.4)	77(21.6)	50(14.0)	33(9.2)	10(2.8)	357
	Business	341(68.1)	17(3.6)	62(12.4)	75(15.0)	6(1.2)	501
	Profession	-	-	-	-	-	-
	Agriculture & Business	12(19.4)	19(30.7)	16(25.8)	11(17.7)	4(6.5)	62
	Labor	59(73.8)	21(26.3)	-	-	-	80
	<b>Total</b>	<b>599(59.9)</b>	<b>134(13.4)</b>	<b>128(12.8)</b>	<b>119(11.9)</b>	<b>20(2.0)</b>	<b>1000</b>

Source: Data collected from sample industrial units

Note: Figure in brackets indicates percentage of total used styles

TABLE 4: COEFFICIENT OF CORRELATION BETWEEN DEMOGRAPHIC VARIABLES AND THE NUMBER OF TIMES THE STYLES USED

Sr. No.	Variables	Styles adopted				
		I	II	III	IV	V
1.	Age	-0.2991	-0.0367	-0.2074	-0.1284	0.2518
2.	Experience	-0.7094	-0.1176	-0.2497	-0.1615	0.4372
3.	Education	-0.6882	-0.7289	-0.5740	-0.3918	-0.4103
4.	Family Background (rank correlation)	1.0000	0.4000	0.8250	0.8250	0.7250

Source: Data collected from sample industrial units

### AGE AND LEADERSHIP STYLES

Above table 3 gives details regarding the number of times a particular style is used in terms of percentages among different age groups of owners-managers. The highest percentage of times is used by the owners-managers who fall in the age group of 60-70 years in the case of style I constituting 90.9% of times, followed by 73.7% in case of 30-40 age group, 60.4% in the case of 0-30 age group. The owners-managers who fall in 40-50 age group, style I is used for 51.4% times, followed by 50-60 age group for 50.4 % times. Style II is adopted about to a same extent in case of 0-30 and 40-50 age groups. But the owners-managers who fall in the age group of 50-60 years use the same style for the highest percentage of times (19.7). While in case of 60-70 and 30-40 age groups, the owners-managers have adopted it to a negligible extent. The owners-managers who fall in the group of 40-50 years use style III for maximum number of times (17%), followed by 13% in case of 0-30 age group, 11% in case of 50-60 age group, 10.8% in case of 30-40 age group and 1.8% in case of 60-70 age group. Style IV is used for the highest percentage of times (13.7%) by the owners-managers who fall in the age group of 30-40 years, followed by 12.9% in case of 50-60 years, 11.4% in case of 40-50 years, 10.1% in case of 0-30 years and 7.3% in case of 60-70 years. Style V is not at all used by the age groups of 0-30 and 60-70, while the rest to a negligible extent. The table indicates that the old aged (60-70) owners-managers are adopting style I for more number of times than the young (0-40) and middle aged (40-60) years. While in case of style IV, there is a reverse situation. The middle aged owners-managers are adopting style II and III for more number of times as compared to young and old aged owners-managers. Above table 4 expresses the coefficient of correlation between different age groups and various leadership styles. It shows that there is a low negative relationship between age and style I, II, III and IV. While there is a low positive relationship between age and style V.

### EXPERIENCE AND LEADERSHIP STYLES

Table 3 also exhibits the experience of the owners-managers of the Dyeing and Printing Industry of Jetpur city and their style of decision making in different situations. It indicates that the owners-managers with an experience of 0-5 years are using style I for more number of times (74.1%). While the owners-managers with an experience of 30-35 years are using the same style for less number of times (25.9%). The owners-managers with an experience of 30-35 years are using style II for more numbers of times (72.4%). While the owners-managers with an experience of 20-25 years adopt the same style for lesser number of times (2.1%). The owners-managers with an experience of 25-30 years adopt style III for more number of times. While the owners-managers with an experience of 30-35 years use the same style to a negligible extent. The owners-managers with an experience of 25-30 years use style IV for the highest number of times and the owners-managers with an experience of 30-35 years adopt the same style IV to the lowest extent. Style V is used to a negligible extent by all the owners-managers. The analysis also reveals that the owners-managers with an experience of 25-30 years are using style III, IV and V for maximum number of times. While the owners-managers with an experience of 0-5 years are adopting style I to the highest extent. The coefficient of correlation between experience and various leadership styles shows that there is a high negative relationship between experience and style I and there is a low negative relationship between experience and style II, III and IV. While there is a low positive relationship between experience and style V. It indicates that experience does not influence the style of owners-managers.

### EDUCATION AND LEADERSHIP STYLES

Table 3 also shows the education level of the owners-managers of the Dyeing and Printing Industry of Jetpur city and their leadership styles. It indicates that graduate owners-managers are adopting style I for maximum number of times (66.7%). It is followed by the owners-managers who have secondary education to the extent of 64.7%, the owners-managers who have higher secondary education to the extent of 59.9%. In case of style II, the highest percentage of times (36.1) is used by the owners-managers with higher secondary education level, followed by below S.S.C. level holders (26.3%), post graduates (23.8%), other qualifications holders (10%), S.S.C. level holders (5%) and graduates (1.5%). In case of style III, it is adopted for maximum number of times by the owners-managers who have other qualifications while the owners-managers who have primary education (below S.S.C.) use the same style for lesser number of times. The same situation has taken place in case of style IV. Style V is used to a negligible extent by all the owners-managers. Style IV is not at all used by any owner-manager who has higher secondary education. On an average, it is found that better educated persons are more flexible in using styles than low educated persons. The coefficient of correlation between different education levels of owners-managers and various education levels shows that there is a high negative relationship between education levels and style I, II and III and there is a low negative relationship between education levels and style IV and V.

### FAMILY BACKGROUND AND LEADERSHIP STYLES

Table 3 shows how the leadership styles of owners-managers of Dyeing and Printing Industry of Jetpur city vary with different family backgrounds. There are no owners-managers who belong to professional background. So data regarding this background is not available. It also shows that the style of owner-manager who hails from an agriculture background is quite different from that of owners-managers with business, professional and labor background. The owners-managers with labor background are using style I for 73.8%, followed by business for 68.1% and agriculture for 52.4%. The same style is used for 19.4% of times by the owners-managers whose family background is agriculture and business. The highest percentage of times is used by the owners-managers with agriculture and business background in case of style II, constituting 30.7% of times, followed by 26.3% in case of labor background, 21.6% in case of agriculture background and 3.6% in case of business background. The owners-managers with agriculture and business background are using style III for maximum number of times, followed by agriculture for 14% and business for 12.4%. The owners-managers with agriculture and business background are adopting style IV for 17.7%, followed by business for 15% and agriculture for 9.2%. Style V is used to a negligible extent by all the owners-managers. The analysis shows that the owners-managers with labor background are using style I and II, put together for a maximum number of times (100%), followed by agriculture background (74%). It shows that the owners-managers whose family background is labor are adopting autocratic style more than others in their decision making. The owners-managers whose background is agriculture and business are flexible in adopting these styles. An attempt is also made to know whether there is any correlation between family backgrounds and leadership styles and if relationship exists between them, it is significant or not is tested at 5% level of significance with the help of Spearman's rank correlation test. It shows there is a significant relationship between family backgrounds and style I (Benevolent Autocratic) while there is no significant relationship between family backgrounds and style II, III, IV and V. It indicates that family backgrounds do not influence the leadership styles of owners-managers. The above analysis relating to the leadership styles of owners-managers and their demographic characteristics such as age, experience, education and family background reveals that demographic characteristics do not influence the leadership styles of owners-managers of the Dyeing and Printing Industry of Jetpur city. Therefore, the formulated hypothesis that the leadership styles of owners-managers vary with age, experience, education and family background is rejected.

**FINDINGS**

- It has been found that on an average, more than 2/3<sup>rd</sup> of the owners-managers are adopting the autocratic style and 1/4<sup>th</sup> of the sample size are adopting participative and democratic approach while taking decisions about all the business matters, while style V is not very much popular among them. It shows that style I is the most popular among the owners-managers of the Dyeing and Printing Industry of Jetpur city.
- The old aged owners-managers are adopting style I for number of times than the young and middle aged owners-managers. There is a low negative relationship between age and leadership styles.
- Less experienced owners-managers are adopting style I for number of times than well experienced owners-managers. There is a high negative relationship between experience and style I and a low negative relationship between experience and style II, III and IV. While there exists a low positive, relationship between experience and style V.
- Better educated persons are more flexible in adoption of leadership styles than low educated persons. There is a high negative correlation ship between education levels and style I, II and III except in cases of style IV and V.
- The owners-managers whose family background is labor are adopting the autocratic style more than others and the owners-managers with agriculture and business background are flexible in adopting leadership styles. The analysis shows that there is no significant relationship between family backgrounds and leadership styles except in case of style I. It shows that family background does not influence the adoption of leadership styles.

**SUGGESTIONS**

The importance of Benevolent Autocratic style is to be replaced to some extent by prior consultation style and joint decision making style for sound management of the Dyeing and Printing Industry of Jetpur city. This needs education of owners-managers relating to merits and demerits of all leadership styles. This is to be undertaken by the state and central Governments. Government should organize industrial clubs of owners-managers of the Dyeing and Printing Industry in which owners-managers exchange their views on different leadership styles and their applicability to different situations. Seminars and conferences may be organized by the Government to pass on to the owners-managers the latest developments relating to different leadership styles. This will benefit a lot to the owners-managers of the Dyeing and Printing Industry of Jetpur city.

**CONCLUSION**

The owners-managers in Dyeing and Printing Industry adopt different leadership styles depending upon the situations even though they are free to adopt any style. The results of the study confirm that leadership is situational and effective leader should be flexible to adopt the leadership styles considering differences among the subordinates and situations.

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**ANNEXURE****QUESTIONNAIRE****[A] Questions related to production:**

1. Which style do you use for taking decisions relating to volume of output?
2. Which style do you use for taking decisions relating to size, location and layout of plant?
3. Which style do you use for taking decisions relating to method of production?
4. Which style do you use for taking decisions relating to purchase practices and amount of inventory?
5. Which style do you use for taking decisions relating to method of wage payment?

**[B] Questions related to technical matters:**

6. Which style do you use for taking decisions relating to the change of operating procedures?
7. Which style do you use for taking decisions relating to purchase any new equipment?
8. Which style do you use for taking decisions relating to hire machinery?
9. Which style do you use for taking decisions relating employ new subordinates to operate the machines?

**[C] Questions related to financial matters:**

10. Which style do you use for taking decisions relating to purchase a new machine?
11. Which style do you use for taking decisions relating to take/get a loan?
12. Which style do you use for taking decisions relating to any other financial matters?

**[D] Questions related to personnel matters:**

13. Which style do you use for taking decisions relating to promote or punish the workers?

14. Which style do you use for taking decisions relating to take disciplinary actions against employees?
15. Which style do you use for taking decisions relating to assign a different job to workers?
16. Which style do you use for taking decisions relating to remove the workers?
17. Which style do you use for taking decisions relating to pay any compensation to workers?

**[E] Questions related to marketing matters:**

18. Which style do you use for taking decisions relating to volume of sales?
19. Which style do you use for taking decisions relating to mode of selling (cash or credit)?
20. Which style do you use for taking decisions relating to method of sales promotion?
21. Which style do you use for taking decisions relating remuneration to sales personal?





**INTEGRATION OF INDIAN STOCK MARKET WITH ASIAN AND WESTERN MARKETS**

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**ABSTRACT**

*This study investigates the integration in Indian stock market with the Asian and the western markets by using correlation, cointegration and causality techniques during January, 2006 to March, 2012. Mean returns in the Asian markets are higher than the western markets during the study period. However, Asian markets are more volatile than the western markets. Cointegration level is low among the selected markets, there is weak long period relationship among such markets and markets are more affected by their domestic fundamentals. The American and Hong Kong markets have differential risk associated with such markets relative to Indian market. There is strong long period positive relationship between Indian and UK markets. Hong Kong and American markets are competitive for Indian market. Besides, Asian markets bear significant short period relationship with Indian market; however such relationship is insignificant in the case of western markets. Indian Market is relatively closed and more influenced by the fundamentals of the economy itself in general and industrial sector in particular. Only 8 per cent variation is contributed by other markets dominated by the London market. London, US and Hong Kong markets are able to affect the Indian market but immune from the impact of Indian market. Indian and Korean markets bear two ways causation. However, Indian market is effective enough to influence the Chinese market but unaffected from the changes in the Chinese market.*

**KEYWORDS**

Cointegration, Granger Causality, International Portfolio Diversification, Variance Decomposition, Vector Error Correction.

**INTRODUCTION**

Global financial integration has increased substantially in recent decades, for liberalization and deregulation of financial markets across countries. The nature and extent of financial market integration is important for investors as it influences international asset allocation and portfolio diversification. Berkert and Harvey (1995) pointed out that a market is completely integrated with the world if its assets have the same expected return with the assets with identical risk level listed in major global markets. In an integrated world, cross section reward to risk is not important as it is common to all integrated markets. However, reward to risk is different for segmented markets due to different risk exposures. Hence, investing at the same time in a group of cointegrated markets will not hedge the risk of investing. Moreover, capital markets integration contradicts the market efficiency hypothesis as one market's movement can be used to predict another market's movements. Besides, integrated markets reduce the scope of international portfolio diversification. Financial integration may bring some benefits in the form of development of markets and institutions, effective price discovery and increased level of investments. However, such linkages may pose various risks in the form of contagion and associated economic activities slow down. Following the global trends financial liberalization has also been started in India since 1992. Such liberalizations are expected to be reflected in the stock market integration across the nations opposed to the stock markets segmentations. Recent surge in the inflow of capital in the Indian market indicates scope of diversification for global players that is Indian market seems to be more segmented. Therefore, it is important to study such cointegration of Indian market with other important markets of the world. The investors are also interested in the short period and the long period integration given the investment horizon of the investors.

**LITERATURE REVIEW**

The studies of Almon (1972) and Solnik (1974) relied on the correlation and regression to measure the nature and price convergence and international portfolio diversification across markets. These were the crude techniques and the intuitive way of inferring about the integration of the markets. Taylor and Tonks (1989) showed that the cointegration technique is useful from the perspective of the international capital asset price model; Kasa (1992) suggested that the short term return correlation between stock markets is not appropriate from the perspective of long horizons investors driven by common stochastic trends. A cointegration model is useful since it not only distinguishes between the nature of long run and of short term linkages among financial markets but captures the interaction between them as well. The empirical literature on the subject have brought to the fore various useful perspectives relating to price equalization, market equilibrium, market efficiency and portfolio diversification.

Kasa (1992) used the cointegration to estimate the number of common stochastic trends in five stock markets of: Canada, Germany, Japan, United Kingdom and USA. The study presented the evidence that a single common stochastic trend governed by long run co-movement between these stock markets during the period from 1974 to 1990, indicated that a high degree of integration existed at that time between these stock markets. Arshanapali and Doukas (1993) revealed that degree of international co-movements in stock price indices changes after the crises periods. Specifically, they find that France, Germany and UK stock markets are not related to the US stock market in the pre-October 1987-crash period, but reported strong interdependence between the three major European and the US stock markets in a post-crash period. Kotumos (1996) found evidence that the stock markets of France, Germany, Italy and the UK are integrated because they are affected not only by local news but also by international news, especially unfavorable, stemming from the other markets.

Lamba (2002) examined the influence of developed equity markets on Indian markets and what influence can the Indian equity market exert on the others. To examine these dynamic relationships, a multivariate co-integration framework is used with error correction models estimated to analyse the casual influence of the major developed markets on south Asian markets. This method allows separation of any long run equilibrium relationships between the markets from the short run casual effects. It finds that Indian stock market is not at all integrated with the world markets. Of course, the study finds that baring Japan there is a unidirectional causality from the developed market. Hence we may conclude that Indian stock market is not influenced by other markets. Of course, some short-term sentiments in the world market do have impact but this is short-lived. That means the pre-requisites, which are required for long-run relationship has not been achieved by India so far.

Miloudi (2003) by using the modern cointegration techniques analyzed the integration between sixteen European stock indices, before and after the launch of Euro and observed that a strong degree of cointegration existed between the stock markets of the countries which founded the European Union.

Nath and Verma (2003) examined the interdependence of the three major stock markets in South Asia. Using daily stock market data from January 1994 to November 2002, they examine the stock market indices of India (NSE-Nifty), Singapore (STI) and Taiwan (Taiex). On employing bivariate and multivariate co-integration analysis to model the linkages among the stock markets, no co-integration was found for the entire period. Hence, they conclude that there is no long run equilibrium.

Ahmad et.al (2005) revealed that there is no long-term relationship of the Indian equity market with that of the US and Japanese equity markets. Further, NASDAQ and Nikkei have stronger causal relationship in 1999–2001 which becomes either very weak or disappears in 2002–2004. There seems to be a disassociation in the movements of the NASDAQ and Nikkei with that of the Sensex and Nifty. When the stock markets have no tendency to move together in the long-term and causal effects become weak in the short-term then the markets are segmented and provide ample room for diversification of investments. The recent surge of FII investments to the Indian equity market is primarily a reflection of this trend.



Ortiz (2006) found time varying integration among NAFTA capital markets and mild segmentation along with a time varying integration between these markets and the world capital market. It has also been established that larger markets of the EU are more integrated and the smaller markets are relatively more independent implying that larger benefits from short run diversification by extending stock investment into smaller countries.

Chaudhary et.al. (2007) studied the long run relationship between eight Far East countries around the Asian financial crisis of 1997 and also checked the effect of US and Japan. Cointegration results showed stationary long run relationships between the stock markets of the Far East countries before, during and after the crisis. The highest of significant vectors was found during the crisis period. Both the causality test and band spectrum regression results indicate that the US and Japan influence the Far East markets with the US having a stronger relationship and increasing its influence and role during and after crisis.

Raj & Dhal (2008) revealed that there is integration of Indian stock market in terms of stock prices measured in US dollar denominated stock prices. At the same time, it was found that India's stock market provides opportunities for higher returns than other regional and global markets.

Erdinc and Milla (2009) studied the cointegration in the capital markets of France, Germany and United Kingdom between 1991 and 2006 and observed strong long term relationship among the sampled capital markets.

Yeoh et.al. (2010) revealed varying degree of market integration for Malaysia and Singapore. The level of market integration is found to coincide with certain economic events that have taken place. The varying degree of market integration in favour of Malaysia shows the inappropriate use of OLS in estimating the level of market integration.

Tripathi & Sethi (2010) examines the integration of the Indian stock market with the stock market of Japan, UK, US and China over the period 1998 to 2008 using Engle - Granger cointegration test and Granger's causality Test. The results showed that the Indian stock market was not integrated with any of these markets except US. However, unidirectional causality was found in most cases. The findings have important implications for investment and speculative decisions.

The literature surveyed above showed mixed results depending on the development level of the nations and the maturity of their capital markets.

## NEED FOR THE STUDY

In the globalised era, Indian markets are more exposed to the international markets than before, especially the financial markets. Indian stock markets are seemed to driven by the inflow of foreign capital. The level and nature of stock markets integration influence the investment decisions of investors. Therefore, both domestic and foreign investors are more interested to understand the nature of Indian stock market integration with the other leading markets of the world to decide their investment plans. Moreover, investors are concerned to find whether the relationship of Indian market with other markets is for long period or due to short period impulses. There is dearth of such studies in the Indian context so; there is a dire need for such study in Indian stock market scenario. Hence, an attempt has been made in the present study.

## STATEMENT OF THE PROBLEM

Since the capital movement across the nations has increased considerably in recent years especially from the developed to the developing countries. Therefore, it is expected to have more integration among the stock markets of such nations. The knowledge of such integration is important for the investors in terms of diversification of their international portfolio. Moreover, the investors have long and short period horizons hence, the knowledge of the nature of integration among markets help them to design their investment plans. In this background, the present study has been carried out to study the nature of integration of Indian market with the following objectives:

## OBJECTIVES

1. To investigate the cointegration of the Indian stock market vis-à-vis Asian and western markets.
2. To examine the extent of movement in one market can be attributed to innovations in the others.
3. To discover the direction of integration between the markets.

## HYPOTHESES

1. Indian stock market bears long period relationship with other Asian and western markets.
2. Indian stock market is being affected by the Asian and the western stock market performance.
3. There is two ways causation between the Indian and the other markets under study.

## RESEARCH METHODOLOGY AND DATA BASE

### DATA BASE

This Study covers the period of January 1, 2006 to March 31, 2012. This period encompasses the period of boom, recession and recovery in the world economy to large extent. Six major stock indices are purposively selected for the analysis namely, Bombay Stock Exchange Sensex (BSE), London Stock Exchange (FTSE100), US stock Exchange (S & P 500), Hong Kong Stock Exchange (Hang Seng), Korea Stock Exchange (Kospi composite Index) and Chinese stock exchange (SSE). The weekly data on these stock indices has been downloaded from [in.finance.yahoo.com](http://in.finance.yahoo.com). FTSE100 and S&P 500 are used to represent the western markets and Hang Seng, Kospi and SSE represent the Asian Markets. The logarithm of the indices is used to analyse the data. And the data on the returns has been obtained by using the following formula:

$$R_t = (P_t - P_{t-1}) / P_{t-1} \text{ ----- (1)}$$

Where  $R_t$  is the weekly return in period 't'.  $P_t$  and  $P_{t-1}$  are weekly levels of stock index in period t and t-1 respectively.

### METHODOLOGY

The degree of price co-movement model has widely been used in recent studies as a way of estimating long-term linkages between markets. In this study the model will be examined through the utilization of non-asset pricing models such as correlation, cointegration and Granger Causality. The cointegration makes it possible to examine different levels of data to find comparable long-term properties and has been used in many equity market integration studies. Granger Causality helps to determine the direction of interaction between markets.

### Correlation

There are many possible measures of co-movement, and correlation is a standardized measure of closeness of linear relationship between two variables. The Karl-Pearson's correlation coefficient has been used in this study to determine the inkling of size and the direction of the pair wise relationship between series of market indices and market returns. In terms of portfolio theory, the concept of correlation is useful that the returns on the negatively correlated assets tend to be offsetting which stabilizes portfolio returns.

### Normality Test

The Jarque-Bera (JB) test has been used to test whether the weekly value of stock indices follow the normal probability distribution. The JB test of normality is an asymptotic or large sample test. This test computes the skewness and kurtosis measures and uses the following test statistic:

$$JB = n [S^2/6 + (K-3)^2/24] \text{ ----- (2)}$$

Where n is the size of the sample, S is Skewness coefficient, and K is Kurtosis coefficient. For a normally distributed variable, S=0 and K=3. Therefore, the JB test of normality is a test of the joint hypothesis that S and K are 0 and 3 respectively.

### Tests of Stationary

Non-stationarity is a commonly observed problem in the analysis of time series. It seems from the fact that time series are not independent of time. When a variable is not stationary, its means and variance are not consistent overtime, and an observation is correlated with its more recent lags. Thus, a non-stationary series will exhibit a time varying mean and this is impossible to use the term 'mean' properly without referring to some particular time period.

In order to determine the cointegration between two or more series, two tests must be performed. First, it is necessary to test data series for non-stationarity, that is, to determine the order of integration. Secondly, data is examined for the evidence of a long run relationship between the variables in question.

**Unit Roots**

Currently, the most widely used test for stationarity is a unit root in series is an indicator of stationarity. For this purpose, the Augmented Dickey-Fuller test has been used in the following format.

$$\Delta Y_t = \psi Y_{t-1} + \sum \alpha_i \Delta Y_{t-i} + \mu_t \quad (i = 1, 2, 3, \dots, p) \text{----- (3)}$$

If the  $\psi$  turned out to be insignificant then the unit root exists in the series hence, the series is termed as non-stationarity. The lagged values of  $y_t$  are added on the right hand side of the model to make the residual values pure white noise. The number of lagged values to be added in the model is determined by Akaike Information Criterion (AIC).

**Cointegration**

Behind the concept of cointegration is the idea that variables hypothesized to be linked by some theoretical economic relationship should not diverge from each other in the long-run. Such variables may drift apart in the short-run but for an equilibrium relationship among such variables to exist the variables must not diverge without bound. Thus, 'Cointegration' is a statistical expression describing the nature of an equilibrium relationship where the divergence from a stable equilibrium is stochastically bounded and, when it does occur, it is diminishing overtime. Cointegration allows us to describe the existence of equilibrium, or stationary relationship among two or more time series, each of which is individually non-stationary, some linear combination of these series, which define the equilibrium relationship, has linear properties independent of time.

The Engle-Granger (EG) approach of cointegration:

Consider the following regression equation of two time series  $Y_t$  and  $X_t$

$$Y_t = \beta_0 + \beta_1 X_t + u_t \text{----- (4)}$$

In the EG procedure, first the non-stationarity is tested, if the variables are non stationary at levels and stationary at first difference the time series are termed as I(1). Run the regression of the equation and save the residuals. Test whether the residuals are stationary, if so then the linear combination of two variables is stationary, it can be concluded that variables are cointegrated of order one and there is a long term, or equilibrium relationship exists between the two. Of course, in the short run there may be disequilibrium. If two variables are cointegrated, then the relationship between the two can be expressed as ECM (Error Correction Mechanism) in the following manner

$$\Delta Y_t = \alpha_0 + \alpha_1 \Delta X_t + \alpha_2 u_{t-1} + \epsilon_t \text{----- (5)}$$

Where  $\Delta$  is the first difference operator,  $\epsilon_t$  is a random error term, and  $u_{t-1}$  is the one period lagged value of error term from the previous regression estimation. ECM states that  $\Delta Y_t$  depends on  $\Delta X_t$  and also on the equilibrium error term. If the latter is non zero, then the model is out of equilibrium otherwise it is in equilibrium. This EG model can be extended to more than two variables also.

**Johansen Cointegration**

The Johansen procedure is based on the maximum likelihood estimation in a VAR (Vector Auto Regressive) model. If we have a set of k variables ( $k \geq 2$ ) which are integrated of first order I (1) and thought to be cointegrated, a VAR model with k lags containing these variables can be set up:

$$Y_t = \beta_1 Y_{t-1} + \beta_2 Y_{t-2} + \dots + \beta_k Y_{t-k} + \mu_t \text{----- (6)}$$

For Johansen test to be used, the above VAR needs to be transformed into a vector error correction model (VECM) of the following form:

$$\Delta Y_t = \Pi Y_{t-1} + \sum \Gamma_i \Delta Y_{t-i} + \mu_t \quad (i = 1, 2, 3, \dots, k)$$

Where  $\Pi = (\sum \beta_i) - I_k$  and  $\Gamma_i = -\sum \beta_j$  ( $j = i+1, i+2, \dots, k$ )

This VAR model contains k variables in the first difference form on the LHS and k-1 lags of the dependent variables (differences) on the RHS, with  $\Gamma$  coefficient matrix. As this test can be affected by the lag length used in the VECM, it is important to select the optimal lag length (AIC criterion).

Johansen test centers on an examination of the  $\Pi$  matrix. In equilibrium, all the  $\Delta Y_{t-1}$  will be zero and assuming error terms  $\mu_t$  to be at its expected value of zero, then  $\Gamma_1 \Delta Y_{t-1}$  will be equal to zero. From this follows interpretation of  $\Pi$  as a long-run coefficient matrix. The test of cointegration between the  $Y$ s is calculated by looking at the rank of the  $\Pi$  matrix through its Eigen values. The number of Eigen values that are different from zero determines the rank of a matrix. There are two test statistics for cointegration under Johansen methodology: Trace ( $\lambda_{trace}$ ) Statistic and Max-Eigenvalue Statistic ( $\lambda_{max}$ ). The test statistics are formulated in the following way:

$$\lambda_{trace}(r) = -T \sum \ln(1 + \lambda_i^r) \quad (i = r+1, r+2, \dots, k)$$

$$\lambda_{max}(r, r+1) = -T \ln(1 + \lambda_{r+1}^r)$$

Where r is the number of cointegrating vectors under the null hypothesis ( $r=0, 1, k-1$ ), k represents number of variables in the system, T is number of observations and  $\lambda_i^r$  is the estimated value for  $i^{th}$  ordered Eigen value obtained from the estimated  $\Pi$  matrix.

$\lambda_{trace}$  is a joint test where the null hypothesis is that the number of cointegrating vectors is less than or equal to r against the alternative hypothesis that there are more than r.

$\lambda_{max}$  conducts separate tests on every Eigen value and the null hypothesis that number of cointegrating vectors is r against the alternative hypothesis  $r + 1$ .

**Variance Decomposition Analysis**

Variance decomposition or forecast error variance decomposition indicates the amount of information each variable contributes to the other variables in a vector auto regression (VAR) model. Variance decomposition determines how much of the forecast error variance of each of the variables can be explained by exogenous shocks to the other variables. Variance decomposition decomposes variation in endogenous variable into component shocks to the endogenous variables in the VAR. VECM of stock prices is useful for identifying the relative importance of each stock price to others, based on the dynamic interaction among markets through impulse response function and forecast error variance decomposition. The latter is useful for gauging the importance of innovations in one market to the others and the nature of volatility transformation across markets.

**Granger Causality**

In order to test for Granger causality between stock market indices  $X_t$  and  $Y_t$ , following equations are estimated;

$$Y_t = \alpha_0 + \sum \alpha_i X_{t-i} + \sum \beta_j Y_{t-j} + \mu_{1t} \text{----- (7)}$$

$$X_t = \lambda_0 + \sum \lambda_i Y_{t-i} + \sum \delta_j X_{t-j} + \mu_{2t} \text{----- (8)}$$

And perform F test for the joint insignificance of the coefficients. The null hypothesis claimed that  $Y_t$  does not cause  $X_t$  or vice versa. Therefore, the rejection of null hypothesis indicates the presence of Granger causality. For each pair of stock market indices two causality tests are performed so that it can be determined whether  $X_t$  causes  $Y_t$  or  $Y_t$  causes  $X_t$ , or both or none.

E-Views Econometric Package has been used to analyse the data.

**EMPIRICAL FINDINGS AND DISCUSSION**

**DESCRIPTIVE STATISTICS AND CORRELATION ANALYSIS**

Descriptive statistics for the weekly returns are presented in the Table-1. The mean of returns during the study period is higher in the Asian markets as compared to western markets. As the table highlights that SEE depicted the highest return (0.27) followed by the BSE (0.25), Kospi (0.17) and Hang Seng (0.16). However, average weekly returns of western stock markets are far less during the study period. For instance, FTSE 100 and S&P 500 have recorded 0.05 percent and 0.07 respectively. But the Asian markets are more volatile than the western markets as revealed by the value of standard deviation. The order of returns did not change after making risk adjustments. American Market was most stable followed by the England market whereas the Chinese market is most volatile. Stock returns are negatively skewed except the Chinese market. The returns distribution is highly leptokurtic. Obviously, the Jarque-Bera Statistic, defined over Skewness and kurtosis measures is very high and significant for all the six markets under consideration, implying that stock returns differ significantly from the normal distribution. Alternatively, this implies that in each stock market there exist opportunities for investors to benefit from abnormal returns.

The correlation analysis among the selected markets provides the inklings of the co-movements of the stock prices. All the pair wise correlation coefficients have recorded the positive values implying that the selected markets have movement in the same direction (Table-2). The correlation coefficient of Indian market is highest with the Kospi (0.90) followed by Hong Kong (0.88), SSE (0.64). However, such relation of Indian market is relatively weak with FTSE100 (0.44) and S&P500 (0.39). At this stage it is not possible to comment on causal relationship but it is clear that co-movement in stock indices is unidirectional.

TABLE-1: STATISTICAL MOMENTS OF STOCK RETURNS (January 1, 2006 to March 31 2012, Weekly Data)

Statistic	Sensex	FTSE100	S&P500	Hang Sang	Kospi	SSE
Mean	0.25	0.05	0.07	0.16	0.17	0.27
Std. Deviation	3.88	3.00	2.97	3.64	3.44	3.98
Skewness	-0.05	-0.87	-0.53	-0.08	-0.58	0.15
Kurtosis	5.30	12.29	8.52	5.05	9.57	4.27
Jarque-Bera(Probability)	71.74 (0.00)	1212.16 (0.00)	428.53 (0.00)	57.63 (0.00)	602.85 (0.00)	22.93 (0.00)
Risk Adjusted Returns (%)	6.44	1.67	2.35	4.39	4.94	.78

TABLE-2: CORRELATION OF STOCK PRICE INDICES (January 1, 2006 to March 31 2012, Weekly Data)

Index	Sensex	FTSE100	S&P500	Hang Sang	Kospi	SSE
Sensex	1.00	0.44	0.39	0.88	0.90	0.64
FTSE100	0.44	1.00	0.97	0.64	0.55	0.30
S&P500	0.39	0.97	1.00	0.53	0.53	0.31
Hang Sang	0.88	0.64	0.62	1.00	0.84	0.78
Kospi	0.90	0.55	0.53	0.84	1.00	0.56
SSE	0.64	0.30	0.31	0.78	0.56	1.00

Table-3 presents pair wise correlation coefficients of weekly stock returns. Again the relationship is positive, that is, co-movement of Indian market with other major markets is one directional. However, this relationship is weakest with the Chinese market and strongest with the Hong Kong market. Moreover, such relationship of Indian market is stronger with the western markets.

TABLE-3: CORRELATION OF WEEKLY STOCK RETURNS (January 1, 2006 to March 31 2012)

Index	Sensex	FTSE100	S&P500	Hang Sang	Kospi	SSE
Sensex	1.00	0.54	0.50	0.61	0.53	0.19
FTSE100	0.54	1.00	0.88	0.68	0.63	0.09
S&P500	0.50	0.88	1.00	0.65	0.61	0.10
Hang Sang	0.61	0.68	0.65	1.00	0.75	0.35
Kospi	0.53	0.63	0.61	0.73	1.00	0.26
SSE	0.19	0.09	0.10	0.35	0.26	1.00

**EMPIRICAL COINTEGRATION ANALYSIS**

The finding that many macro-economic time series may contain a unit root has spurred the development of the theory of non stationary time series analysis (Engle and Granger, 1987) pointed out that a linear combination of two or more non-stationary series may be stationary. If such a stationary linear combination exists, the non-stationary time series are said to be cointegrated. The stationary linear combination is called the cointegrating equation and may be interpreted as a long-run equilibrium relationship between the variables.

In order to perform a cointegration test, the non-stationarity of the data series has to be established. Here, each market is tested for unit roots using the Augmented Dickey-Fuller Test (ADF). Assuming the series have non-zero mean, a constant is included in the regression. Table-4 summarizes the results of the ADF test. The critical values of the tests MacKinnon (1991) are used. Lag lengths were chosen according to Akaike Information Criterion (AIC).

Table-4 reveals that all unit root tests for the stock markets under the study have shown that test statistics are less negative than the critical values and hence all the representative stock price indices in their logarithm level are non-stationary.

However, for the first difference series the null hypothesis of a unit root is rejected for all the market indices at both 1 percent and 5 percent levels of significance. In table-4, rejection of the null hypothesis indicates that the data series are stationary in the first difference and all markets are individually integrated of order one I (1).

TABLE-4: AUGMENTED DICKEY-FULLER (ADF) UNIT ROOT TEST OF STOCK PRICE INDICES

Index	In Level Form (Random Walk with Drift)				In First Difference Form (Random Walk with Drift)			
	ADF Test Statistic	MacKinnon Test Statistic		lags	ADF Test Statistic	MacKinnon Test Statistic		lags
		1%	5%			1%	5%	
Sensex	-2.33	-3.45	-3.87	2	-10.76	-3.45	-2.87	1
FTSE100	-1.80	-3.45	-2.87	1	-12.47	-3.45	-2.87	1
S&P500	-1.54	-3.45	-2.87	2	-12.18	-3.45	-2.87	1
Hang Sang	-2.05	-3.45	-2.87	1	-11.82	-3.45	-2.87	1
Kospi	-1.78	-3.45	-2.87	2	-12.24	-3.45	-2.87	1
SSE	-2.28	-3.45	-2.87	3	-8.45	-3.45	-2.87	2

*Engle-Granger Cointegration*

Since, stock index series in analysis are of the same order of integration; the next step is to estimate the long-run equilibrium relationship among different markets. Cointegration is evaluated using the Engle-Granger cointegration technique according to which the residuals of a regression of one market index on the others are examined. The ADF test is performed on residuals in order to ensure that they are I (0).

If the cointegration relationship exists between the variables this implies that long-run relationship exists between the variables. Again the lag length has been selected by using the Akaike Information Criterion (AIC).

TABLE-5: PERFORMING THE ADF TEST ON THE RESIDUAL SERIES OF THE PAIR-WISE REGRESSION ANALYSIS (ENGLE-GRANGER COINTEGRATION TECHNIQUE)

Pair Cointegration	ADF Test Statistics	MacKinnon Test Statistic		Lags	Result
		1%	5%		
Sensex & FTSE100	-2.25	-3.45	-2.87	2	Non-Stationary
Sensex & S&P500	-2.32	-3.45	-2.87	2	Non-Stationary
Sensex & Hang Sang	-2.21	-3.45	-2.87	2	Non-Stationary
Sensex & Kospi	-3.50	-3.45	-2.87	2	Stationary
Sensex & SSE	-1.93	-3.45	-2.87	2	Non-Stationary

Table-5 shows results of ADF tests on the residuals of the pair-wise evaluations for all the combinations of Indian market with other markets. Residuals are not stationary except Indian market with Korean Market.

Consequently, the following error correction model has been estimated.

$$\Delta \text{Sensex} = \alpha_0 + \alpha_1 \Delta \text{Kospi} + \alpha_2 \mu_{t-1} + \epsilon_t$$

The estimated values of this model are presented below:

$$\Delta \text{Sensex} = 0.005 + 0.632 \Delta \text{Kospi} - 0.067 \mu_{t-1}$$

$$(t=0.61) \quad (t=12.06) \quad (t=3.62)$$

$$R^2 = 0.32 \quad D.W. = 2.29$$

The estimation of error correction model reveals that equilibrium error term is negative but significant; hence, it has the tendency to be in equilibrium after some weeks. And the

Short-term relationship between Korean market and Indian market is interpreted as short run change in the Korean market has positive impact on the short run changes in the Indian market.

*Johansen Cointegration*

Since in this study the unit root tests have determined the data series to be cointegrated of the same order I(1), Johansen's cointegration test can be applied. The determination of cointegration  $r$  is concluded by using two statistics, the Trace Statistic ( $\lambda_{\text{trace}}$ ) and Max-Eigen Value Statistic ( $\lambda_{\text{max}}$ ). A Vector Error Correction (VEC) model is a restricted VAR that has cointegration restrictions. The VEC specification restricts the long run behaviour of the endogenous variables to converge to their cointegrating relationships while allowing a wide range of short term dynamics. The cointegration term is known as the error correction term.

The empirical results of the cointegration rank test derived from Johansen multivariate VECM involving the six stock prices chosen in the study are summarized in Table-6 & 7. Table-6 shows that the Trace statistics reveal that likelihood ratio statistic 114.081 for no cointegrating vector is larger than the critical values (both at 1% and 5%) leading to conclude that null hypothesis of no cointegrating vector is rejected. Testing the hypothesis of at most one cointegrating vectors, the test statistic is lower than the reported critical values, thus suggesting that null hypothesis should not be rejected.

**TABLE-6: JOHANSEN COINTEGRATION TEST (TRACE TEST)** (January 1, 2006 to March 31 2012) (Weekly Data)

Eigen Value	Likelihood Ratio (Trace)	5% Critical Value	1% Critical Value	Hypothesized No. of CE(s)
0.1478	114.081	102.14	111.01	None**
0.0915	63.044	76.07	84.45	At most 1
0.0427	32.416	53.12	60.16	At most 2
0.0371	18.500	34.91	41.07	At most 3
0.0139	6.430	19.96	24.60	At most 4
0.0062	1.970	9.24	12.97	At most 5

\*\* denotes rejection of the hypothesis at 1% level of significance, LR test indicates 1 cointegration equation at 5% significance level

**TABLE-7: JOHANSEN COINTEGRATION TEST (MAXIMUM EIGEN VALUE STATISTIC)** (January 1, 2006 to March 31 2012) (Weekly Data)

Eigen Value	Likelihood Ratio (Trace)	5% Critical Value	1% Critical Value	Null	Alternative
0.1478	51.37	40.30	46.82	$r = 0$	$r = 1$
0.0915	30.63	34.40	39.79	$r = 1$	$r = 2$
0.0427	13.91	28.14	33.24	$r = 2$	$r = 3$
0.0371	12.07	22.00	26.81	$r = 3$	$r = 4$
0.0139	4.460	15.67	20.20	$r = 4$	$r = 5$
0.0062	1.970	9.24	12.97	$r = 5$	$r = 6$

Table 7, presents the max-Eigen value statistic and comparing with the critical values corroborates the earlier result of only one cointegrating vector. Since only one cointegrating vector was found among the selected markets, it can be concluded that the level of integration between these markets is low. Hence, it can be concluded here that there is weak integration among such markets and the markets are more affected by their domestic fundamentals.

However, the existence of a single co integrating relation among stock price indices give rise to the concern that any particular stock price indicator pertaining to Western or Asian market could be critical for the integration of stock markets. After ascertaining that at best a single cointegration relation among the selected markets, it is of interest to derive some useful perspectives from the sign condition and size of the coefficient in the long run cointegration relationship pertaining to stock price indices. Since we are interested here in the Indian market in relation to western and the Asian markets, Cointegrating vector normalized to Indian stock market (Table-8).

**TABLE 8: COINTEGRATION RELATIONS OF STOCK PRICES** (January 1, 2006 to March 31 2012, weekly data)

Stock Prices	Cointegration Coefficient	T-Statistic
Sensex	1.00	-
FTSE100	13.30	19.007
S&P500	-6.82	10.576
Hang Sang	-10.32	12.921
Kospi	0.82	2.213
SSE	2.86	3.811
Constant	-0.93	4.806

The American (-6.82) and Hong Kong (-10.32) coefficients have negative signs indicate the differential risks associated with such markets relative to the Indian market. Except for the Hong Kong in the Asian Markets, the value of the coefficients for the Korean and the Chinese market is relatively small but positive. There is strong long period positive relationship between the Indian market and UK market with high value of coefficient and positive. However, such value is also high but negative, that is Indian market and American market move in opposite direction in long period. Hong Kong and the American markets are competitive for Indian market. If the US stock market rises amid better macro economic fundamentals, then investors would prefer US stock markets than India. The positive association of the Indian market with the London market may be plausible because the latter is considered as a benchmark by most international investors.

*Short-Run Market Linkages*

The nature of short-run integration of stock markets is evident from the coefficient of the error correction term in the VECM pertaining to the six stock price indices (Table-9). The coefficients of the error correction terms indicate that significant positive short term relationship of the Hong Kong, China and Korea with the Indian market is prevailing. It also seems from the table the US and London market bears insignificant short period relationship with the Indian market.



TABLE-9: SHORT RUN DYNAMICS OF STOCK MARKETS: ERROR CORRECTION EQUATIONS (Coefficient of the Error Correction Term)

Stock Prices	Coefficient (T- Value)
Sensex	0.012 (3.212)
FTSE100	0.005 (1.732)
S&P500	0.005 (1.796)
Hang Sang	0.169 (4.844)
Kospi	0.168 (5.38)
SSE	0.0172 (4.50)

**VARIANCE DECOMPOSITION ANALYSIS**

Apart from the long and short term dynamics, VEC model of stock prices is useful for identifying the relative importance of each stock price to others, based on the dynamic interaction among markets through impulse response functions and forecast error variance decomposition. The latter, in particular, is useful for estimating the importance of innovations in one market to other markets and the nature of volatility transmission across markets (Chen et. al., 2002). The results of the forecast Error Variance Decomposition arising from the VECM for India's stock market over weekly horizon is summarized in Table-9. The table reveals that 91.85 percent variation in the Bombay stock market is due to the domestic factors. Whereas the London market is a significant contributor in the Indian market volatility followed by the Korean market. American market is also a significant contributor. However, Hong Kong and the Chinese market have minimum contribution in the Indian stock market variation. So we may conclude that Indian market is relatively closed market and more influenced by the domestic factors and the fundamentals of the economy itself in general and the industrial sector in particular. The 8 per cent variation is contributed by the other markets dominated by the London market.

TABLE-10: VARIANCE DECOMPOSITION OF BOMBAY STOCK EXCHANGE (January 1, 2006 to March 31 2012, Weekly Data)

Stock Prices	Variance
Sensex	91.85
FTSE100	4.45
S&P500	1.35
Hang Sang	0.20
Kospi	2.00
SSE	0.15

**GRANGER CAUSALITY**

Johansen cointegration analysis is able to determine whether the long run relationship exists between two variables, where as the Granger causality test helps to determine the direction of causation. The results of the pair wise Granger causality tests are presented in the table-11. The results reveal that London, U.S. and Hong Kong relations are one directional that is Indian market is affected by such markets where as Indian market is unable to influence these markets. India and Korea bear two ways causation that is Indian market is equally capable to influence the Korean markets as it is influenced by this market. However, entirely different result has been observed in the case of China. Indian Market is effective enough to influence the Chinese market but stayed unaffected from the changes in the Chinese market.

TABLE-11: PAIR WISE GRANGER CAUSALITY TESTS

Null Hypothesis	Obs.	F-Statistic	Probability
FTSE100 does not Granger Cause Sensex	324	4.55*	0.011
Sensex does not Granger Cause FTSE100		0.14	0.871
S&P500 does not Granger Cause Sensex	324	8.04*	0.004
Sensex does not Granger Cause S&P500		0.13	0.876
Hang Sang does not Granger Cause Sensex	324	4.23*	0.015
Sensex does not Granger Cause Hang Sang		0.80	0.450
Kospi does not Granger Cause Sensex	324	2.43*	0.089
Sensex does not Granger Cause Kospi		4.76*	0.009
SSE does not Granger Cause Sensex	324	1.63	0.198
Sensex does not Granger Cause SSE		7.50*	0.006

**CONCLUDING REMARKS**

This study deals with the investigation of integration of Indian market with the Asian and the western markets during January, 2006 to March, 2012. Mean returns in the Asian markets are higher than the western markets during the study period. However, Asian markets are more volatile than the western markets. All the markets differ significantly from the normal distribution implying thereby that in each stock market there exist opportunities for investors to benefit from abnormal returns. Cointegration level is low among the selected markets i.e. there is weak long period relationship among such markets and markets are more affected by their domestic fundamentals. The American and Hong Kong markets have differential risk associated with such markets relative to Indian market. There is strong long period positive relationship between Indian and UK markets. Hong Kong and American markets are competitive for Indian market. The positive association of the Indian market with the London may be plausible because the latter is considered as a benchmark by most international investors. Besides, Asian markets bear significant short period relationship with Indian market; however such relationship is insignificant in the case of western markets. Indian Market is relatively closed and more influenced by the fundamentals of the economy itself in general and industrial sector in particular. Only 8 per cent variation is contributed by other markets dominated by the London market. London, US and Hong Kong markets are able to affect the Indian market but immune from the Indian market. Indian and Korean markets bear two ways causation. However, Indian market is effective enough to influence the Chinese market but unaffected from the changes in the Chinese market.

**SCOPE FOR FUTURE RESEARCH**

The present research can be extended to more number of nations especially in the period of European debt crisis and improved trade relations with Asian nations in recent years; hence, a comprehensive research can be carried out to have more insights of integration of such markets.

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## EFFECT OF SALES PROMOTION ACTIVITIES ADOPTED BY MAHINDRA AUTOMOBILES ON RURAL MARKET OF PUNJAB

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**PHAGWARA**

### ABSTRACT

*Indian four wheeler industry is facing stiff competition, as overseas players and domestic participants are queuing up to launch new models/ variants. Indian rural market which contributes around 60% of total national demand has also fuelled the demands of four wheelers in India. After acquiring SangYong Motor Company, Mahindra has emerged as an important market player in Indian passenger car segment. Different companies in the Automobile sector are coming up with very attractive sales promotion plan to woo customers. The present study has made an attempt to identify the factors which affect the purchasing behavior of customers towards Mahindra passenger vehicles and also to understand the effect of sales promotion activities carried out by Mahindra automobiles on customers. A research framework was designed and factor analysis method of data reduction was incorporated. Four factors were derived from the analysis of the research data. The four factors are named as Utility, Technology, and Price & after sales service and Sales Promotion activities. Analysis of paired t-test was also performed to test the significant difference in purchasing behavior of customers due to sales promotion activities carried out by Mahindra Automobiles. Further analysis of the data revealed that sales & promotion activities have an impact on consumer buying behaviour.*

### KEYWORDS

Factor analysis, Mahindra & Mahindra, Paired t- test, Rural area and Sales & Promotion.

### INTRODUCTION

The Automobile Industry of India, the world's second-fastest growing auto market has come a long way over the decade. The liberalization policy and various tax reliefs by the Govt. of India in recent years have made remarkable impact on Indian Automobile Industry. Indian auto industry, which is currently growing at the pace of around 18 % per annum, has become a hot destination for automobile manufacturers due to its robust economic growth, favorable demographics, higher disposable income, changing lifestyle and positive industrial eco-system. India is expected to become the third biggest automaker in the world within next decade, according to Diane H Gulyas, President and DuPont Performance Polymers. Owing to its vertical and horizontal integration with other key segments of the economy, the industry is said to be a major growth driver. At present, Indian automobile industry is one of the major contributors in increasing the country's GDP by 9% every year. New heights have been scaled by the industry in the year 2010. According to the reports of Society of Indian Automobile Manufacturers, annual car sales are estimated to reach 5 million vehicles by 2015 and more than 9 million by 2020. To believe New York Times reports, several automobile companies like Hyundai Motors, Nissan, Toyota, Mahindra & Mahindra, Volkswagen and Suzuki have expanded their manufacturing facilities owing to India's strong engineering base and expertise in the manufacturing of low-cost, fuel-efficient cars.

### INDIAN RURAL MARKET

Rural India accounts for almost 70 per cent of the population as the Census 2011 indicates that out of the 1.21 billion population, 833 million people live in rural India. Rural India has grown up over the years, not only in term of income, but also in term of thinking. The rural market has grown at two time faster pace than urban market, not surprisingly, rural India accounts for 60% of the total national demand, according to the survey conducted by Mckinsey. Moreover, the growth of rural India is largely attributed by increasing awareness about need of education. According to the ASER (2012) report, private school enrolment in rural India has enhanced by 5.5 per cent points over past six years. The literacy rate has also gone up by 68.91 per cent in rural India. Rural India is the new battle ground for marketers and manufacturers these days. India's growth in terms of consumption pattern is largely to be accounted by the people residing in hinterlands. A report by Boston Consulting Group (BCG) and CII projects that small town and rural customers would be the single largest market segment constituting 36 per cent of households by 2020 and rural & urban aspirers would account for 23 per cent of all the households. Automobile makers are targeting Indian consumer market in a big way, in search of potential car buyers. Rural India accounts for almost 35 per cent of the automobile industry sales. Companies like Mahindra & Mahindra, Maruti Suzuki, Tata Motors, Ford, and Hyundai are targeting potential buyers in rural market by different marketing schemes. After acquiring SangYong Motor Company, Mahindra has emerged as an important market player in Indian passenger car segment. The present study has made an attempt to identify the factors which affect the purchasing behavior of customers towards Mahindra passenger vehicles and also to understand the effect of sales promotion activities carried out by Mahindra Automobiles on customers in rural areas of Phagwara, Punjab.

### LITERATURE REVIEW

(Clarke, 1976) has got the evidence which leads to the conclusion that the cumulative effect of advertising on sales lasts for only months rather than years. (Louie, 1990) concluded that if only one brand is being promoted and subjects are generally loyal to the last brand purchased, brand choice probability declines from prepromotion levels once the promotion is withdrawn. However, if subjects tend to switch among brands in the absence of promotions, or if several brands are being promoted, this decline is mitigated and/or does not occur. (William Boulding, 1994) found that by providing unique and positive messages, a firm can insulate itself from future price competition, as witnessed by less negative future price elasticities. Conversely, results indicate that nonunique messages can decrease future differentiation, eg. price promotions for firms that price above the industry average lead to more negative future price elasticities. (Koen Pauwels, 2002) found that each sales component generally lacks a permanent promotion effect. Their findings support the notion that brand choices are in equilibrium in mature markets and that price promotions produce only temporary benefits for established brands. (Joffre Swait, 2002) has found that Lack of sales promotion mix consistency is generally deleterious to consumer brand evaluations through (1) decreases to average valuations and (2) decreases in scale, both of which can lead to decreases in market share. (Harald J. Van Heerde, 2003) has established that a choice elasticity of 74% of the total sales elasticity does not imply that if a promoted brand gains 100 units, the other brands together lose 74 units. Instead, they found that, on average, the other brands together lose approximately 33 units. (Shoemaker, 2004) found that unlike most consumer promotions, free sample with coupon promotions can have measurable long-term

conversion effects that can be observed for as long as 12 months after the promotion and the effects of a free sample promotion can vary widely, even between two different brands in the same product class. (Delgado-Ballester, 2005) findings derived from a sample of 167 buyers suggest that non-monetary promotions are more appropriate as a brand-building activity and that the product type exerts a moderator effect on the relationship between sales promotions and brand knowledge. (Dennis Fok, 2009) put forth a sales response model to explain the differences in immediate and dynamic effects of promotional prices and regular prices on sales. The authors find many significant moderating effects on the elasticity of price promotions. Brands in categories that are characterized by high price differentiation and that constitute a lower share of budget are less sensitive to price discounts. Deep price discounts increase the immediate price sensitivity of customers. (Mercedes Esteban-Bravo, 2009) analyzed a type of non price promotion implemented in the magazine publishing industry in Europe, and also to determine whether the effect of implementing these promotions is favorable in the long term. Results suggest that some buyers of the promoted issues, who read the magazine for the first time, have a positive experience with the magazine and become customers. (Nagar, 2009) has opined that Sales promotions are generally looked at as tools that undermine the brand; yet a tool that is necessarily meant to speed up sales. The study found that consumer sales promotions have more influence on the brand switchers as compared to the loyal consumers. Also, among the various forms of consumer sales promotions, free gifts have more influence on the brand switching behaviour of consumers. (Rao, 2009) through his study was able to establish that the dimensions of Price perceptions (as measured by Value consciousness and Price consciousness) and Deal proneness are important variables that cannot be ignored by marketers while designing pricing and promotional strategies. It is an imperative today. It will be a positive development if marketers are able to incorporate these dimensions into their consumer research agenda prior to launch of new promotional schemes in the market place. (Waller, 2010) explained that as part of the arsenal of marketing, sales promotions are strategies wherein an incentive is offered to the final consumer or customer to impact sales in the short term. Author found that, Sales promotion cost how much to the organization, is very hard to measure, thus measuring effect of sales promotion on bottom line of the company is even harder. (Tsung-Chi Liu Ti Cheng, 2011) describes the phenomenon that an individual is unlikely to act on an attractive opportunity after having bypassed an even more attractive one. The results of two experiments indicate that after missing an initial opportunity to obtain a product as a free gift during a promotional period, the inaction inertia effect reduces the likelihood of consumers buying the product at a discounted price (second, inferior opportunity), particularly if the free gift has a high regular price. (Kautish, 2011) found that in-store display proneness has the strongest effect on product trial compared to other sales promotional tools. Attractive instore display practices are necessary to gain the greatest sales from product trial. Bonus pack, free sample, and price discount significantly affect product trial, albeit the determinant power of bonus pack is the lowest among other promotional tools.

## OBJECTIVES

- To identify the factors which affect the consumer purchasing behaviour towards Mahindra vehicles.
- To know the consumer attitude towards the sales promotion activities carried out by Mahindra automobiles for rural market.
- To check the effectiveness of sales and promotion activities carried out by Mahindra for rural market.

## NEED OF THE STUDY

Rural market comprise of more than 70 % of the total population of the country thus making it as one of the most important potential market. Now days companies are focusing more on the rural market segment to explore the untapped market by extending their product portfolio to the rural customer. Various promotional activities have been adopted by the companies to leave an impact on the rural customer. Sales promotion is one of the four aspects of promotional mix. (The other three parts of the promotional mix are advertising, personal selling, and publicity/public relations.). With the focus of automobile companies are shifting towards rural market which they see as a lucrative opportunity to creep in, it has opened a new gateway to gain insights about the potential rural market, strategies adopted by companies to capture the rural market, perception of a rural customer towards the efforts made by these companies and finally the effect of this on the purchasing behavior of the customer.

## SCOPE OF THE STUDY

The scope of the study is limited to the Phagwara and its suburbs region, thus limiting the area of consideration. However, the data collected within from the population gives better insights about the perception of a rural customer and helps in forming a conclusion. Researchers have collected the data only from those people, who are the owners of Mahindra cars. The data is collected in between the time frame of month January 2012 to April 2012.

## RESEARCH DESIGN

**Type of Research:** For this study, descriptive research design has been adopted. This study identifies and evaluates the Sales promotions activities adopted by Mahindra automobiles for targeting the rural population. Factors affecting consumers' preferences towards the automobile buying behaviour, effect of sales and promotion activities and change in the perception of consumers after confronting with the promotion activities adopted by the company have also been examined. Basically this research is describing the population surveyed and its characteristic, so it is descriptive research.

### SAMPLING DESIGN

**Target population:** Owners of Mahindra automobiles residing in Phagwara and its suburbs.

**Sampling Technique:** This study is broadly on sales promotion activities adopted by Mahindra for rural market and its effects. A large share of population residing in rural area still does not own cars. So, researchers have used the 'convenience sampling' which was performed purposefully. Researchers have collected the data only from those people, who are the owners of Mahindra cars. It is a type of non-probability sampling technique.

**Sample size and data collection tool:** A sample size of 100 respondents (effective 82 respondents) residing in Phagwara and its nearby villages has been taken. Major data for proposed is collected by means of structured questionnaire. To fulfill the objectives of proposed study a 'Liker Scale' of five points is used in survey instrument to record consumer attitude towards attributes of Mahindra automobiles and its sales & promotion activities. Few dichotomous questions were put into the questionnaire for measuring behaviour pattern among various customers. The secondary data has been collected from the company's annual reports, various magazines, newspapers, internet, journals etc.

**Time period of Data:** The data is collected in between the time frame of month January 2012 to April 2012 across Phagwara city and its suburbs.

**Pilot testing:** A pilot testing was done by doing convenient sampling technique. The sample was of 30 in size. A questionnaire was instrumented for this purpose. Reliability testing for the pilot survey was satisfactory with Cronbach's Alpha 0.717. Some necessary changes were made in the questionnaire after conducting pilot testing.

**Data analysis:** First, analysis is done on the basis of demographic variables like Income, age etc. Population is the one who either owns a Mahindra vehicle or someone in his/her family owns it. As the number of variables used in this research is quite extensive, Factor analysis has been used to simplify the interpretation of the variables. Factor analysis has been used to identify the factors which affect consumers buying behaviour toward Mahindra automobiles and perception about its sales and promotion activities. Apart from this a paired comparison test is also applied so as to measure the change in perception of the consumers prior and post to the sales and promotion activities of the company.

### BRIEF SUMMARY OF TOOLS USED FOR ANALYSIS

1. Descriptive Statistics: - For profiling of customers.
2. Factor Analysis: - To identify important factors affecting consumer preference towards Mahindra automobiles and its sales promotion activities.
3. Paired comparison test- To compare the perception of consumers prior and post to the sales and promotion activities of the company.

### FREQUENCY DISTRIBUTION

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

**TABLE 1: FREQUENCY DISTRIBUTION OF AGE OF SURVEYED PEOPLE**

Age	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-30	31	37.8	37.8	37.8
31-40	38	46.3	46.3	84.1
41-50	12	14.6	14.6	98.8
50 and above	1	1.2	1.2	100.0
<b>Total</b>	<b>82</b>	<b>100.0</b>	<b>100.0</b>	

Source: The researcher's survey

As sample size is taken on the convenience basis different level of ages came into consideration, 31 respondents are between the age group of 20 - 30, 38 are between the age group 31-40, 12 respondents are in the age group 41-50, and 1 respondent was above the age of 50.

**TABLE 2: FREQUENCY DISTRIBUTION OF INCOME OF SURVEYED PEOPLE**

Annual income	Frequency	Percent	Valid Percent	Cumulative Percent
Valid below 10 lakh	38	46.3	46.3	46.3
10 lakh-15 lakh	31	37.8	37.8	84.1
above 15 lakh	13	15.9	15.9	100.0
<b>Total</b>	<b>82</b>	<b>100.0</b>	<b>100.0</b>	

Source: The researcher's survey

Out of 82 respondents, 38 respondents were having the annual income below Rs.10 lakh, 31 respondents were having the income in between Rs. 10 lakh - 15 lakhs and the rest 13 respondents stated their income level above Rs. 15 lakh annually.

**FACTOR ANALYSIS**

Questionnaires were collected from a sample of 100 respondents, after scrutiny researcher has removed 18 questionnaires due to errors in response. The data was entered into SPSS data sheet. Reliability test was performed and the data was subjected to further analysis by using Principal Components Analysis (PCA) method. Varimax rotation with Kaiser Normalization was chosen to get the % of variance for 12 statements in the questionnaire. Eigen value of greater than 1 was identified and the relevant factors have been obtained accordingly in line with the statements in the questionnaire. A Rotated Component Matrix Table is generated and four factors were derived. Factor loading above 0.50 are considered as per factor analysis format. The derived factors are arranged based on the statements that have gone into each factor. The list of factors along with the supporting statements is displayed in Table 4.

**TABLE 3: KMO AND BARTLETT'S TEST**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.576
Bartlett's Test of Sphericity	Approx. Chi-Square
	Df
	Sig.
	218.521
	66
	.000

Source: The SPSS output

We have applied Kaiser-Meyer-Olkin and Bartlett's Test to check the adequacy of data and we find the value is 0.576 which is more than ideal value 0.50, hence data is adequate.

**TABLE 4: ROTATED COMPONENT MATRIX**

Statements	Component 1	Component 2	Component 3	Component 4
1.Family needs	<b>0.775</b>	-0.256	0.216	-0.25
2.Society influence	<b>0.756</b>	0.174	-0.188	0.126
3.Utility of vehicle	<b>0.687</b>	-0.053	-0.029	0.083
4.Safety	<b>0.617</b>	0.383	0.052	0.073
5.Fuel economy	0.228	<b>0.612</b>	0.162	0.415
6.Style statement	0.274	<b>0.502</b>	-0.132	0.411
7.Latest technology	-0.067	<b>0.739</b>	0.106	0.058
8.Reliability of brand	-0.03	-0.172	<b>0.829</b>	0.303
9.Price of vehicle	0.088	0.192	<b>0.733</b>	-0.05
10.After sales service	-0.185	0.442	<b>0.544</b>	-0.119
11.Additional warranty coverage	-0.221	0.248	0.03	<b>0.698</b>
12.Seasonal offers/festive offers	0.192	0.01	0.079	<b>0.782</b>

Source: The SPSS output

**TABLE 5: FACTORS LIST**

Utility	Technology	Price & after sales service	Sales promotion activities
Factor 1	Factor 2	Factor 3	Factor 4
Family needs	Fuel economy	Reliability of brand	Additional warranty coverage
Society influence	Style statement	Price of vehicle	Seasonal offers/festive offers
Utility of vehicle	Latest technology	After sales service	
Safety			

Source: The SPSS output

**DESCRIPTION OF THE FACTORS**

Factor 1, refers to 'Utility and contributes to 22.61% variance. This factor is described in terms of family needs, society influence, utility of vehicles and safety. Factor 2, describes the 'Technology' and contributes to 17.54% variance. This factor refers to fuel efficiency, style statement and latest technology. Factor 3, focuses on 'Price and after sales service and contributes to 12.637% variance. This factor includes statements on the price of the vehicle, after sales service and reliability of the vehicle brand.



Factor 4, explains the 'sales promotion' and contributes to 8.35% variance. This factor addresses issues such as additional warranty and seasonal/festival offers.

#### PAIRED SAMPLE t-TEST

Paired sample t-test was performed to determine that is there any change in buying behaviour of the customers due to sales and promotion activities carried out by Mahindra motors. For this Hypothesis were framed.

Ho- There is no significance change in buying behaviour of customers due to the sales and promotional activities adopted by Mahindra automobiles

H1- There is significance change in buying behaviour of customers due to the sales and promotional activities adopted by Mahindra automobiles.

As, here researchers have followed 'convenience sampling' and data is not normal. So, researchers have used alternative of paired t-test from non parametric test, which is known as 'Wilcoxon signed rank test'. Wilcoxon signed rank test output of SPSS has been displayed below.

TABLE 6: WILCOXON SIGNED RANK TEST OUTPUT OF SPSS Test Statistics<sup>b</sup>

	After knowing about the sales promotion activities, would you buy Mahindra cars. - if sales and promotion activities would not have been adopted by the company would had still gone for the purchase
Z	-4.435 <sup>a</sup>
Asymp. Sig. (2-tailed)	.000

Source: SPSS output

In the above table the z value is -4.435 and has a p value of .000 which is less than 0.05, the assumed level of significance. Therefore, there is enough evidence to reject Null hypothesis. Thereby, indicating that Sales and promotion activities carried out by Mahindra automobile has significant impact on purchasing behavior of customers.

#### SUMMARY OF RESEARCH FINDINGS

1. Rural market is emerging market, so Automobile companies are focusing upon this potential market.
2. 84% purchaser of Mahindra vehicles are between 20-40 years of age group.
3. Around 50% purchaser of Mahindra vehicles belongs to income group less than Rs. 10 lakhs per annum. This also signifies that rural market despite less income than urban part can be major market for automobile companies like Mahindra & Mahindra.
4. Factor analysis of surveyed respondents reveals that for rural people most important factor while purchasing vehicle is Utility of the vehicle.
5. Factor analysis of surveyed respondents reveals that apart from utility, other important factors are technology used in vehicles to increase fuel efficiency & appearance etc., Price & after sales service and sales promotion activities.
6. Wilcoxon signed rank test performed on the surveyed respondents establishes that sale and promotion activities carried out by Mahindra automobiles has significant impact on purchasing behavior of the respondents.

#### CONCLUSION

After this research it can be concluded that, a rural customer while purchasing any vehicle looks for utility of the vehicle, technology used in vehicle, price & after sales service and Sale promotion activities carried out by automobile companies. Sales and promotion activities are of one of the most important particularly for automotive industry as the competition is very stiff in this sector and companies need to have effective promotional activities, so as to cope up with the competition and current market scenario. Mahindra automobiles have successfully applied the sales and promotion activities which have helped them in capturing more market share particularly in rural market.

#### SCOPE FOR FUTURE RESEARCH

The scope of this research study may be further enhanced by incorporating different automobile firms in the research. This research can also be extended further for different sectors like FMCG, electronics etc. Researchers can also study the impact of sale & promotion activities on brand equity of the respective brand.

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## ANNEXURE

ANNEXURE 1: TOTAL VARIANCE EXPLAINED

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.714	22.617	22.617	2.714	22.617	22.617	2.285	19.043	19.043
2	2.105	17.54	40.158	2.105	17.54	40.158	1.74	14.503	33.547
3	1.516	12.637	52.795	1.516	12.637	52.795	1.669	13.911	47.458
4	1.002	8.35	61.145	1.002	8.35	61.145	1.642	13.687	61.145
5	0.949	7.908	69.053						
6	0.779	6.493	75.547						
7	0.706	5.883	81.43						
8	0.636	5.303	86.733						
9	0.568	4.733	91.466						
10	0.448	3.734	95.199						
11	0.363	3.025	98.225						
12	0.213	1.775	100						

Extraction Method: Principal Component Analysis.

## IDENTIFICATION OF KEY STRATEGIC FACTORS IN APPAREL SOURCING DECISIONS BY INDIAN RETAILERS; A CASE BASED STUDY

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### ABSTRACT

*This research paper tries to understand key strategic factors in apparel sourcing decisions. To achieve this objective, case study of three prominent Indian retailers having different apparel sourcing practices have been developed. The companies involved in this study are either sourcing through complete in-house manufacturing or combination of partial sourcing from outside and partial in-house, or complete outsourcing with outright purchasing of garments. These case studies are exploratory in nature and are based on combination of interviews and discussions with company staff involved in sourcing and supply chain management. Semi-structured interviews were carried out with senior and middle management employees from various departments like design, production, procurement, quality and commercial. At the end of the study, after considering secondary as well as primary data, an exhaustive chart has been created showing important parameters considered by Indian retailers while taking sourcing decisions. This paper aims to contribute to the theory and knowledge of supply chain management practitioners and industry analysts.*

### KEYWORDS

Men's apparel Industry, sourcing practices, case studies, India.

### INTRODUCTION

In the recent past, India has emerged as the most diversified and promising destination for apparel retailers who seek high quality garments with greater flexibility and speed<sup>14</sup>. India comes after Brazil and China in apparel consumption and clothing imports/exports (AT Kearney, 15th June, 2009). Not only off shore but even the domestic demand in India has risen which is evident from the fact that out of \$49-billion textile and apparel industry, the domestic industry accounts for \$30 billion<sup>15</sup>. The Indian apparel industry is comprised of a various types of retailers with distinct characteristics and varying needs in terms of supplier performance. Whether it is on shore or off shore, apparel industry has some inbuilt uncertainties which makes the sourcing activity highly volatile and complex. Apparel retailers source their garments through different supply channels. Some retailers have their own manufacturing facilities while some retailers' source from manufacturing suppliers or via intermediaries. End consumers' choice and garment offerings are the main drivers for the firms in selecting the supply channels and supply markets. Retailers adapt sourcing strategies according to the volatility of demand, competition, product life cycles, shares of low-volume garments, and demand for standardized garments and so on. The efficient and effective sourcing is the key to higher profitability. However, there had been limited researches investigating on what sourcing strategies are used by apparel companies in India and what advantages and risks a company runs while choosing a particular strategy. Moreover, the effects of the strategy and difficulties apparel companies encounter with its implementation have not been researched as much as other business industries. Moreover, there is a constant change in the offerings; operation flow keeps changing every minute, every hour and every season. Hence, it is very important to understand the dynamics of sourcing markets and channels in line with firm characteristics to achieve successful sourcing.

### REVIEW OF LITERATURE

Sourcing in Apparel industry has unique challenges as this industry faces a lot of demand uncertainty depending on trends like fashion and consumer preferences. A study conducted by Fraering and Prasad (1999) considered two key strategic decisions for sourcing. 1.) Selection of supply market and 2.) Selection of supply channels. The first dimension of supply market primarily focuses on the place from where the sourcing is done. It deals with the nation-specific resources. Low cost markets have different trade-offs of quality-price levels due to their unskilled cheap labor, cultural and geographical distances and so on. Putting this concept in Indian perspective, there are many pockets in India where the garment manufacturing is done and every pocket has their own specialty. The specialty may lie in cheaper cost or specific product manufacturing and also the culture and environment that give better results in terms of delivery and transparency. So for any new entrant in this industry, it becomes essential to understand the favorable and unfavorable factors of each supply market and channel. Levy (1995), distinguished between location-specific factors and relational factors in sourcing strategies. The location specific factors are largely related to the location of manufacturing facilities, whereas the relational factors concern the relationships between different vendors, intermediaries and other involved actors. Bolisani and Scarso (1996), concentrated on employment of global manufacturing strategies by Italian apparel industry with a special focus on low-cost sourcing and handling hidden costs that are often neglected. In addition, Lowson (2001, 2003) focused on how supply market choices affect apparel firms' performance in terms of cost, quality, flexibility, innovation and design.

The choice among various supply channels, involves assessing firms' strategic choices in garment manufacturing. It starts with whether to make-or-buy decision, internal manufacturing or sourcing from external suppliers and the right mix of all the channels for right mix of product and prices (Cáñez et al., 2000; Fill and Visser, 2000). Bolisani and Scarso (1996) in their study discussed about internally controlled manufacturing facilities and external sources. According to his study direct investments and joint ventures are two types of internally controlled manufacturing operations, and sourcing from external suppliers and intermediaries are the external sources.

From the above literature, three main strategic sourcing options can be drawn, concerning the choice among supply channels i.e. internal sourcing (own manufacturing as partial or whole ownership), direct external sourcing and indirect external sourcing. In addition to the above (Forza and Vinelli, 2000; Perry and Sohal, 2000; Christopher and Towill, 2002; Jin, 2004) studied the concept of double sourcing in which retail firm on one hand source the product from low-cost distant markets and at the same time the same product is sourced from quick but expensive supplier for responsiveness.

Fraering and Prasad, (1999) made a very prime contribution by throwing light on the importance of firm characteristics while selecting sourcing strategy. It was observed that firm characteristics can be broadly divided into two elements. 1.) Product issues and 2.) Organization issues. The product issues are largely related to company's requirements of price, quality, volume of the product, innovation, customization in the products, and volatility of the demand and so on. Product issues and their impact on sourcing strategies are frequently addressed in various supply chain literature. Bruce et al. (2004) focused on the firm's supply chain requirements, whereas Trent and Monczka (2003) studied firm's need for more innovation in their products rather than another 'me too' product. Bolisani and Scarso (1996) focused on the firm's quality standards policy and so their requirements of closely working with the suppliers whether internal or external or

<sup>14</sup> The Global Apparel Value Chain, Trade and the Crisis, Challenges and Opportunities for Developing Countries: The World Bank Development Research Group, Trade and Integration Team, April 2010

<sup>15</sup> India top retail destination for investors: AT Kearney, 15<sup>th</sup> June, 2009

collaborations. Cho and Kang (2001) brought out the suitability of global markets when there are higher volumes. In addition, organizational issues are often said to affect firms' choice among various sourcing strategies. Trent and Monczka (2003) as well as Cho and Kang (2001), argued that the firm size and the degree of sophistication of various operations will require the suppliers and collaborators to have equivalent support system to adjust with them. Bolisani and Scarso (1996) were of the opinion that when the company is looking at low cost sourcing strategy then sometimes small firms have stronger incentives than large ones. Bruce and Moger (1999) even suggested that firm's experience in sourcing is also one of the major influential factors in deciding on sourcing strategy. It was also suggested by Tyler et al. (2006) that firm's degree of involvement with end consumers also has an impact on the sourcing strategy.

Supplier performance is also focused as one of the key parameters while deciding on sourcing strategy. Various studies have identified dimensions of supplier performance to be considered while sourcing. Summing up the various dimensions covered in various studies, they are broadly divided into five dimensions. These are delivery, flexibility, cost, quality and reliability. Delivery primarily deals with order lead times, geographic locations and freights and trade restrictions related to geographic locations. Flexibility is more related to internal aspects of suppliers i.e. transparency, capacity, customization, inventory facilities and negotiability. Cost parameter takes into consideration the supplier's selling price and how far that is suitable to the retail firm. It also considers the payment terms and conditions. Garment stitching and material quality, on-time deliveries Customer services, improvement plans of the supplier and also any certification with supplier indicates quality performance of the supplier. Trust and reliability is one of the important criteria while selecting vendors. Personal attention, feeling of trust and policies of the vendor are the parameters which are considered while selecting a vendor (Cho and Kang, 2001; Warburton and Stratton, 2002; Teng and Jaramillo, 2005). The softer issues like buyer and supplier relations, transparency with the supplier, communication and flexibility with the suppliers have also been focused by (Bruce et al., 2004; Tyler et al., 2006).

## NEED FOR THE STUDY

In the literature study, it was observed that a little study is done on sourcing practices and key decision factors, with respect to Indian scenario. Moreover, India has a huge domestic market for apparels, as well as it is a growing source of textile garments for International players. Hence, in a cut throat competition, apparel retail companies are focusing on sourcing to bring the difference on their retail floor either through cost, quality or through variety and responsiveness. Thus, it is very essential to understand the key factors which influence the sourcing decision of the company. This paper tries to bring out the key strategic factors considered by Indian apparel retailers focusing on men's shirting garment, while taking a sourcing decision.

## OBJECTIVES OF THE STUDY

To understand various sourcing practices and draw down factors considered by Indian retailers while sourcing men's garments for Indian markets.

## METHODOLOGY

For better understanding and exploring facts related to sourcing strategies of various Indian retailers, this study has developed case studies of three prominent retailers of India. These retailers were cautiously selected to understand various functions involved with various strategic options. Out of these three, one retailer followed complete in-house manufacturing for the brand; the second retailer had combination strategy of having partial sourcing done from outside and partial in-house, and the third retailer completely outsourced the garments with outright purchasing of garments from various vendors. These case studies are exploratory in nature and developed after taking combination of interviews and discussions with company staff involved in sourcing and supply chain management. Semi-structured interviews were carried out with senior and middle management employees from various departments like design, production, procurement, quality and commercial. In the present study, the names of these companies have been disguised as requested by the companies.

## COMPANY 1 (FJ)

### BACKGROUND

The FJ is a private limited company established in 1982 in Gujarat and was subsequently converted into a public limited company in 1988. The company is engaged in manufacturing product groups like denim, high value shirting and attires. The company has its own manufacturing capacity for textiles as well as garments. It offers 10.5 million meters per annum of denim fabrics in 100% cotton for jeans, shorts and jackets, casual shirts, and kids wear. The company has two in house brands named FJ and IC. FJ is a ready-made menswear garment brand. Whereas ready to stitch cut pieces are sold under the brand name of IC. The company exports its fabrics to more than 45 countries. It is the first textile company to adopt and get certified for integrated quality and environmental management system ISO 9001:2000 and ISO 14001:2004.

### COMPANY PHILOSOPHY

'FJ is a 100% Cotton Menswear Readymade Garments brand. The group considers its apparel retail venture, as their way of being near to the market with its eyes & ears fixed on getting the feel of the latest needs of the customer. The brand emphasizes on putting the best inputs in terms of fabric, styling and stitching of garments avoiding all the wasteful expenses and passing on the resultant benefits to the customer. The shirts under this brand are considered as value for money. The above philosophy is followed in the sourcing activities also.

### SOURCING OF FJ

All FJ garments are made from high quality fabrics produced by the group company only. They are styled and stitched at world class garment manufacturing facilities owned by the Group, under the strictest quality assurance parameters. However, the company manager believes that, strict quality parameters have been one of the prime contributors for their lower production output. The manufacturing unit is catering to other national international brands as well, which helps them to compensate for the lost productivity. FJ garments are available at 15 exclusive outlets owned by the company, across Gujarat. So far they have not been successful in going across India. Hence, due to small number of stores, the merchandize quantity required is also limited. At every stage the company compromises with their MOQ (minimum order quantity). Such as; in case of fabric production the MOQ is 1000 mtrs, and the fabric quantity required by FJ brand was 400 mtrs and so rest 600 mtrs were produced extra which is used by IC brand in their ready to stitch fabric packs. And at the garment production front, the efficiency is compromised due to shorter runs, which results into 1.5 times higher cost of garment manufacturing as compare to industry. Thus, on the market front the brand is sold as a value product and at the sourcing front, in spite of in-house fabric and garmenting facilities the brand is not able to shrink costs and expand the profits.

The future plans are coupled with cycle of challenges. Brand FJ is positioned as a value brand but on the other hand sourcing cost is steady at higher price due to high quality standards. The pace of opening up of retail outlets is very slow which has affected MOQs of Brand FJ. This has resulted into sharing of fabric sourcing with brand IC. The sharing of fabric sourcing has risk of one brand affected due to slow down in the other brand. Brand FJ has not witnessed growth of more than 10- 12% since its launch, very little growth is seen in volumes of FJ sales.

## COMPANY – 2 (MG)

### ABOUT MG

MG is one of the largest value retail company of India's largest integrated textile manufacturer and retailer of branded apparels. MG is present in India since past 14 years. They were the pioneers of value retail in India by launching 'MG'. MG offers complete range of value-for-money products through best deals throughout the year to its customers. MG is present in more than 45 cities across the country. The company has continuously striven to improve its sourcing to make this value retail business more profitable.

**MG: THE BASKET OF BRANDS**

The brands available on the stores are divided in two categories i.e. MG private brands and company brands. Of the total business 65% contribution is by the private brands, the rest of 35% of the business comes from the company brands that are primarily licensed brands. MG brands are operational with 143 stores out of which 130 stores in small format i.e. 1000 to 5000 sq ft, 5 stores in large format i.e. 5000 to 60000 sq ft. and 8 franchises in small format category. Each brand of the MG basket deals with different segments with variety of merchandises. The company has interestingly maintained identity of each brand by its well planned, thoroughly analyzed, and tightly co-ordinated sourcing activities. Each brand is differentiated by the fabric utilized in making the garment. The company has fixed the fabric quality for each brand and also has tied up with couple of Mills for the supply of such fabric. The company is also sourcing imported fabrics as per the requirement of the brands. Even the domestic i.e. locally made fabrics are used to suit the price points offered in the brand. Moreover, each brand has fixed price range for sourcing its merchandise.

The quality parameters for the most premium and the fair price brands remain the same. The vendors for all the brands are controlled by a centralized sourcing team. The merchandiser has a strong role in decisions of fabric to be used in garments, the fit, styling, packaging and so on. The software assists the merchandiser by providing information about the buying patterns of the customers and forecasting future trends.

**MG: SOURCING**

MG completely out-sources its private label range of garments. The vendors are required to purchase the fabrics on behalf of the company and manufacture garments as specified. The costing is done on F.O.B basis. This strategy eliminates the extra cost involved in rejections of the garments or wastages in fabrics/trims/packing materials during the production process. As the fresh lots are picked up by the company and the seconds and rejects at the production levels are borne by the vendor.

The production team is centralized and handles all the vendors manufacturing for private label brands. The planning with the merchandisers is done on quarterly basis. The requirements are handed over to the production team by each merchandiser with detailed production plan including the quantities, expected delivery dates, technicalities of the garments i.e. size ratios, fit to follow, merchandizing of the garments, packing and distribution instructions and so on. The production team loads the plan with suitable vendor. The responsibility of maintaining quality of the garments, meeting delivery dates with in-full quantities, lies with the production team. In case of any major rejections, joint decision is taken by the quality team and the merchandiser based on the commercial decisions, discounts offered by the vendor and the relation with that vendor.

**MG: VENDOR MANAGEMENT**

Since, the entire sourcing is outsourced, MG is very cautious in choosing its vendors. Vendor Assessment is done at a regular interval, considering various important factors for long-term fruitful relations. Deliverable quantities on time, commitments during peak season, quality of the garments, inspection hit rate, accuracy in paper/document work such as packing list, purchase order, inline inspection report etc., material handling, storage facilities, design-development capabilities and financial background are some of the important factors considered while rating the vendor.

Currently, the company has around 35 to 40 regular vendors out of which 7 vendors are booked with a fixed capacity round the year. The company has mutually agreed with these vendors to make up for the losses if the capacities are not utilized fully or partially.

**MG: SOURCING HUBS**

MG being a value brand, there is a direct association of cost with sourcing. The company sources garments from various domestic markets such as; Bangalore, Tirupur, Ludhiana, Jaipur, Mumbai and Delhi. Bangalore is the strongest sourcing hub from which around 60% of the merchandises are sourced. The important factors considered while selecting a supplier are lead times, control levels, cost levels and location advantages. Bangalore markets are attractive from all the above aspects. The lead times of transportation are eliminated at the production level, control levels are high as the head office and sourcing team is also based in the same city, Bangalore is known for its expertise in garment manufacturing and the suppliers are many in number which brings down the cost with assured quality and top all, MG has strongest presence in southern part of India and primarily in Bangalore and hence Bangalore serves the best option for the company for its sourcing activities.

**COMPANY 3 (RD)****ABOUT RD**

RD ranks amongst India's largest and most respected apparel companies. RD entered into the ready-to-wear business in 1986 catering to the men's formal wear market. Today it holds the portfolio of five brands in its kitty catering to various needs of men's wardrobe at various price points.

RD is well equipped with state-of-the-art designing facilities. Their well researched fashion forecasts and design trends helps in providing them the cutting edge design solutions of international standards. They are present across India and Middle East with their exclusive brand stores and multi brand outlets.

**RD: BASKET OF BRANDS AND SOURCING**

RD is present in the market with 5 different brands from premium to popular price segment. It has its own in house manufacturing facility for fabrics as well as for garments. However, this facility is not available for all the brands of their basket. The popular price brand is completely outsourced while one of the brands in premium segment having formal shirting range is exclusively made at their own manufacturing facility. The other premium brand having fashion and club wear are partly manufactured in-house and partly outsourced. The decision of outsourcing or making in-house is taken on the basis of profit center orientation. The styles that are more production friendly and require control over quality and lead times are made in-house. Whereas, fashion garments having smaller lots and require control of costs are outsourced with stringent quality standards. The in-house manufacturing unit provides garmenting facilities to other national as well as international brands also, to spread the risk.

With multiregional agreements among south Asian countries, India has opened up zero duty market access for selling garments from Bangladesh and so as RD. RD has developed their base in Bangladesh, for manufacturing garments from the fabric imported from China. This showed them excellent results in-terms of economics, as the total cost of the garments even after considering logistics and other costs, came down to 75% of the cost otherwise if manufactured in India. But on the other side, the team based at Bangladesh is facing tremendous problems in-terms of delivery commitments, lead times and maintaining control over the entire process.

**STRATEGIC OBSERVATIONS**

From the above cases and literature study, four key areas influencing decisions have been arrived. They are i. Supply Location ii. Supply channel iii. Firm Characteristics in-terms of product requirements and organization philosophy iv. Supplier Performance (Refer annexure – 1)

**SUPPLY LOCATION**

It was observed that, supply location is an important decision to be made which has direct influence on cost, quality and variety of the garments. However, certain products need specialized skills on the part of manufacturers, in such scenario other factors like cost and convenience take back seat. It was also observed that along with the product, convenience in the operation is also looked at while taking supply location decision. Considering Indian men's shirting garment industry domestically, Bangalore is the primary hub for manufacturing followed by Mumbai, Delhi, Ahmedabad and few places in southern part of India. However, with multiregional agreements, Bangladesh and Shrilanka are also prime sourcing hubs in the current. Shrilanka is considered to generate fine quality goods as compared to Bangladesh (names of persons quoting this statement are disguised upon request).

**SUPPLY CHANNEL**

The decision of supply channel is also an important decision in sourcing activities. An organization has different options to choose from, such as own manufacturing, manufacturing through intermediaries or even outright purchase. In outright purchase, the supplier purchases all the raw material on behalf of the brand/retailer, manufactures garments and in return charges an agreed percentage of margins since all investments are made by him. They also fix the cost



of raw material, suppliers of the raw materials and indicate the quantity to be manufactured. Here both the parties work on transparent basis as the fabric rates, trims and packing material rates are negotiated by the retailer/brand and only the manufacturing part is done by the supplier. The outright purchasing is much more beneficial in the current trend of buying where the volumes are low and turnaround time is shortened. There is zero or marginal cost of investment required, the retailer has no liability to take rejections or surplus and the manpower hired is much lesser as most of the work is outsourced. However, since the entire business of a retailer is dependent on the garment manufacturer, it becomes imperative for the retailer to establish and maintain good relations with suppliers. Also the control on the production is largely with the garment manufacturer. There are high chances of delivery dates being jeopardized and production not up to the required quality as mentioned during interviews with practitioners.

Job working or subcontracting is a middle way of in-house manufacturing and outright purchase where a retailer can have a higher control without involvement of huge capital. Here the company procures the major component of raw materials such as fabrics and some of the important branded trims being the major determinant of a good quality. Also the rates are best negotiated since the quantities involved are huge due to single purchasing window. The company has higher control on the processes and thus on quality. Moreover, the capacity is bought out for a season or round the year. A contract agreement is made between company and Manufacturer where the company assures the manufacturer to feed their factory as per the agreed capacity for a specified period and so the risk of capacity being sold out to someone else is eliminated. This happens mostly during the festive season where all players try to en-cash the opportunity of sales. However this method also has some disadvantages. The retailer has to make investment by purchasing raw materials and a large volume of inventory is carried on till the completion of the manufacturing process. Also it is most likely that the left over inventory, or rejected raw material during the process of conversion are to be borne by the company and as a result higher percentage of working capital gets blocked in inventory of raw materials rejections, surplus and other leftovers. Own manufacturing allows for strict quality maintenance, timely deliveries and high control over operations. However, it was observed that companies are manufacturing for other national international brands as well to avoid all eggs in one basket situation.

### FIRM CHARACTERISTICS

Every firm will differ in their product requirements. Price points, Size of the order, fashion or innovation required in the garments, quality standards are key points influencing sourcing decision. Ideal sourcing practices and suitable sourcing practices will be based on product requirements and organization characteristics. Philosophy of the organization with respect to target segment, image, pricing, quality, stakeholders commitments, volume of the brand, relations with suppliers, number of outlets and growth prospects are some of the factors that will have an impact on sourcing decision.

### SUPPLIER PERFORMANCE

Supplier or Vendor is the active contributor in sourcing activities. Hence, supplier performance is of prime importance while jotting down on a particular supplier. Most of the companies today who are involved in outsourcing have supplier performance system. The performance evaluated into two broad categories i.) Core factors ii) Supportive factors. Core factors consist of lead time, cost, quality, and on-time in-full deliveries, where as supportive factors takes into consideration understanding of the product, transparency, merchandising and sampling support, smooth relations, good atmosphere, trust and ethics, infrastructure and capacities, terms and conditions, credibility of the vendor and scope for development.

### CONCLUSION

Textile and apparel is one of the most promising industries across the globe. It is more of a buyer driven industry unlike product driven industries. The success of the industry highly lies in the hands of its supply chain and various stake holders associated to that supply chain. Apparel is the end product of a long chain starting from fiber to yarn to fabric and then to garments. Numbers of operations are involved with variety of parties to enable the end product reach the consumer

The task of apparel sourcing is very complicated due to the tasks involved and the effects of seasons on the salability of the merchandise. Handling the entire task manually calls for a great co-ordination and understanding amongst all the parties involved including the management with dynamic and prioritized approach as the situation demands. Various options have been developed to manage smooth flow of merchandise on the retail floor. Many retailers have started making a choice between taking or making of fabric in advance and then create design. Many a times the core range is well planned in advance and the fillers are taken from stock fabrics as top ups. Many companies do not get into the hassle of managing the fabrics and prefer an option of outright purchase of the garments from the factories with greater control on fabric and style selection and quality of the garment with the manufacturer.

A new trend of global sourcing is observed in India with opening up of multinational market regions. Bangladesh, Sri Lanka and Nepal are getting popularity in Indian retailers for apparel sourcing. This has offered a baggage of opportunities with regard to lower labor costs and innovative products along with risks associated with the loyalty of the global supplier. It is also observed that the offshore suppliers are distributed geographically, and high percentage of them are with little infrastructure, hence the operational costs increases if the lot size are smaller. The cultural differences lead to lack of confidence and result in to a huge transparency gap. Moreover, As compared to domestic suppliers, there is a lack of documented accountability and record of communication for future references. However, the global sourcing is fairly cost competitive, and the environment is highly dynamic<sup>16</sup>.

### SCOPE FOR FUTHER RESEARCH

The present paper draws down various factors influencing the sourcing decisions by Indian retailers. These factors can be further researched for their importance and priority in the decision making process. Also one set of factors can be further analyzed in relation to other set of factors. Such as firms concentrating on cost will have different priorities while taking a sourcing decision as compared to firm which is concentrating on quality or responsiveness.

### ACKNOWLEDGEMENTS

This paper bears the imprint of many people. This study was not possible without the support of the companies for sharing their information. The names of the companies are under disguise as requested by the company officials. I am highly indebted for all the support received. Finally, I am immensely grateful to all those respondents who took out their valuable time & co-operated to complete the research.

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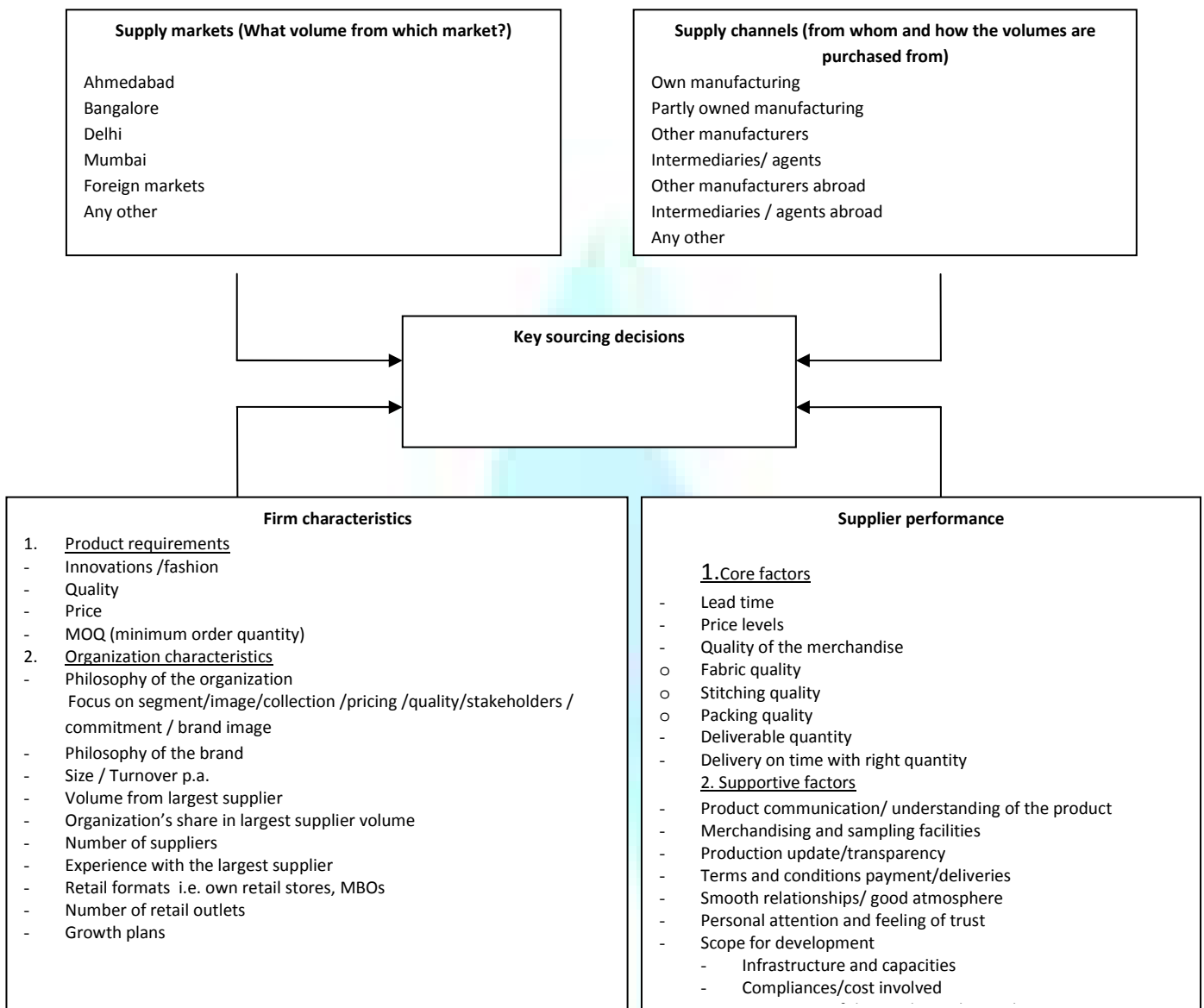
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ANNEXURE

ANNEXURE – I KEY STRATEGIC FACTORS IN APPAREL SOURCING DECISIONS



**GROWTH AND PROSPECTS OF INDIAN MUTUAL FUND INDUSTRY - A REVIEW**

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**ABSTRACT**

*This paper attempts to review the growth and prospects of Indian Mutual Fund Industry in view of number of schemes in operation, folios existing, Fund houses, Assets under Management and factors contributing and inhibiting its growth and future prospects of Mutual fund Industry. The researcher emphasized only on secondary data sources. The data has been collected from Textbooks, reports, journals, newspapers and internet sources. The period of study is kept limited for 11 years. In order to attain sustained profitable growth, the Industry should concentrate on developing distribution networks, increasing retail participation and expanding the reach of mutual funds into rural areas by conducting awareness programs and extending financial literacy.*

**KEYWORDS**

Assets under Management, Growth, Investment, investor, Mutual Fund.

**INTRODUCTION**

Mutual funds are associations of trusts of public members who wish to make investments in the financial instruments or assets of the corporate sector for the mutual benefit of its members. According Securities Exchange commission (SEC), "A mutual fund is a company that brings together money from many people and invests it in stocks, bonds or other assets. The combined holdings of stocks, bonds or other assets the fund owns are known as its portfolio. Each investor in the fund owns shares, which represent a part of these holdings". The SEBI (Mutual Funds) Regulations, 1993 defines a mutual fund as "a fund established in the form of a trust by a sponsor, to raise monies by the trustees through the sale of units to the public, under one or more schemes, for investing in securities in accordance with these regulations." According to SEBI(Mutual Funds)Regulation 1996, "Mutual Funds" means a fund established in the form of a trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities including money market instruments or gold or gold related instruments or real estate assets. Mutual Fund is an investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets. Mutual funds are operated by money managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.

The mutual fund collects money directly or through brokers from investors. Thus money is invested in various instruments depending on the objective of the scheme. The income generated by selling securities or capital appreciation of these securities is passed on to the investors in proportion to their investment in the scheme. The investments are divided into units and the value of the units will be reflected in Net Asset Value or NAV of the unit (Ghosh, 2009). A mutual fund represents a vehicle for collective investment. When you participate in the scheme of a mutual fund, you become a part owner of the investments held under that scheme (Prasanna Chandra, 2006). A mutual fund collects savings from small investors that are invested in capital market instruments such as government and corporate securities. The income earned through these investments in the form of interest & dividends along with capital gains realised are shared by unit holders in proportion to the units owned by them. Any appreciation or depreciation in value of investments is reflected in Net Asset Value (NAV) of the concerned scheme (BFSI sector in India). Mutual Funds have emerged as an important segment of financial market in India, especially as the result of the initiatives taken by the Government of India for resolving problems relating to UTI's US-64 and to liberalize tax liabilities on the income earned by Mutual Funds (Rao and Mishra, 2007). While investing through mutual funds, investors need not worry about the market fluctuations or volatility. Their fund managers are very intelligent and they very well know about the market's behavior at all times. Mutual fund investments are diversified in various good performing companies. In other words every investor in the Mutual fund is having his investment portfolio spread over to many good performing companies, whether the amount invested by him/her is minimum or maximum. Mutual fund investments are like a lifeboat in the ship (Chinnasamy, 2005). Unlike most other financial products like provident fund, Insurance and post office schemes, Top mutual funds not only provides convenience while investing money, but it also offers a variety of features that benefit investors. Top Mutual companies offers its investors an option to invest extremely small amounts such as Rs 100/-, Rs 500/-, Rs 1000/- (SIPs) each month depending on the individual's capacity into many of its Mutual Fund schemes (Priyarocks, 2011).

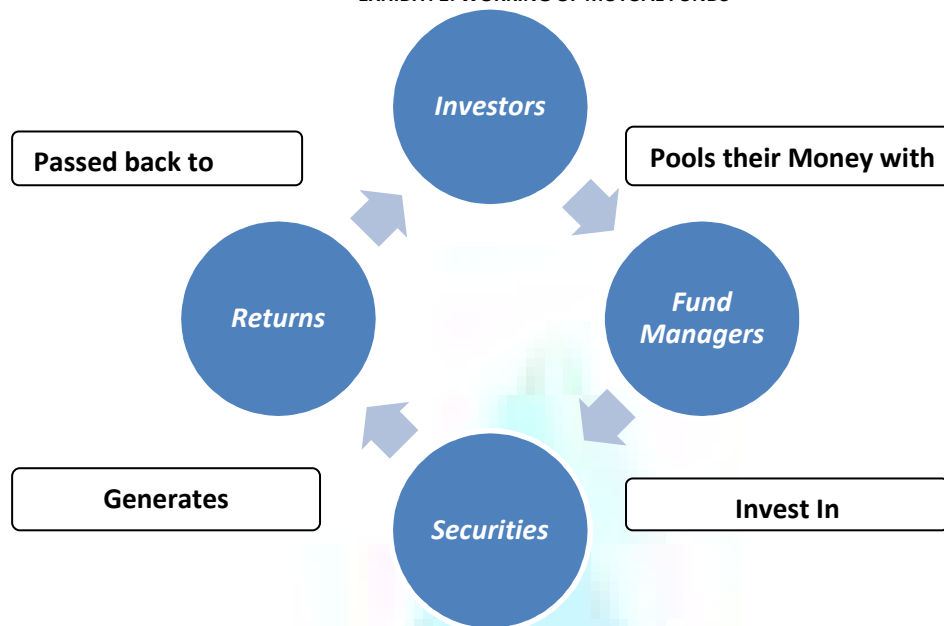
A mutual fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in the capital market instruments such as shares and debentures and other securities. The income earned through these investments and the capital appreciations released are shared by its unit holders in proportion to the number of units owned by them. Thus, a mutual fund is most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.

**WORKING OF MUTUAL FUNDS**

The investors will pool their money with fund managers hired by mutual funds who are experts in analysing markets. They will invest in diversified portfolios such as stocks and bonds and generates returns which are passed back to the investors. Mutual funds are professionally managed portfolios, investors who don't have the resources, time and knowledge to buy individual stocks can rely on this investment option.

The flow chart relatively describes broadly the working of mutual funds.

## EXHIBIT: 1: WORKING OF MUTUAL FUNDS

**OBJECTIVES OF THE STUDY**

1. To review the growth of Indian Mutual Fund Industry.
2. To investigate the factors contributing and inhibiting to the growth of Indian Mutual Fund Industry.
3. To understand the future prospects of Indian Mutual Fund Industry.

**METHODOLOGY**

To review the present study, the researcher emphasized only on secondary data sources. The data has been collected from Textbooks, reports, journals, newspapers and internet sources. The period of study is kept limited for 11 years. Out of eleven years, 1st, 5th and 11th years data is included in the tables to avoid the bulkiness. In order to analyse the growth, CAGR is calculated using the MS Excel formula. Formula used to calculate Compounded Annual Growth Rate (CAGR).

$$\text{CAGR} = \left( \frac{\text{End Value}}{\text{Start Value}} \right)^{\frac{1}{\text{Periods} - 1}} - 1$$

**RESULT AND DISCUSSION****MUTUAL FUNDS: THE GLOBAL SCENARIO**

The mutual fund industry holds roughly 17 percent of the primary financial assets worldwide. After witnessing redemption pressures in 2008-09, the industry saw revival of investor interest in 2010, post-global crisis. Mutual fund assets world wide increased by 0.3 percent to 23.02 trillion at the end of first quarter of 2010, according to survey released in August 2010 by International Investments Fund Association. In total Mutual Funds worldwide had \$104 billion in net outflows in the first quarter of the 2010, compared with \$ 77 Billion in net inflows in the fourth quarter of 2009. In first quarter of 2010, 55 percent of Mutual Fund assets worldwide were in US, 32 percent in Europe, 12 percent in Africa and Asia Pacific region. The number of mutual funds worldwide stood at 65,971 and 44 percent of assets were in equity funds (Ravindran, 2010).

Mutual fund assets worldwide increased to 4.2 percent to \$ 24.70 trillion at the end of the fourth quarter of 2010. Worldwide net cash flows were \$ 115 billion in the fourth quarter, after registering \$ 146 billion of net inflows in the previous quarter. Net flows in the second half of 2010 more than offset the net outflows experienced in the first half of 2010, resulting in net flows into all funds of \$ 57 billion for the year as a whole (Washington, DC, April 28, 2011).

Mutual fund assets worldwide increased 2.4 percent to \$23.78 trillion at the end of the fourth quarter of 2011. Worldwide net cash flow to all funds was \$85 billion in the fourth quarter, compared to \$171 billion of net outflows in the third quarter of 2011. Flows out of long-term funds slowed to \$12 billion in the fourth quarter from an outflow of \$108 billion in the previous quarter. Equity funds worldwide had net outflows of \$70 billion in the fourth quarter compared to \$108 billion of net outflows in the third quarter. Flows into bond funds totaled \$66 billion in the fourth quarter, rising from \$10 billion of net inflows in the previous quarter. Flows into money market funds were \$97 billion in the fourth quarter of 2011, reversing the \$63 billion of net outflows in the third quarter of 2011 (Washington, DC, April 12, 2012).

During 2004-08 the CAGR of global AUM stands at 4%, over this period the mutual fund industry in mature markets like US and France grew at 4%, while some of the emerging markets viz, China and Brazil exceeded the growth witnessed in Indian market. India has been amongst the fastest growing markets for mutual funds since 2004, in 2004-08 (as of Dec) the Indian Mutual fund industry grew at 29 percent (Exhibit: 3). By the above discussion it is clear that, Worldwide Asset under management is growing year on year, more growth is observed in developing markets than matured markets.

The Investment Company Institute compiles worldwide statistics on behalf of the International Investment Funds Association, an organization of national Mutual Funds Associations. The data is relating to 46 countries for the fourth quarter of 2011. Among the different types of funds, Equity Funds are having the lions share i.e. 40.67% followed by balanced funds i.e. 24.38%. Table-1 gives us the figures of total number of funds for all the countries for the period 2006-2011.

**MUTUAL FUNDS: THE INDIAN SCENARIO****INDIAN MUTUAL FUND INDUSTRY - THE FAST GROWING INDUSTRY**

In India, the mutual fund industry started with the setting up of Unit Trust of India (UTI) in 1964, enjoyed the monopoly power upto 1987. Public sector banks were allowed to establish mutual funds in 1987. Since 1993, Private sector and foreign institutions were permitted to set up Mutual Funds. By the end of March 2011 there are 41 fund houses, under 1131 schemes with managed assets of Rs 592250 Cr. This fast growing industry is regulated by the Securities and Exchange Board of India (SEBI). Indian mutual Fund Industry is one of the fastest growing segments of the Indian economy. During last ten years period the industry has grown at nearly 22 percent CAGR. With assets of US \$ 125 Billion, India ranks 19th and one of the fastest among the countries of the world (A.P. Kurain, Chairman, AMFI, 2008).

**DEVELOPMENT OF INDIAN MUTUAL FUND INDUSTRY**

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank of India. The history of mutual funds in India can be broadly divided into four distinct phases.

**FIRST PHASE – 1964-87**

Unit Trust of India (UTI) was established on 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1978 UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the

regulatory and administrative control in place of RBI. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988 UTI had Rs.6,700 crores of assets under management.

**SECOND PHASE – 1987-1993 (ENTRY OF PUBLIC SECTOR FUNDS)**

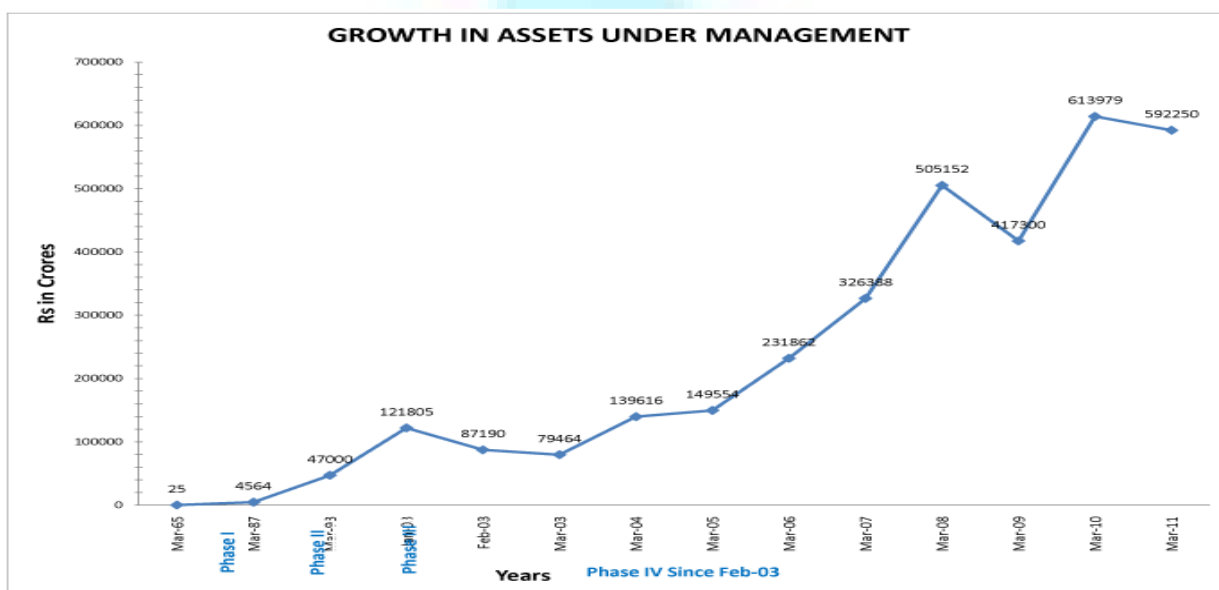
1987 marked the entry of non- UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was the first non- UTI Mutual Fund established in June 1987. At the end of 1993, the mutual fund industry had assets under management of Rs.47,004 crores.

**THIRD PHASE – 1993-2003 (ENTRY OF PRIVATE SECTOR FUNDS)**

With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund families. Also, 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993. The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (Mutual Fund) Regulations 1996. The number of mutual fund houses went on increasing, with many foreign mutual funds setting up funds in India and also the industry has witnessed several mergers and acquisitions. As at the end of January 2003, there were 33 mutual funds with total assets of Rs. 1,21,805 crores. The Unit Trust of India with Rs.44, 541 crores of assets under management was way ahead of other mutual funds.

**FOURTH PHASE – SINCE FEBRUARY 2003**

In February 2003, following the repeal of the Unit Trust of India Act 1963 UTI was bifurcated into two separate entities. One is the Specified Undertaking of the Unit Trust of India with assets under management of Rs.29, 835 crores as at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other schemes. The Specified Undertaking of Unit Trust of India, functioning under an administrator and under the rules framed by Government of India and does not come under the purview of the Mutual Fund Regulations. The second is the UTI Mutual Fund, sponsored by SBI, PNB, BOB and LIC. It is registered with SEBI and functions under the Mutual Fund Regulations. With the bifurcation of the erstwhile UTI which had in March 2000 more than Rs.76, 000 crores of assets under management and with the setting up of a UTI Mutual Fund, conforming to the SEBI Mutual Fund Regulations, and with recent mergers taking place among different private sector funds, the mutual fund industry has entered its current phase of consolidation and growth. The graph indicates the growth of assets over the years.



Source: Association of Mutual Funds of India (AMFI), <http://www.amfiindia.com/showhtml.aspx?page=mfindustry>, retrieved on 15/04/2011

Note: Erstwhile UTI was bifurcated into UTI Mutual Fund and the Specified Undertaking of the Unit Trust of India effective from February 2003. The Assets under management of the Specified Undertaking of the Unit Trust of India has therefore been excluded from the total assets of the industry as a whole from February 2003 onwards.

If size is the measure of dominance, then the Indian mutual fund industry can now boast on that. With the total Asset Under Management (AUM) increasing from Rs. 90,587 Cr in March 2001 to Rs. 5,92,250 Cr by March 2011, according to the Association of Mutual Funds in India (AMFI), the industry's growth has been nothing but exceptional. It has indeed come a long way from being a single player, single scheme (US-64) industry to having 41 players and 1,131 schemes by the end of March 2011 (Table:2).

Overall, the assets under management recorded an impressive growth of 47%, as of March 2010 which was predominantly driven by the corporate sector, posting the same level of growth. In the same period, the retail sector also managed to report a strong growth of 84% in its assets under management, followed by the HNI segment growing 24%. It has been observed of late, that the HNI segment especially in Tier 2 & Tier 3 cities has expanded creating a pool of investible surplus at the disposal of the mutual fund industry.

**GROWTH COMPARISONS**

The total number of fund house increased from 35 in FY 2000-01 to 41 in FY 2010-11 and had a CAGR of 1.59%. From FY 2002-03 to FY 2007-08 many fund houses were met with acquisitions and takeovers. The CAGR of schemes existing is 11.12% for 11 years period, there were 394 schemes operating under various categories in FY 2000-01 and gradually increased to 1131 schemes except in the financial years 2003-04 (403 schemes) and 2009-10 (882 schemes) where there is a slight decline in the number of schemes compared to previous years. Total number of investor's folios shown a CAGR of 18.21% over 8 year's period from FY 2003-04 to 2010-11, in the FY 2004-05 there is a decline in the number of investors folios of 7,98,032 (- 5.45%) and again in the FY 2010-11 9,41,658 (-1.95%) on account of huge redemptions made on equity schemes. Though there was a notable increase of 21.1% on debt schemes folios, a shrink of 18 lakhs folios on equity schemes to 3.9 Cr led to a fall in folios after six years compared to their previous year. The CAGR of total funds mobilized is 57.73%, and evidenced drastic increments year on year except in the year 2010-11 where there is a decline of Rs 11,59,507.25 (-11.57%) Total redemptions/repurchases had a CAGR of 59.46%. The inflows are high during the year 2008-08 and low during 2004-05, the FY 2008-09 and 2010-11 had outflows of Rs 28296.26 and Rs 49405.80 respectively and had wide fluctuations due to financial crisis and inflation. The CAGR of Total assets under management is 20.65% for the period of 2000-01 to 2010-11. There is a downtrend in AUM during the years 2002-03, 2008-09 and 2010-11 due to bifurcation in UTI in February 2003, Global financial crisis in 2008 and recession in 2011. By considering overall data except in few years, the performance of Indian Mutual fund Industry is good for the period of 11 years i.e. 2000-01 to 2010-11 (Table: 2).

The detailed review of sector wise number of funds in operation reveals that; Government (UTI) is alone up to FY 2002-03, Bank sponsored Joint venture Indian was 1 as on March 2005 through 2007 and 2 as on March 2008 through 2011, Bank sponsored Joint venture foreign was 1 from 2009-2011, Bank sponsored Joint venture others stood high in this category by having 6 fund houses gradually decreased to 1 by 2010 and increased to 2 by 2011. Institutional sponsored Mutual



Funds were 4 in 2002 and decreased to 1 in 2003 and continuing till 2011. In the sector of Private sector mutual funds; Private sector Indian were 6 in the year 2001 and raised to 18 in 2011, Private sector foreign were 3 in 2008 and raised to 7 in 2011, private sector Joint venture Indian were 8 in 2001 and slowly declined to 4 by 2011 and private sector joint venture were 6 in 2011 having wide fluctuations in number due to mergers and acquisitions during the period. Considering the year 2011, the composition of Private sector Indian mutual funds were highest among all the sectors i.e. 43.9% followed by private sector foreign i.e. 17.07%. Private sector is playing a dominant role than other sectors (**Table: 3**).

If we review the schemes under operation, they are showing bullish trend in all categories. Year on year the schemes are growing and recorded the CAGR of 11.12% in 11 years period, among different categories of schemes, Debt oriented schemes were highest in number i.e. 591 schemes followed by Growth/equity oriented schemes i.e. 328 in operation as on March 31st 2011 (**Table: 4**). Fund houses are also introducing various innovative products to motivate the investors to invest in mutual funds. Exhibit 2 shows the time line of introduction of various products.

Considering the growth in number of folios in operation; Total folios in Open ended schemes of all categories in operation was 4,52,75,886, Close ended folios were 19,33,061 operating only in the category of Debt oriented, Growth/equity oriented and balanced schemes, Interval schemes folios were 24,315 operating under Debt oriented and Growth/equity oriented only as on March 31st 2011. Growth scheme folios followed by Income scheme folios are dominating among various categories (**Table: 5**).

The Asset under Management (AUM) of IMFI is grown at a phenomenal rate from 1964-2011. If we look at the trend of AUM (**Exhibit-1**), only twice the trend declined, i.e. the first bearish trend was in March 2003 because of bifurcation of UTI and second was in March 2009 because of world financial crises and a slight decline in 2011 due to recession in many economies. Apart from that we can say that the industry attained phase wise development and rapid growth after the entry of private sector mutual funds. The highest AUM is mobilized by Debt other than assured returns category followed by equity others category. Being a new product exchange traded funds are grabbing the attention of investors because of hike in prices of gold and good performance of equity markets. Maximum growth was observed in AUM of Gold ETF's by 176.7%, equity exchange traded funds (ETFs) also witnessed higher growth of 162.90% during 2011 (**Table:6**).

#### FACTORS CONTRIBUTING AND INHIBITING TO THE GROWTH OF MF INDUSTRY

India has a strong and rapid growing asset management industry, growing faster than those of developed economies such as the US and the UK and emerging markets such as Brazil. Although young, the industry shows signs of early maturity, and the growth opportunities abound in most segments. The retail segment will be the largest contributor to the growth of the asset management industry in India and is expected to grow at a CAGR between 35 to 42% in the next five years.

India has been the fastest growing markets for mutual funds. Since 2004, in five year period from 2004-08 (as of December) the Indian mutual fund industry grew at 29 percent. Indian mutual funds industry is witnessing a rapid growth on the back of infrastructural development, increase in personal financial assets, and rise in foreign participation. With the growing risk appetite, rising income, and increasing awareness, mutual funds in India are becoming a preferred investment option compared to other investment vehicles, like Fixed Deposits (FDs) and postal savings that are considered safe, but provide comparatively low returns.

The factors that are contributing to the growth of mutual fund industry are; large market potential, high saving rate, comprehensive regulatory framework by Securities Exchange Board of India (w.e.f August 1, 2009 SEBI banned Entry Load, has scrapped the additional management fee of 1% charged by AMCs, direct tax code and documentation of distributors and customers (KYD) and (KYC) must be collected by AMCs), favourable tax policies, Introduction of new products, Investors education campaign by all AMFI members and performance record. Even though the above are playing positive role to bring the growth some factors are inhibiting the growth of mutual funds, they are; Low levels of customer awareness and knowledge about mutual funds, Limited innovation in product offerings, Unwillingness to undertake even minimum risk, Inaccessibility in smaller towns and cities due to lack of efficient distribution network and abysmal financial literacy.

#### FUTURE GROWTH POTENTIAL

Success in the Indian mutual fund industry, in the midst of all the growth that is evident, will depend upon strong distribution network and transparent approach towards trust building and client servicing at retail level will soon assume greater importance (Syed Shahabuddin, MD & CEO, State Bank of India (SBI) Funds Management Pvt Ltd).

The entry of big industrial houses from private sectors like Reliance, Tata, and Sahara clearly would ensure consistent growth and would attract more players from public as well as private sectors. The potential of the industry is massive considering high percentage of saving and low penetration of equity market. Considering the fact that the outlook of Indian Economy is good and India is likely to grow at a rate of above 8%, we can safely say the potential of equity to rise is huge and that augurs well for MF Industry as well. Mutual funds AUM expected to grow at a CAGR of 17% in to become a USD 297.5 billion Industry by FY 14. The vibrant asset management industry in India, projected to see a near quadrupling of assets over the next seven years, has attracted several new international and domestic players, who are expected to launch a slew of mutual fund schemes over the next few months. India's young population, earning like never before, wants investment opportunities other than the low yield fixed interest rates of banks. Current penetration levels are just three to four percent of household savings, clearly indicating the vast untapped potential (Anand Kumar). A brief analysis reveals that during the year ending March 2010 the industry with AUM of Rs 6.13 lakh crores registered a growth of 47 percent over the year. Right from the beginning of AMFI in 1995, it has initiated nationwide investor awareness programmes. Now a new thrust has been given to this programme and all the members of AMFI would be conducting a common Investor awareness programme not only in metros but also small cities, highlighting the need for and the advantages of investing in Mutual Funds to create wealth over long term. From May 01, 2010 Fund houses have started launching such programmes (A P Kurain, Chairman, June 17, 2010). Over 5,000 programmes have been conducted during the financial year 2010-11 covering over 3 lac potential investors in 280 towns and cities. In order to reach out to a larger number of potential investors for greater retail participation, many of these programmes have been conducted in tier III and tier IV towns. But, this has to be an ongoing effort.

According to "Indian Household Investors Survey 2004, majority of retail investors in India do not regard mutual fund equity schemes as a superior investment alternative to direct holding of equity shares. The Indian mutual fund industry as a whole holds just around 2 % of the market capitalization of listed equity shares. Retail investors overwhelmingly prefer bank deposits rather than liquid or money market funds. Retail investors are not sufficiently familiar with Mutual Funds. Most of even educated English knowing middle class people are familiar only with simple forms of investments like fixed deposits and government saving schemes. Their understanding about the share market and mutual funds is mostly poor. The mutual fund industry does not seem to be in good shape. There is need for a through overall review of the industry, including its regulation, management structure, investment practices and performance.

A survey conducted by National Council of Applied Economic Research (NCAER) in 2008 suggested that although Indians have a positive attitude towards increasing savings, around 65% savings are with banks or post office deposits and cash at home, while 23% are invested in real estates and gold and only 12% is channelized towards financial instruments. This manifests tremendous opportunity for growth in Mutual funds, while indicating that penetration level of mutual funds in the smaller towns is lagging behind that of urban cities.

According to Price Water House Coopers (PWC) Report, In spite of India offering an exciting retail environment, with abundant growth opportunities, participation from the segment of retail investors continues to remain at deplorably low levels. As of March 31, 2010, the participation from retail segment was 26.6% a marginal increase from 21.3% as on March 31, 2009.

According to a report by National Council of Applied Economic Research (NCAER), July 2011, the percentage of investors is nearly 20% in urban areas while it is much lower (6 %) in rural India. The strong preference of investors is towards mutual funds (43%) and secondary market (22%) In urban areas, 41% of investors invest in mutual funds and 21% in secondary markets, whereas 46% of rural population chooses mutual funds and 22 % in secondary markets. The majority of Indian households do not participate in the financial markets. Distribution of Investments across various Instruments are: Mutual funds 40.80%, secondary market 21.25 %, only bond 15.07%, debentures 8.57% IPO 8.47 %, derivative 5.85 %. hence, among financial investment options, the highest percentage i.e. 40.80 % prefers Mutual funds. Villages that are close to urban centers significantly participate in markets, particularly in the mutual fund market and significantly influenced by the level of education. In 2004 the majority of retail investors do not regard mutual funds as a superior investment alternative. In 2008, 65% savings are with banks and post office deposits and penetration level of mutual funds in smaller towns is lagging behind that of urban cities. The recent NCAER report (2011) state, the strong preference of investors is towards mutual funds, by this we can understand the Indian investors attitude towards mutual funds

are changing positively. It is clear that the Indian Mutual fund Industry could grow at a tremendous pace if it can reach out the retail segment and the rural markets through financial inclusion initiatives.

**SUGGESTIONS**

The major reasons inhibiting the mutual funds growth are low levels of retail participation, penetration, inefficient distribution networks and poor financial literacy. To overcome these problems the mutual funds have to identify the committed, educated unemployed youth of rural areas and should train them about the concept, uses and products of mutual funds and use them as promotional aids. By doing this mutual funds can reach rural market easily, increase penetration levels and can improve the retail segment. In order to use modern promotional aids the mutual funds must incur huge expenditure; hence they can hire idle youth with comparatively low cost and help indirectly in decreasing rural unemployment.

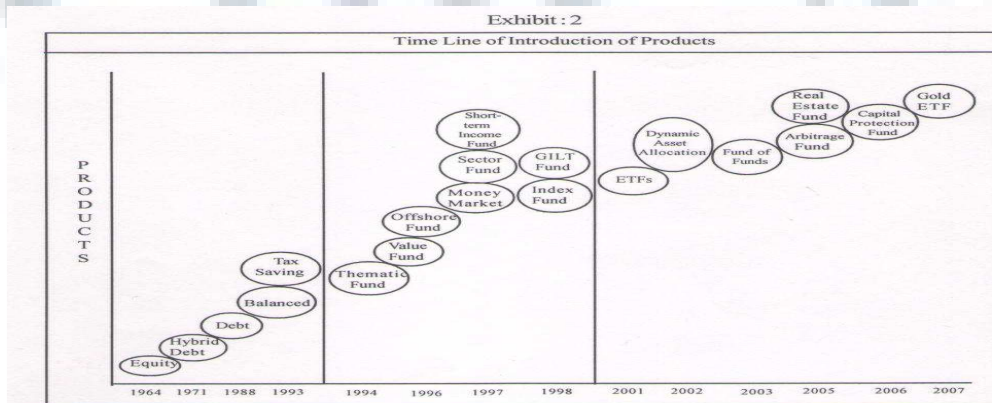
**CONCLUSION**

Mutual funds are mainly investments designed to help common man who pools the resources by issuing units to the investors and investing funds in securities in accordance with objectives as disclosed in offer document. Worldwide mutual fund industry is growing and attaining year on year growth. The industry is growing more in developing markets than matured markets. The Indian Mutual Fund industry is growing at a high rate comparative to US, UK and Brazil. The Indian mutual fund industry is expected to witness rapid growth in AUM over next few years. The fund houses should concentrate on innovative product offerings, efficient service delivery and supportive technology. The mutual fund industry needs to develop products to fulfill the needs of customers and help customer understand how the products cater to their needs. In order to attain sustained profitable growth, the industry should concentrate on developing distribution networks, increasing retail participation and expanding the reach of mutual funds into rural areas by conducting awareness programs and extending financial literacy.

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**ANNEXURE**



Source: Tomal Datta Chaudari, "Emerging issues in the Indian mutual fund industry, Portfolio Organizer, Feb 2008, page 53

EXHIBIT 3: AUM GROWTH RATE IN SELECT COUNTRIES (CAGR FOR 2004-08)

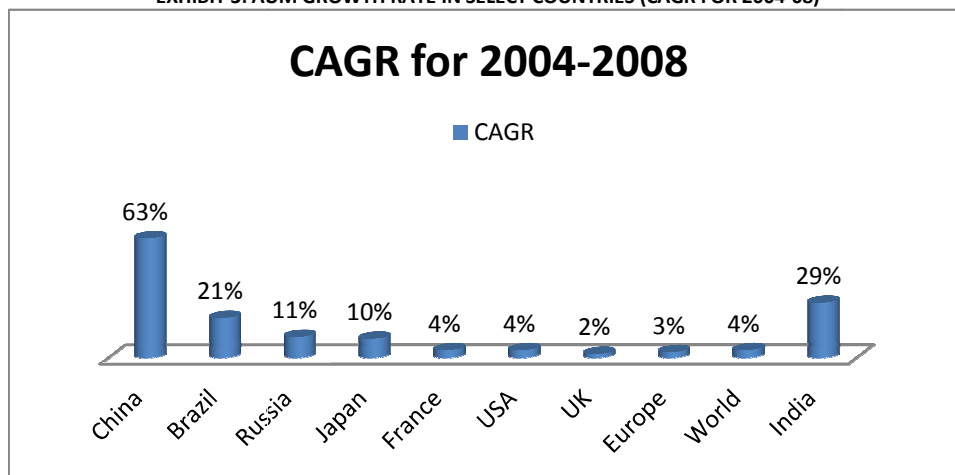


EXHIBIT 4: WORLDWIDE MUTUAL FUND ASSETS, TRILLIONS OF U.S. DOLLARS, END OF QUARTER (2009 -2011)



Source: [http://www.iciglobal.org/iciglobal/stats/worldwide/ci.ww\\_12\\_11.print](http://www.iciglobal.org/iciglobal/stats/worldwide/ci.ww_12_11.print), retrieved on 13/04/2012

TABLE 1: TOTAL NUMBER OF FUNDS WORLDWIDE FOR THE PERIOD 2006- 2011

Type of Fund	2006	2007	2008	2009	2010	2011	%
Equity	25,679	27,294	27,854	27,489	27,716	28,091	40.67
Bond	13,604	13,342	12,252	12,453	12,808	12,971	18.78
Money Market	3,408	3,450	3,700	3,521	3,344	3,159	4.57
Balanced/Mixed	12,517	13,744	14,501	14,656	15,893	16,842	24.38
Other	4,116	5,619	7,170	6,711	6,858	8,014	11.60
Total	59,324	63,449	65,477	64,830	66,619	69,077	100

Source: [http://www.ici.org/research/stats/worldwide/ww\\_12\\_11](http://www.ici.org/research/stats/worldwide/ww_12_11)

TABLE 2: SYNAPTIC VIEW OF GROWTH OF INDIAN MUTUAL FUND INDUSTRY

Year	Total No. of Fund Houses	Total No. of schemes	Total No. of Folios	Total Funds Mobilized (Rs in Cr)	Total Repurchase/ Redemption (Rs in Cr)	Total Net Inflow/ Outflow (Rs in Cr)	Total Assets under Management as on Mar 31 (Rs in Cr)
April 2000-Mar 2001	35	394	NA	92957.39	83829.32	9128.07	90587
April 2001-Mar 2002	34	417	NA	164523.17	157347.97	7175.20	100594
April 2002-Mar 2003	29	406	NA	314706.19	310509.80	4196.39	79464
April 2003-Mar 2004	29	403	14643324	590189.87	543381.44	46808.80	139616
April 2004-Mar 2005	29	450	13845292	839708.37	837508.05	2200.32	149600
April 2005-Mar 2006	29	592	21788215	1098149.32	1045370.13	52779.19	231862
April 2006-Mar 2007	30	755	30366707	1938492.97	1844508.19	93984.79	326388
April 2007-Mar 2008	33	956	43796078	4464376.32	4310574.75	153801.58	505152
April 2008-Mar 2009	35	1001	47964617	5426353.26	5454649.52	-28296.26	417300
April 2009-Mar 2010	38	882	48174920	10019022.63	9935942.38	83080.25	613979
April 2010-Mar 2011	41	1131	47233262	8859515.38	8908921.19	-49405.80	592250
CAGR	1.59%	11.12%	18.21%	57.73%	59.46%	-	20.65%

Source: Various Reports of Securities Exchange Board of India (SEBI) [http://www.sebi.gov.in/cms/sebi\\_data/statistics/rmmf.html](http://www.sebi.gov.in/cms/sebi_data/statistics/rmmf.html) and Association of Mutual Funds in India (AMFI) <http://www.amfiindia.com/AmfiMonthly.aspx>

TABLE 3: NUMBER OF FUND HOUSES IN OPERATION (SECTOR WISE) FOR THE YEAR ENDED 31STMARCH 2001-2011

Year	Govt (UTI)	Bank Sponsored			Institutional Sponsored	Private Sector				Total No of funds
		JV(Indian)	JV(Foreign)	Others		Indian	Forei-gn	JV (In)	JV(F)	
2001	1	-	-	6	4	6	-	8	10	35
2002	1	-	-	5	4	6	-	8	10	34
2003	-	-	-	4	1	7	-	6	11	29
2004	-	-	-	4	1	8	-	6	10	29
2005	-	1	-	3	1	10	-	3	11	29
2006	-	1	-	3	1	10	-	5	9	29
2007	-	1	-	3	1	10	-	5	10	30
2008	-	2	-	2	1	11	3	5	9	33
2009	-	2	1	1	1	14	5	5	6	35
2010	-	2	1	1	1	16	5	5	7	38
2011	-	2 (4.88)	1 (2.44)	2 (4.88)	1 (2.44)	18 (43.90)	7 (17.07)	4 (9.75)	6 (14.63)	41 (100%)
CAGR	-	-	-	-	-	-	-	-	-	1.59%

Source: Various reports AMFI Monthly. Figures in parentheses are percentage of each sector to total number of Funds. )  
<http://www.amfiindia.com/AmfiMonthly.aspx>

TABLE 4: NUMBER OF SCHEMES IN OPERATION IN FY 2001-2002

Type wise	Income/Debt Oriented				Growth/Equity oriented		Balanced Schemes	Exchange Traded Funds		Funds of Funds	Grand Total
	L/MM	Gilt	Debt	Debt(AR)	ELSS	Others		Gold	Other		
Open ended	30	29	94	3	18	102	31	-	-	-	307
Close ended	0	0	26	23	45	13	3	-	-	-	110
Total	30	29	120	26	63	115	34	-	-	-	417
FY 2005-06											
Type wise 2005-06	Income/Debt Oriented				Growth/Equity oriented		Balanced Schemes	Exchange Traded Funds		Funds of Funds	Grand Total
	L/MM	Gilt	Debt	Debt(AR)	ELSS	Others		Gold	Other		
Open ended	45	29	139	-	26	190	34	-	-	-	463
Close ended	0	0	112	-	11	4	2	-	-	-	129
Total	45	29	251	-	37	194	36	-	-	-	592
FY 2010-2011											
Type wise 2010-11	Income/Debt Oriented				Growth/Equity oriented		Balanced Schemes	Exchange Traded Funds		Funds of Funds	Grand Total
	L/MM	Gilt	Debt	Debt(AR)	ELSS	Others		Gold	Other		
Open ended	51	37	210	-	36	318	31	10	18	16	727
Close ended	0	0	346	-	12	9	1	0	0	0	368
Interval	0	0	35	-	0	1	0	0	0	0	36
Total	51	37	591	-	48	328	32	10	18	16	1131

Source: SEBI Reports [http://www.sebi.gov.in/cms/sebi\\_data/statistics/rmmf.html](http://www.sebi.gov.in/cms/sebi_data/statistics/rmmf.html)

TABLE 5: NUMBER OF INVESTORS FOLIOS EXISTING IN FY 2003-2004

Type wise 2001-02	Income/Debt Oriented			Growth/Equity oriented		Balanced Schemes	Exchange Traded Funds		Funds of Funds	Grand Total
	L/MM	Gilt	Debt	ELSS	Others		Gold	Other		
Open ended	48889	97714	3670927	338427	5903361	2715284	-	-	-	12773802
Close ended	0	0	800	964885	826895	76942	-	-	-	1869522
Total	48889	97714	3670927	1303312	6730256	2792226	-	-	-	14643324
FY 2007-08										
Type wise	Income/Debt Oriented			Growth/Equity oriented		Balanced Schemes	Exchange Traded Funds		Funds of Funds	Grand Total
	L/MM	Gilt	Debt	ELSS	Others		Gold	Other		
Open ended	187302	24041	2399414	5968178	23030947	2821771	77760	8591	-	34518004
Close ended	0	0	378986	1205800	7561334	131954	0	0	-	9278074
Total	187302	24041	2778400	7173978	30592281	2953725	77760	8591	-	43796078
FY 2010										
Type wise 2010-11	Income/Debt Oriented			Growth/Equity oriented		Balanced Schemes	Exchange Traded Funds		Funds of Funds	Grand Total
	L/MM	Gilt	Debt	ELSS	Others		Gold	Other		
Open ended	193156	29178	3844014	7369747	30424254	2777216	319679	103122	215520	45275886
Close ended	0	0	437097	1081706	414257	1	0	0	0	1933061
Interval	0	0	23990	0	325	0	0	0	0	24315
Total	193156	29178	4305101	8451453	30838836	2777217	319679	103122	215520	47233262

Source: SEBI Reports [http://www.sebi.gov.in/cms/sebi\\_data/statistics/rmmf.html](http://www.sebi.gov.in/cms/sebi_data/statistics/rmmf.html)



TABLE: 6- ASSETS UNDER MANAGEMENT AS ON 31ST MARCH 2002(Rs in Cr)

Type wise	Income/Debt Oriented				Growth/Equity oriented		Balanced Schemes	Exchange Traded Funds		Funds of Funds	Grand Total
	L/MM	Gilt	Debt	Debt(AR)	ELSS	Others		Gold	Other		
Open ended	8068.91	4162.91	33587.52	3709.73	417.78	8981.36	16720.02	-	-	-	75648.23
Close ended	0	0	4521.79	13968.96	1349.55	4871.45	234.21	-	-	-	24945.96
Total	8068.91	4162.91	38109.31	17678.69	1767.33	13852.81	16954.23	-	-	-	100594.19
<b>31st March 2006</b>											
Type wise	Income/Debt Oriented				Growth/Equity oriented		Balanced Schemes	Exchange Traded Funds		Funds of Funds	Grand Total
	L/MM	Gilt	Debt	Debt(AR)	ELSS	Others		Gold	Other		
Open ended	61500.24	3134.93	30878.67	-	5091.50	86406.65	6701.46	-	-	-	193713.44
Close ended	0	0	29398.93	-	1497.64	6460.50	791.95	-	-	-	38149.03
Total	61500.24	3134.93	60277.60	-	6589.14	92867.15	7493.41	-	-	-	231862.47
<b>31st March 2011</b>											
Type wise	Income/Debt Oriented				Growth/Equity oriented		Balanced Schemes	Exchange Traded Funds		Funds of Funds	Grand Total
	L/MM	Gilt	Debt	Debt(AR)	ELSS	Others		Gold	Other		
Open ended	73665.53	3409.14	153220.51	-	22488.21	167619.81	17360.15	4400.24	2516.42	2516.17	447196.18
Close ended	0	0	120609.95	-	3081.07	2120.74	1084.94	0	0	0	126896.69
Interval	0	0	18144.09	-	0	12.57	0	0	0	0	18156.66
Total	73665.53	3409.14	291974.55	-	25569.28	169753.12	18445.09	4400.24	2516.42	2516.17	592249.53

Source: SEBI Reports [http://www.sebi.gov.in/cms/sebi\\_data/statistics/rmmf.html](http://www.sebi.gov.in/cms/sebi_data/statistics/rmmf.html)



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