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CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	A DESCRIPTIVE STUDY ON CATCHMENT AREA ANALYSIS AND CUSTOMER SATISFACTION TOWARDS BIG BAZAAR WITH SPECIAL REFERENCE TO VADAPALANI BRANCH, CHENNAI *DR. VIMALA SANJEEVKUMAR, DR. SRI RAMACHANDRAN, PAVAN KUMAR .U & S. DHANALAKSHMI*	1
2.	THE EFFECT OF MARKET ATTITUDE ON INNOVATIONAND NEW PRODUCT PERFORMANCE *FAKHRADDINMAROOFI*	8
3.	THE APPRAISAL OF THE EFFECT OF STAFFS' ENTREPRENEURIAL SPIRIT ON THE QUALITY DEVELOPMENT OF HUMAN CAPITAL: A CASE STUDY OF SHAHID HASHEMI NEJAD GAS REFINING COMPANY *MOHAMMAD MOSAVI, MOHAMMAD LASHKARY, MOHAMMAD MEHDI GHOMIAN & JAVAD HASANZADEH*	16
4.	RELATING CORPORATE GOVERNANCE WITH MARKET VALUATION AND ORGANIZATIONAL PERFORMANCE: AN EMPIRICAL STUDY ON KSE PAKISTAN *SUMAIRA ASLAM., MADIHA LATIF., DR. MUHAMMAD ABDUL MAJID MAKKI & HASSAN MUJTABA NAWAZ SALEEM*	22
5.	HUMAN RESOURCE PLANNING (HRP): INSIGHTS FROM THE COMMERCIAL BANK OF CEYLON (CBC) *MAKSUDA HOSSAIN, ABU MD. ABDULLAH & AFSANA PERVINE*	28
6.	MANAGEMENT, LABOUR PROCESS AND WORKERS OWN CONSTRUCTION OF SOCIAL RELATIONS OF PRODUCTION IN AN OIL REFINERY, NIGERIA *DR. OLUSEGUN OLADEINDE*	34
7.	PATH-GOAL THEORY OF LEADERSHIP STYLE IN THE STRUCTURAL FORM OF SELF HELP GROUP *DR. C. SATAPATHY & SABITA MISHRA*	38
8.	THE STUDY OF FINANCIAL PERFORMANCE OF NATIONALIZED BANKS DURING 2006-2010 *YOGESH PURI & DR. SHAMBHU KUMAR*	42
9.	AN EMPIRICAL STUDY ON THE BEHAVIOUR OF RURAL CONSUMERS TOWARDS FMCGs *JYOTI PRADHAN & DR. DEVI PRASAD MISRA*	52
10.	PROBLEMS & PROSPECTS OF AGRICULTURE EXPORTS IN THE EMERGING SCENARIO *DR. M. L. GUPTA & DR. REKHA GARG*	59
11.	PROBLEMS AND PROSPECTS OF WOMEN ENTREPRENEURSHIP IN INDIA - AN INVESTIGATIVE STUDY IN CHITTOOR DISTRICT OF ANDHRA PRADESH *DR. C. VISWANATHA REDDY*	62
12.	CAPITAL STRUCTURE ANALYSIS: AN INTER AND INTRA-INDUSTRY STUDY *DR. HAMENDRA KUMAR PORWAL & RABMEET KAUR*	71
13.	MANAGERIAL USES OF HUMAN RESOURCE ACCOUNTING: A SURVEY *REETA & UPASNA JOSHI*	77
14.	BORDER TRADE VIS-À-VIS INDIA'S LOOK EAST POLICY: A CASE STUDY OF MANIPUR *DR. N. TEJMANI SINGH & P. CHINGLEN SINGH*	80
15.	NEW RURAL MARKETING STRATEGIES OF FMCG COMPANIES IN INDIA: A STUDY OF SELECTED RURAL MARKETS OF PUNJAB AND MADHYA PRADESH *JAGDEEP SINGH ARORA & POONAM ARORA*	85
16.	A STUDY AND ANALYSIS OF FINANCIAL INCLUSION IN INDIA *DIGANTA KR. MUDOI*	91
17.	AWARENESS TOWARDS VARIOUS ASPECTS OF INSURANCE: AN EMPIRICAL STUDY IN THE STATE OF RAJASTHAN *DR. DHIRAJ JAIN*	95
18.	IMPACT OF MERGERS & ACQUISITIONS ON THE PERFORMANCE OF COMPANIES *GOVIND M. DHINAIYA*	102
19.	FOREIGN DIRECT INVESTMENT: IMPORTANCE, GROWTH & EMPLOYMENT OPPORTUNITIES IN INDIA *KIRTIKUMAR L. EKHANDE*	107
20.	AN INVESTIGATION ON BRAND PREFERENCE AMONG SPORT SHOE CONSUMERS: A CROSS SECTIONAL INVESTIGATION *DR. GAJANANA PRABHU B*	110
21.	FACTORS AFFECTING BEHAVIOR OF INDIAN STOCK MARKET *KUMAR SAURABH*	116
22.	CORPORATE GREENING: A STUDY OF RESPONSIVENESS OF FIRMS IN THE CONTEXT OF INDIAN HOTEL INDUSTRY *DR. ROOPA T.N. & NISHA RAJAN*	122
23.	LEVEL OF CUSTOMER SATISFACTION - A STUDY WITH REFERENCE TO INDIAN BANK, MAYILADUTHURAI BRANCH *DR. S.MAYILVAGANAN & G. KARTHIKEYAN*	128
24.	CUSTOMER GAP ANALYSIS IN ORGANISED RETAILING – AN EMPIRICAL STUDY *MOHMED IRFAN, DR. AMULYA. M & EVERIL JACKLIN FERNANDES*	133
25.	PERFORMANCE OF SHGs CREDIT LINKAGE PROGRAMMES: A COMPARATIVE ANALYSIS *DR. S. VENKATESH & GOVINDARAJU, M.S.*	138
26.	MUTUAL FUND PERFORMANCE: AN ANALYSIS OF INDEX FUNDS *SHIVANI INDER & DR. SHIKHA VOHRA*	143
27.	BUYING BEHAVIOUR AND PERCEPTION OF RETAIL INVESTORS TOWARDS MUTUAL FUND SCHEMES *DIMPLE & RITU*	147
28.	THE IMPACT OF PERSON-ORGANIZATION VALUE CONGRUENCE ON ORGANIZATIONAL COMMITMENT IN A PUBLIC SECTOR ORGANIZATION *PRACHI AGARWAL & PRIYANKA SAGAR*	151
29.	CARBON CREDITS ACCOUNTING REFLEXION IN THE BALANCE SHEET – AN ACCOUNTANT'S PERSPECTIVE *DR. P HANUMANTHA RAO & DR. B. VENKATA RAO*	157
30.	A LEGAL PERSPECTIVE OF BANK GUARANTEE SYSTEM IN INDIA *MOHD YASIN WANI & RAIS AHMAD QAZI*	161
	REQUEST FOR FEEDBACK	165

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- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

A DESCRIPTIVE STUDY ON CATCHMENT AREA ANALYSIS AND CUSTOMER SATISFACTION TOWARDS BIG BAZAAR WITH SPECIAL REFERENCE TO VADAPALANI BRANCH, CHENNAI

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ABSTRACT

Customers' experiences ultimately determine whether or not a company stays in business. The importance of customer satisfaction was a hot business topic in the 1980s, as customer satisfaction was considered the best window into loyalty. In the late '80s, however, researchers questioned whether customer satisfaction actually impacts overall performance. They found that the link between customer satisfaction and higher profits, ROI, or share of market is dubious. The research paper is about the identification of the customer satisfaction and catchment area of BIG BAZAAR's Business in vadapalani branch and its service. The researcher used descriptive research, and simple random sampling to identify the sample. The sample size of 111 was included in the study. Researcher sued Chi square test to test the hypothesis.

KEYWORDS
Customer satisfaction, Catchment area, ROI.

1. INTRODUCTION

The importance of customers has been highlighted by many researchers and academicians. Zairi (2000) said "Customers are the purpose of what we do and rather than them depending on us, we very much depend on them. The customer is not the source of a problem, we shouldn't perhaps make a wish that customers 'should go away' because our future and our security will be put in jeopardy". That is the main reason why organizations today are focusing on customer satisfaction, loyalty and retention.

According to Hansemark and Albinsson (2004), "satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfillment of some need, goal or desire". Customer loyalty, on the other hand, according to Anderson and Jacobsen (2000) "is actually the result of an organization creating a benefit for a customer so that they will maintain or increase their purchases from the organization. Oliver (1997) said that customer loyalty refers to "a deeply held commitment to re-buy or re-patronise a preferred product or service consistently in the future despite situational influences and marketing efforts having the potential to cause switching behavior". True customer loyalty is created when the customer becomes an advocate for the organization, without incentive". According to Hoyer and MacInnis (2001), customer retention is "the practice of working to satisfy customers with the intention of developing long-term relationships with them". Zineldin (2000) said that retention can be defined as "a commitment to continue to do business or exchange with a particular company on an ongoing basis".

Catchment area is very important for each and every retail shop. It means to find the correct location of a store. In human geography, a catchment area is the area and population from which a city or individual service attracts visitors or customers. Catchment areas are generally founded either on formal local government boundaries or else on some other geographic basis. For example, a neighborhood or district of a city often has several small convenience shops, each with a catchment area of several streets. Supermarkets, on the other hand, have a much lower density, with catchment areas of several neighborhoods (or several villages in rural areas). This principle, similar to thecentral place theory, makes catchment areas an important area of study for geographers, economists, and urban planners.

Retail Analysis is an inherently complex and dynamic issue because of interactions that occur between different retail centers. If all retail centers were alike, offering exactly the same shops and services with regards to price and quality then we could assume that the population within the catchment would spend all of its money in the nearest centre. However, different centers are not the same and people's mobility means that they will often travel to their preferred destination instead of their closest one. Changes in population, access and retailing also alter relative attractiveness. An important element of the study is therefore to provide a robust assessment of the current catchment area of the city, taking into account different types of retailing such as food and non-food, with the latter disaggregated into bulky and non-bulky goods.

2. CUSTOMER SATISFACTION

Customer satisfaction is a term generally used to to measure a customer's perception of a company's products and services. Customer satisfaction is that customers are most likely to appreciate the goods and services that they buy if they are made to feel special. This occurs when they feel that the goods and services that they buy have been specially produced for them or for people like them. This relates to a wide range of products such as razors that are designed for ease of use and good quality finish, petrol products that are environmentally friendly and customized to meet the needs of particular types of engines, etc. To understand customers—what customers are doing and what they're saying—companies need to examine the customers' interactions with their products and services through a different lens and discover where these are falling short. Fortunately, the "know your customer" adage has been taken to an entirely new level by experience analytics platform providers. In fact, Forrester has said that an experience platform ClickFox offers provides the unique capability to "identify discrepancies between system design and actual interactions across multiple channels to provide meaningful insight." Tracking actual customer behaviors and experiences across retail, online and contact centers provides powerful insights into the root cause of issues like poor satisfaction. Fast growing, successful companies retain and gain customer loyalty by doing more than simply resolving an existing problem.

2.1 CUSTOMER SATISFACTION DEFINITION

Despite extensive research in the years since Cardozo's (1965) classic article, researchers have yet to develop a consensual definition of consumer satisfaction. Oliver (1997) addresses this definitional issue by paraphrasing the emotion literature, noting that "everyone knows what [satisfaction] is until asked to give a definition. Then it seems, nobody knows" (p. 13). Based on the perception that satisfaction has been defined, most research focuses on testing models of consumer satisfaction (e.g., Mano and Oliver 1993; Oliver 1993; Oliver and DeSarbo 1988; Spreng, MacKenzie, and Olshavsky 1996; Tse and Wilton 1988) while definitional considerations have received little attention. As a result, the literature is replete with different conceptual and operational definitions of consumer satisfaction (see Table 1). As Peterson and Wilson (1992) suggest, "Studies of customer satisfaction are perhaps best characterized by their lack of definitional and methodological standardization" (p. 62).

Most definitions have favored the notion of consumer satisfaction as a response to an evaluation process. Specifically, there is an overriding theme of consumer satisfaction as a summary concept (i.e., a fulfillment response (Oliver 1997); affective response (Halstead, Hartman, and Schmidt 1994); overall evaluation (Fornell 1992); psychological state (Howard and Sheth 1969); global evaluative judgment (Westbrook 1987); summary attribute phenomenon (Oliver 1992); or evaluative response (Day 1984)). However, there is disagreement concerning the nature of this summary concept. Researchers portray consumer satisfaction as either a cognitive response (e.g., Bolton and Drew 1991; Howard and Sheth 1969; Tse and Wilton 1988) or an affective response (e.g., Cadotte, Woodruff, and Jenkins 1987; Halstead, Hartman, and Schmidt 1994; Westbrook and Reilly 1983). Furthermore, operational definitions may include a behavioral dimension of satisfaction (e.g., "I would recommend the school to students interested in a business career." (Halstead, Hartman, and Schmidt 1994)), although conceptual definitions are void of a behavioral orientation.

This study will focus on the concept of consumer satisfaction. As noted previously, the literature has been lax in distinguishing between consumer satisfaction, customer satisfaction, and satisfaction (see Cadotte, Woodruff, and Jenkins (1987) versus Churchill and Surprenant (1982) or Spreng, MacKenzie, and Olshavsky (1996) versus Smith, Bolton, and Wagner (1999) for examples). In other cases, neither consumer nor customer is used to qualify the term, satisfaction (e.g., Gardial et al. 1994; Mittal, Kumar, and Tsiros 1999). All of these studies, however, tend to be focused on the final user. Consistent with the literature, we will define the consumer as the ultimate user of the product. Although our focus is on the end user of the product, we recognize that, in some situations, the end user is also the purchaser. It is evident that the concept of consumer satisfaction applies in many marketing contexts: purchase (e.g., Swan and Oliver 1985), consumption (e.g., Cadotte, Woodruff, and Jenkins 1987), information considered (e.g., Spreng, MacKenzie, and Olshavsky 1996); and, even business consumption (Mowen and Minor 1998; Schiffman and Kanuk 2000; Solomon 1999). Thus, consumer satisfaction must be explicitly defined to delineate the context. In this study, consumer satisfaction pertains to the response of the end user who may or may not be the purchaser.

2.2 IMPORTANCE OF CUSTOMER SATISFACTION

When we buy a product or service, we expect it to be right. We don't jump up and down with glee saying "isn't it wonderful, it actually worked". That is what we paid our money for. Add to this our world of ever exacting standards. We now have products available to us that would astound our great grandparents and yet we quickly become used to them. The bar is getting higher and higher. At the same time our lives are ever more complicated with higher stress levels. Delighting customers and achieving high customer satisfaction scores in this environment is ever more difficult. And even if your customers are completely satisfied with your product or service, significant chunks of them could leave you and start doing business with your competition. A market trader has a continuous finger on the pulse of customer satisfaction. Direct contact with customers indicates what he is doing right or where he is going wrong. Such informal feedback is valuable in any company but hard to formalise and control in anything much larger than a corner shop. For this reason surveys are necessary to measure and track customer satisfaction.

Developing a customer satisfaction programme is not just about carrying out a survey. Surveys provide the reading that shows where attention is required but in many respects, this is the easy part. Very often, major long lasting improvements need a fundamental transformation in the company, probably involving training of the staff, possibly involving cultural change. The result should be financially beneficial with less customer churn, higher market shares, premium prices, stronger brands and reputation, and happier staff. However, there is a price to pay for these improvements.

FACTORS INFLUENCING CUSTOMER SATISFACTION

The product

Quality of the product
Length of life of the product
Design of the product
Consistency of quality
Range of products
Processibility of the product

Delivery

Delivery **on time & Speed of delivery**

The company

Reputation of the company
Ease of doing business

Staff & Service

Courtesy from sales staff
Invoice **clarity**
Invoices **on time**
Representative's **availability**
Representative's **knowledge**
Reliability of returning calls
Friendliness of the sales staff Market **price**

Price

Total cost of use &
Value for money

Service

Complaint **resolution**
Responsiveness to enquiries
After sales service
Technical service

3. REVIEW OF LITERATURE

While the literature contains significant differences in the definition of satisfaction, all the definitions share some common elements. When examined as a whole, three general components can be identified: 1) consumer satisfaction is a response (emotional or cognitive); 2) the response pertains to a particular focus (expectations, product, consumption experience, etc.); and 3) the response occurs at a particular time (after consumption, after choice, based on accumulated experience, etc). Consumer responses followed a general pattern similar to the literature. Satisfaction was comprised of three basic components, a response pertaining to a particular focus determined at a particular time.

Focus of the Response - The focus identifies the object of a consumer's satisfaction and usually entails comparing performance to some standard. This standard can vary from very specific to more general standards. There are often multiple foci to which these various standards are directed including the product, consumption, purchase decision, salesperson, or service. The determination of an appropriate focus for satisfaction varies from context to context. However, without a clear focus, any definition of satisfaction would have little meaning since interpretation of the construct would vary from person to person (chameleon effects).

Timing of the Response - It is generally accepted that consumer satisfaction is a postpurchase phenomenon, yet a number of subtle differences exist in this perspective. The purchase decision may be evaluated after choice, but prior to the actual purchase of the product. Consumer satisfaction may occur prior to choice or even in the absence of purchase or choice (e.g., dissatisfied with out-of-town supermarkets, which were never patronized, because they caused a local store to close). It has even been argued that none of the above time frames is appropriate since satisfaction can vary dramatically over time and satisfaction is only determined at the time the evaluation occurs. The consumer responses reinforced this varied timing aspect of satisfaction. In addition, the consumers discussed the duration of satisfaction, which refers to how long a particular satisfaction response lasts.

Dissatisfaction - The literature has taken two approaches to conceptualizing and operationalzing the dissatisfaction construct. Consumer dissatisfaction is portrayed as the bipolar opposite of satisfaction; or consumer satisfaction and dissatisfaction are viewed as two different dimensions. Since the literature does not provide a clear conceptualization of dissatisfaction, we turned to consumer perceptions. Consumers suggest that dissatisfaction is still comprised of the three components of the definitional framework: affective response; focus; and timing. However, the consumer data did not help resolve the dimensionality issue. We speculate that the apparent dimensionality of satisfaction might be understood by examining the focus of satisfaction and dissatisfaction. Consumers were sometimes satisfied with one aspect of the choice/consumption experience, but dissatisfied with another aspect. In this case, satisfaction and dissatisfaction can be viewed as different dimensions.

4. INTRODUCTION OF THE COMPANY

Big Bazaar is a chain of hypermarket in India, which caters to every family's needs and requirements. This retail store is a subsidiary of Future group, Pantaloons Retail India Ltd. and is an answer to the United States Wal-Mart. Big Bazaar has released the doors for the fashion world, general merchandise like sports goods, cutlery, crockery, utensils, and home furnishings etc. at best economical prices.

Big Bazaar group offers more than 100 stores all over the country with an amalgamation of Indian bazaars‟ feel and touch with a convenience and choice of the modern retail facilities. The retail format of the Big Bazaar group includes Aadhar, Rural & Home-Town retail chain, Ezone home-improvement chain, sportswear retailer, depot and music chain is few among others.worldwide country chain, Big Bazaar, is formed by CEO of Future Group, Mr. Kishore Biyani. The group do not promises more than what it delivers. Their basic attraction associated with reasonable prices is their Unique Selling Price.

Big Bazaar's journey began in October 2001 when the young, opened the first generation entrepreneur Kishore Biyani its first hypermarket retail outlet in Kolkata (formerly Calcutta). In the same month had two more stores are added - one each in Hyderabad and Mumbai, and thus begin a successful stay that began the chapter of organized retailing in India.Big Bazaar is present today in 59 cities and holding more than 5 million sq.ft. Open house and driving over 110 million footfalls in its stores. The format is expected that the number of footfall in the stores to increase by 140 million during this financial year. Over the years, Mr. Biyani for his vision and leadership, and Big Bazaar for its unique proposition to its customers "have received every prestigious consumer prices, both nationally and internationally.

5. OBJECTIVE OF THE STUDY

- To investigate the catchments area and customer loyalty of Vadapalani branch.
- To identify the satisfaction level of customer in big bazaar with respect to Location, merchandising, offer and discounts, varieties, Corporate social responsibility, home delivery and product range.
- To identify the customer satisfaction in other service and go green.

6. RESEARCH METHODOLOGY

6.1 Descriptive Research

Descriptive research is also known as statistical research. The main goal of this type of research is to describe the data and characteristics about what is being studied.

6.2 Sampling

Sampling is to select of individuals from the whole population, it need to general to present the characteristic of the population. In this study, the population is infinite in nature, so researcher adopted the convenience sampling technique. Convenience sampling. It is a type of non-probability sampling which involves the sample being drawn from that part of the population which is close to hand. That is, a population is selected because it is readily available and convenient. The most popular data collection techniques include: surveys, secondary data sources or archival data, objective measures or tests, and interviews. In this study questionnaires are used. Company background information is obtained from the online web, annual report. Questionnaire method is to collect data through the questionnaires. Researchers list the relevant questions and ask respondents to answer them according to their personal situation. Questionnaires have the comparing advantage such as: it is easy to analyze, familiar to most people, it can reduce bias and less intrusive than face-to-face surveys.

6.3 Data Collection and Sampling

Primary Data

Primary data source is the first hand information obtained by the researcher. In this study the primary data was gathered through the questionnaires to study the relationship between the dependent variable and independent variables

Population and Sampling

The sampling frame for this study includes the customers of BIG BAZAAR, Chennai. The sample size for population 111 and the questionnaire were distributed to the customers who visited BIG BAZAAR. The sample size chosen for this study is 111 customers

Hypothesis

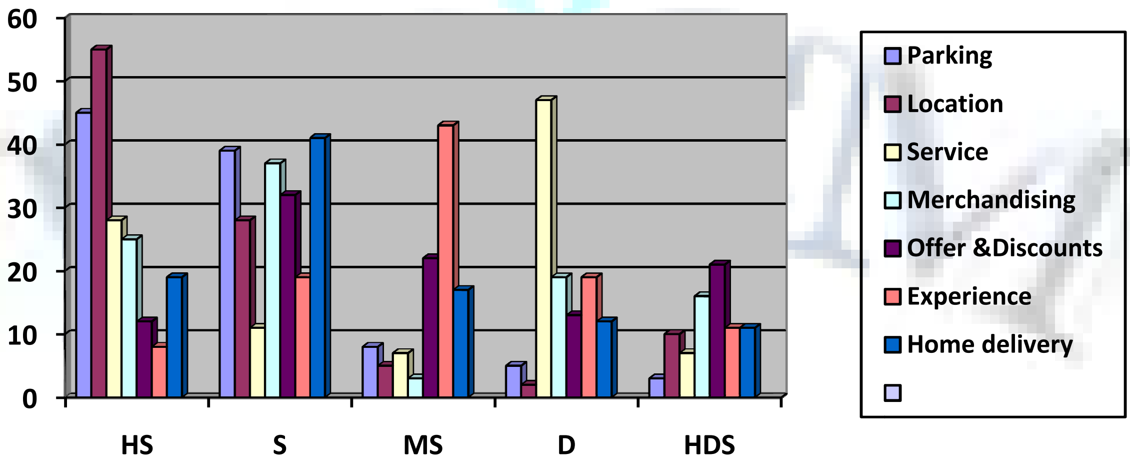
- There is no significant relationship between gender and satisfaction in service provided by customer executive.
- There is no significant relationship between location and occupation
- The respondents are satisfied with the clothing department in big bazaar

6.4 Technique of Analysis

Various statistical methods will be used to analyze the data collected from respondents. In this study, the Statistical Package for the Social Sciences (SP 16.0) will be used for the data analysis and chi square was used to test the hypothesis. Percentage analysis is used in making comparison between two or more series of data. Percentage is used to describe relationship. Percentage is also to compare the relative terms, the distribution of two or more series of data. The number of result can be converted into much out of hundred and to know as percentage analysis.

7. DATA ANALYSIS AND INTERPRETATION

S.No	*Factors*	*Highly satisfied*	*Satisfied*	*Moderately Satisfied*	*Dissatisfied*	*Highly Dissatisfied*
1	Parking	45	39	8	5	3
2	Location	55	28	5	2	10
3	Service provided by executives	28	11	7	47	7
4	Merchandising	35	37	3	19	16
5	Offer and discount	12	32	22	13	21
6	Experience with Big Bazaar	08	19	43	19	11
7	Home delivery	19	41	17	12	11



CHI- SQUARE TEST

Hypothesis: 1

Comparison between gender and satisfaction in service provided by customer executive.

H0= There is no significant relationship between gender and satisfaction in service provided by customer executive.

H1=There is significant relationship between gender and satisfaction in service provided by customer executive.

Calculation

Oi	Ei	(Oi-Ei)	(Oi-Ei)2	(Oi-Ei)2/Ei
14	13	2	2	0.18
4	5	1	0.6	0.133
3	3	0.2	0.04	0.0125
20	21	1	1	0.055
4	3	0.8	0.6	0.178
17	18	1	2	0.110
8	7	1	0.8	0.114
5	5	0.3	0.06	0.013
32	31	1	1	0.039
4	5	0.3	0.06	0.013
Calculated Value				**0.9475**

Degree of Freedom

The degree of freedom = (r-1) x (c-1)

= (2-1) x (5-1)

= 1 x 4 = **4**

Calculated Value = 0.9475

Table Value

For 4 degree of freedom @ 5% significant level = **2.776**

Calculated Value (0.9475) < Table value (2.776)

INFERENCE

Here the calculated Value is less than table value. So our null hypothesis (H0) is accepted.

Therefore, there is no significant relationship between gender and satisfaction in service provided by customer executive.

Hypothesis: 2

Comparison between occupation and Location

H0= There is no significant relationship between occupation and Location.

H1=There is significant relationship between occupation and location.

Degree of Freedom

The degree of freedom = (r-1) x (c-1)

= (4-1) x (5-1)

= 3 x 4 = **12**

Calculated Value = 13.752

Table Value

For 12 degree of freedom @ 5% significant level = **21.026**

Calculated Value (13.752) < Table value (21.026) INFERENCE

Here the calculated Value is less than table value. So our null hypothesis (H0) is accepted. Therefore, there is no significant relationship between occupation and location of the store.

Run Test

Satisfaction in clothing department at Big Bazaar

S.No	Particulars	No. of Respondents
1	Yes	46
2	No	65

Hypothesis: 3

H0= The respondents are satisfied with the clothing department in big bazaar.

H1= The respondents are not satisfied with the clothing department in big bazaar.

n 1 = 83; n2 = 37; V = 23

FORMULA:

$$\mu v = \frac{2\, n1 * n2}{n1 + n2} + 1$$

$$\mu v = \frac{2 * 46 * 65}{111} + 1$$

μv = 54.87

$$\sigma^2 v = \frac{2\, n1 * n2\, (2\, n1 * n2 - n1 - n2)}{(n1 + n2)\, 2\, (n1 + n2 - 1)}$$

$$\sigma^2 v = \frac{2 * 46 * 65\, (2 * 46 * 65 - 46 - 65)}{(46 + 65)\, 2\, (46 + 65 - 1)}$$

$$= \frac{5980\, (5869)}{24420}$$

$$= \frac{35096620}{24420}$$

$\sigma^2 v$ = 1437.20

σv = 37.9

$$Z = \frac{V - \mu}{\sigma_v}$$

$$\frac{23 - 54.87}{37.9} = -0.840$$

$|z| = 0.840$

The table value is being found as 1.96

The calculated value is 0.840

INFERENCE

Since the calculated value is lesser than the table value, we accept the null hypothesis and reject the alternate hypothesis. Therefore the respondents are satisfied with clothing department in Big Bazaar.

DISCUSSION AND FINDINGS

Sivadas and Baker-Prewitt (2000) said "there is an increasing recognition that the ultimate objective of customer satisfaction measurement should be customer loyalty". Fornell (1992) said "high customer satisfaction will result in increased loyalty for the firm and that customers will be less prone to overtures from competition". This view was also shared by Anton (1996) who said that "satisfaction is positively associated with repurchase intentions, likelihood of recommending a product or service, loyalty and profitability". Loyal customers would purchase from the firm over an extended time (Evans and Berman,1997). Guiltinan, Paul and Madden (1997) said that satisfied customers are more likely to be repeat (and even become loyal) customers. The research paper reveals that they are not highly satisfied with the services provided by Big bazaar, so there si a question of loyalty with the customers. The chi square reveals that there is no significant realtion with the occupation and the location of Big Bazaar.

Sivadas and Baker-Prewitt (2000): "Satisfaction also influences the likelihood of recommending a departmental store as well as repurchase but has no direct impact on loyalty. Thus satisfaction in itself will not translate into loyalty. However, satisfaction will foster loyalty to the extent that it is a prerequisite for maintaining a favorable relative attitude and for recommending and repurchasing from the store. Once customers recommend a department store it fosters both repatronage and loyalty towards that store. Thus the key to generating loyalty is to get customers to recommend a store to others. Also, customers are likely to recommend a department store when they are satisfied with that store and when they have a favorable relative attitude towards that store". The satisfactions of customers are revealed in the parking, location and merchandising of Big Bazaar.

Evans and Berman (1997): "Companies with satisfied customers have a good opportunity to convert them into loyal customers – who purchases from those firms over an extended period". The experience with Big Bazaar seems to be moderately satisfied, so Big bazaar need to take measures to retain the existing customers. Clarke (2001) said, "a business that focuses exclusively on customer satisfaction runs the risk of becoming an undifferentiated brand whose customers believe only that it meets the minimum performance criteria for the category. Long-term customer retention in competitive markets requires the supplier to go beyond mere basic satisfaction and to look for ways of establishing ties of loyalty that will help ward off competitor attack". Most of the customers are much satisfied with the clothing brand with Big Bazaar. The percentage analysis and Chi square prove the same.

Sivadas and Baker-Prewitt (2000) also said that it is not merely enough to satisfy a customer. According to Reichheld (1996), 65 to 85 percent of customers who defect to competitors' brands say they were either satisfied or very satisfied with the product or service they left. Therefore, in order to ensure that customers do not defect, Bowen and Chen are correct to say that customers must to be extremely satisfied. As far as organizations are concerned, they want their customers to be loyal to them and customer satisfaction does not guarantee this. According to Storbacka and Lentinen (2001), customer satisfaction is not necessarily a guarantee of loyalty. They said that in certain industries up to 75% of customers who switch providers say that they were 'satisfied' or even 'very satisfied' with the previous provider.

Customers may change providers because of price, or because the competitor is offering new opportunities, or simply because they want some variation (Storbacka and Lentinen, 2001). Clarke (2001) said that customer satisfaction is really no more than the price of entry to a category. For satisfaction to be effective, it must be able to create loyalty amongst customers. Regarding the offers and discounts provided, the customers of Big Bazaar are somewhat satisfied.The above research study reveals that the catchment area possibility is not possible at this moment unless Big Bazaar improve the customer satisfaction with respect to various factors such as Customer service, ,pricing,favourable and good experience which enhance customer loyalty etc.

CONCLUSION

The researches study a clear idea to understand the catchment area of Vadapalani branch. Customer satisfaction is secret code for the success in business, Therefore in this study the researcher analyzes satisfaction level of each department. Customer executives should be given the product knowledge to give the better service to customers. Mobiles department in Big Bazaar should be improved to get the satisfaction of customers. Live demonstration and better service can be given to customers. Green Bags can be introduced in Big Bazaar as their corporate social responsibility towards the society. Based on the views and research done by numerous researchers and academicians, it can be concluded that customer satisfaction is very important. Thus, though customer satisfaction does not guarantee repurchase on the part of the customers but still it plays a very important part in ensuring customer loyalty and retention. This point has been echoed by Gerpott et al. (2001) when they said "customer satisfaction is a direct determining factor in customer loyalty, which, in turn, is a central determinant of customer retention". Therefore, organizations should always strive to ensure that their customers are very satisfied.

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THE EFFECT OF MARKET ATTITUDE ON INNOVATIONAND NEW PRODUCT PERFORMANCE

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ABSTRACT

This research produces new perceptions ofthree main elementsmarket attitudes: informationrange, informationdispersion, andreactive affect innovation and new product performance, and about the arbitrating role of innovation.Data were collected from a sample of 247 firms of the manufacturing industries. The results indicate that informationrange has an indirect positive effect on innovation via informationdispersion andreactive. Information dispersioneffects innovation positively, both directly and indirectly through reactive. Findings report a curvilinear (J-shaped) relationship between reactive and innovation. Also indicates a positive relationship between reactive and new product performance.The findings show that informationrange and informationdispersioncontrol new product performance indirectlythrough reactive. Finally, a positive relationship was discovered between innovation and new product performance. As well asresult indicate that the effects of elements on innovation and new product performance are arbitrated by reactive to market information.

KEYWORDS

Market attitude, Innovation, Product innovation, marketing information.

1. INTRODUCTION

In recent years, there is focus on the relationship between market attitude and new product performance. This research indicate that market attitude has a positive influenceon new product performance (Baker and Sinkula, 2005; Kircaet al., 2005). However, researchers have to decide howmarket attitudecontributes to superior new product performance.Few studies have examined the possible negotiators of the market attitude/new product performance relationship. Such research is essentialto understand the directions through which market attitude effects new product performance (Langeraket al., 2004).Explaining the negotiators of the marketattitude-performance relationship will produce managers with more comprehensiveperceptions into how marketattitude works and how it may be useful as a strategicfirm ability (Kircaet al., 2005). Thepresent study examines the effect of market attitudeon innovation and new product performance. Specifically, wesuggest that innovation isanarbitrator betweenmarket attitude and new product performance. Innovation isreflecting on a coreelement of an innovation strategy for three reasons.First, the increasing rate of competition, technological developments in the market and shorter product life cycles load companies to innovate faster (Lynn et al., 2000). Second, innovation can produce amaintainable competitive advantage. Innovation is valuable resource for the firm in that it makes possible firms to keeping close touch with customers and their needs (Tatikonda andMontoya-Weiss, 2001).Third, innovation results in new product performance. Carbonell and Rodriguez (2006) and Chen et al. (2005) have stated a positive relation between market and new product success. In terms of research on the influence of market attitude on innovation, it is disputed that innovation has been absent in the models of market attitude.Regardless of the popular idea that market-attitude firms havean advantage in the market (Day, 1994; Slater andNarver, 1995. At this time, the opportunity presents advance of understanding of the relationships among market attitude, innovation, and new product performance. In this study, market attitude is imagining as a set oforganizational behaviors and procedures related to (a) Market information range; (b) Market information dispersion; and (c) Reactive tosuch informationacross department (Kohli and Jaworski, 1990).

2. THEORETICAL MODEL AND RESEARCH HYPOTHESES

Regardless of the market attitudeconstruct, a review of the studiesshows that the firstemphasis on empirical research has been on the combined (versus individual) effects of the market attitudeelements. Yet, the study of market attitude as ahybrid construct might result in ignoring refinement due toits multidimensionality. Therefore, such practice might lead toincomplete or misleading conclusions about the usefulness to firms of specific market attitude's elements (Frambachet al., 2003). The present study, therefore, follows an element-level approach and examines direct effects ofeach of market attitude's elements – informationrange, informationdispersion and reactive –on innovation and new product performance (Figure 1). By distributing market attitude into elements, we are able to examine the relationships betweenmarket attitude and innovation, and marketattitude and new product performance. Specifically, wecan decide whether and how each element affects innovation and new product performance. The currentmodel also examines indirect effects of informationrange, informationdispersion and reactive onnew product performance via innovation. According tostudies that suggests a positive relationshipbetween market information procedure and innovation (Moorman, 1995; Ottum andMoore, 1997), and between innovation and new product performance (Carbonelland Rodriguez, 2006). Finally, according to the studies on information use (Homburg et al., 2004) and organization learning (Deeter-Schmelzand Ramsey, 2003), the model suggests causal links among the market attitudeelements. In this research, informationrange refers to the area to which a firm collects primary and secondary information from the organization stakeholders (i.e. competitors, suppliers, mediators) and market forces (i.e. social, cultural, regulatory and macroeconomic factors) (Matsunoet al., 2000). Informationdispersion refers to the degree to which information is delivering, shared and discussed among applicable users within an organization by formal and unofficialmeans (Moorman, 1995; Akgu¨n et al., 2002). Studies on new product development includes that informationrangecan lead to shorter new product development cycle times. Information conference gives new product development teams an opportunity to learn, and therefore an opportunity to act on that information more quickly (Lynn et al., 2003). Slater and Narver (1995) have stated that the ability to rally information from customers and competitors gives companies an advantage and efficiency of their responses to opportunities and threats. Informationdispersion is also critical to drive new products to begin more rapidly (Gupta et al., 1986; Cooper and Kleinschmidt, 1991). Effective informationdispersiondecreases development time by promoting communication, cooperation and increasing goal among theparties involved in the development procedure (Dougherty, 1992; Moorman, 1995). Open sharing of information across the parties involved in the development procedure leads to better understanding of the productclaimants, and the range of each party's capabilities and limitations. Procedure the preceding disputes, it has been stated that high levels of information entering and moving within an organization could also have negative effects on innovation (Barczakand Sultan, 2001; Blazevicet al., 2003; Park et al. 2009).

First, an information rich environment reduces the speed of sense-making, as analysts must form through and allocatemeaning to data that often lack direct comparability (Jaworskiet al., 2002). Second, procedure too much information during the developmentprocedure can also overwhelm the decision-makers' cognitive capacities, thus in response they may conduct limited searches and make satisfying decisions (Cyert and March, 1963; Zirger and Hartley, 1994).

Furthermore, because of the much of time spent in analyzing productive information, the information may be out of date by the time the data are synthesized. Without correct information at critical period in the procedure, product development is extended as product and proceduredesigns are modified, reworked or re-created (Zirger and Hartley, 1994). On the basis of the preceding discussion, we suggest that informationrange and information dispersion will have a positive influence on innovation. However, there is an upper limit to the amount of collected and shared information helpful to the procedure, beyond which new product development may actually beslowed. Thus:

H1. There is areversed U-shaped relationship between informationrange and innovation.

H2. There is areversed U-shaped relationship between information dispersion and innovation.

Reactive is action taken in response to informationin other wordcreated and dispersed (Jaworski and Kohli, 1993). It has been disputed that responding to market informationis likely to claim time to happen and therefore, can increase the timecollaborated with new product development activities. The reasoning for this is that managers will claim time to think about the information, question key hypothesis about the markets, theorize about the efficiency of option turn to, and challenge one and another’s ideas (Rich, 1981). In addition, consequential time is demand for managers to acquire an esteem for market information (Barabba andZaltman, 1991), and its producers (Moorman et al., 1992).Acquires this viewpoint, it might be disputed that, although firstlyreactive to market information can have little or no positive influence on innovation, as the frequencywith which a firm responds to market informationincreases, reactive has greater influence on innovation. Studies on organization learning produces support for this dispute. Thus, studies on organizational learning indicate that organizations learn through experience (Huber, 1991).Learning collected from experience helps create more effective organizational paths (Cohen and Levinthal, 1990). Sarin and McDermott (2003) state that with experience, organizations become more expertat incorporate and using market information. In particular, as organizations apply experiential-based knowledge to decisionmaking, they make less mistakes and quicker decisions (Eisenhardt, 1989; Jaworski et al., 2002), leading to faster time to market (Meyer, 2001; Sarinand McDermott, 2003). On the basis of the above discussion, wedispute that low levels of reactive to market information are forecast to have little or no positive influence on innovation. However, reactive to market information will have greater effects on innovation. Therefore:

H3. There is a curvilinear (J-shaped) relationship between reactive and innovation.

Informationrange is forecast to have a positive control on new product performance. Moorman (1995) stresses that information acquisition will lead to improved performance as it make possible decision makers to better recognize marketing opportunities and threats for better positioning in the marketplace. Cooper and Kleinschmidt (1986) discoveredthat the developers of successful new products had a deep understanding of user’s needs and wants, did a thorough market and competitive analysis, and used regular and indepthcustomers’ infractions. Ottum and Moore (1997), Lynn et al. (2000) and Brockman and Morgan (2003) discovered apositive relation between information acquisition and new product performance. Therefore:

H4. Information has a positive effect on new product performance.

It is disputed that informationdispersion can increase newproductperformance. Informationdispersion is likely to increase the degree to which organizational members share a vision of marketing strategy design and performing (Sinkula, 1994). In studying the organizationalsignificant to new product success, Ayers et al.(1997) discovered a direct correlation between high interaction and information exchange between R&D and marketingpersonnel and new product success rates.

H5. Informationdispersion has a positive effect on new product performance.

Reactive to market information is forecast to have apositive effect on new product performance. Studiesdispute that high level of information employment increases efficiency of decision-making and performingwhich, in turn, will result in greater new product performance (Ottum and Moore, 1997; Moorman, 1995). Empirical evidence supports a positive relationship between market informationemployment and new product performance (Gotteland and Boule´, 2006).

H6. Reactive to market information has a positiveeffect on new product performance.

Research suggests innovation uses a real positiveinfluence on new product performance results. Cooper and Kleinschmidt (1994) showed that getting products to market schedule has a positive connection with financial performance of a new product project. Ali et al. (1995) reported that faster product development leads to shorter break-even time. Gupta and Souder's (1998) find that short cycle-time companies show greater sales, profit and return on equity than longer cycle-time companies. According to Pearce (2002), the excellent revenues enjoyed by Hewlett-Packard in the laser printing technology, digital photography, wireless information distribution, and e-commerce imaginingfields can be attributed to the company’s emphasis on. Thus, wesuggest that:

H7. Innovation has a positive effect on new product performance.

Informationrange is forecast to use a positive effect on informationdispersion and reactive (Akgu¨n et al., 2006).Zaltman (1986) argued that if a firm has a tendency toconference information, it is more likely that the information will be shared and used (Zaltman, 1986). Homburg et al.(2004) dispute that since information range is costly, managers who decide to collect information on customer and competitors could be under load to not hold back this information but rather distribute and use it in the organization.

H8/H9. Informationrange has a positive effect on information dispersion and reactive.

Informationdispersion is forecast to have a positive influence on reactive (Akgu¨n et al., 2006).Menon and Varadarajan (1992), stated that as the amount of communication flows within an organization increases, information is viewed with less caution and hostility. A different dispute is that once the information is distributed across different departments and employees, there will be load to respond to the knowledge (Homburg et al., 2004).

H10. Informationdispersion has a positive effect on reactive.

3. METHODOLOGY

3.1 Sample and data collection

The target population for the study was from the industrial organization listing of Iranian manufacturing firms. We focused on the following manufacturing sectors: food, chemicals, plastics, and transportation. From each industry, only firms with 25 or more employees were chosen, a total of 825 firms made up the target population. A questionnaire was distributed to the person in charge of new product development activities at each company. Of the 825 surveys originally distributed, 494 completed questionnaires were returned, compliant a response rate of 53.3 percent. To test fornon-response bias we compared early with late respondents as suggested by Armstrong and Overton (1977). No consequential differences were discovered in the mean responses for any of the buildsof this study. Chi-square analyses showed no consequential differences between our sample and the population it was attracted from in terms of industry distribution, employee number and, company sales. Table I shows the sample and population distribution by industry, employee number, and company sales. Almost 70 percent of the responding firms were in the business-to-business sector. The respondents were 25 percent general managers, 17 percent marketing directors, and 58 percent technical Orr&D directors. Results from analysis of variance and multiple comparison tests showed no statistically consequential differences on the mean responses on any of the builds included in this study across respondent'swith different functional backgrounds and across firms from different industries. Innovation and new product performance are tested at the project level. Specifically, respondents were asked to base their answers on a new product projectof the firm. The new product must have been on the market for more than 6 months to ensure that the firm had sufficient data on the resulting performance. The core measurements of market attitude were calculated at the firm level. New product performance was calculated using four indicators from Lynn et al. (2000): (1) in general performance; (2) profits; (3) sales; and (4) market share.These variables were calculated relative to the objectives set for the project. Innovation was calculated through three items taken from previous studies. The fact that relative measures were used enabled us to compare different product development projects.Informationrange was calculated throughfive items: products, customer satisfaction, supplier and mediators, the activity of competitors and, changes in the market Four items draw oninformationdispersion: the information collected is shared among all thedepartments, takenfrom documents, transmitted to all departments, and discussed among all departments. Finally, four items belong to reactive: the information collected is used to respond to changes in our consumers 'needs, review our product development attempt, respond to competitors’ actions, and deal with customers’ protest. We include relative firm size, market possibleand competitive strength as control variables because of the possible to control new product performance (Henard andSzymanski, 2001). Relative firm size was calculated as the size of the business relative to that of its largest competitor (Slaterand Narver, 1994). Competitive strength and market possible were calculated through multi-item scales taken from Ali (2000).Two types of measures were used in this survey: (1)useful multi-item; and (2) reflective multi-item.Following the recent work of Coltman et al. (2008), the scales for the measurement of market attitude were reflecting on areuseful. The reflective multi-item measures used were newproduct performance, innovation market and competitive strength. To obtain unidimensionality for reflective multi-item variables, the item-to-total correlations were calculated for each item, taking one scale at a time. Items for which these correlations were lower than 0.32 were removed (Saxe andWeitz, 1982). Calculating reliability coefficients examinedthe reliability of each sanitized, unidimensional scale. Alpha coefficients values were equal or greater than 0.65, which indicates good reliability. Internal material coherenceand convergent validity were examined by performing a corroborativefactor analysis using AMOS. The results showed that the measurement model fit the data well (x^2= 52:75, df= 34,p< 0:02; normed fit index (NFI)= 0:89; comparative fit index(CFI)= 0:93; root mean square error of approach(RMSEA)= 0:03). Hybrids reliabilities calculatewere equal to or passed the standard of 0.6 suggested by Bagozziand Yi (1988). Values of average variance removealso produced satisfactory results. Standardized item loadings for allstructures were greater than 0.5 and consequential (p< 0:05), which evidences good convergent validity (Bagozzi et al., 1991). Together the results of the tests suggest that the reflective measures included in this study control sufficientunidimensionality, reliability and validity. Diamantopoulos and Winklhofer (2001) suggested that the quality of the index construction for a usefulscale should be estimated in terms of indicator co-linearity. To estimate indicator co -linearity for each measure, we ran regression analysis of all items (as independent variables) on each single item (dependent variable). For the information range scale, variancesinflations factor (max VIF =1:5) and condition numbers (max CN =17:5) show thatco-linearity did not seem to pose a problem. In relation tothe information dispersion and reactivemeasures, results offered no indication that co-linearity was aninterested (max VIF = 2:1; max CN = 12:2; max VIF = 1:2; maxCN = 11:5, respectively). Typically, VIFs over 8 and CNsover 25shows critical multico-linearity problems. Hence, all items were retained. The discriminant validity of the market attitudesub measurement can be questioned. To check the discriminant validity of these scales, we used Anderson and Gerbing's (1988) procedure andchecked whether the confidence intervals for the estimatedcorrelation coefficients included the value of 1. Results shows that the confidence intervals for the correlation coefficients for informationrange-information dispersion (0.44, 0.65), informationrange reactive (0.52, 0.66), and informationdispersion reactive (0.38, 0.57) did not include the value of 1, providing evidence for discriminant validity of the scales. A similar procedure was used for new product performance, innovation, market possible and competitive strength with similar results. For hypotheses testing analysis, scale items were averagedto create a single measure of each construct. Before testing the hypotheses, we examined the correlation matrix for the hybrid scales of the structures. The signs of the bivariatecorrelations seem to be coherent with the hypothesized relationships (Table II).

4. ANALYSIS AND RESULTS

We used analysis with maximum estimation to produce parameter calculate roughly for the structuralequationsystem (Figure 1). The hypothesis of multivariate normality was tested using Mardia's (1970) multivariate kurtosis statistic. The large value of Mardia'sstatistic signals the attendance of non-normality. In this case, bootstrap simulation was performed for purposes of estimating confidence interval around the parameter calculate roughly (Stine, 1989). Quadratic terms of information range, informationdispersion and reactive were included in the model to test for curvilinear relationships. Informationrange, information dispersion and reactive were mean-centered prior to the creation of the squared terms. A series of post hoc power analyses were completed using theG*POWER 3 computer software (Faul et al., 2007) to decide the p-values for the statistical analysesin this study. We calculated power values for each dependent variable in the model. In all occasion, power values for amedium effect size and Type I error (a) of 0.05 exceed Cohen's (1988) recommended criterion of 0.75. Hence, avalue of 0.05 seems to be appropriate to judge the statisticalsignificance of the parameter calculate roughly in theanalysis (TableIII). The first model was a fully saturated model, a typical case of a path analysis. However, since several paths seemednon-consequential, we re-estimated the model by dropping theinconsequential paths one at a time in order to reach a more economical model. The revised model produced a good fitto the data (x^2/df= 22.38/14, NFI= 0:89, CFI= 0:94, RMSEA= 0.04). The model explained 33 percent, 40percent, 11 percent and 14 percent, respectively, of thevariance in informationdispersion, reactive, innovation, and new product performance. Theamount of variance explained implies that firms have several other avenues to improve innovation and new productperformance. To consider the role of innovation as an incomplete arbitrator of the relationships between market attitude's three main elements and new product performance, an optional model which did not include the innovation new product performance path was tested. Results from the x^2 difference test showed that the hypothesized model fit the data consequentially better than the optional model (Δx^2 = 21.14, Δdf = 1, p < 0.00). Further insight is produced by using the Akaike Information Criterion (AIC) and the coherent version of AIC (CAIC) (Byrne, 2001). The model with the smallest AIC and CAIC values is the best approaches for the information in the data, relative to other models reflect on. The AIC and CAIC values for the hypothesized model (AIC = 69.7, CAIC = 156.7) are smaller than for the competitor model (AIC = 95.9, CAIC = 175.9). In general, these results produce support for the role of innovation as an incomplete arbitrator in the market attitude-new product performance relationship. A similar procedure was used to test for the indirect effects of information range and information dispersion on innovation and new product performance via information dispersion and reactive. Results from the X^2 difference test show that the hypothesized model fits the data consequentially better than the optional model (Δx^2 = 238.91, Δdf = 3, p < 0.00).H1, recommended a reversed U-shaped relationship between informationrange and innovation. To support thereversed U-shaped curvilinear relationship the quadratic term of informationrange must be negative and consequential. As shown in Table III, both the linear and the quadratic terms of informationrange are not consequential, failing to support H1. Regarding H2, results show that the linear term of informationdispersion is positive and consequential (b = 0.16, p < 0.01), but the quadratic term is not. Hypothesis H2 is, thus, rejected. H3forecast that reactive would have a J-shaped relationship with innovation. J-curves are convex because their graphs bend upward, away from the origin. Convex curves are recognized by a positive second derivative (Bers and Karal, 1976). A J-curve also has an endpoint that is higher than its beginning. As shown in Figure 2, H3 is supported. The second incompletederivative of innovation with respect to reactive is positive (β^2 innovation /βreactive= 0.9), and the effect of reactive on innovation is greater for firms with higher levels of reactive than for firms with lower levels.No support was discovered for hypotheses H4and H5, which forecast a positive effect of informationrange and informationdispersion on new product performance, respectively. H6 assumeda positive relationship between reactive and new product performance. The results support this hypothesis (β= 0.15, p < 0.05). Coherent with H7, innovation is related positively to new product performance (β= 0.27, p < 0.01). Support was discovered for H8 and H9, which forecast a positive effect of informationrange on information dispersion and reactive (β= 0:54, p < 0.01; β= 0.46, p < 0:01, respectively). As forecast in H10, there was a positive relationship between informationdispersionand reactive (β= 0.16, p < 0:01).

5. DISCUSSION

The current study adds new evidence about the interdependences among informationrange, information dispersion and reactive.In relation to the effect of the market attitude's elements on new product performance, our finding shows a positive relationship between reactive to market information and new product performance. This finding is coherent with the studies of Moorman (1995) and Akgu¨n et al. (2006), which suggest that utilizing market-related information during the new product development procedure is a key determinant of the new product's marketplace success. The parameter calculates roughly for the direct paths linking information range and information dispersion with new product performance were discovered not consequential. Instead, our findings show that information range and information dispersion control new product performance indirectly through the arbitrating role of reactive. Therefore according to previous research claiming that information gathered and/or shared is of no consequence, if it is not used to make decisions (Homburg et al., 2004; Akgu¨n et al., 2006). It is also coherent with Hult et al.'s (2005) stated that information range and information dispersion do not directly control performance. Instead, the activities collaborated with information range and dispersion allows the firm to enact better actions, which in turn increase performance. Hence, unless an organization responds to information, neither the acquisition nor the dispersion of information will result in externally directed actions that will lead to greater new product performance (Pentland, 1995; Homburg et al., 2004). Therefore this study claims that innovation somewhat arbitrates the relationship between market attitude and new product performance. In other words, market attitude firms achieve superior new product performance; because of their advantage which new products are developed and brought to the market. Our results show informationrangehas a positive influenceon informationdispersion and reactive. Informationdispersion is, in turn, positively correlated with reactive.Opposed to our expectations, the current findings do not support reversed U-shaped relationships between information range and innovation, and information dispersion and innovation. Optionally, the results show that informationdispersion directly, and informationrange indirectly (via dispersion and reactive), have a positive effect on innovation.The finding suggesting that informationrangeeffects innovation indirectly rather than directly is coherentwith existingstudies that disputes that the take fact of information availability does not lead to quicker innovation. If market information is collected but not distributed or used, then the act of information rangehas little, if any, effect on cycle time or other measures of performance (Barczak and Sultan, 2001). According to our results, high levels of information range and information dispersionseemnot to have negative effects on innovation. The explanation may lie in the organization's own strategies to cope with information excessive load. Therefore, it shows that reactive to market information improves innovation. Low levels of reactiveseem to have little or no influence on innovation. However, as the frequency with which a firm responds to market information increases, reactive has greater influence on innovation. This supports the dispute that it takes some time, experience and knowledge to be able to get to the point where market employmentprocedures result in time savings for the firm. Expert decision makers, guided by their more detailed and comprehensive scheme, are more likely to make faster decisions. This is also coherentwith the dispute that operating in the firm's experience field leads to new combinations and re-combinations of information and knowledge that increase product development efficiency (Atuahene-Gima et al., 2005).

A managerial implications follow from these results are: First, from a managerial viewpoint, the explanation of the directions through which market attitude effects performance is vital. Our findings suggest that time-to market measures may be useful from tracking the influence of marketing attitude on new product performance for managers who implement strategic procedure-measurement frame works, such as the Balanced Scorecard (Kaplan and Norton, 1992). Second, the correlations between informationrange, informationdispersion and reactive were reasonably high. From a managerial viewpoint, this suggests that companies should focus on their informationrangeand dispersionprocedures to increase reactive to market information. Regarding information range activities, an important idea is that market informationpertains, not just, to current needs, but to future needs as well. Also, the range of market information relies on a hostof completing mechanisms including unofficialdiscussions with customers and trade partners, analysis of sales reports and customer databases and formal market research (Kohliand Jaworski, 1990). In relation to informationdispersion, studiesstresses that formal information dispersion mechanisms should be complete with unofficial mechanisms. Unofficialdispersion mechanisms produce greater openness and clarification opportunities, where formal communications tend to be more credible and verifiably, therefore encouraging the use of informationspecifically if it iscontradictory to receiver's prior beliefs. This is particularsuitable for managers interested in ensuring that market information is acted on by its receivers (Maltz and Kohli, 1996).Third, our findings show that reactive to market information improves innovation, but only after acertain level of reactive has been arrived. That is, ittakes some time, experience and knowledge for a firm to beable to get to the point where it can quickly evaluateinformation, understand it and relate to it (Weitzet al., 1986).Fourth, our finding shows that, among the three elements of market attitude, reactive to market information has the greatest influence on innovation and new product performance. Therefore, it is specifically important that firms encourage the use of market information in their organizations. Existing research produces several suggestions about the factors that encourage reactive to market information in organizations. In general, elder managers must themselves be certain of the value of reactive to market information and communicate their obligation to younger employees. Also, market attitude is almost certain to lead to a few projects or programs that do not succeed. To this respect, supportive reaction to lack of success is critical for promoting reactive to market information. Finally, elder managers can help encourage reactive by changing reward systems from being completely finance based to being at the lowest partly market based (Kohli and Jaworski, 1990).According to the academic point of view, this research makes twoimportant contributions to the marketing strategy and newproduct development studies. First, by distributingmarket attitude into the elements of informationrange, informationdispersion and reactive, the study produces a closer examination into whether and how each ofthe elements of market attitude affects innovation and new product performance. To this respect, clearly different effects were discovered for each of the three elementsof market attitude. Second, the results show that the effects of informationrange and information dispersion on innovation and new product performance are arbitrated by reactive to market information. Our limitations of the present study is: First, Grinstein (2008) discovered market attitude to be more positively collaborated with new product performance in countries that are high rather than low on power distance. To ensure the generalizability of our findings beyond the Iran context, additional research is needed in countries with different levels of power distance.Second, our respondents estimated new product development projects after their completion, which raises concerns about retrospective justification bias. Since our informants produced their estimate of the firm's level of market attitude in the context of other measures, it is less likely that they paid attention to their estimate with their knowledge of the new product results (Moorman and Miner, 1997). Third, a single key informantproduced the data in each company for independent and dependent variables. While it is not our plan to minimize the possible effect of response bias, it is believed that this bias was not a major problem in our sample. Thus, the study produced evidence of discriminant validity between the builds. Moreover, results from the Harman's one-factor test (Podsakoff et al., 2003) showed that there were five factors with an eigenvalue greater than 1 and that the first factor only accounted for 27.8percent of the total varianceexplained. Nevertheless, it is important that futures studies validate these findings using multiples data sources. Finally,in this study, we based our analysis on perceptual data. Objective values can only be explained within the framework of a particular type of industry or product. Kirca et al. (2005), discovered that subjective measures of performance produce higher market attitude-performance correlations than those obtained when objective calculated are used. Future research introducing objective measures is suggested. Apart from the necessary improvements in the measurement procedure, some other lines of further research can be suggested. First, this study does not examine the issue of variations in the quality of market attitude (Jaworski and Kohli, 1996). Firms may have a market attitude, but the quality of their market directed behaviors may be weak relative to other firms (Day, 1994). Resources that control the quality of market directed behaviors are arguably as necessary as a market attitude itself (Baker and Sinkula, 1999); which leaves an interesting topic for future research. Second, empirical evidence suggests that firm-specific factors such as managerial procedures, and organizational structures and capabilities can affect the organization's employment of the market information (Menon and Varadarajan, 1992).Finally, it could be interesting to investigate the arbitrating effect of other variables such as product quality, customer satisfaction or new product creativity (Kirca et al., 2005).

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FIGURES

FIGURE 1: THEORETICAL FRAMEWORK

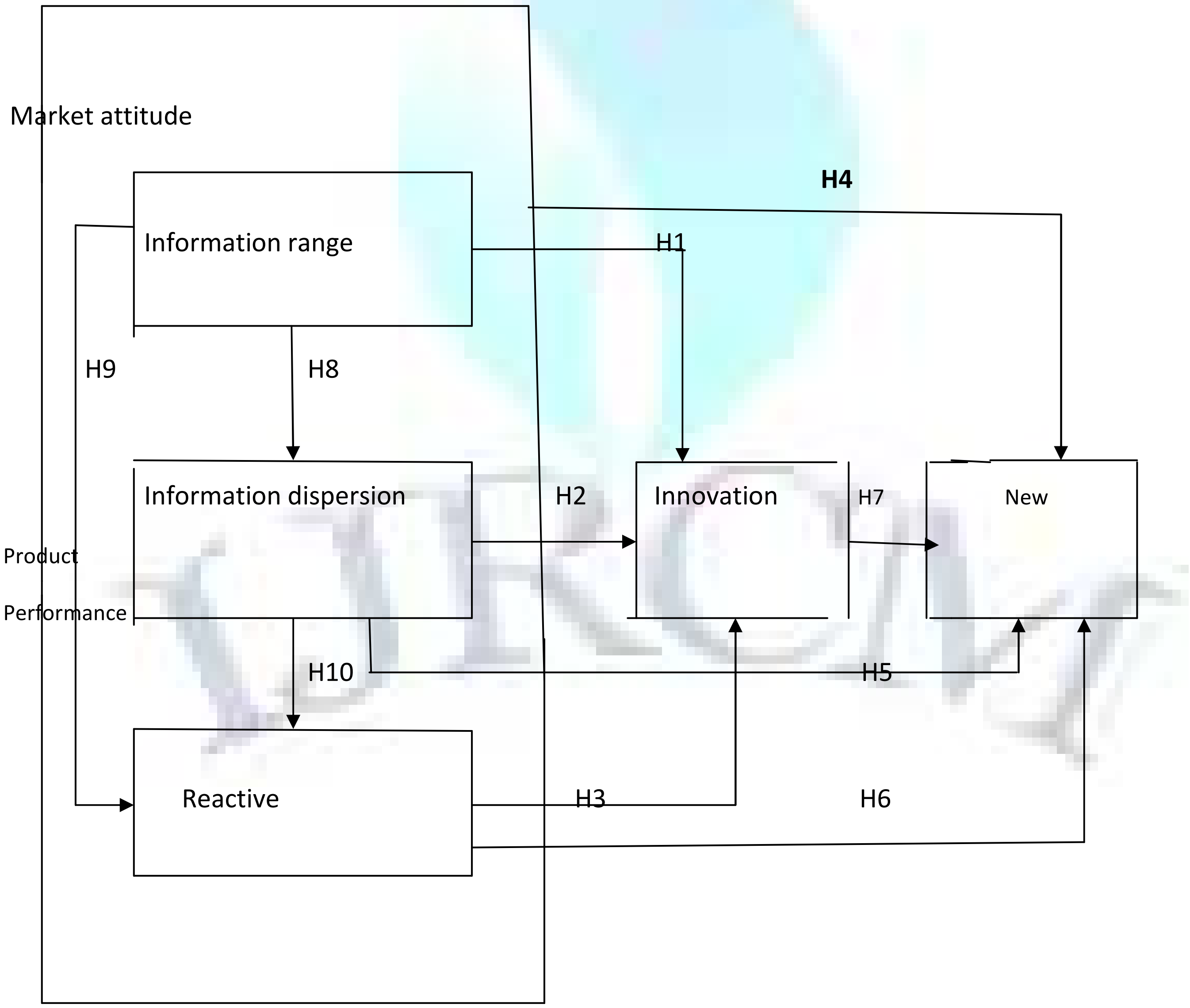
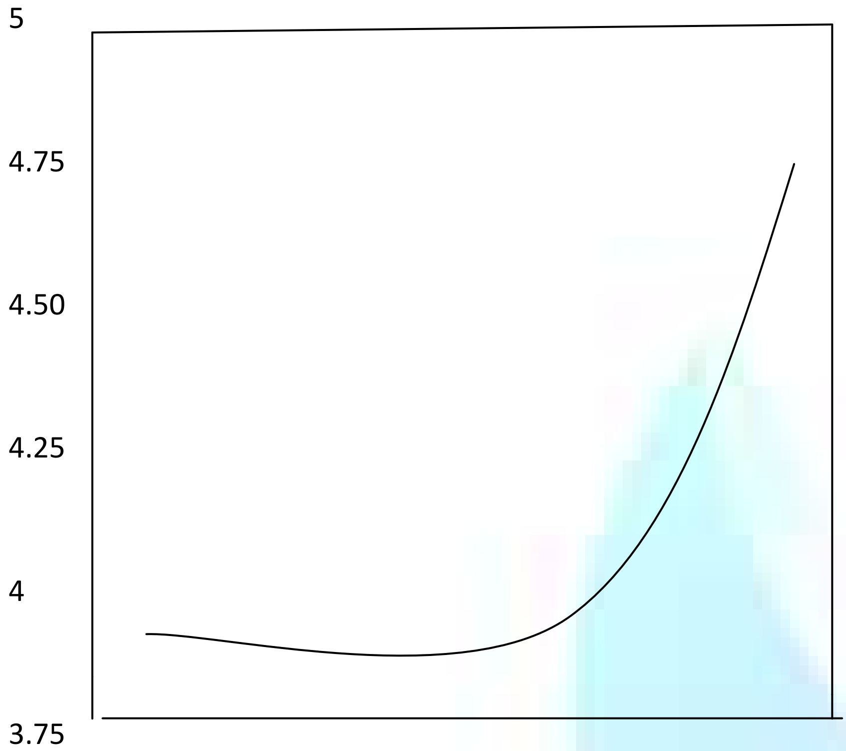


FIGURE 2: RELATIONSHIP BETWEENREACTIVE TO MARKET INFORMATION AND INNOVATION



TABLES

TABLE I: SAMPLE AND POPULATION DISTRIBUTION

	Percentage of firms in the sample	Percentage of firms in the population
Food	19.2	20.8
Chemical	16.2	20.6
Plastic	13.6	12.5
Electrical equipment	19.2	13.7
Transportation	13.3	13.8
Number of employees		
25-40	14.6	18.7
41-70	11.5	16.2
71-100	15.3	16.6
101-150	11.4	13.3
151-200	14.1	14.3
>200	22.4	15.2
Sales,		
< 10.5	12.4	12.3
10.5-25.0	22.3	31.2
25.1-35.5	18.9	13.6
35.6-45.0	7.8	8.9
45.1-65.0	13.2	10.6
>120	13.4	11.0

TABLE II: DESCRIPTIVE AND PEARSON CORRELATIONS

	Mean	SD	Range	1	2	3	4	5	6
NP performance	4.8	1.12	1.0-7.0						
Innovation	3.76	1.07	1.2-3.0	0.32**					
Intelligence generation	4.87	0.80	2.2-1.0	0.15**	0.20**				
Intelligence dissemination	3.90	1.12	1.2-4.0	0.16 * *	0.25**	0.55**			
Responsiveness	4.97	0.90	3.1-1.0	0.24**	0.23**	0.60**	0.48**		
Firm size	3.90	1.20	1.0-1.0	0.02	0.04	0.17**	0.11*	0.10*	
Competitive strength	3.18	1.29	1.0-2.0	-0.02	-.011*	0.01	0.01	0.01	0.05

Notes: Significance levels: *p, 0:05; * *p, 0:01

TABLE III: PATH ANALYSIS RESULTS: STANDARDIZED PARAMETER ESTIMATES

	Hypothesized model		Revised model	
Hypothesized relationships				
information range →Information dispersion	0.52	0.46, 0.61 * *	0.53	0.43, 0.61 * *
information range →reactive	0.55	0.36, 0.53 * *	0.55	0.36, 0.53 * *
Information dispersion →reactive	0.16	0.10, 0.25 * *	0.16	0.10, 0.25 * *
information range → Innovation	-0.04	-0.13, 0.09		
information range → Innovation	0.00	-0.10, 0.9		
Information dispersion → Innovation	0.14	0.04, 0.25 * *	0.16	0.06, 0.26 * *
Information dispersion→ Innovation	-0.05	- 0.15, 0.04		
reactive → Innovation	0.13	0.04, 0.27 *	0.13	0.04, 0.23 *
reactive ^{2}→ Innovation	0.11	0.04, 0.20*	0.10	0.04, 0.16 *
information range → NP performance	-0.04	-0.16, 0.07		
Information dispersion →NP performance	0.05	-0.8, 0.15		
reactive → NP performance	0.13	0.03, 0.26 *	0.13	0.07, 0.23 *
Innovation→NP performance	0.23	0.13, 0.33 * *	0.26	0.16, 035 * *
Control relationships				
Firm size→Information dispersion	0.06	-0.03, 0.13		
Competitive strength→Information dispersion	-0.03	-0.9, 0.05		
Firm size→ reactive	0.01	-0.04, 0.06		
Competitive strength→reactive	0.05	-0.02, 0.10		
Firm size→Innovation	-0.02	-0.10, 0.07		
Competitive strength→ Innovation	-0.10	-0.20, 15.04 *	-0.14	-0.24, 20.03 *
Firm size→ NP performance	0.04	-0.05, 0.10		
Competitivestrength→NP performance	-0.03	-0.10, 0.04		
R^2 of Information dispersion	0.33		0.32	
R^2 of reactive	0.40		0.39	
R^2 of innovation	0.10		0.9	
R^2 of new product performance	0.13		0.12	

Significance levels: *p, 0:05; * *p, 0:01

THE APPRAISAL OF THE EFFECT OF STAFFS' ENTREPRENEURIAL SPIRIT ON THE QUALITY DEVELOPMENT OF HUMAN CAPITAL: A CASE STUDY OF SHAHID HASHEMI NEJAD GAS REFINING COMPANY

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ABSTRACT

The present research intends to appraise the effect of staffs' entrepreneurial spirit on the quality development of human capital. It is an applied research which has been accomplished through a descriptive method. The statistical universe of the research is consisting of 700 staffs of Shahid Hashemi Nejad Gas Refining Company (in Iran). The researcher, on the basis of research method and simple random sampling, has considered 247 of the staffs as the statistical sample. The instruments which have been applied to assemble the data have been standard questionnaire and data analysis in the direction of descriptive and correlation (regression) methods. Software SPSS has also been used to analyze the data, correlations and regression tables and ILSREL has been applied to data fitting through a conceptual model. Considering the analysis of research data, whole hypotheses of the research have been averred. The final results indicate that engendering a spirit of entrepreneurship apropos of the quality of human capital (consisting of innovation level, risk propensity, meeting success, concentration on the decision-making, self-confidence and the capacity ambiguity resolution) can augment the quality of human capital and such possibilities can promote the level of productivity and final efficiency of the organization. Therefore, educating the organization's staffs on the entrepreneurship principles can be considered as an efficacious strategy.

KEYWORDS
Entrepreneurship, Human Capital, Productivity

INTRODUCTION

Entrepreneurship is the process or concept in which the entrepreneur, through engendering innovative and novel ideas and opportunities and also mobilizing the resources, attempts to drum up new businesses, growing companies and organizations. In 1964, Robert Katz said that the organizations whose objectives had been prognosticated on the basis of their staffs' innovation spirit would found more successful social systems and those organizations would be more amenable and knowledge oriented [13]. Entrepreneurship is undeniably required and its necessity is controvertible. Entrepreneurs are at the frontline of technological and economic development. Education is one of the fundamental aspects of improving entrepreneurship which should be noticed. In the earliest stages of commencing their task, entrepreneurs try to take opportunities beyond home markets which are a significant principle in marketing [14]. Entrepreneurship subjects are nowadays taught throughout the universities and institutes of higher education. As it is mentioned in most of the researches, entrepreneurship has nowadays a great influence on the economic infrastructures and managers' success. It also is effective in the staffs' conception of today's organizations [11]. Shahid Hashemi Nejad Gas Refining Company has had a continual struggle to enhance the educational and scientific knowledge of the staffs in order to improve the quality level of their efficiency. The organization also has intended to develop the programming, management, recognition, knowledge and worthiness of human capital in the direction of the application of the third criteria of EFQM. This research aims to reply the question that whether entrepreneurial spirit can be a distinctive element in the enhancement of the level of innovation, self-confidence, risk propensity, meeting success and finally the augmentation of productivity and whether it can help the organization to achieve its goals and objectives. The present research seeks to appraise the effect of entrepreneurial spirit on the enhancement of the staffs' level of innovation, risk propensity, self-confidence, concentration on the decision-making, ambiguity tolerance and meeting success. The staffs of Shahid Hashemi Nejad Gas Refining Company, which is one of the dependent organizations of National Iranian Gas Company (NIGC) and its main activity is in the field of refining natural gas, have been studied in this research.

REVIEW OF LITERATURE

The word entrepreneurship, which means being responsible for a task, has derived from French. Entrepreneur is someone who is responsible for the managing and organizing new businesses which accompany many risks. Entrepreneur in French had been applied for the person who leads a music group or other recreational and amusement activities. Then, at the beginning of 16th c. this concept was used for the people who were dispatched to military missions. In 17th c.

the scope of its application gradually was augmented and the word has been used in various engineering activities such as building and trench construction. At the beginning of the 18th c. the word has been applied for economic activities. Through this framework, entrepreneurship has been brought up in different activities and from various viewpoints [1]. Researchers have accomplished many studies apropos of the effect of innovation and creativity on several service sections which indicate the improvement of outputs' quality in this industry [7]. Some of these studies are the efficacious attributes of the new products' success in comparison with the older samples [15]. The behavior of the market-oriented and entrepreneurs are alike. Both of these behaviors play the role of development boundaries for the organization. Both behaviors have interaction with the environment which has surrounded the organization and require risk propensity and entrusting in the organization. These organizations also need the experienced staffs with the great spirit of business to encounter abstruse spaces [14]. Entrepreneurship is so significant in different cultures which have been known as panacea (cure-all for every illness) in economics, and managers and staffs refer to it as the principal element of countries' development. It is an axiom that there is a positive and significant relationship between entrepreneurship and economic growth [16]. Entrepreneurship has some benefits such as achieving autonomy, satisfaction, financial reward and self-esteem [2]. According to different experts, there are various divisions for entrepreneurship among which the foremost ones are the individual (autonomous) entrepreneurship and organizational (internal organizational) entrepreneurship [1]. An autonomous entrepreneur is a person who is responsible for providing the rudimentary equipment of commencing a new business and the main factor of entrepreneurship is innovation [3]. Organizational entrepreneurship is consisting of developing the entrepreneurial behavior in the organization which has been established in advance and is the process of engendering the innovative outputs (services) or processes through creating an entrepreneurial culture in the organization [1]. The most considerable attributes of entrepreneurship can be as follows: positive thinking, seeking success, taking risk, trending creativity and innovation, having invincible spirit, self-control, independence, future ambitions and ambiguity resolution [2], [12]. We carry on with the investigation of accomplished research in this field. In 2010, Hayati Jafar Beigi had studied the relationship between the entrepreneurial attributes of staffs and human capital efficiency in a field research. Its findings indicated that there was a significant relationship between the attributes of risk propensity, self-control, seeking success, ambiguity resolution and the component of human capital efficiency, but there was no significant relationship between creativity and human capital efficiency [5]. The results of other researches done by Jahromi, Boudlayi and Narimani have indicated that there is a positive and significant relationship between the organizational factors (such as manager's support, encouragement, rewarding, entrusting, opportunities and organizational structure) and organizational entrepreneurship in Pars Oil & Gas Company [6]. Nikou Maram Zade and Heidar Zade, through examining the quoted companies, have concluded that entrepreneurial tendency does not have a positive and direct relationship with marketing and on the contrary, it has a negative effect through the grouping reduction. It is also proved that there is no difference between the results of administrative entrepreneurial tendency either at the time of marketing's modification or marketing's non-modification [8]. The findings of another research in Iran Khodro Company shows that there is a significant relationship between the staffs' skill and capability and organizational entrepreneurship and also the amount of organizational entrepreneurship is different based on the variables of gender, age, education level and years of service [9]. Another research in Shahid Beheshti University indicates that organizational structure is in positive and direct relation with the organizational entrepreneurship and there is an inverse relation between the components of organizational structure (officialdom, abstruseness and concentration) and organizational entrepreneurship [10]. In 2010, Wenhong and Linying have averred in a research that entrepreneurs have an effective influence on the economics and the enhancement of profitability. People who were optimistic and had a strong tendency toward entrepreneurship could meet great success and it is concluded that entrepreneurship is accompanied by a high spirit of risk propensity [17]. In 2006, Heinonen and Poikkijoki came to the conclusion that people who possess the rudimentary attributes of entrepreneurship should be taught and trained at the basic levels of education and from the early age to be capable of achieving an entrepreneurial spirit and behavior and benefiting from the opportunities in markets [18].

RESEARCH METHODOLOGY

In this research, the effect of independent variable of entrepreneurial spirit has been investigated on 6 strategic elements of marketing (such as innovation, meeting success, concentration on decision-making, risk propensity, ambiguity resolution and self-confidence) as dependent variables. The research is applied and descriptive. The main instrument of assembling data was a questionnaire which was designed on the basis of five-point Likert-type Scale. 42 questions were applied to measure the research variables; 22 of the questions were applied to scale the independent variable of 'entrepreneurial spirit' consisting of 4 questions measuring 'innovation', 4 questions 'success', 3 questions 'concentration on decision-making', 3 questions 'risk propensity', 3 questions 'ambiguity resolution' and 3 questions 'self-confidence'; there were also 20 questions which were applied to measure the dependent variables. The questionnaire was distributed among sample population. The respondents were asked to evaluate the answers according to their level of agreement of disagreement. The respondents' answers were summed based on their response to each item. The questionnaire's scoring was drawn on the basis of the following model:

-2 means I do not have this characteristic (very rarely)
1- means I have a little of this characteristic (rarely)
0 means I am neutral (moderately)
+1 means I have much of this characteristic (strongly)
+2 means I have this characteristic completely (very strongly)

Questionnaire's reliability has been calculated through Cronbach's Alpha method and distributing 30 questionnaires. The questionnaires have been analyzed through SPSS software and Cronbach's value has been 0.834 which avers research's reliability. Adroit and experts have confirmed the validity of questionnaire's content. Descriptive and correlation (regression) methods and SPSS and LISREL[1] software have been used for data processing. SPSS software has been applied to analyze the data, correlations and regression tables and LISREL software has been utilized for data fitting through a conceptual model. The statistical universe of the research is consisting of 700 staffs of Shahid Hashemi Nejad Gas Refining Company. On the basis of the following formula and simple random sampling, 247 staffs have been chosen as the statistical sample.

$$n = \frac{N.t^2.p(1-p)}{N.d^2 + t^2.p(1-p)}$$

Morgan Formula

n = sample's volume
N = the whole number of statistical universe
t^2 = t student amount when significance level is less than 0.05
d^2 = estimation of statistical universe's parameter which is equal with 0.052
p = probability of attribute's existing
(1-p) = probability of attribute's non-existing [4].

$$n = \frac{700 \times 1.96^2 \times 0.5(1-0.5)}{700 \times 0.05^2 + 1.96^2 \times 0.5(1-0.5)} = 247$$

Research Hypotheses and Descriptive Model

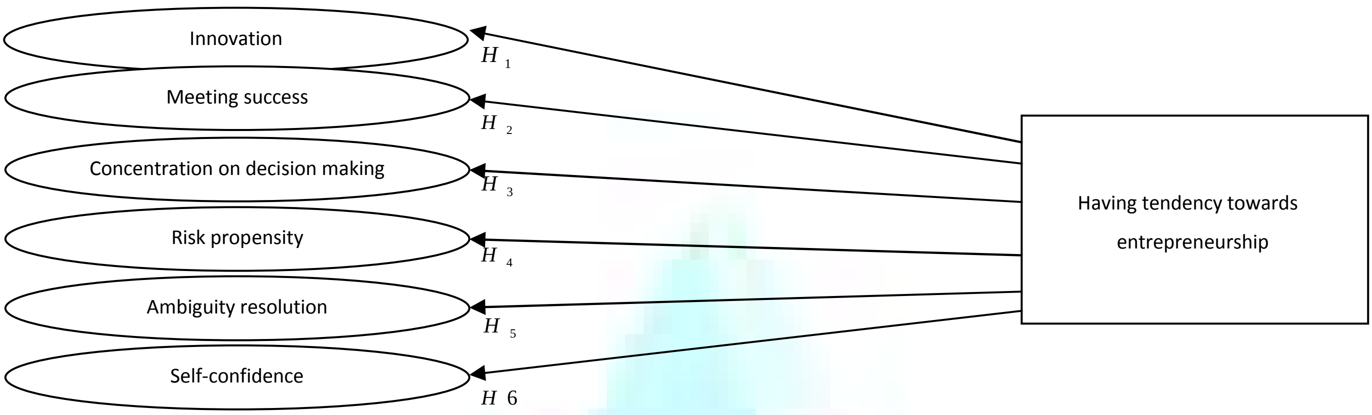
1- There is a relationship between entrepreneurial spirit and the enhancement of staffs' innovation.
2- There is a relationship between entrepreneurial spirit and the enhancement of staffs' success.
3- There is a relationship between entrepreneurial spirit and the enhancement of staffs' concentration on decision-making.
4- There is a relationship between entrepreneurial spirit and the enhancement of staffs' risk propensity.

[1] - LInear Structural RELationships

5- There is a relationship between entrepreneurial spirit and the enhancement of staffs' ambiguity resolution.

6- There is a relationship between entrepreneurial spirit and the enhancement of staffs' self-confidence.

FIGURE 1: RESEARCH'S VARIABLES



RESEARCH HYPOTHESES TESTING

To apply the opposite statistical method, first of all, the hypotheses have been investigated to be employed in the hypotheses testing. Due to the fact that research's variables are distance, regression tests and path analysis have been utilized. Significance level has been considered ($p<0.05$) and two dimensional for the statistical comparisons. If we assume that:

X: independent variable of existing entrepreneurial spirit in the staffs

Y: dependent variable

Hypothesis 1: entrepreneurial spirit will produce innovation in staffs and managers.

TABLE 1: THE SYNOPSIS OF DETERMINING LINEAR RELATIONSHIP BETWEEN THE INDEPENDENT VARIABLE OF EXISTING ENTREPRENEURIAL SPIRIT IN STAFFS AND MANAGERS AND DEPENDENT VARIABLE OF INNOVATION

Model	SS	Df	MS	F	P	R	R^2
Regression	32.128	1	32.128	145.911	0.000	0.66	0.436
Residuals	41.616	189	0.22				
Total	73.744	190					

TABLE 2: THE COEFFICIENT OF THE EFFECT OF HAVING ENTREPRENEURIAL SPIRIT ON INNOVATION IN STAFFS AND MANAGERS ON THE BASIS OF REGRESSION EQUATION

Indicator Variable		B	SE	Beta	T	Sig
Staffs' and managers' innovation	B0	0.07	0.082		0.855	0.394
	B1	0.924	0.076	0.66	12.079	0.000

The results of variance analysis and statistical regression attributes (on the basis of coding) and the effect of staffs' entrepreneurial spirit on their innovation have been shown in table 7-4. According to these findings, the amount of observed f (145.911) is significant ($p<0.001$), correlation coefficient is 0.66 between the two variables and 0.436 of the alterations related to staffs' and managers' innovation is based on the staffs' entrepreneurial spirit. The variable's regression coefficients indicate that the staffs' entrepreneurial spirit can amplify the changes with regard to the staffs' and managers' innovation in a significant way, meaning that there is linear relationship between the variables. The mathematical model for the above variables can be as follows:

Y=B0+B1X

Staffs' and managers' innovation= 0.07+ 0.924 (staffs' entrepreneurial spirit)

Hypothesis 2: having an entrepreneurial spirit leads to meeting success.

TABLE 3: THE SYNOPSIS OF DETERMINING LINEAR RELATIONSHIP BETWEEN THE INDEPENDENT VARIABLE OF EXISTING ENTREPRENEURIAL SPIRIT IN STAFFS AND MANAGERS AND DEPENDENT VARIABLE OF MEETING SUCCESS

Model	SS	Df	MS	F	P	R	R^2
Regression	27.166	1	27.116	66.386	0.000	0.506	0.256
Residuals	78.831	193	0.408				
Total	105.947	194					

TABLE 4: THE COEFFICIENT OF THE EFFECT OF HAVING ENTREPRENEURIAL SPIRIT ON MEETING SUCCESS IN STAFFS AND MANAGERS ON THE BASIS OF REGRESSION EQUATION

Indicator Variable		B	SE	Beta	T	Sig
Staffs' and managers' need to success	B0	0.131	0.109		1.194	0.234
	B1	0.829	0.102	0.506	8.148	0.000

The results of variance analysis and statistical regression attributes (on the basis of coding) and the effect of staffs' entrepreneurial spirit on their need to success have been shown in table 9-4. Considering these findings, the amount of observed f (66.386) is significant ($p<0.001$), correlation coefficient is 0.506 between the two variables and 0.256 of the alterations related to staffs' and managers' needing success is based on the staffs' entrepreneurial spirit. The variable's regression coefficients show that the staffs' entrepreneurial spirit can aver the changes regarding the staffs' and managers' need to success significantly. It means that there is linear relationship between the variables. The mathematical model for the above variables can be considered as follows:

Y=B0+B1X

Needing to success = 0.131+ 0.829 (staffs' entrepreneurial spirit)

Hypothesis 3: having an entrepreneurial spirit leads to concentration on decision-making.

TABLE 5: THE SYNOPSIS OF DETERMINING LINEAR RELATIONSHIP BETWEEN THE INDEPENDENT VARIABLE OF EXISTING ENTREPRENEURIAL SPIRIT IN STAFFS AND MANAGERS AND DEPENDENT VARIABLE OF CONCENTRATION ON DECISION-MAKING

Model	SS	Df	MS	F	P	R	R^2
Regression	25.013	1	25.013	65.154	0.000	0.502	0.252
Residuals	74.095	193	0.384				
Total	99.109	194					

TABLE 6: THE COEFFICIENT OF THE EFFECT OF HAVING ENTREPRENEURIAL SPIRIT ON CONCENTRATION ON DECISION-MAKING IN STAFFS AND MANAGERS ON THE BASIS OF REGRESSION EQUATION

Indicator Variable		B	SE	Beta	T	Sig
Staffs' and managers' concentration on decision-making	B0	-0.042	0.105		-0.398	0.691
	B1	0.794	0.098	0.502	8.072	0.000

The findings of variance analysis and statistical regression attributes (on the basis of coding) and the effect of staffs' entrepreneurial spirit on their concentration on decision-making have been shown in table 11-4. Based on these findings, the amount of observed f (65.154) is significant (p<0.001), correlation coefficient is 0.502 between the two variables and 0.252 of the alterations related to staffs' and managers' concentration on decision-making is based on the staffs' entrepreneurial spirit. The variable's regression coefficients show that the staffs' entrepreneurial spirit can verify the variations related to the staffs' and managers' concentration on decision-making in a significant way. It means that there is linear relationship between the variables. The mathematical model for the above variables can be as follows:

Y=B0+B1X

Concentration on decision-making = -0.042+ 0.794 (staffs' entrepreneurial spirit)

Hypothesis 4: having an entrepreneurial spirit will make risk propensity.

TABLE 7: THE SYNOPSIS OF DETERMINING LINEAR RELATIONSHIP BETWEEN THE INDEPENDENT VARIABLE OF EXISTING ENTREPRENEURIAL SPIRIT IN STAFFS AND MANAGERS AND DEPENDENT VARIABLE OF RISK PROPENSITY

Model	SS	Df	MS	F	P	R	R^2
Regression	28.834	1	28.834	72.838	0.000	0.521	0.271
Residuals	77.59	196	0.396				
Total	106.424	197					

TABLE 8: THE COEFFICIENT OF THE EFFECT OF HAVING ENTREPRENEURIAL SPIRIT ON RISK PROPENSITY IN STAFFS AND MANAGERS ON THE BASIS OF REGRESSION EQUATION

Indicator Variable		B	SE	Beta	T	Sig
Staffs' and managers' risk propensity	B0	-0.167	0.106		-1.572	0.117
	B1	0.848	0.099	0.521	8.535	0.000

The findings of variance analysis and statistical regression attributes (on the basis of coding) and the effect of staffs' entrepreneurial spirit on their risk propensity have been shown in table 13-4. Based on these findings, the amount of observed f (72.838) is significant (p<0.001), correlation coefficient is 0.521 between the two variables and 0.271 of the alterations related to staffs' and managers' risk propensity is based on the staffs' entrepreneurial spirit. The variable's regression coefficients show that the staffs' entrepreneurial spirit can prove the changes related to the staffs' and managers' risk propensity in a significant way. It means that there is linear relationship between the variables. The mathematical model for the above variables can be as follows:

Y=B0+B1X

Risk propensity = -0.167+0.848 (staffs' entrepreneurial spirit)

Hypothesis 5: having an entrepreneurial spirit will augment the capability of ambiguity resolution.

TABLE 9: THE SYNOPSIS OF DETERMINING LINEAR RELATIONSHIP BETWEEN THE INDEPENDENT VARIABLE OF EXISTING ENTREPRENEURIAL SPIRIT IN STAFFS AND MANAGERS AND DEPENDENT VARIABLE OF AMBIGUITY RESOLUTION

Model	SS	Df	MS	F	P	R	R^2
Regression	10.681	1	68110	30.122	0.000	0.371	0.137
Residuals	67.019	189	0.355				
Total	77.7	190					

TABLE 10: THE COEFFICIENT OF THE EFFECT OF HAVING ENTREPRENEURIAL SPIRIT ON AMBIGUITY RESOLUTION IN STAFFS AND MANAGERS ON THE BASIS OF REGRESSION EQUATION

Indicator Variable		B	SE	Beta	T	Sig
Staffs' and managers' capability of ambiguity resolution	B0	-0.12	0.103		-1.172	0.243
	B1	0.525	0.096	0.371	5.488	0.00

The results of variance analysis and statistical regression attributes (on the basis of coding) and the effect of staffs' entrepreneurial spirit on their capability of ambiguity resolution have been shown in table 15-4. Based on these findings, the amount of observed f (30.122) is significant (p<0.001), correlation coefficient is 0.371 between the two variables and 0.137 of the alterations related to staffs' and managers' capability of ambiguity resolution is based on the staffs' entrepreneurial spirit. The variable's regression coefficients show that the staffs' entrepreneurial spirit can verify the changes related to the staffs' and managers' ambiguity resolution in a significant way. It means that there is linear relationship between the variables. The mathematical model for the above variables can be as follows:

Y=B0+B1X

The capability of ambiguity resolution= -0.12+0.525 (staffs' entrepreneurial spirit)

Hypothesis 6: entrepreneurial spirit will increase self-confidence.

TABLE 11: THE SYNOPSIS OF DETERMINING LINEAR RELATIONSHIP BETWEEN THE INDEPENDENT VARIABLE OF EXISTING ENTREPRENEURIAL SPIRIT IN STAFFS AND MANAGERS AND DEPENDENT VARIABLE OF SELF-CONFIDENCE

Model	SS	Df	MS	F	P	R	R^2
Regression	20.302	1	20.302	25.547	0.000	0.463	0.214
Residuals	74.566	193	0.386				
Total	94.868	194					

TABLE 12: THE COEFFICIENT OF THE EFFECT OF HAVING ENTREPRENEURIAL SPIRIT ON SELF-CONFIDENCE IN STAFFS AND MANAGERS ON THE BASIS OF REGRESSION EQUATION

Indicator Variable		B	SE	Beta	T	Sig
Staffs' and managers' self-confidence	B0	0.175	0.106		-1.165	0.101
	B1	0.723	0.1	0.463	7.249	0.000

The results of variance analysis and statistical regression attributes (on the basis of coding) and the effect of staffs' entrepreneurial spirit on their self-confidence have been shown in table 17-4. According to these findings, the amount of observed f (52.547) is significant (p<0.001), correlation coefficient is 0.463 between the two variables and 0.214 of the changes related to staffs' and managers' self-confidence is based on the staffs' entrepreneurial spirit. The variable's regression coefficients show that the staffs' entrepreneurial spirit can verify the changes related to the staffs' and managers' self-confidence in a significant way. It means that there is linear relationship between the variables. The mathematical model for the above variables can be as follows:

Y=B0+B1X

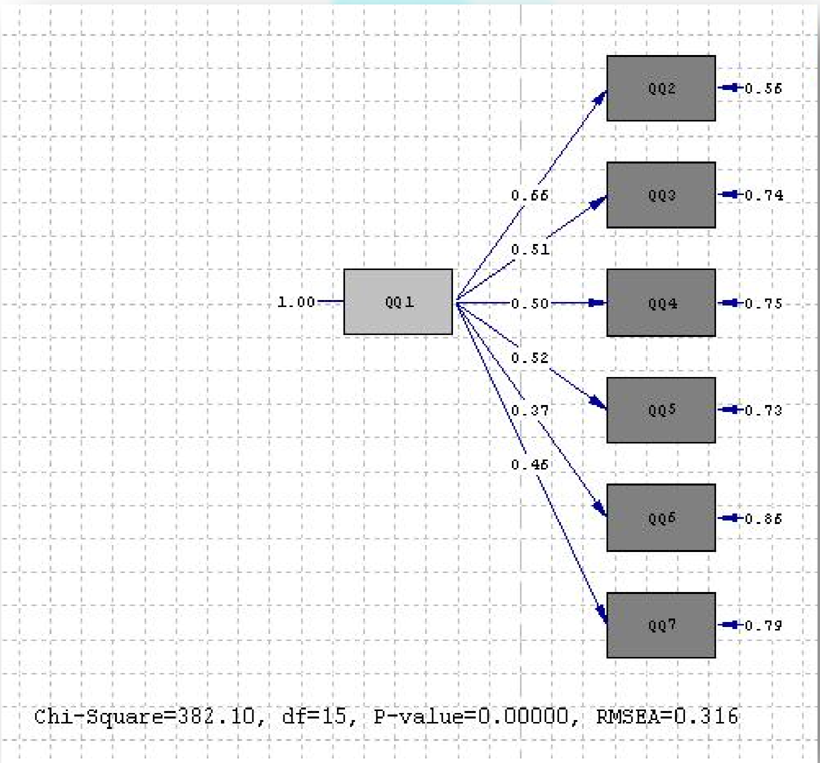
Self-confidence =-0.175+0.723 (staffs' entrepreneurial spirit)

Now, according to the achieved findings of testing the hypotheses 1 to 6, we can reply to a general question which is "what kind of mixed linear relationship exists between the independent variable of entrepreneurial spirit in staffs and managers and dependent variables?" this question can be answered through LISREL software.

If we assume that:

QQ1: independent variable of having entrepreneurial spirit
QQ2: dependent variable of staffs' and managers' innovation
QQ3: dependent variable of needing to meet success
QQ4: dependent variable of concentration on making decision
QQ5: dependent variable of risk propensity
QQ6: dependent variable of the capability of ambiguity resolution
QQ7: dependent variable of self-confidence

FIGURE 2- PATH ANALYSIS DIAGRAM OF THE INDEPENDENT VARIABLE OF HAVING ENTREPRENEURIAL SPIRIT WITH THE OTHER DEPENDENT VARIABLES



Considering the above diagram and assembled information about the mixed model and due to the fact that chi square is 382.1, the degree of freedom is 15 and significance level is equal with 0, it can be concluded that the above model can be confirmed. (If significance level was more than 0.05, the conceptual model would not be averred and it should be noticed that if even one of the linear relationships (the hypotheses) was not significant, the conceptual mode could not be confirmed.)

On the basis of the accomplished analyses, the amount of dependent variables' changes due to the independent variable can be summarily prioritized with regard to the following table:

TABLE 13: RANKING THE COEFFICIENT OF DETERMINING THE DEPENDENT VARIABLES

Variable	R	R2	P	F
Innovation	0.66	0.436	0.000	145.911
Risk propensity	0.521	0.271	0.000	72.838
Need to success	0.506	0.256	0.002	66.386
Concentration on decision-making	0.502	0.252	0.000	65.154
Self-confidence	0.463	0.214	0.000	25.547
Capability of ambiguity resolution	0.371	0.137	0.000	30.122

RESULTS AND SUGGESTIONS

Finding of the table 1-5 of the present research indicate that there is a positive and significant relationship between the entrepreneurial spirit and augmentation of innovation, needing to meet success, risk propensity, self-confidence, capability of ambiguity resolution and concentration on decision-making between the staffs of Shahid Hashemi Nejad Gas Refining Company. By and large, the highest effect of entrepreneurship is on the innovation, with 0.436 coefficient of determination and its lowest effect is on ambiguity resolution with 0.137 coefficient of determination. This result can be due to the partnership system of the organization and its manager's support to produce an environment which is apposite for the staffs' creativity and innovation. Low effect of entrepreneurship on ambiguity resolution can be attributed to the fact that the organization is governmental and there are some strict rules and laws from the authorities which can confine the staffs' entrepreneurship when encountering ambiguity. In spite of these adversities, we can still see some effects of entrepreneurship on the ambiguity resolution. Therefore, if entrepreneurial spirit enhances, the innovation level will be considerably enhanced. Additionally, the effect of this variable on the other variables such as meeting success, concentration on decision-making, risk propensity, ambiguity resolution and self-confidence can introduce entrepreneurship as a strategic element in ameliorating the organization's operation and its transformation into a pioneer business in the present competitive circumstances. Considering the research's results, following suggestions can be proposed:

1- A committee is suggested to be established on entrepreneurship to define the objectives and strategies of human capital with the help of consultants.
2- Pondering the research's findings, which indicate the effectiveness of entrepreneurship on innovation with the coefficient correlation of 0.66 and 0.436 coefficients of determination, and in the present circumstances of global economy, entrepreneurship can be a competitive benefit. Educational courses in the direction of creativity and innovation in the organization are so efficacious along with entrepreneurial training courses. Entrepreneurship enhancement in the staffs can remove the adversities, which exist due to boycotts of rudimentary instruments and spare parts, through the innovative and creative actions. It also can produce a stable market. It is suggested to execute the training courses under the supervision of experts who are proficient and have an acquaintance with the industry.
3- According to the hypothesis 2 which indicates the effect of entrepreneurship on meeting success with the coefficient correlation of 0.506 and 0.256 coefficient of determination, it is proposed to augment the managers' and staffs' need of success through entrepreneurial training development. It can also ameliorate the staffs' motivation and expectancy which are the fundamental factors of efficiency development and organizational effectiveness.

This issue can cause the staffs' perseverance in the adversities and their operational amendment. These factors can improve human capital efficiency in the operational areas of gas and oil.

4- Decision making means to choose the best alternative among the existing ones. If the entrepreneurial spirit is increased, the capability of decision-making will be enhanced. This principle can be confirmed based on the present research which indicates the effect of entrepreneurship on decision-making with the coefficient correlation of 0.502 and 0.252 coefficient of determination. So, in addition to the entrepreneurial training courses, it is suggested to make an entrusting system in the organization to improve the staffs' capability of making decision and approach the organization's objectives.
5- Self-confidence improves when the staffs know that the managers support them in their creative and innovative operations. It is suggested that the managers avert from the confined activities and always second them to achieve the organization's purposes. If managers accept this issue as an efficacious index of organization's operation, more development can be accessible in education and entrepreneurial enhancement, since the research's findings show the effect of entrepreneurship on the augmentation of staffs' and managers' self-confidence.
6- Sometimes, on the process of doing the organizational activities, the staffs may encounter some ambiguities and adversities which are increasing every day with regard to the changing structures of the organization. Improving the entrepreneurial spirit is proposed to keep the staffs away from this difficulty and help them at the time of encountering organizational ambiguities.

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RELATING CORPORATE GOVERNANCE WITH MARKET VALUATION AND ORGANIZATIONAL PERFORMANCE: AN EMPIRICAL STUDY ON KSE PAKISTAN

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ABSTRACT

The idea of this paper is to empirically test the impact of corporate governance measures on organizational performance of listed companies at 100-index of Karachi stock exchange (KSE). Like many other developing countries, ownership concentration and weak investor protection, especially protection of minority share holders, are the main characteristics of Pakistani market, which affect firm's performance. So the examination and exploration of link between corporate governance and organizational performance is the main area of this research. The research methodology used is ordinary least square regression analysis. Statistical significance is checked by using accounting measures of financial performance i.e. Return on equity, Return on assets, earning per share, net profit, sales growth and Herfindahl-Hirschman Index (HHI) for ownership structure. Company valuation is measured through Tobin's Q ratio. Based on a sample of KSE-100 index, the result reveals that there is a positive and significant relationship between organizational performance and corporate governance practices and there is positive and very significant relationship between company Valuation and corporate governance. Our results are consistent with organizational theory and Agency theory of corporate Governance. This is the first study of its own type that measures the relationship between organizational performance, company valuation and corporate governance practices of KSE-100 index companies in Pakistan by using cross-sectional data.

KEYWORDS

Company valuation; Ownership concentration; ownership structure; Return on equity; Role Duality.

INTRODUCTION

Like most of the developing countries, ownership concentration and weak investor protection especially of minority share holders, are the main characteristics of Pakistani market. So the determination of relationship between ownership concentration and organizational performance is the main area of this research. Corporate Governance has been defined in various ways by different authors depending on one's view of the world. Shleifer and Vishny (1997) defined corporate governance as assurance for investors on their investment. While, Gillan and Starks (1998) identified the laws, rules and the controlling factors of the company's operations as corporate governance. However La Porta *et al.* (2000) defines it as the means of the protection of the outside investors' interest. The Securities and Exchange Commission of Pakistan defined corporate governance as;

"Corporate governance lead to the basic idea, which refers to the system by which companies are directed and controlled, focusing on the responsibilities of directors and managers for setting strategic aims, establishing financial and other policies and overseeing their implementation, and accounting to shareholders for the performance and activities of the company with the objective of enhancing its business performance and conformance with the laws, rules and practices of corporate governance."

Moreover, authors added that corporate governance is a way to resolve the agency problem and it can be achieved by the "independent monitoring of management, transparency as to corporate performance, ownership and control Manual of corporate governance by SECP (2003).

According to manual of corporate governance by SECP poor governance hinders economic development and investment. Organizational performance consists upon actual results of an organization measured against its intended output. According to Richard *et al*. (2009) organizational performance encompasses three specific areas of firm outcomes as (a) financial performance consists of (profits, return on assets, return on investment, etc), (b) Product market performance i.e. (sales, market share, etc) and (c) Shareholder return i.e. (total shareholder return, economic value added, etc). Recently, balance score card methodology is used to measure the performance of organization where performance is measured in multiple dimensions like financial performance, customer services, social responsibility etc.

The rest of the paper is organized as section 2 is based on literature review. Section 3 presents the hypothesis. Data and methodology is presented in section 4 and the last section discusses the analysis results and includes concluding remarks.

LITERATURE REVIEW

Corporate Governance has received the attention of investors, practitioners and regulators after the wave of corporate scandals such as financial scams of Enron, WorldCom and Marconi. These incidences emphasized the need of improved Corporate Governance and led the way towards Sarbanes-Oxley Act (2002) and more stringent conditions from corporate regulatory authorities and stock exchanges around the globe. Such moves has been started properly in Pakistan from 2002 by the incorporation of the first Code of Corporate Governance in March 2002 and after establishment of institute for corporate governance in 2004 by Security and Exchange Commission of Pakistan (SECP). Corporate Governance has been recognized as a mechanism for aligning the interest of principal and agent after keeping outsiders influence on decision makers through improving the quality of financial information and taking care of the interest of all stakeholders. In the developed markets, a lot of empirical research has been done to find the relationship between organizational performance and corporate governance like studies of Anderson and Reeb (2004); Black *et al.*(2003); Bradley (2004); Bahjat and Black (1999, 2001); Drobetz *et al.* (2004); Roe *et al.* (1996); Gompers *et al.* (2003) etc. From these studies it is evident that good corporate governance on one hand results in increase in sales, productivity and profitability and on other hand decrease in systematic risk of failure. Some other researches like Klapper and Love (2003); Mir and Nishat (2004), Javid and Iqbal (2006) identified that corporate governance is also becoming an important area of research in emerging markets like Pakistan. Mir and Nishat (2004) examined the relationship between corporate governance and firm performance and found a positive link between measures of organizational performance and corporate governance structure.

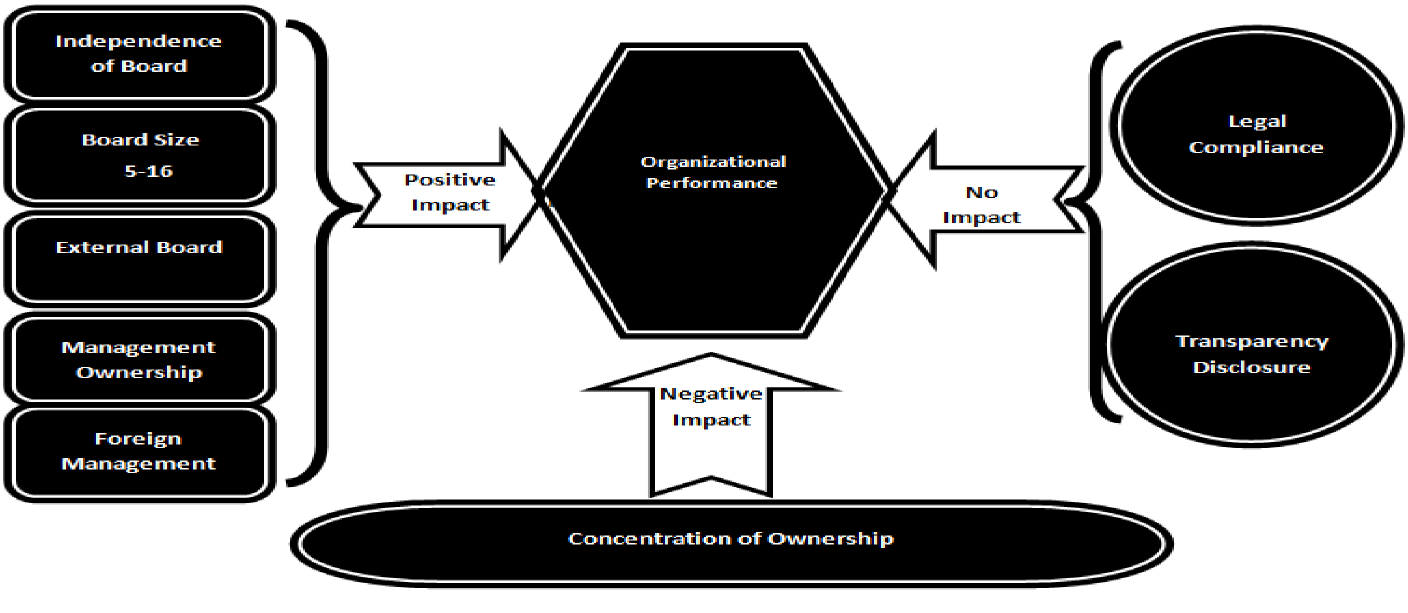
As most of the current literature on corporate governance comes from USA, UK and continental Europe and suggests that relationship exists between board structure, board composition, ownership structure and corporate performance. The firm performance is usually measured by two market level measure;: Tobin Q and dividend payout ratio and two accounting measures: return on assets (ROA) and return on equity (ROE) (Shaheen and Nishat, 2005). As rich data is available for developed economies which are characterized by tight corporate control and low ownership concentration so exploration of the relationship between corporate governance and firms' performance is not as much difficult as in the developing economies (Bohren and Odegaard, 2001). The issue of corporate governance is important for developing countries because it is central to financial and economic development of a country (Javid and Iqbal, 2010). Through theoretical and empirical researches on corporate governance and organizational performance in Pakistan, it has been found that the relationship between corporate governance variables and performance measures is although positive, negative or none.

According to Mir and Nishat (2004), corporate governance structure variables have positive impact over firm's performance. As previous researches show relationship between corporate governance and corporate performance that has been widely studied by researchers but reached no consensus. There is widely held view that good corporate governance practices are associated with better firm's performance. Prior research has linked corporate governance to firm valuation. There are also some studies in which corporate governance indices and financial performance have been correlated. Shaheen and Nishat (2005) explore relationship between corporate governance and firm's performance. They have however found association between corporate governance and firm's performance but not causality.

Javid and Iqbal (2006), while analyzing the effect of corporate governance on firm's performance in Pakistan conclude that not every element of corporate governance enhances firm's performance. They further added that good corporate governance measures uncover low production and bad management practices through transparent disclosure and transparency standards. Javid and Iqbal (2008) concluded that ownership concentration is sign of poor corporate governance. Corporate Governance reforms started with the introduction of Corporate Governance Ordinance in 2002 in Pakistan. Small board size has positive link with performance. Company's performance is better if Size of board of directors is at least six but not more than 15 members (Shaheen and Nishat, 2004)

Little work is done to study the connection between corporate governance and corporate ownership pattern in case of Pakistan. In most of developing markets including Pakistan, the strongly held firms (family or state controlled firms or firms held extensively by corporations and by financial institutions) rule the economic landscape. Greater parts of the firms are owned by the family or institution in case of Pakistan (Cheema *et al.* 2003). Similarly Javid and Iqbal (2008) explored that concentration of ownership is another major issue in poor corporate governance for companies in developing countries like Pakistan**.** As Cheema *et al.* (2003) have spotted only the nature of corporate ownership arrangement in Pakistan without investigating its impact on corporate performance. According to Shaheen and Nishat (2004) firms with relatively poor governance are less profitable, less valuable and pay out less cash to their shareholders. Bauer *et al.* (2008), found that well-governed firms significantly outperform than poorly governed firms by up to 15% a year. On the other hand, result of Aintablian and Boustany (2008) study shows that performance of banks is weakened with concentrated ownership. From the previous theoretical and empirical researches on corporate governance and organizational performance in Pakistan, it has been found that not all the variables of corporate governance have positive impact on firms' financial performance. As the relationship is positive, negative or none. Figure-1 summarizes the link between corporate governance variables and organizational performance in Pakistan.

FIGURE-1: LINK BETWEEN CORPORATE GOVERNANCE ELEMENTS AND ORGANIZATIONAL PERFORMANCE BASED ON CONCLUSION DRAWN FROM LITERATURE REVIEW



Impact of corporate Governance Elements on Organizational Performance Derived from literature Review

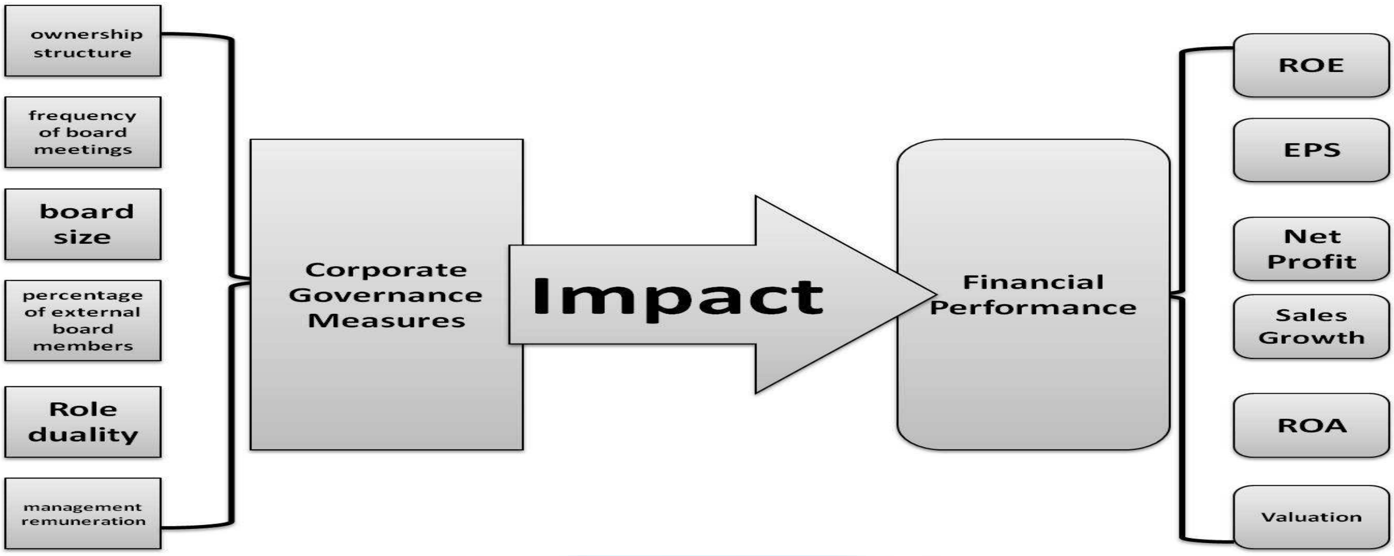
CONCLUDING REMARKS ON LITERATURE REVIEW

A comprehensive review of literature shows that the researchers have not reached on any consensus and document that some studies find significant impact of corporate governance on financial performance, while others demonstrate no association between corporate governance and organizational performance.

These mixed results prompt the researchers to investigate the role of corporate governance in organizational performance. Like many developing countries, ownership concentration and weak investor protection, especially of protection of minority share holders are the main characteristics of Pakistani market. One of the major problems in Pakistan is the agency problem that exists between the management, which is usually the owners as most of the firms are owned and managed by families and minority shareholders (Shah *et al.,* 2009). This problem is the main hurdle in practicing good corporate governance in Pakistan. For this reason we have chosen those corporate governance variables which affect the agency costs.

CONCEPTUAL FRAMEWORK

FIGURE-2: PROPOSED CONCEPTUAL MODEL OF THE STUDY



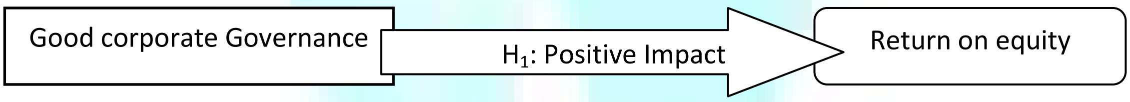
OBJECTVES

1. To empirically test the impact of corporate governance variables on the financial performance of listed companies at KSE-100 index.
2. To check whether better corporate governance leads to better sales growth of an organization. That would ultimately lead the organization towards success.
3. To explore the key success factors of the organization by the way of corporate governance measures.

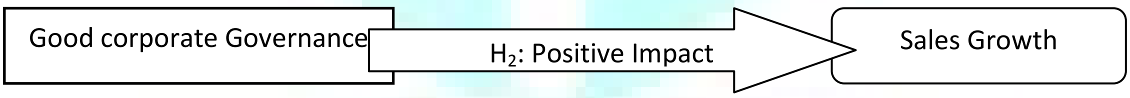
HYPOTHESES

To study the impact of corporate governance of KSE-100 index companies researchers have developed following hypotheses are developed.

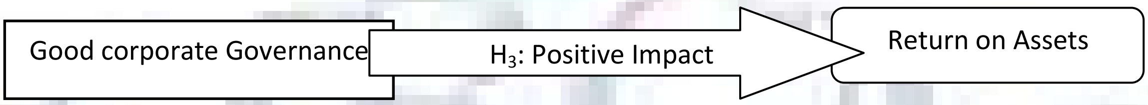
H1: Firms with Better governance have more return on equity



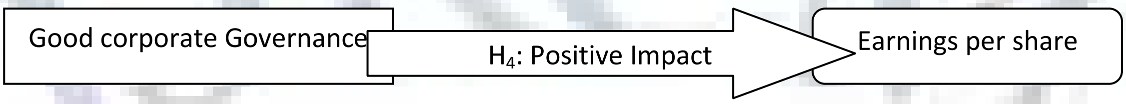
H2: Better governed firms have more sales growth.



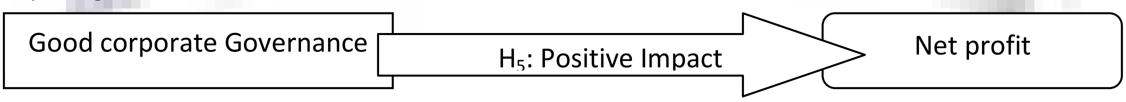
H3: Firms with good corporate governance have more return on assets.



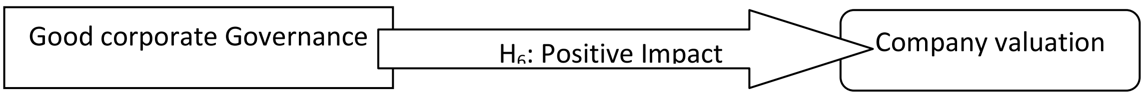
H4: Firms with good corporate governance have more earning per share.



H5: Firms with good corporate governance earn more Profits.



H6: Firms with good corporate governance have more company valuation.



SAMPLE AND RESEARCH METHODOLOGY

I. SAMPLE AND DATA

A random sample of 33 companies listed at KSE-100 index is selected; keeping in view that most of them are following the code of corporate governance. Secondary data is used for this purpose which is collected from company's audited annual reports of 2010.

II. DEPENDENT VARIABLES

Financial Performance**:** Literature uses a number of different ways to measure financial performance. These include return on assets (ROA), return on equity (ROE) (Latif *et al*., 2012), net profit, earning per share, sales growth etc. This study uses all of the above measures to evaluate the firms' financial performance. For company valuation single measure Tobin's Q ratio is used (Latif *et al*, 2012).

Annual Sales Growth: To calculate annual sales growth a formula is used i.e.

$$\frac{\text{Current Sales-Previous Sale}}{\text{Previous Sales}} \times 100 = \text{Percentage Growth}$$

III. INDEPENDENT VARIABLES

Corporate Governance: As a proxy of corporate governance, ownership structure, frequency of board meetings, board size, percentage of external board members, Role duality and management remuneration are used. Ownership concentration is measured by calculating Herfindahl-Hirschman Index (HHI). According to the Index value less than 1500 indicates the diluted ownership, value between 1500 and 2500 indicate moderate concentration and value of index greater than 2500 means highly concentrated ownership Chin (2001) (revised December 2010).It is computed by taking the square of percentage of 5 block holder's shares and by summing them all.

IV. CONTROL VARIABLE

Firm size, as measured through natural log of total assets, is taken as control variable.

V. DATA ANALYSIS

Data was entered, edited and analyzed by using SPSS version 19 and Microsoft Excel 2007. To understand the dynamics of CG and its impact on financial performance, it would be advantageous to apply regression model on the dependent and independent variables. The regression line gives an estimation of the linear relationship between a dependent variable and one or more independent variables or covariates. By applying the technique of OLS Regression, the significance of proposed hypotheses is tested.

RESULTS AND DISCUSSION

Corporate governance is very important issue in the modern corporate world. In the whole world a lot of work has been done on this issue which shows the importance of corporate governance. In our study we have tried to generate link between some important variables of corporate governance with the organization's financial performance variables. As to perform well financially is the utmost important goal of every business organization. For this purpose we have selected KSE-100 index because this index has companies with highest market capitalization. The evidence presented here is based on regression analysis. Measures of financial performance are taken as net profit, return on equity, return on assets, earning per share. Tobin's Q is taken as a measure of company valuation. All assumptions of Ordinary least square regression analysis are fulfilled. Independency in the data is proved as all the data is taken from different business bodies. There is no autocorrelation and multicolinearity in data. Values of Durbin Watson for all models lie in the range of 0.5 to 2.5, which confirms the absence of autocorrelation in the data.

MODEL 1

ROE= $\beta 1 + \beta_2$OWNSCON+ β_3BM+ β4INDDIRCTR + β5 RLD + β_6 BSIZE+ β_7 MNGRMNTN+ β_8 FIRMSIZE

After applying regression it is found that Return on equity is positively related with corporate governance measures and its results are statistically significant. Value of R-square is 0.53 (more than 50% explanatory power) while taking firm size (log of total assets) as a control variable. But relation between ROE and CG becomes less significant after excluding firm size(R-square=0.328). The F-statistics gives significant support to accept the H_1 i.e. 3.402.

Model	R	R Square	F-value	Durbin-Watson
1	.728[a]	.530	3.402	2.277

MODEL 2

Sales Growth=β_1+β_2OWNSCON+β_3BM+ β4INDDIRCTR + β5 RLD + β_6 BSIZE+ β_7 MNGRMNTN+ β_8 FIRMSIZE

There is a positive relation between company's sales growth and corporate governance but its relation is less significant. Value of R-square is 0.241(having explanatory power of 24.1%).It means better governed firms have more sales turnover than the poor governed firms. The F-statistics gives significant support to accept the H_2 in the presence of control variable. So H_2 is accepted here.

Model	R	R Square	F-value	Durbin-Watson
2	.491[a]	.241	.1.95	1.894

MODEL 3

ROA= $\beta 1 + \beta_2$OWNSCON+ β_3BM+ β4INDDIRCTR + β5 RLD + β_6 BSIZE+ β_7 MNGRMNTN+ β_8 FIRMSIZE

There is a positive relation between return on assets and Corporate governance but its relation is less significant, R-square is 0.227(having explanatory power of 22.7%).and after excluding firm size this relations becomes more insignificant. (R-square=0.173). The F-statistics gives significant support to accept the H_3 in the presence of control variable. So H_3 is also accepted.

Model	R	R Square	F-value	Durbin-Watson
3	.476[a]	.227	1.715	1.814

MODEL 4

EPS= $\beta 1 + \beta_2$OWNSCON+ β_3BM+ β4INDDIRCTR + β5 RLD + β_6 BSIZE+ β_7 MNGRMNTN+ β_8 FIRMSIZE

Corporate governance and earnings per share are positively related, but the relation is less significant as inferred through value of R-square=0.248 (having explanatory power of 24.8%). It means better governed firms announce more earnings for share holders as compared to poorly governed firms. After excluding firm size value of R-square becomes 0.23 which means that firm size also affects the relation between corporate governance and firm performance. The F-statistics gives significant support in the presence of control variable to accept the $H_{4.}$

Model	R	R Square	F-value	Durbin-Watson
4	.498[a]	.248	1.008	2.285

MODEL 5

NETPROFIT=β_1+β_2OWNSCON+ β_3BM+ β4INDDIRCTR + β5 RLD + β_6 BSIZE+ β_7 MNGRMNTN+ β_8 FIRMSIZE

From the following research it is also proved that better governed firms earn more profits than poor governed firms. Net profit is positively related with corporate governance and this relation is very significant as shown by the higher value of R-square=0.769(having explanatory power of 76.9%). The F-statistics gives highly significant support to accept the H_5 i.e. F-value is 10.904.

Model	R	R Square	F-value	Durbin-Watson
5	.877[a]	.769	10.904	2.276

MODEL 6

TOBIN Q= + β_1 +β_2OWNSCON+ β_3BM+ β4INDDIRCTR + β5 RLD + β_6 BSIZE+ β_7 MNGRMNTN+ β_8 FIRMSIZE

The relationship between corporate governance and company valuation (Tobin's Q) is positive and very significant. Value of R-square is 0.699(having explanatory power of 69.9%). As High Tobin's q values encourage investors to invest more in the company because they believe company has more "worth" than the price they paid. So here it is also proved that companies having good corporate governance have greater market value and attract more capital. The F-statistics gives significant support to accept the H_6.

Model	R	R Square	F-value	Durbin-Watson
6	.836[a]	.699	1.770	1.770

In sum, from all above findings we conclude that firm's performance and valuation is positively influenced by the good practices of corporate governance. Firms having good corporate governance practices have higher return on assets, higher return on equity, enjoy more profits, attracts more capital, have better sales growth and have more earnings for shareholders.

CONSISTENCY OF RESULTS WITH THEORIES OF CORPORATE GOVERNANCE

AGENCY THEORY, ROLE DUALITY AND BOARD INDEPENDENCE

Board of directors cannot control the CEO if he is also the chairman of board, even he underperforms, which increases the agency cost so the role duality is negatively related with firm performance. From our research it is also proved that mostly companies who have separate CEO and chairman show better performance than others. With the inclusion of more outside directors board becomes more independent, which enhances the performance of board and consequently financial performance. This is also proved from our research.

BOARD SIZE AND ORGANIZATIONAL THEORY

Organizational theory suggests that larger groups take more time in decision making and it makes group performance less effective. From our research it is also proved that companies having optimal board size of 7 and 9 directors have better performance than the others.

CONSISTENCY OF RESULTS WITH CODE OF CORPORATE GOVERNANCE OF PAKISTAN

Some of the main objectives of code of corporate governance are to :"(a) Stimulate the performance of companies, (b) Limit insider's abuse of power. (c) Monitor manager behavior to ensure corporate accountability and protection of interest of investors and society.(d) Propose restructuring of the board of directors to introduce board based representation by minority shareholders and by executive and non-executive directors.(e) Emphasize honesty and clearness in corporate affairs and the decision making procedure.(f) Require directors to discharge their fiduciary responsibilities in the larger interest of all stakeholders in a transparent, informed, diligent, and timely manner." The main focus of this study is on these points of the code of corporate governance presented above.

RECOMMENDATIONS

As in Pakistan most businesses are family owned and family members hold key managerial positions, so code of governance is poorly implemented. Pakistan has made major steps for improving the governance of its corporations in general. This results in an increase in the firms' performance. However, more efforts need to be made in terms of improving levels of compliance with the Code. More prominently, laws are here but their well-timed and full enforcement is extremely challenging. In addition, outsider financial exposure (in terms of significance and trustworthiness) of listed firms is of poor quality. There is no reason to expect that firms where ownership is concentrated disclose more, however board composition has positive and significant role.

The development of an appropriate corporate governance culture is contingent upon the adoption of a regulatory framework based upon clear bright line rules tailored to the particular legal and economic environment prevalent in Pakistan. There is also a need that regulatory bodies should keep check on the companies. SECP should ensure effective implementation of corporate governance practices. Stock exchanges must implement listing rules relating to corporate governance.

CONCLUSION AND FUTURE IMPLICATIONS

In this article, authors investigate the relationship between corporate governance variables and organizational performance and the impact of good corporate governance on the annual sales growth along with its impact on company's valuation of sample organizations in Pakistan. By constructing the HHI index of well governed organizations (Diluted ownership structure) and poorly governed organization (Concentrated ownership structure) along with their board size, role duality, management remuneration, frequency of board meetings and percentage of outside directors on the board, we find that those Companies at KSE-100 index have better financial performance in terms of ROE, ROA, EPS and profit margins which are following the code of corporate governance. Organizations with good corporate governance also having better valuation in terms of Tobin's Q

Further authors have empirically tested that the organizations with good corporate governance have better annual sales growth. Findings of this study substantiate with results of Shaheen and Nishat study (2004), Aintablian and Boustany (2008), Bauer *et al*. (2008), and Javid and Iqbal (2008). Especially there is a need to do lot of work in the field of corporate governance in developing countries. The study's finding could not be generalized broadly based on limited number of variables as there are a large number of variables that can affect the performance of an organization.

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HUMAN RESOURCE PLANNING (HRP): INSIGHTS FROM THE COMMERCIAL BANK OF CEYLON (CBC)

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ABSTRACT

This paper has been prepared on the human resource planning of Commercial Bank of Ceylon (CBC). Human resource planning being a critical part of human resource management carries huge significance to run an organization smoothly. As the name implies management does not have to face obstacles regarding employees if the planning is done appropriately. This process of human resource planning or manpower planning has been presented here the way it is followed by CBC. The objective of the paper has also been to present the human resource planning of this bank. After discussion there is findings on the planning process which shows that although this bank is not following such planning meticulously it is not having any problem also. But to avoid any sudden setback in future, well defined step has been recommended at the end of this paper.

KEYWORDS

Human resource planning, Marcov analysis, Recruitment, Selection, Succession planning.

INTRODUCTION

Different scholars define Human Resource Planning in different ways; but the definition of Decenzo and Robbins (2007) focus on the subject matters as well as the objectives of HRP. According to them, "HRP is the process by which an organization ensures that it has the right number and kind of people, at the right places, at the right time, capable of effectively and efficiently completing those tasks that will help the organization achieve its overall objectives". HR Planning involves gathering of information, making objectives, and making decisions to enable the organization achieve its objectives.

By Harpreet (n.d) "the success of every industrial or commercial organization heavily depends upon the contribution made by employees as they perform various tasks to which they are assigned. Human resource planning strives to use human resources in an effective manner so as to transform them for realizing the objectives of the organization. Thus, it aims at relating the people at work with the activities necessary to achieve the organizational goals". The necessity for human resource or manpower planning is way more crucial in service-driven institutions like banks. A well-organized, successful and disciplined banking system promotes the route of economic development as per national guidelines. It works as an agent for bringing on economical, industrial, and agriculture development and affluence of the country.

To be able to overcome the emerging challenges due to globalization, liberalization and the transnational incursion banks have to constantly strive to confer new force and direction to enable its employees. That is the reason an organized human resource strategy with focus on people is critical. Only those firms with the clearest HRP, recruitment, retention, employee engagement and development strategies will have the vital competitive edge in what will be a much tighter market over the next few years.

The aim of this paper is to examine the human resource planning of Commercial Bank of Ceylon. The examination will ascertain the procedure, problems and some probable suggestions of human resource planning of the company. This paper is divided into four parts: the first part contains a literature review on HRP, the second part presents the research methodology used in this work, the third part comprises of the discussion and analysis of HRP on Commercial Bank of Ceylon. The final part consists of findings and recommendations of the research.

LITERATURE REVIEW

According to Decenzo and Robbins (2007) there are four functions of HRM- staffing, training and development, motivating and maintenance of the employees. In the function of staffing HR planning is the most important task concerned with hiring and firing of human resources. In general, HRP is defined as deciding in advance how the organization predicts its future HR needs both in number and skill. The implementation of HR planning is two sided; one is recruitment in case of undersupply of employees and another is layoffs, retrenchment or early retirement in case of oversupply of them. HRP is one of the fundamental issues in strategic human resource management. Boyd (2008) considered HRP as a future business strategy.

Werther and Davis, (2004), Dessler, (2003), Mathis and Jackson, (2006) and Decenzo and Robbins, (2007) showed various steps for the organizations who want to undertake HR planning. According to Nankervis, Compton, and Baird (2002) three steps are common in all HRP; these are labor demand forecasting, labor supply forecasting and balancing supply and demand or implementation of the planning. Though, HR planning is certainly difficult, and though there is no excuse for not doing it most of the organizations avoid it. This aspect of HR is one of the most neglected in the HR field (Vareta, n.d). By Hasan (2009) resistance by employers and employees and trade unions, future uncertainties, inadequacies of information system, inability to identify crisis, lack of coordination with other management functions and failure to integrate with organization plans are some of the reasons for which organizations avoid HR planning. Durai (2010) said that many employers resist the introduction of HR planning in their organizations because of the increased labor cost associated with labor forecasting and plan implementation. Increased training requirement as part of the HR plan can also push up the labor costs. He also added that using outdated HR practices can be one of the barriers to implement an effective HRP.

As business profits are squeezed by inflation and a weakened economy, management is also concerned with personnel costs and is seeking to achieve increased output with the same or fewer staff—HRP is becoming more and more in business circles (Boyd, 2008). According to him as we move to the 21st century where a globalized workforce is the basis of competition we find that the principles of HR planning are unchanged. Research also stressed the need for manpower planning basically for large organizations than in smaller ones. As HR can't force the business to do HR planning, but HR can nudge things in the right direction by having some clear expectations of what the business units should be doing when it comes to planning HR.

OBJECTIVES

From the literature review we have already noted that how important HR planning is both from organizational and strategic perspective. According to Burton (n.d), "an HR department that is well-versed and experienced in planning can make a company much more productive and cost-efficient". Organizations need planning for human resources to determine staffing level needs, to predict turnover, to create requirements and job descriptions for hiring. HR departments are often responsible for firing and layoffs. This also involves planning. There should be a consistent process for terminating people, since inconsistencies can trigger lawsuits. However, with a great importance of HR planning most business entities in Bangladesh as well as the whole world avoid planning. As it is a case based study through this we can find out whether the organization uses HR planning or not; or if they use what is the process of it.

RESEARCH METHODOLOGY

The article is a case study based qualitative research. Both primary and secondary data are used for data collection. Various academic contexts, books, journals, investigative reports and HR departmental manuals are used as secondary data of the research. Personal discussion and interview with employees are the sources of primary data collection. Though, it is not a quantitative research a structured questionnaire was used to keep the research in an assembly. Interview the respondents are also taken based on HR or manpower planning policies and practices of the organization. Most of respondents are HR managers and other line managers as the topic is deeply related and sensitive to organizational strategy and sensitive to its competition. Questionnaire was developed focusing on some important issues like; importance of planning, person responsible for planning, need assessment and demand forecasting method used in planning etc. Through the questionnaire we also try to collect employees' expectations and suggestions regarding the manpower planning. Chart and diagrams are also used based on the responses.

RESULTS AND DISCUSSION

SOME WORDS ABOUT COMMERCIAL BANK OF CEYLON (CBC)

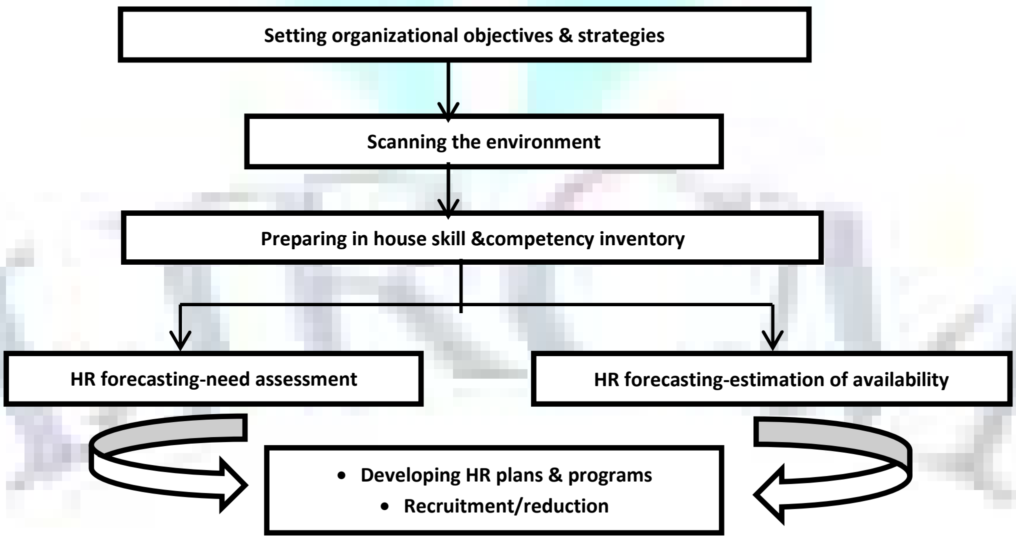
In 1969 Commercial Bank of Ceylon (CBC) had started its journey and now it is one of the leading commercial banks in Sri Lanka with 213 branches and more than 500 ATMs. It has been rated as the Best Bank in Sri Lanka by "Global Finance" for the 13th consecutive year and also as the Bank of the Year by "The Banker" Magazine on seven occasions. It entered the banking business in Bangladesh as a subsidy in 2003. Over the period of last 9 years of operation in Bangladesh, CBC has expanded its branch network to 7 branches, 2 booths, 2 specialized OBU (Offshore Banking Unit) sections and 6 SME centers. As a multinational company total management is controlled from Colombo and most of top level posts (i.e.; chairman, deputy chairman, managing director and director) are occupied by the Colombians.

HR PLANNING OR MANPOWER PLANNING

Generally, after completing job analysis employee recruitment and selection starts; but from HR practitioners' point of view HRP is the first step or precondition without which recruitment and selection can't be held. Planning means deciding in advance; human resource planning means any kind of planning regarding human resources within the organization. According to Dessler (2003) "personnel planning is the process of deciding what positions the firm will have to fill, and how to fill them". Bulla and Scott's, 1994 as cited in Durai (2010) defined HRP as a process for ensuring that the human resource requirements of an organization are identified and plans are made for satisfying those requirements. Without developing an effective HRP it is difficult for an organization to match its current HR requirements with that of the future. Durai (2010) described the purpose of HRP from two perspectives: from the broad organizational perspective, HRP intends to achieve better customer satisfaction, quality enhancement, and improved employee motivation. Form functional perspective, it aims at enhancing the employees' motivation and commitment, team spirit, mutual trust and creativity.

Whether it is large or small or medium, according to Durai (2010) an organization has to pass six steps for a successful HRP. Figure-1 shows that at the first step of the process organization must set what it wants to achieve or goal; in second step for the purpose of data collection scanning of external environment (i.e., economic situation, legislative measures, labor market scenario, technological advancement etc.) is undertaken. In the next step, organization makes an internal scan and identifies available skills within the organization. In need assessment stage organization identifies the number and quality requirements of employees in future and their prospected sources to get such employees. The last stage of HRP is implementation stage—where the organization makes 'recruitment' or 'decruitment' (layoffs, downsizing, retrenchment etc.)

FIGURE 1: HR PLANNING PROCESS

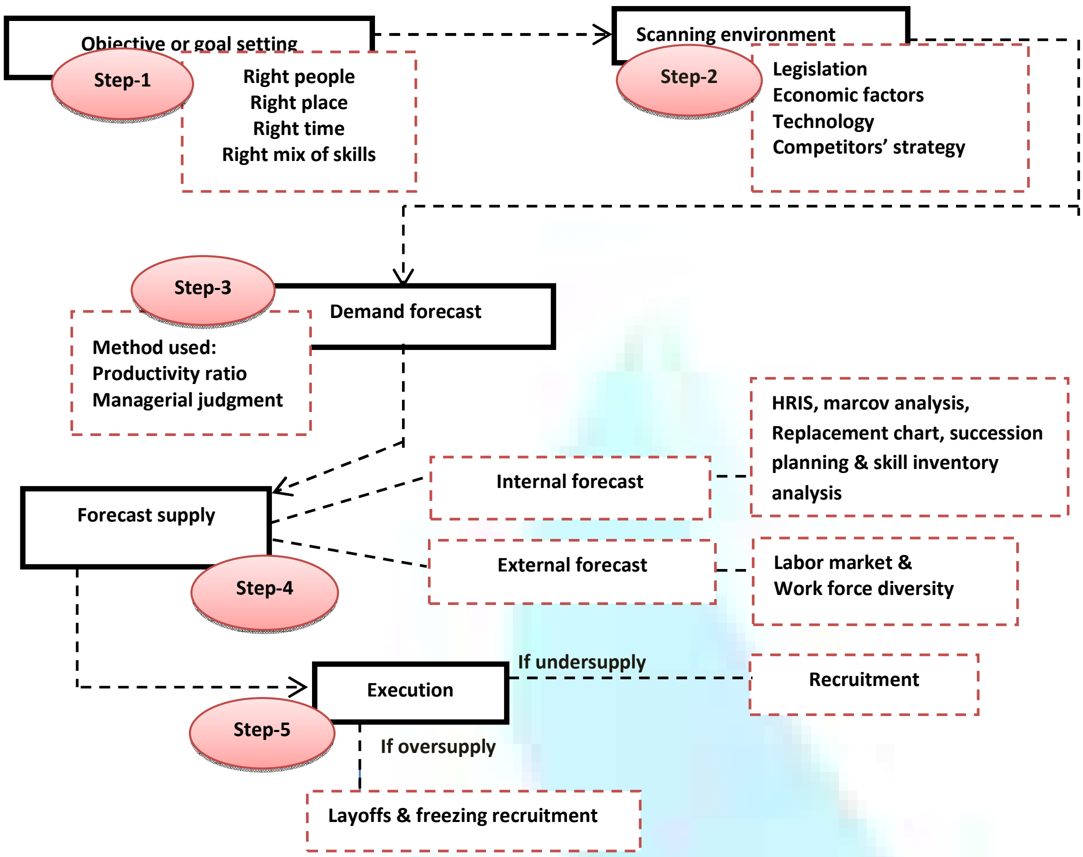


Source: Durai (2010, p-114)

HR PLANNING OF CBC

Organizations can develop HRP for all types of employees working in the organization, whether lower level, mid-level or top level. According to Dessler (2003), personnel planning cover all the firms' future positions, from maintenance clerks to CEO. Another research by (Fisher, Schoenfeldt & Shaw, 2004) says, manpower planning can be different types; one is aggregated planning and another is planning for individual incumbents. Aggregate planning is required for multiple incumbents working for a job or job category below the mid-management level, rather than a specific position. On the other hand, manpower planning for individual employee is undertaken to occupy a certain position. In the CBC, both type of HR plans are undertaken; i.e., aggregate planning is undertaken for clerks, messengers and others and individual planning is undertaken for both mid and upper level managerial positions. Figure 2 shows a hypothetical framework of HR planning of CBC; every parts of the figure is discussed later with the respected topics.

FIGURE 2: A HYPOTHETICAL FRAMEWORK OF HRP IN CBC



Source: Interview & Field work

SCANNING THE ENVRONMENT BY CBC

Environmental scanning means collecting information about different factors of external environment in a business area which can influence its activities. This information is then closely scrutinized to figure out any possibility of changes in the environment. As CBC is a foreign organization it has to focus on government rules and regulations, economic condition and technical advancement of the country which can easily change their pattern of activities. Among various rules and regulations of the government business law, compensation policy set by the country, tax rate and rules regarding employee selection can change their decision regarding HRP. On the other hand, boom and recession are the two most important economic factors to guide their plan regarding "men". Any sudden change of the technology can results in an adjustment in manpower planning. In 2003 when CBC started their business in Bangladesh with ICBS (Integrated Comprehensive Banking System), one of the banking software, a good number of employees are sent to Colombo for training on this. Competitors' strategy is another factor that may influence human resource planning of the CBC. Strategy of HSBC other foreign banks, or private banks regarding quality and quantity of employees also influence plans of CBC. Beside this, central banks' rules and regulation regarding compensation and placement, age limit for employee selection etc. also influence in developing HR planning. 'No employee can work at the same department or branch more than three years'-- this placement decision developed by Bangladesh Bank is adaptable both for foreign and public banks within the country.

FORECAST DEMANDS FOR HRs IN CBC

After collecting all of the internal and external information about business environment it is planners' duty to forecast demand for human resources. Forecasting HR demand ensures how many and what type of employees are required for future date to achieve the organizational goal and effectiveness of HR demand depends upon rightly projecting the future. Trend analysis, ratio analysis, scatter plot, using computers to forecast personnel requirements, managerial judgments etc. are several methods to predict employment needs (Dessler, 2003). Durai (2010) said that need assessment of HR depends upon future demand for its goods and services, management philosophy, absenteeism, labor turnover rate, organizational growth pattern, planned technological improvements, the proposed change in product lines and the financial capabilities for forecasting HR requirements. Whatever the options, demand forecasting methods can be divided into two categories: judgmental and mathematical (Fisher, Schoenfeldt & Shaw, 2004).

As a mathematical method CBC uses productivity ratio analysis. They analyze productivity ratio from 3 different levels (figure 3): top level, mid-level and lower level.

FIGURE 3: PRODUCTIVITY RATIO OF EMPLOYEES

Level	*Way to productivity measurement*	
Top	Step 1	Employees have to bring deposits for banks from customers.
	Step 2	Branch maintaining capability of the employees is measured.
	Step 3	Employees' leadership quality is analyzed in various occasion.
Mid	Errorless work or ratio of error in the works is considered as their productivity.	
Lower	Customer satisfaction with those employees is measured as their productivity.	

Though, ratio analysis is an effective tool for prediction it must be noted that the weakness of the method is it ignores other important factors like the increase in employee efficiency and the improvement in technology in measuring employee productivity (Durai, 2010).

Another method for forecasting HR demand is "managerial judgment"; some HR practitioners considered it as "unaided" managerial judgment because it is not possible by the experts to make decisions without consulting other departments and for this reason line manager of different departments work together with experts to develop their HR requirements. It is also called "bottom-up approach". It is noted that, in small organizations experts would be the directors of operators or HR manager (if any) and in large organization, experts are those managers who are responsible for future staffing needs of their departments (Davis, 2004). CBC considers it as a good method when possibility of future changes is very small, experts can utilize their past experiences, when there is an availability of privileged information and when experts receive accurate and well-summarized feedback about their forecasts.

In determining HR demand, each organizational sub-unit has to submit its net personnel requirement to the corporate forecasting unit, based on future needs for labor required to meet the agreed on corporate and sub-unit objectives (Belcourt & McBey, 2004). To determine net personnel requirements the following equations can be used:

HR demand = external supply + internal supply
External supply requirements = replacement + change supply components
Replacement supply = hiring to replace all normal losses
(Normal losses are those resulted from retirements, terminations, voluntary turnover, promotions, transfers and leaves and those losses must be replaced to keep the workforce size at the current level.)
Change supply components = hiring to increase or decrease the overall staffing level (desired future growth rate)
This equation can also be used by the following way:
External supply = current workforce size × replacement % per year + change % per year)
Source: Belcourt & McBey, 2004)

Using an example from CBC of the position of Deputy Manager (DM) on the year 2011 we find out the required external supply of the position.
External supply of DM = 14 × 7% + 7% = 14 (.07 + .07) = 1 + 1 = 2
(In the equation above note that the figure 1 was rounded up from 0.98). of the new hires, 1 DM is allocated strictly to replace the departing DM and the other constitute the change requirement for new growth.
FORECAST SUPPLY
Both internal and external forecasting is used to forecast HR demand of the organization. CBC uses various methods in forecasting HR supply, i.e., marcov analysis, succession planning, replacement chart, human resource information system etc.

MARCOV ANALYSIS, REPLACEMENT CHART AND SUCCESSION PLANNING

To forecast future HR supply one of the important tool is marcov analysis which projects the number of employees that will retain in the organization for a specific period, generally within one or two years. Marcov analysis can estimate this number by using a statistical tool called a transitional metrics. Moreover, we can calculate the chain of movement from an entry-level job to all the way to CEO appointment, along with forecast times of arrival, stay, and departure, in conjunction with breaks in career progression along the way (Belcourt & McBey, 2004). Noe, Hollenbeck, Gerhart and Wright (2006) said, "Metrics such as these are extremely useful for charting historical trends in the company's supply of labor. More important if conditions remain somewhat constant, they can also be used to plan for the future". By Stone & Fiorito (1986) cited in Belcourt & McBey (2004) the length of an average chain is approximately three. Marcov analysis is also important in determining training and development courses, job rotation required by the employees as it depicts the chain of movement. Figure 4a shows future supply of employees of CBC by using transitional metrics. The figure shows in 2011, in officer level the number of initial employees are 55. From them 14 employees are promoted as senior officer and 2 employees are promoted as senior executive officer, the percentage is respectively 25% and 4%. In the same year 4 employees are exited from the same position. Four positions (officer, senior officer, senior executive officer, assistant manager) are chose to make the analysis and based on the analysis we made a projection of the supply of employees in 2012 (figure 4b).

FIGURE 4: TRANSITION PROBABILITY MATRIX APPLIED ON CBC HR PRACTICES

FIGURE 4a: TRANSITION PROBABILITY MATRIX APPLIED TO INCUMBENTS OF THE YEAR 2011

Transition Probability Matrix of CBC, 2011											
Designation	**Initial staffing level**	**Officer**		**Senior officer**		**Senior Executive Officer**		**Assistant Manager**		**Exit**	
		Number	%	Number	%	Number	%	Number	%	Number	%
Officer	55	39	71	14	25	2	4	--	--	4	7
Senior officer	41	--	--	33	80	7	17	1	2	1	2
Senior Executive Officer	22	--	--	--	--	20	91	2	9	0	0
Assistant Manager	16	--	--	--	--	--	--	11	69	0	0
Predicted end-of-year, 2011 staffing level	--	39		47		29		4		5	

FIGURE 4b: TRANSITIONAL PROBABILITY MATRIX PROJECTED FOR THE YEAR, 2012 BASED ON YEAR, 2011

Transitional Probability Matrix, projected for 2012*						
Designation	**Initial staffing level**	**officer**	**Senior officer**	**Senior Executive Officer**	**Assistant manager**	**Exit**
Officer	39	28	10	2	0	2
Senior officer	47	--	38	8	1	1
Senior Executive Officer	29	--	--	26	3	0
Assistant Manager	4	--	--	--	10	0
Predicted end-of-year, 2012 staffing level	--	28	48	36	14	3

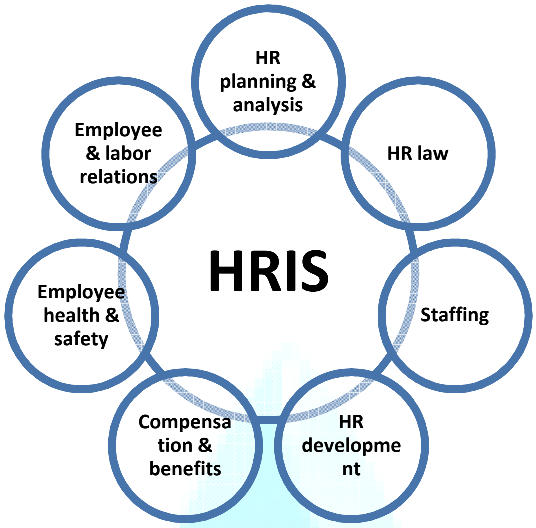
***Numbers have been rounded to whole digits because fractions of employees are not meaningful**

Succession planning is a chart or organizational structure which shows how vacant positions of managers and professionals are filled by the internal or existing labor force. Most of the time, marcov analysis is used to develop a replacement chart or succession planning. As CBC is a foreign organizations they prefer to fill up their top positions by own nationals and for this reason they have no formal succession planning. But if they approach such a brilliant and caliber employee to fill up the top vacancy they will try their best to keep the employee with his best expected respect, sometimes CBC creates new position for the candidates but such activity is limited to 1%-2%. Accelerated promotion is another option to adjust the situation besides regular promotion.

HUMAN RESOURCE INFORMATION SYSTEM (HRIS)

Not only production sector is embracing new technology, but also HR departments are also using technology to get efficiency. Organizations are now using software application for recruitment, selection, payroll of candidates etc. (figure 5) all are HRIS activities. More specifically HRIS is a data entry, data tracking, and data information process where organization can get all types of required information about the employees. Ease to use, automation and sheer information motivate any organizations to undertake HRIS. According to Denisi and Griffin (2005) "the system is much more than just computer hardware and software." They also added that although many organizations develop their own systems, there are also packages that can handle most HRIS needs; such type of package used by CBC is ICBS (Integrated Computerized Banking System). Skill inventory analysis is also done by the help of HRIS. Figure 5 shows different types of activities that are undertaken by the use of HRIS.

FIGURE 5: HRIS ACTIVITIES



EXECUTION OF HR PROGRAMS

After going through all the steps if organization face HR deficit (HR demand > HR internal supply) they make recruitment. Conversely, if they face HR surplus (HR demand < HR internal supply) they may use different strategies like, employee termination, layoffs, hiring freeze etc. In the study of CBC we find that generally they do not face any employee surplus; moreover they have employee deficit. To adjust this deficit they prefer online as a source of recruitment. For middle and top level vacancies sometimes they use employee references. Execution of HR planning of CBC is divided into 3 areas based on employee levels shown in figure 6:

FIGURE 6: EXECUTION OF HR PLANNING

Level	Recruitment source	KSA required
Top	Succession planning	• Technical skill • Ability to bring business for the bank • The leadership power and branch maintaining capability.
Middle	Printing and electronic media	• Productivity of employees • Rate of error done by employees
Lower	Outsourcing farm & internship	• Voucher and other level skills on the basis of daily performance.

Source: Interview and Field work

FINDINGS & RECOMMENDATION

There is no doubt about the importance of HR planning in both general level and strategic level of an organization. Nowadays organizations need to plan for their own survival as they grapple to deal with: intensified competition from home and abroad; labor market factors, recruitment and retention; the speed of information acquisition and dissemination; the globalization of economic activities; consumerism and the drive for quality at an acceptable price (Reilly, 1996 cited in Sinclair, 2004). CBC believes that as people are the main chauffeur dealing with them effectively by developing a good planning helps the organization to adjust with upturns and downturns of the organizational environment. An investigation suggested that CBC use 60% (approx.) of its budget on employee salary and compensation, 5% (approx.) as administrative expenses, 30% (approx.) for training purposes and the rest of 18% (approx.) for recruitment, selection, placement and promotion purposes. From this data we can easily say that there is no budget for HR planning precisely. The reason behind this can be two folded; one is management still cannot realize the importance of HR planning and another is glut of prospected employees in labor market. A developing country like Bangladesh where unemployment rate is high most of the graduates and post-graduates eagerly wait for any kind of vacancy announcement—this situation may lead many organizations using "no planning" or "planning with others like recruitment and selection". Since we cannot hope to predict the future needs with any certainty many firms including CBC avoid investing money behind HR planning. To avoid the situation Bechet (2000, cited in Sinclair, 2004) proposes that it is better to think of workforce planning as providing a longer-term context within which more effective near-term staffing decisions can be made. It makes sense that the best 'near-term' solutions, such as how to organize a succession plan, can only be determined once we understand what the future workforce will look like. Workforce planning should be seen a decision filter through which other plans need to pass (Sullivan, 2002d cited in Sinclair, 2004).

SCOPE OF FURTHER RESEARCH

HR planning is one of the most important subject matters from strategic human resource management perspective. But there is a limited research and discussion in this arena. Even there is very little research on marcov analysis and succession planning which are very important tools in predicting future employee requirements. We hope that this study will create an opportunity of further research on these issues. Furthermore, the research avoids an in depth study on the importance and barriers of HR planning; future academics and scholars can also work on this aspect.

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MANAGEMENT, LABOUR PROCESS AND WORKERS OWN CONSTRUCTION OF SOCIAL RELATIONS OF PRODUCTION IN AN OIL REFINERY, NIGERIA

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ABSTRACT

This paper explores how the refinery workers of an oil refinery in Nigeria conceptualize and narrate their lived work experience in the context of the peripheral neo-liberal management practices that characterize the organization. The paper critically analyses the social processes of workers perception of the organization as a "national farmland" and how this mediates their agentic responses to workplace labour process. Taking on the labour process analysis, the paper explores the dual position of labour in the organization in explaining workers own conception of their commodity relations, and how the prevailing cultural specificities of social process of production dilute an essentialist labour value valorization thesis, and thus the ensuing infra-politics in the organization. In utilizing much of the labour process analysis, the paper claims that workers own sense making and interpretation of the social relations of production at the workplace are accounted for much by their own sensuous "social ontology". To the workers, the specificities of the refinery within the peripheral capitalist mode of production further represent a symbiotic interaction that mediate what could have been conceptualized as a "total" and "absolute" labour subordination to capital. This therefore opens up an ambivalent interface within which to conceptualize and explain the dynamics of labour process in the context. Attempt is made through my ethnographic study of the refinery, to account for workers "ideological construct" of the refinery as "national asset" which consequently explains their experiential orientation.

KEYWORDS

Management, Labour Process, Workers Own Sense- Making.

INTRODUCTION

This paper further contributes to the growing dimensions within the strand of labour process analysis, and comparative labour studies, for examining contemporary workplace relations. As against the essentialist managerial analysis, the paper deflates the claim that contemporary workplace has become a "total" institution where the normative managerial precepts have succeeded in "colonizing" the body and soul of employees. It examines the "lived experiences" and responses of the refinery workers, in the wake of "new" managerial practices in the corporation. It is demonstrated in this analysis that; in response to corporate driven initiatives, the refinery workers manifest ambivalence of attitudes; concertive, and oppositional that further express their "identity concerns" in the workplace, (Hugh Willmott,2004) in the context of emerging managerial practices. Our findings illustrate how the refinery workers could and indeed employ mix forms of covert and subtle resistance involving their subjectivity and agentic role, (Willmott and Knights 2004) in leveraging and re-appropriating management's normative precepts concerning work re-organization imperatives. In accounting for resistance, we not only note the implications of the emerging patterns of managerial practices in producing "disciplined workers" (Edwards,1979), but also focus on how other contextual nuances, e.g traditional skilled-craft identity orientation of workers, and "non-workplace orientation" of Plant Operators, in a state owned refinery, mediate the outcome of the managerial normative expectations on them. Among other, our findings qualify the need for labour process analysis to be attentive to the interface between the "managed" and the "unmanaged terrains" of the specificity of the workplace on which the human agency mediates, in the enactment of workplace orientations and lived work experiences.

Study of workplace within the conceptual remit of labour process analysis continues to raise concerns on the specific dimensions of workplace employment relations issues. While earlier concerns, within labour process understanding focused upon control and consent (Edwards (1979), Burawoy (1979), contemporary sociology of work study had introduced new concerns over subjectivity, identity-formation and resistance into labour process analysis (Willmott 2004, Knights 2006, Thompson 2006). These emerging strands within LPT have continued to highlight issues related to agency/structure dimensions which did not privilege orthodox Marxian analysis, nor lay emphasis on essentialist discourse, or normative managerial analysis. Thus, the viability of re-inserting the agency of the refinery worker in the debates resonates itself in this analysis. Indeed, control/consent dimension of workplace relation as "voluntary subordination to the control of capital" (Adesina 1991) provokes a concern on the earlier discourse of labour process analysis (Burawoy 1979). The concern here is on the agentic/subjectivity dimension of workers sense making of the social relations of production in the refinery.

BACKGROUND OF STUDY/RESEARCH CONTEXT

Nigeria National Petroleum Corporation (NNPC), Nigeria, was established on April 1977 by the Federal Government of Nigeria with the mandate to manage the operational aspects of the oil industry in Nigeria, while the regulatory functions reside with the Federal Government. NNPC is a successor organization to the Nigeria Oil Corporation which was established in 1971. In addition to its exploration activities, NNPC developed operational interests in refinery, petrochemicals and products transportation as well as marketing.

In the last two decades, NNPC, as one of the largest federally owned corporation in Nigeria, has emerged from one of the most ambitious and far reaching organizational changes in its thirty-three year history. In 1988, the corporation was decentralized into twelve strategic subsidiaries and units, covering the entire spectrum of the corporations operations. In the last ten years, the operations and activities at NNPC have centered on coping with the challenges of both intense internal and external developments in the oil industry, in particular with regards to its products. The concern has been to make its products compete favorably in the world market, both in terms of pricing and quality. As a result, the various business units and subsidiaries of NNPC have been re-organized in a manner to make them respond to these competitive challenges.

Port-Harcourt Refinery Company (PHRC), Eleme, Port-Harcourt in Nigeria, is one of the twelve subsidiary companies of NNPC. It provides petroleum refinery services to the nation, which underscores its strategic importance to socio-economic development of the country, and which also explains the perceptions workers hold of the corporation. The operations and activities of the company are carried out by two departments. Production, Engineering, and Total Quality Control Department, and Administration, Personnel and Manpower Development Department. However, since the focus of my research work was on "shopfloor"/refinery workers, and how they perceived their location in the production process, my ethnography survey was on the Production, Engineering and Total Quality Control Dept.

Central to this paper therefore, are the patterns of employment relations within the refinery. Within the regulatory framework that established NNPC, operational activities at the refineries are expected to respond to re-organization at the corporate level. The dynamics of labour process at this level thus becomes scholarly important in evaluating workers sense making of the managerial practices. This is because, "it is at this level that the formation of workers consciousness and its manifestation are clearly shown in response to production process", (Adesina 1989, 2-3). Activities at the refinery level "critically reflect workers perception and explanations of their location in the relations of production", (Adesina 1989:2). While on the one hand, workers location in the relations of production reflect these dynamics that underpinned managerial practices, on the other hand; these are mediated by the workers own interpretation and definition of their positions within the context. Port-Harcourt Refinery Company of NNPC was therefore chosen as the site for the study.

MANAGEMENT, LABOUR PROCESS AND CONCEPTUAL APPROACHES

Labour process analysis provides the conceptual approach for this study. This conceptual approach is adopted because labour process and its critical understanding within capitalist mode of production provide a deep insight into the character of labour-management relations. As Gamze (2000:32-38) notes, "labour process analysis generates a critical insight into the world of work, and of the submerged issues of management control, and politics at work". In its critical analysis of managerial control over labour, the conceptual insights from labour process debate have been influential. Its use as a conceptual approach for understanding the capitalist mode of production is largely influenced by Braverman's (1974) seminal work, *Labour and Monopoly Capital*, which in turn was inspired by Marx's analysis of the capitalist mode of production.

Subsequent contributions and empirical studies on labour process by various authors and researchers have indeed demonstrated how the analysis of capitalist mode of production explains the inherent tensions and strains between capital and labour power in the workplace. Building on Bravcrman's labour process analysis, "second-wave" analysts and writers such as Paul Thompson (1999), Pual Edwards (2007), David Spencer (2000), Paul Stewart (2005) and those from the Brighton Labour Process Group (BLPG), have written extensively on its valence as a conceptual tool for analysis of capitalist labour process. Earlier works in this area have focused on specific issues, for instance, Burawoys (1985) analysis of role of consent on the reproduction of capitalist relations of production at work, Friedman's (1977) work on control strategies utilized by those performing the global functions of capital and P. Edwards (1979) responsible autonomy- all this serves as foundational to our understanding of managerial control and workers consent in the workplace (Ellis 2004; 5-7). However, Paul Thompson and Steven Ackroyd's work (1999) *Organization Misbehaviors* have shown how covert resistance is equally implicated in workplace relations.

As noted by Thompson and Ackroyd (1999), not all workplace issues concerning managerial control and hegemony are without counter resistance from the workers. Locked in the managerial control devices are manifestations of subtle covert forms of resistance; thus all has never been quiet in the workplace front, (Thompson: 2009). At the underbelly of the managed terrain in the workplace are the unmanaged arena characterized by workers own appropriation of time, work, product and identity (Thompson: 2009). As earlier noted by Thompson and Ackroyd (1999), these constitute another realm of workplace behavior that fall outside the radar of managerial gaze, and thus, not easily understood as a form or step towards formal resistance". Workers engage in ritual of time wasting, pilfering, fart, fiddling, and soldering as offstage gestures and practices of resistance in the workplace (Scott, 1985), cited in Thompson and Ackroyd (2009). These are "underground" form of resistance enacted at informal level characterized by common "vocabularies of critique" and re-appropriation. As counter-posed reactions to managerial prescripts, they are "'inversion" of dominant discourse reflecting workplace identity as re-constituted by the workers. In reconstituting their workplace identity, workers still engage in "mimicry, parody, humors" even in the face of on-going managerial oppressive surveillance, (Mumby 2005). Thus, in re-mapping the manifestation of managerial power and regimes, there are diversities of behavior and misbehavior that obstruct the radar of managerial gaze (Thompson 2009).

Empirical studies have indeed shown what work re-organization often meant for workers and workers interests at the workplace, as something different from its presentation by management (Gregor 2000). For instance, Willmott (2000:135) argued that, often, re-organization of work, as cloaked in the discourse of empowerment, are set out to create high levels of workers job satisfaction, trust, motivation and commitment, clearly represents the "latest in a long line of management techniques to ratchet up the level of labour exploitation". Reflecting on the implication of Information Technology in the workplace, Willmott argues that managerial practices represent "the intention and techniques to intensify appropriation of surplus-value from labour, through the use of Information and Technology (2000:135). Conceptualized thus, and from the perspective of labour process analysis, business process at the workplace with its constituent components of new technology of production, employees involvement and work re-organizations are strategies, when stripped bare, aimed at tapping into shopfloor-based knowledge for increased productivity and the intensification of work control (Willonott 2000:137). From labour process analysis therefore, managerial role is to be understood and analyzed, primarily as techniques for extracting surplus-values. Further, Teulings (1986) argues that "managerial work should be understood as part of the collective labour process at the corporate level; and secondly it must be analyzed and treated with the same conceptual tool in the treatment of production relations" cited in (Willmott 1986: 143). Impliedly, at the point of production, managerial practice is to be conceived as a medium and outcome of distinctive and often unequal power relations between capital and labour. If managerial practice is conceived thus, it follows that potentially, issues and tensions are bound to be generated at the point of production with diverse implications on workplace relations.

While conceptual remit of labour process analysis remains foundational as theoretical insight into understanding workplace relations in a capitalist mode of production, "in a context like Nigeria, it needs to take into consideration the specific culture-context and dimensions, through which workers perceive and interpret their location in the world of work" (Adesina 1991-145). In a peripheral neo-liberal economy like Nigeria, labour process framework remains a credible conceptual approach in understanding the character of workplace relations (Adesina 1988). However, controversy have emerged, through later extensions and explorations of the conceptual framework, by other scholars and researchers, which for the purpose of empirical grounding and adequacy needs to "incorporate context-specific insights in its application as an analytical tool" (Adesina 1991:145). Axiomatic as "context-specificity" may be instructive in cases of sociological workplace studies, workers own social construction of their location in social relations of productions also count.

METHOD OF STUDY

The study from which this paper is derived rests largely on the use of ethnographic survey for the empirical investigation of workplace relations in the refinery. Building on the principles of Extended Case Method (Burawoy 1998), as a research technique, the study adopts the technique of "workplace ethnography" in exploring the lived work experiences of the workers within their local and extra-local social process. As an approach to do workplace study, the technique allows the researcher to "share in the daily experiences of the researched subject" (Adesina 1988). It gives meaning to wide array of social process that determines workers location within the unfolding social processes of world of work. It gives insights to workers perception of managerial strategies from "inside and bottom" (Burawoy, 1998:8).

On the relevance of workplace ethnography, Burawoy (1998:12) notes "in so far as meaning attitudes and even knowledge do not reside in individual, but are constituted in social situation, and then, we should be doing study from the "social ontology" of respondents." The study sites for the research work were both the corporate Headquarters of NNPC, and the Port-Harcourt Refinery Company (PHRC), a subsidiary of NNPC. Studying complex organization like the oil company which requires eliciting employees' attitudes and sense-making in the wake of on-going work re-organization entails an immersion in the everyday life of the organization for the period of study. For this study, the primary method of data collection was extensive participant observation at the research sites over a period of five (5) months between the month of April and September 2008.

RESULTS

The wider context of corporate managerial practices at NNPC, as a state-owned Enterprise, had a profound influence in shaping the "shopfloor" orientation of the Plant Operators. Corporate managerial practices that define and drive workplace labour process in the refinery; particularly the socio-technical control strategies as well as patterns of implementation are embedded in the corporate ethos, shaping the outcomes as well as workers experiences. Workers experiences as well as their expectation of the corporation as a State Owned Enterprise were found to have a significant and profound influence on how they interpret and respond to on-going changes in the organization. The corporate culture, encapsulated in its normative values were constantly re-echoed to the workers in diverse and in unmistakable words; erected in main gates into the refinery are the signboards, "NNPC touches your lives in many positive ways" – bringing it into the workers consciousness the significant position and roles of the corporation within the socio-economic context of Nigeria. On why workers should imbibe the corporate values, another signboard reads; "this is our farmland, we should not do anything injurious to it". Pasted on the various notices boards in the refinery, and contained in the company's monthly Bulletin are captions and eulogies compelling operations workers to embrace Teamwork, and new production programs that drive Quality performance.

These values are not only ingrained in the normative orientation of the Plant Operators, it also explains the "dual" perceptions workers hold regarding their labour-power in the refinery. Embedded in the organization's labour process of the oil industry, workers have built a sensous and material connection between the concrete expenditure of labour-power, and their social ontology of the organization. To the workers, the specificity of the refinery represents a symbiotic relation that mediates a pure labour commodification, and their social world (Mollona 2005), and therefore constitute an arena where social relations of production are interpreted on their own lived work and non-work experiences. Workers own "ideological construct" of the refinery as "national farmland" gives an experiential interpretation of their location in the social relations of production. This therefore suggests a "two-side" abstraction of pure labour commodification in the context of prevailing peripheral neo-liberal capitalist mode of production that characterized workplace relations in the refinery.

Also, at NNPC, put in place is the Joint Consultative Committee (JCC)-an institutionalized structure of bi-partite relations between management and the two in-house unions in the organization. The institutionalized structure of JCC is meant to forge a collaborative working relation on the various "shared objectives" of the corporation. While it is meant to diffuse the manifestation of overt conflict and opposition associated with the shared managerial initiatives, workers own perception and indeed interpretation of JCC was found to be something different from managerial own perception. To the workers, gradual replacement of the traditional negotiating machinery such as collective bargaining, with JCC, is perceived as gradual weakening and erosion of trade unions power and representative roles. Management's enactment and justifications of normative elements/rhetories surrounding new production systems as often canvassed at JCC Meetings were met with ambivalence thereby providing space for workers inversion, leveraging and re-appropriation of the rhetories. Empirical evidence of workers reluctance to "buy in" into this managerial discourse was observed. And consequently forms of opposition, though covert and subtle, manifested in forms of re-appropriation of time, work, and product and self-identify (Thompson and Ackroyd 2009) remains at the margins of the collaborative arrangement under JCC.

Thus, in spite of the elaborate structure, and managements enactment and justifications for the discourse surroundings TQM and Teamwork, our empirical analysis found out that Plant Operators still rely and indeed mobilize their old traditional "shopfloor collective identity" (Adesina 1988) in moderating some elements of the managerial initiatives. Their collective skills-identity in the refinery is retained in challenging new managerial initiatives. In their "resistance through re-appropriation" Thompson & Ackroyd (1999), the prevailing normative precepts are laced with dimensions of misbehaviors such as absence, pilferage, fiddling, theft, and sub-cultures laced with distinct "shopfloor folklores".

Our findings also demonstrate how the Plant Operators in their agentic-formation and self-identity, rooted in the collective shopfloor relations, shape their interpretation and understanding of new work arrangements. In the refinery, workers experiences of managerial practices were not all consummating, but most fundamentally, tacit opposition and resistance reside and spring up from their re-appropriation of the framework. As part of managerial initiatives to secure Plant Operators acceptance of Teamwork and associated practices such as multiskillings, job-swapping, shift-work, and TQ programs in the refinery, there were series of morning-briefings for team members and leaders, in-plant training sessions organized by Training consultants. As these cascades from corporate level down to Branches and Subsidiaries, management never minced words on the need for workers to embrace the new production arrangements. It is in this context that workplace implications and workers responses have been analyzed. While on the one hand, union leaders were observed to have expressed their willingness to talk the rhetoric at meetings, collective ambivalence and resistance still prevailed on the "shopfloor". As remarked by one of the Plant Operators, "management failure to do things properly has always been the cause of suscipicions…because management always remains unrealistic about the problems associated with the new challenges".

DISCUSSION/RECOMMENDATIONS

Among other empirical and theoretical concerns, this paper has focused on the implications of management's initiatives on workers identity investments – subjectivity (as agentic factor) in mediating the process of consent and resistance in the workplace, (Hugh Willmott (1994), David Knights (1993), Collinson (1994). While the implications of managerial strategies regarding control/consent remain inherent of contemporary workplace in producing "disciplined workers", and their work-live experiences, this should not be taken as given. Rather, there are other immanent and nuanced workplace dimensions, manifested in form of organizational misbehavior (Thompson and Ackroyd, 1999).

In providing a conceptual framework for understanding work and non-work experiences, from the "workers ontology", in relations to commodity production, Carrier (1992), in what might be understood as a reinterpretation of Bravermans (1974) Marxian analysis , argues that "modern capitalist" production entails a split in the workers orientation between two juxtaposing "moralities". According to Carrier (1992), the morality of economic institution is seen to be impersonal, and replete with abstract forces of the market dynamics, while the morality of the "community" is seen to be of passion and characterized by communal forces like affection and social bonds between people (Carrier 1992), cited in Mollona 2005:178).

This understanding also resonates with other studies e.g Adesina, (1989) that distinguish the "two sides" of the labour process" a duality of labour-power in which pure labour commodification represents only one dimension of labour process, and in which the other dimension is rooted in workers own social construction of their workplace identity. "Workers social construction in the context of social relations of production "represents distinct evidence of workers re-definition of their roles in production" (1989). Thus, the subjective, experiential and symbiotic ways through which workers perceive their location in relations of production demonstration the ideology they hold of the oil company. The experiential narratives given by the refinery workers indicate a feeling of great attachment and work-life fulfillment for working in the organization; a kind of symbiotic experience that they are able to contribute to the growth of the "farmland". It is in this social construct of their location in the relation of production that provide the "anthropological understanding" of labour commodification (Carrier 1992). As noted by (Carrier 1992), attention must be placed on the historical significance of the concept of 'capital' and "labour-power" in a context, which also explains workers symbiotic relations with the oil community at Eleme, in Port-Harcourt, Nigeria.

The plant workers indeed demonstrated a dual conception of the values of their labour power, one; as an inalienable social capital that could circulate in the course of production, and the other side of it; as an exchange value (Carrier 1992: 179). Consequently, the ideology surrounding the oil company as a national asset is embedded in the complementary narratives put forward by the workers in the explanation of their labour-power; one of concrete activity that must be expended for national growth, and the other as pure economic interest as workers within the organization. As a result, the ontology that explains workers perception of their labour power in production may tend to obscure and dilute classic notion of labour process analysis.

CONCLUSION/SCOPE FOR FURTHER RESEARCH

This study has provided additional lens to the growing body of theoretical and empirical conceptualizations of contemporary workplace that suggest the "other-side" abstractions and analysis of labour process. It recognizes, even within the critical perspectives of labour process framework, that there are "other sides" to the understanding of labour process that are essentially contextually nuanced, leveraged by social ontology and narratives of the workers. While the contexts of contemporary employment relations are embedded with dynamics of control/resistance, workers "poetics" and narrative tend reconstruct and shape workplace intra-politics. The challenges therefore remain for labour process analysts and researchers to ceaselessly put these "poetics" and "situated narratives" into appropriate theoretical and methodological constructs for the research work to be empirically grounded.

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PATH-GOAL THEORY OF LEADERSHIP STYLE IN THE STRUCTURAL FORM OF SELF HELP GROUP

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ABSTRACT

Path Goal Theory of leadership style has been applied in the structural form of SHG. The work of House and Mitchell (1974) and Northhouse (2007) have been applied to study leadership style of SHG members within the domain of Path Goal Theory. The application of theory fits well to the structural form of SHG. A sample of 240 randomly selected SHG members was found to be closed to be supportive and participative style rather directive and achievement orientation. Education, caste, marital status and occupation influence in imbibing leadership style.

KEYWORDS

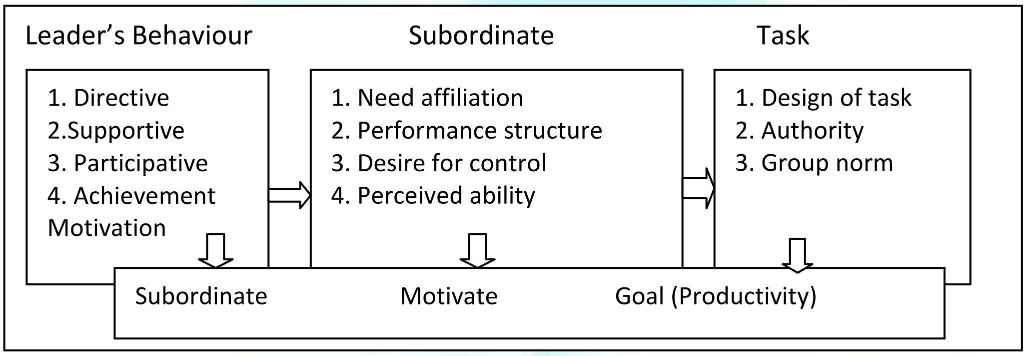
leadership, path goal theory, self help group, directive, supportive, participative and achievement oriented style.

INTRODUCATION

There are different theories of leadership style. House and Mitchell (1974) have stressed on three types of theories to describe leadership style. These are (i) Situational (ii) Contingency and (iii) Path Goal Theories (PGT). The concept of PGT in leadership style first appeared in early 1974.Situational theory suggests that a leader must adopt to the level of subordinates, contingency theory emphasize match between leadership style and subordinate with specific situational variables while Path Goal Theory seeks relationship between leader and characteristics of subordinates. The PGT is about how leaders motivate subordinates to accomplish pre-determined goal. According to House and Mitchell (1974) leadership generates motivation when it increases number and kind of benefits that subordinates receive from work done. As per concept of PGT, leadership style motivates when it makes the path to goal clear, easy to travel through coaching and direction when it removes obstacles and roadblocks in attaining goal.

The basic concept behind PGT is distance between subordinates and goal (productivity) is connected by path removing obstacles. In short, PGT suggests steps of (i) defining goal, (ii).clarifying path, (iii) removing of obstacles and (iv) providing support.

The relationship between leader's behaviour, subordinate, characteristics of task leading to motivation is well illustrated by Northouse (2007).



The description of the terms are cited to make concept clear in terms of operational definition as stated by Northouse (2007)

(i) **Directive leadership:** It is the instructions the leaders give about task, expectation, how to be done and time line of completion with fixation of clear standard performance (Halpin & Winer,1957)

(ii) **Supportive leadership**: It is the friendly and approachable style where leaders are interested to attain other's well-being

(iii) **Participative leadership** It is to invite subordinate to decision making, obtaining their opinion and to integrate opinions into decisions.

(iv) **Achievement oriented:** It s concerned with performance at highest level possible. It is to establish standard and seek continuous improvement

(v) **Subordinate characteristics:** These characteristics are (i) need for affiliation (ii) preference for structure (iii) desire for control and (iv) perceived level of ability.

(vi) **Task characteristics:** It includes (i) design of task (ii) authority system and (iii) group norm.

OBJECTIVES OF THE STUDY

The study was designed to investigate Path Goal Theory of leadership style in general and following objectives in particular in Self Help Group structure.

1. To find out leaders in SHG possessing leadership quality of Directive, Supportive, Participative and Achievement oriented nature.
2. To find out relation of leadership with variables like level of performance of SHGs, educational level of sample, their caste structure, occupational composition and marital status

METHODOLOGY

PGT was applied in case of Self Help Group (SHG) as it is emerging as main vehicle of development. In Odisha the performance of SHG is well recognized at planning level, as a result, many of the social welfare programms are transferred to the hands of SHG groups. The status of SHG in Odisha is as follows (2011-12).

1.	No. of Women SHGs formed	4,56,713
2.	No. of members	54,80,558
3.	Credit advanced	Rs.2,69,448.62 lakhs
4.	Amount savings	Rs 8,893.29 lakhs
5.	No. of WSHG credit linked	548,450
6.	Federations formed	7,950
7.	No. of HG with repeat finance	1,14,432
8.	Amount of repeat finance	Rs 7,37,442.36 lakhs
9.	Mid Day Meals in school	43,463 of 60,675 schools
10.	7,890 WSHGs are engaged as PDS agents	
11.	Out of 15,000 GP tanks in the state, about 6,497 leased to WSHGs	
12.	2,137 WSHGs involved in LGP gas distribution	
13.	7.950 federations have been formed	

Source

Leadership style is very well observed with President and Secretary of SHGs and the members of it need their leadership. If leadership style is appropriate and democratic in nature the sustainability of it becomes visible and effective. Besides other environmental variables, leadership style plays crucial role in achieving the goal. PGT being one of its kind can very well explain the traits of leaders leading SHGs. Keeping these considerations in view an attempt was made in Odisha taking 240 SHGs in six blocks spread over three districts.

TABLE 1: SAMPLE SIZE OF THE STUDY

Sl.No.	District	Block		No. of SHG selected
1.	Khurda	(i)	Bhubaneswar	40
		(ii)	Ballipatna	40
2.	Puri	(i)	Pipli	40
		(ii)	Delana	40
3.	Cuttack	**(i)**	Nuabazar	40
		(ii)	Baranga	40
Total	**3**	**6**		**240**

Again selection of SHGs based on criteria of (i) minimum existence more than five years (ii) having continuous bank transaction without default (iii) following the principle of changing President/Secretary every two years. Thus representative samples of 240 President/Secretary who lead the SHGs were finally interviewed with a scale developed by Northouse (2007) with little modification in scale points. The scale was applied with three point assessment reactive points to record the response of the sample under study.

Result

(A) **Prevailing of Leadership Style:** The important component of SHG is management leading to profit and sustainability. It depends to a large extent on leadership. The study used the scale developed by Northouse with little modification to survey sample. As has been explained out of three styles of leadership, the present study has been confined to Path-Goal Theory (PGT). The PGT are of four types, i.e. directive, supportive, and participative and achievement oriented. The results have been presented in following tables.

(i) **Directive Style of Leadership:** The Directive style of leadership has been studied from different angles. The scores assigned in terms of 3, 2 and 1 for very much, much and little of the magnitudes respectively. Item No. 5 has been scored reversely. Analysis of data in score is presented in table 2.

TABLE 2: DIRECTIVE STYLE OF LEADERSHIP

Sl.No.	Statements	Average Score
1.	Members are informed what they expected to know	2.08
2	Members are informed about what needs to be done and how it needs to be done	2.21
3	Members are asked to follow standard rules and regulations	1.22
4	The members are explained level of performance that is expected of them	2.33
5	Sometimes vague explanation is given of what is expected of them on job	1.62
	Mean Average	1.89

Result indicates the sample (N=240) have secured an average score of1.89 out of 3.0.

The directive style of membership believes members to be explained their level of performance that expected of them (2.33) followed by the members are to be informed about need to be done and how to do it (2.21). The other successive indicators of directives style of leadership is members to be informed (2.08) and sometimes vague explanations are to be given what is expected from them on job (1.62).However, the members are directed to follow standard rules and regulations (1.33).

(ii) Supportive Style: Supportive style of leadership has been studied in terms of friendly relation, to make membership pleasant, help to overcome problem and satisfying of personal needs. The same scoring procedure was followed with reverse scoring of item No.3.The analysis of data is reflected in table 3.

TABLE 3: SUPPORTIVE STYLE OF LEADERSHIP

Sl.No.	Statements	Average Score	+/- than average
1.	Keep friendly working relationship with members	2.12	-
2.	There is little to make it pleasant to be member of group	1.95	-
3	Sometimes things hurt personal feeling of the members	1.53	-
4	The members are helped to overcome problems that stops them to carry out task	2.21	+
5	Personal needs of the members are taken care	2.85	+
	Mean Average	2.13	

In case of supportive leadership the sample with respect of making leadership pleasant (1.95) and hurting the feeling of the members (1.53) are observed to be minimum while taking personal needs of members into consideration is at very high level followed by helping members to overcome the problems and friendly relation.

(iii) **Participative leadership:** As operationally defined the leaders are the partners or share equally in bad or good days in work performance. This quality of the sample was examined as contained in table below. Item No.3 was reversely scored.

TABLE 4: PARTICIPATIVE STYLE

Sl. No.	Statements	Average Score	+/-than average
1	Members are consulted when faced with problems	2.52	+
2	The suggestions and ideas of the members are heard with concern	2.47	+
3	Action without consultation of the members is taken sometimes	1.57	-
4	Suggestions of the members as how to carry out the task	2.25	+
5	Suggestions are invited from the members as what assignments are to be made	1.97	-
	Mean Average	2.15	

Results reveal that sample in participative style of leadership value consultation with members at the time of facing problems (2.52) followed by taking suggestions from the members to solve problems (2.47) and carry out task on suggestions of members (2.25) In this type of leadership action without securing suggestions is not appreciated nor suggestions are sought as how to carry out the task.

(IV) **Achievement oriented leadership**: This approach has both advantages and disadvantages to perform as per standard of the prescribe task. However, item No.4 was reversely scored.

TABLE 5: ACHIEVEMENT ORIENTED STYLE

Sl.No.	Statements	Average score	+/- than average
1	Members are given understanding about performance at highest level	2.04	-
2	Goals are set for members and these are challenging	2.00	-
3	Suggestions are given for continued improvement in performance	1.73	-
4	Members are shown about doubt in their ability to meet goal	2.20	+
5	Constantly challenging goals are set for members to attain	2.45	+
	Mean Average	2.08	

The results indicate that in achievement style of leadership, constantly challenging goals are set before he members (2.45), and members are shown the deficiencies in their ability to meet the goals. The other parameters are, members are given understanding about highest level of performance (2.04), setting up of challenging goals (2.0) and suggestions are given to continued improvement (1.73)

Gap in Leadership Style: Analysis was made to find out gap in leadership styles of the four kinds as shown in table below.

TABLE 6: GAP IN LEADERSHIP STYLE

Leadership Style	Max. Obtainable score	Score Obtained	Gap (%)
1. Directive	5.00	1.89	62.20
2. Supportive	5.00	2.13	57.40
3. Participative	5.00	2.15	57.00
4. Achievement oriented	5.00	2.08	58.40

Results indicate gap in different style of leadership as found with sample of 240 respondents. Minimum gap is observed in case of supportive and participative style of leadership indicating the sample believes more in these two types of leadership than that of achievement orientation directive type.

Performance of SHG and leadership style: The hypothesis is that better the leadership style greater is the output of the SHGs. The performance of SHGs was measured over 10 important parameters as decided by the SHG members.

Performance level Parameters

1. Engagement per year
2. More production
3. More sales
4. More credit absorption
5. Timely repayment of credit
6 Increase benefits
7. Increased participation in decision making
8. Diversification in product
9. More outside contact
10. Recognition in locality

On score analysis, the sample SHGs were grouped on performance level as high, medium and low securing more than 66% of the total scores as high,34- to 59% of score as medium and less than 33% as low. The distribution of sample on level of performance and leadership style is presented below.

TABLE 7: DISTRIBUTION OF SAMPLE ON LEVEL OF PERFORMANCE AND LEADERSHIP STYLE

Style of Leadership	Level of performance			Total	
	High	Medium	Low	f	%
1. Directive	5	17	20	42	17.50
2. Supportive	25	21	13	59	24.58
3. Participative	20	36	8	64	26.67
4. Achievement oriented	10	10	55	75	31.25
Total	60	84	96	240	100.00
%	25.00	35.00	40.00	100.00	

Analysis reveals that 25% of SHGs were at high level, 35% medium and 40% low level of performance. Again in the continuum of leadership style, 22.50% were of Directive, 16.25% Supportive, 19.17% participative while 42.08% were of achievement oriented style. The observation reveals that supportive and participative styles close together constitute 35.42%. The supportive and participative leaders are found more in high level of performance, directive and achievement style leaders are concentrated in medium and low level of performance. The Chi-square value between performance of SHG and leadership style (X^2=72.38) is highly significant indicating powerful influence of leadership style on performance of SHG.

Socio-Economic Variables and Leadership Styles: It is believed that leadership style of an individual is influenced by socio-economic variables. Out of many, the study has examined education, caste, occupation and marital status

(i) Education and Leadership Style: The relation between educational attainment and leadership style was examined taking here levels of education of the sample. E 1 represents education up to primary level, E 2 up to middle school standard and beyond high school as E3 The distribution of sample according to style of leadership and educational attainment is presented in table.

TABLE 8: LEADERSHIP STYLE AND EDUCATIONAL ATTAINMENT

Leadership	E 1	E2	E3	Total
1. Directive	7	10	25	42
2. Supportive	14	32	8	59
3. Participative	12	40	12	64
4. Achievement oriented	8	27	40	75
Total	46	109	85	240
%	19.16	45.42	35.42	100.00

The sample consists of 19.16% sample who earned low level education, 45.42 % medium level education and rest 35.42% high level education within the sample and range of educational attainment. Supportive and participative leadership quality was found with medium level of education more than low and high level educational attainders. It is evident that sample with educational level below matriculation and above primary level exhibit supportive and participative leadership quality. The Chi-Square value(X^2 =45.01) between educational back ground of leaders and their leadership style indicates that both are significantly associated in showing output of the SHG.

(ii) Caste and Leadership style: Influence of caste on leadership style has been established by many authors owing to differential family back ground and environment. The distribution of leaders on caste composition is presented below.

TABLE 9: CASTE AND LEADERSHIP STYLE

Leadership	SC	OBC	General	Total
1.Directive	17	10	15	42
2.Supportive	12	31	16	59
3.Participative	10	37	17	64
4.Acievement oriented	5	20	50	75
Total	44	98	98	240
%	18.34	40.83	40.83	100.00

Results show that of the sample, 18.34% belonged to SC, 40.83% OBC and 40.83% to general caste structure. The sample with supportive and participative leadership quality is found more in OBC category over SC and general caste. The caste and leadership style is found to be closely associated ((X^2 = 32.53).

(iii) Family Occupation and Leadership Style: It is the common observation that individuals taking up different occupation differ in mind set and behavior. The relation between occupational composition and leadership style was examined as contained in table below.

TABLE 10: MAJOR OCCUPATION AND LEADERSHIP STYLE

Leadership	Farming	Business	Service	Total
1. Directive	10	22	10	42
2. Supportive	32	5	22	59
3. Participative	38	10	16	64
4. Achievement oriented	22	30	23	75
Total	102	67	71	240
%	42.50	27.92	29.58	100.00

The analysis reveals farming as major occupation imbibe supportive and participative leadership style than business and service. It is evident that occupation as means of living influence leadership style. Caste as an independent variable is found to have close association with leadership style (X^2=39.16)

(vi) Marital status and leadership style: It is believed that married and unmarried leaders have different kind of approach in dealing subordinates or people working with them. The study examined the marital status of the leaders in relation to leadership style which yielded the following information.

TABLE 11 MARITAL STATUS AND LEADERSHIP STYLE

Leadership style	Married	Unmarried	Total
1. Directive	30	12	42
2. Supportive	40	19	59
3. Participative	48	16	64
4. Achievement oriented	55	20	75
Total	173	67	240
%	72.08	27.92	100.00

The findings reveal that of the total sample, 72.08% were married against 27.92% who were bachelors. Supportive and participative type of leadership style was more prominent with married leaders than that of bachelors. The relationship between marital status and leadership style is found to be significant (X^2=16.49).

CONCLUSIONS

The study, **'**Path-Goal Theory of Leadership Style in the structural form of Self Help Group' conducted taking 240 SHG leaders spread over three districts and six blocks lead to arrive at the following conclusions.

1. Directive, supportive, participative and achievement leadership style do exist with presidents/secretary of SHGs with higher percentage of supportive and participative style.
2. Level of performance of supportive and participative style of leaders is much higher than that f directive and achievement styles.
3. Leaders with education beyond primary and below matriculation are found with supportive and participative style of leadership.
4. The leaders belonging to OBC believe more in supportive and participative style of leadership over directive and achievement style.
5. Leaders coming from families of farming occupation exhibit more on supportive and achievement style of leadership.
6. Married leaders are more inclined towards leadership style of supportive and participative type rather directive and achievement.

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THE STUDY OF FINANCIAL PERFORMANCE OF NATIONALIZED BANKS DURING 2006-2010

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ABSTRACT

This paper attempts to analyze the financial performance of public sector banks in India. Public sector banks form major part of total banking system in India so there is a need to evaluate the performance of these banks. The study is based upon secondary data covering the period from 2006-2010. For analyzing the performance Compound Annual Growth rate and Coefficient of Variation of, total expenditure, total assets, total liabilities, interest earned to total fund, interest expended to total assets, spread as percentage of total fund, Interest earned, non interest expenditure, net profit to total funds percentage, and profit before provisions to total assets percentage , and spread are calculated. It is concluded the CAGR of various variables have shown variations from bank to bank. PSB has shown maximum CAGR in case of interest earned, expenditure, Burdon, total liability, total assets, and Interest expended/total funds. MAHA Bank has shown least growth of interest earned, and expenditure, and IDBI has least growth of Burdon and Interest expended/interest earned. CAGR of profit before provision/total assets, interest income/total funds and Spread were at peak of IDBI.

KEYWORDS

Public sector banks, Compound Annual Growth rate, Coefficient of Variation.

INTRODUCTION

The banking system is an integral part of any economy. It is one of the many institutions that impinges on the economy and affect its performance. Economists have expressed a variety of opinions on the effectiveness of the banking systems in promoting or facilitating economic development. As an economic institution, the bank is expected to be more directly and more positively related to the performance of the economy than most non-economic institutions. Banks are considered to be the mart of the world, the nerve centre of economies and finance of a nation and the barometer of its economic perspective. They are not merely dealers in money but are in fact dealers in development.

Banks are important agencies for the generation of savings of the community. They are also the main agents of credit. They divert and employ the funds to make possible fuller utilization of the resources of a nation. They transfer funds from regions where it is available in plenty to where it can be efficiently utilized; the distributions of funds between regions pave the way for the balanced development of the different regions. They are thus catalytic agents that create opportunities for the development of the resources to speed up the tempo of economic development. In the Indian financial system, commercial banks are the major mobilizes and disbursers of financial resources. They all have pervasive role in the growth of a developing Country like India. The role of banks in accelerating the economic development of a country like India has been increasingly recognized following the nationalization of fourteen major commercial banks in July 1969 and six more banks in April 1980. With nationalization, the concept of banking has undergone significant changes. Banks are no longer viewed as mere lending institutions. They are to serve the society in a much bigger way with a socio-economic Development oriented outlook. They are specially called up onto use their resources to attain social upliftment and speedier economic development.

REVIEW OF LITERATURE

There are numerous empirical studies conducted on the issue of profitability of commercial banks in India as well as abroad. Present review deals with the empirical studies conducted in Indian context on profitability of banking sector. Present section deals with some of the notable studies in this field.

Luther (1976) chaired the committee appointed by Reserve Bank of India to study the productivity, efficiency and profitability of commercial banks. The committee analyzed the various issues related to the planning, budgeting and marketing in commercial banks.

Varghese (1983) analyzed the profits and profitability of commercial banks in India from 1970 to 1979, by using the operating profits operating margins, growth yield on assets and the spread relation ratios.

Clark (1984) adopted the generalized cost function model to assess the scale economics of banking and found that business level where preferred as better representative of the bank productivity.

Amandeep (1991) attempted to estimate profit and profitability of Indian Nationalized banks and to study the impact of priority sector lending, credit policies, geographical expansion, industrial sickness, competition, deposit composition, establishment expenses, ancillary income, spread and burden on bank profitability. For this purpose, trend analysis, ratio analysis and regression analysis were used.

Nayar (1991) examined the growth and trend in the performance and profitability of the nationalized commercial banks from 1970-1986. She suggested certain majors to improve the profitability, which includes control over the volume and mix of credit portfolio, acceleration of recovery process, mobilization of deposits, and diversification of activities into nontraditional business such as mutual funds and merchant banking.

Pathrose (1998) explored the hurdles faced by the banks in their profit maximization efforts and the various strategies for the profit planning. He stressed that for growing competition challenges could be converted into opportunities by better credit administration, human resource management and technology up gradation.

Swamy (2001) studied the comparative performance of different bank groups since 1995-96 to 1999-2000. An attempt was made by researcher to identify factors which could have led to changes in the position of individual banks in terms of their share in the overall banking industry. He analyzed the share of rural branches , average branch size, trends in bank's profitability, share of public sector assets, share of wages in expenditure, provision and contingencies, net non performance assets in net advances, spread, has been calculated.

He concluded that in many respects nationalized public sectors banks much better than private banks, even they are better than foreign banks.

MilindSathya (2005) examined the effect of privatization of banks on performance and efficiency. The data taken was for five years (1998-2002) and it was analyzed by using difference of means test. The banking sector in India includes domestic banks (privately owned, partially privatized banks, fully PSB's) as well as foreign banks, and objective of this study is to study the impact of privatization on the banking firms. It was concluded that partially privatized banks have performed better as compared to fully PSB's in respect of financial performance and efficiency. Partially privatized banks have continued to show improved performance and efficiency in the year after privatization.

Most of the studies were concerned of commercial banks as a whole and we recovering very limited number of years. PSB's maintained its dominance in the banking system. Keeping into consideration the research gaps an endeavor is made in the present study to examine the performance of PSB's by calculating various ratios and their Compound Annual Growth Rates (CAGRs) and Coefficient of Variation (CV).

OBJECTIVE OF STUDY

The present study has the following major objectives:

1. To evaluate the financial performance of nationalized banks in India, through the spread burden, and the profitability ratios.
2. To appraise the profitability of these banks through overall –profitability indices

RESEARCH METHODOLOGY

The study is based upon secondary data covering the period from 2006-2010.The study is related to PSB's and it includes 21 nationalized banks. The proposed study will aim at examining the performance of PSB's in India. The data on the variables selected like total expenditure, total assets, total liabilities, interest earned to total fund, interest expended to total assets, spread as percentage of total fund, Interest earned, non interest expenditure, net profit to total funds percentage, and profit before provisions to total assets percentage for analysis from RBI website www.rbi.org.in and website of Indian Banker Association www.iba.org.in.

We have computed Return on Assets, and Interest Expended to Total Assets, Interest Earned to Total Assets, Spread Ratio and profit before provisions to total assets percentage. These computed ratios were further analyzed by computing compound annual growth rates (CAGRs) and coefficient of Variation (CV).

SIGNIFICANCE OF THE STUDY

The performance effectiveness of the nationalized banking industry that controls more than 90 percent of the banking business in India is an issue of serious concern to the Government of India, the national and international monetary authorities such as the Reserve Bank of India, the World Bank, the International Monetary Fund and so on: it is a seriously debating topic among academicians and public at large.

Though a number of studies are available on banking industry, there is dearth of a comprehensive academic study on the performance effectiveness and managerial efficiency of the nationalized banks. A review of the available literature on banking reveals that no exclusive study on the performance effectiveness of banks has so far been attempted in India. In this context the present study may fill the gap to a certain extent.

RESEARCH METHODOLOGY

PERIOD OF STUDY

The post-Reform period of four years from 2006-2010 was taken to analyses and evaluate the performance of nationalized banks in India.

SAMPLE SIZE

The study covers 21 nationalized banks in India during the period 2006-2010.

DATA COLLECTION

The study is based on the secondary data obtain from the various sources, viz, the IBA bulletins (annual issue), statistical table related to banks in India performance highlights of public sector banks , and the RBI reports on trends and progress of banking in India

DATA ANALYSIS AND TOOL USED

CALCULATING GROWTH RATES

It's common to calculate period growth rates for historical figures. For calculating growth from a single start time and a single end time it's sufficient. In other words, if we have a value for revenue in Year 1 and a revenue figure for Year 10 and we aren't concerned about the years between we would set up the spreadsheet shown below, given that the formula is:

CAGR: =((End Value/Start Value)^(1/(Periods - 1)) -1	
Year 1	110.06
Year 10	260.83
=((B3/B2)^(1/9))-1 ==>	10.06%

SPREAD TO TOTAL ASSETS RATIO

Spread to Total Assets Ratio: Spread is the difference between interest earned and Interest paid. The higher the difference the better it will be for the bank. Thus spread ratio Measures the proportion of spread to total assets of a bank. Following factors are considered to calculate spread.

a. Interest earn as percent of total assets
b. interest expenditure as percent of total assets.
c. spread as percent of total assets.

BURDEN RATIOS: Burden ratios are calculated as difference of non interest expenditure and non interest income.
Following points are taken into consideration during calculation of burden ratios.

a. Non interest expenditure
b. Noninterest income
c. Difference between a. and b. as burden.

Profitability ratios: for calculating the profitability ratios following points are taken into consideration.
a. operating profits as percentage of total assets
b. net profits as percent of total assets

Performance indices: for analyzing the performance of nationalized banks eights profitability ratios are calculated.

$$\text{index} = \frac{\text{average ratios for the bank concern}}{\text{average ratios for the aggrigate of all banks}}$$

On the basis of these studies following tables, graphs and conclusion were drawn.

ANALYSIS AND DISCUSSION

The study seeks to assess the relative performance of the various nationalized banks, with respect to the above mentioned indicators. The relevant computations are shown in bellow tables.

TABLE 1: INTEREST EARNED BY THE NATIONALIZED BANK DURING THE PERIOD (2006-2010)

SR.NO.	BANKS	YEARS					CAGR	MEAN	S.D	C.V
		2006	2007	2008	2009	2010				
1	ALLD	3,767.24	4,883.86	6,171.22	7,364.73	8,369.20	22.0858	6111.25	1653.724	0.270603
2	SBI	35,979.57	37,242.33	48,950.31	63,788.43	70,993.92	18.51991	51390.91	14011.6	0.272647
3	UCO	4,354.59	5,210.06	6,508.56	8,121.38	9,526.32	21.61705	6744.182	1884.471	0.279422
4	UNION	5,863.71	7,382.18	9,214.63	11,889.38	13,302.68	22.72744	9530.516	2755.143	0.289086
5	UNITED	2,350.46	2,825.09	3,557.30	4,311.87	5,248.94	22.2446	3658.732	1036.549	0.283308
6	INDIAN	3,364.52	4,194.80	5,212.98	6,830.33	7,857.06	23.61872	5491.938	1653.565	0.30109
7	ORIANTAL	4,118.92	5,164.90	6,827.19	8,856.47	10,257.13	25.62053	7044.922	2269.069	0.322086
8	CENTRAL	5,385.58	6,234.21	7,884.26	10,455.19	12,064.31	22.33973	8404.71	2517.706	0.299559
9	BOI	7,028.70	8,936.28	12,355.22	16,347.36	17,877.99	26.28766	12509.11	4156.458	0.332274
10	SYND	4,050.42	6,040.07	7,906.31	9,525.35	10,047.18	25.49778	7513.866	2226.445	0.296312
11	DENA	1,760.13	2,118.52	2,675.90	3,447.50	4,010.36	22.85976	2802.482	830.1015	0.296202
12	IDBI	5,380.72	6,345.42	8,040.88	11,545.12	15,272.63	29.79811	9316.954	3643.82	0.391096
13	CANARA	8,711.51	11,364.56	14,200.74	17,119.05	18,751.96	21.12626	14029.56	3667.675	0.261425
14	IOB	4,406.28	5,832.07	7,738.77	9,641.40	10,245.77	23.48612	7572.858	2213.974	0.292357
15	CB	2,626.47	3,360.47	4,516.55	6,067.35	7,294.60	29.09436	4773.088	1714.783	0.359261
16	BOB	7,049.95	9,004.09	11,813.48	15,091.58	16,698.34	24.05715	11931.49	3608.935	0.302471
17	PNB	9,584.15	11,236.14	14,265.02	19,127.22	21,466.91	22.33592	15135.89	4534.332	0.299575
18	PSB	1,268.57	1,691.67	2,219.29	3,247.17	3,934.17	32.7042	2472.174	985.8854	0.398793
19	MAHA B	2,474.45	2,722.04	3,440.47	4,291.56	4,735.56	17.61783	3532.816	872.7325	0.247036
20	VIJAYA	2,311.80	2,823.11	3,888.54	5,237.83	5,200.65	22.46919	3892.386	1196.945	0.307509
21	ANDRA	2,675.12	3,315.33	4,209.56	5,374.62	6,372.87	24.23614	4389.5	1343.84	0.306149

Interest earn: The above table shows the interest earn by the various public sector banks. The conclusions drawn are as follows:

1. Mean was highest in case of SBI, while it was least in case of PSB (2472.174).
2. CAGR was highest in case of PSB (32.70), while it was least in case of MAHA B (17.62).
3. When comparing CV of interest earned of PSB's CV was minimum in case of MAHA B (0.247) where as maximum of PSB (0.399). So we can infer that MAHA B was showing maximum consistency in term of interest earned.

TABLE 2: EXPENDITURE BY THE NATIONALIZED BANK DURING THE PERIOD (2006-2010)

SR.NO.	BANKS	YEARS					CAGR	MEAN	S.D	C.V
		2006	2007	2008	2009	2010				
1	ALLD	2,189.80	3,133.12	4,498.88	5,206.06	5,718.72	27.12284	4149.316	1309.526	0.3156
2	SBI	20,390.45	22,184.13	31,929.08	42,915.29	47,322.48	23.427	32948.29	10775.56	0.327045
3	UCO	2,788.84	3,623.16	5,020.81	6,476.68	7,202.19	26.76818	5022.336	1662.112	0.330944
4	UNION	3,489.42	4,591.96	6,360.95	8,075.81	9,110.27	27.11433	6325.682	2091.33	0.330609
5	UNITED	1,339.51	1,675.20	2,652.69	3,150.37	3,857.71	30.27045	2535.096	928.4983	0.366258
6	INDIAN	1,854.34	2,412.62	3,159.08	4,221.82	4,553.18	25.17897	3240.208	1029.521	0.317733
7	ORIANTAL	2,513.85	3,473.58	5,156.17	6,859.97	7,349.69	30.76226	5070.652	1870.34	0.368856
8	CENTRAL	3,005.51	3,759.79	5,772.47	8,226.72	9,519.01	33.40386	6056.7	2504.513	0.413511
9	BOI	4,396.72	5,495.82	8,125.95	10,848.45	12,122.04	28.8581	8197.796	2972.53	0.362601
10	SYND	2,169.55	3,890.02	5,833.56	6,977.60	7,307.37	35.47147	5235.62	1943.996	0.371302
11	DENA	1,037.46	1,263.16	1,817.14	2,383.07	2,910.34	29.41753	1882.234	694.1141	0.368771
12	IDBI	5,000.82	5,687.49	7,364.41	10,305.72	13,005.22	26.98988	8272.732	2991.435	0.361602
13	CANARA	5,130.00	7,337.73	10,662.94	12,401.24	13,071.43	26.34307	9720.668	3034.916	0.312213
14	IOB	2,339.10	3,271.27	5,288.79	6,771.81	7,077.91	31.89067	4949.776	1875.991	0.379005
15	CB	1,399.66	2,052.37	3,073.23	4,376.37	5,084.35	38.05534	3197.196	1379.053	0.431332
16	BOB	3,875.09	5,426.56	7,901.67	9,968.17	10,758.86	29.08361	7586.07	2618.223	0.345136
17	PNB	4,917.39	6,022.91	8,730.86	12,295.30	12,944.02	27.37483	8982.096	3225.396	0.359092
18	PSB	668.99	959.86	1,433.50	2,235.31	2,750.23	42.39258	1609.578	778.5204	0.48368
19	MAHA B	1,502.89	1,627.84	2,311.79	3,035.03	3,439.31	22.9946	2383.372	760.3768	0.319034
20	VIJAYA	1,339.02	1,751.16	3,058.42	4,113.03	3,751.57	29.37683	2802.64	1089.11	0.388602
21	ANDRA	1,506.15	1,897.79	2,870.00	3,747.71	4,178.13	29.05607	2839.956	1027.847	0.361923

Expenditure: The above table shows the Expenditure by the various public sector banks.

The conclusions drawn are as follows

1. SBI is having highest in public sector market followed by CANARA, PNB, and BOI.
2. GROWTH RATE of PSB is higher than all other banks.
3. CANARA (0.312) bank was showing maximum consistency in term of expenditure

TABLE 3: SPREAD BY THE NATIONALISED BANKS DURING THE PERIOD (2006-2010)

SR.NO.	BANKS			YEARS			CAGR	MEAN	S.D	C.V
		2006	2007	2008	2009	2010				
1	ALLD	1,577.44	1,750.74	1,672.34	2,158.67	2,650.48	13.85259	1961.934	397.2666	0.202487
2	SBI	15,589.12	15,058.20	17,021.23	20,873.14	23,671.44	11.0071	18442.63	3312.555	0.179614
3	UCO	1,565.75	1,586.90	1,487.75	1,644.70	2,324.13	10.3785	1721.846	305.3113	0.177316
4	UNION	2,374.29	2,790.22	2,853.68	3,813.57	4,192.41	15.2743	3204.834	682.7713	0.213044
5	UNITED	1,010.95	1,149.89	904.61	1,161.50	1,391.23	8.30969	1123.636	163.9512	0.145911
6	INDIAN	1,510.18	1,782.18	2,053.90	2,608.51	3,303.88	21.61829	2251.73	639.3468	0.283936
7	ORIANTAL	1,605.07	1,691.32	1,671.02	1,996.50	2,907.44	16.01234	1974.27	485.7222	0.246026
8	CENTRAL	2,380.07	2,474.42	2,111.79	2,228.47	2,545.30	1.692122	2348.01	158.7579	0.067614
9	BOI	2,631.98	3,440.46	4,229.27	5,498.91	5,755.95	21.60701	4311.314	1190.18	0.27606
10	SYND	1,880.87	2,150.05	2,072.75	2,547.75	2,739.81	9.860208	2278.246	316.9367	0.139114
11	DENA	722.67	855.36	858.76	1,064.43	1,100.02	11.0747	920.248	141.5166	0.153781
12	IDBI	379.9	657.93	676.47	1,239.40	2,267.41	56.30224	1044.222	672.3199	0.643848
13	CANARA	3,581.51	4,026.83	3,537.80	4,717.81	5,680.53	12.22269	4308.896	806.4529	0.18716
14	IOB	2,067.18	2,560.80	2,449.98	2,869.59	3,167.86	11.26202	2623.082	374.2779	0.142686
15	CB	1,226.81	1,308.10	1,443.32	1,690.98	2,210.25	15.85533	1575.892	354.0626	0.224674
16	BOB	3,174.86	3,577.53	3,911.81	5,123.41	5,939.48	16.95154	4345.418	1028.997	0.236801
17	PNB	4,666.76	5,213.23	5,534.16	6,831.92	8,522.89	16.24997	6153.792	1382.197	0.224609
18	PSB	599.58	731.81	785.79	1,011.86	1,183.94	18.54156	862.596	208.6736	0.241913
19	MAHA B	971.56	1,094.20	1,128.68	1,256.53	1,296.25	7.47434	1149.444	116.7435	0.101565
20	VIJAYA	972.78	1,071.95	830.12	1,124.80	1,449.08	10.47638	1089.746	205.7927	0.188845
21	ANDRA	1,168.97	1,417.54	1,339.56	1,626.91	2,194.74	17.05634	1549.544	354.5753	0.228826

SPREAD: The below table shows the spread by the various public sector banks. The conclusion drawn from the table is as follows:

1. SBI is having highest spread share in public sector market followed by PNB, BOI and CANARA
2. GROWTH RATE of IDBI is higher than all other banks as far as spread is concerned.
3. CENTRAL bank CANARA (0.312) bank was showing maximum consistency in term of spread.

TOTAL EXPENDITURE: The above table shows the total expenditure by the various public sector banks. The conclusions drawn are as follows

1. SBI is having highest total expenditure in public sector market followed by PNB, CANARA and BOI.
2. GROWTH RATE of PSB is higher than all other banks as far as total expenditure is concerned.
3. Banks of Maharashtra (0.233) was showing maximum consistency in term of total expenditure.

TABLE 4: TOTAL EXPENDITURE BY THE NATIONALISED BANKS DURING THE PERIOD (2006-2010)

SR.NO.	BANKS			YEARS			CAGR	MEAN	S.D	C.V
		2006	2007	2008	2009	2010				
1	ALLD	3,681.74	4,720.96	6,227.91	7,852.59	8,978.23	24.96385	6292.286	1946.125	0.309287
2	SBI	39,101.06	40,130.06	51,708.30	67,361.51	77,794.47	18.76543	55219.08	15211.06	0.275467
3	UCO	4,625.11	5,498.87	6,875.71	8,600.80	9,487.84	19.67717	7017.666	1825.338	0.260106
4	UNION	6,008.20	7,757.97	9,177.17	11,684.38	13,320.48	22.02361	9589.64	2632.83	0.274549
5	UNITED	2,592.43	2,905.49	3,877.69	4,676.56	5,592.91	21.19444	3929.016	1110.321	0.282595
6	INDIAN	3,467.58	4,259.08	5,358.64	6,690.28	7,585.70	21.61644	5472.256	1513.516	0.27658
7	ORIANTAL	4,190.77	5,402.38	7,294.39	9,042.09	10,363.56	25.4018	7258.638	2266.276	0.312218
8	CENTRAL	5,738.60	6,461.64	8,268.03	10,954.27	12,741.64	22.06885	8832.836	2656.882	0.300796
9	BOI	7,511.64	9,376.07	12,462.75	16,391.87	18,753.55	25.70055	12899.18	4197.64	0.325419
10	SYND	4,106.01	5,975.91	7,998.67	9,527.55	10,446.46	26.29533	7610.92	2316.107	0.304314
11	DENA	2,148.06	2,382.91	2,802.31	3,570.47	4,095.51	17.50745	2999.852	730.9256	0.243654
12	IDBI	6,100.28	6,773.25	9,070.84	12,248.80	16,584.89	28.40759	10155.61	3867.295	0.380804
13	CANARA	8,830.75	11,455.55	14,944.04	17,473.73	19,060.01	21.20803	14352.82	3771.861	0.262796
14	IOB	4,351.15	5,716.59	7,611.89	10,028.68	10,855.42	25.6784	7712.746	2471.238	0.32041
15	CB	2,757.22	3,459.86	4,494.90	6,282.61	7,313.09	27.61666	4861.536	1706.273	0.350974
16	BOB	7,617.04	9,411.66	12,456.66	15,648.91	16,852.32	21.96027	12397.32	3526.716	0.284474
17	PNB	10,045.84	11,628.77	14,242.72	19,405.75	21,183.26	20.50405	15301.27	4328.323	0.282873
18	PSB	1,167.47	1,587.93	2,146.37	3,198.09	3,825.86	34.54601	2385.144	991.1445	0.415549
19	MAHA B	2,733.66	2,884.41	3,505.72	4,428.01	4,951.55	16.011	3700.67	864.0739	0.233491
20	VIJAYA	2,557.46	2,871.95	4,069.34	5,738.62	5,583.93	21.55779	4164.26	1323.25	0.317764
21	ANDRA	2,654.00	3,363.81	4,279.25	5,503.80	6,332.98	24.28731	4426.768	1348.183	0.304552

TABLE 5: BURDON BY THE NATIONALISED BANKS DURING THE PERIOD (2006-2010)

SR.NO.	BANKS			YEARS			CAGR	MEAN	S.D	C.V
		2006	2007	2008	2009	2010				
1	ALLD	871.31	1,000.60	697.6	1,390.07	1,444.15	13.46447	1080.746	291.4898	0.269712
2	SBI	11,182.45	10,516.89	10,292.11	11,751.91	14,505.39	6.720564	11649.75	1517.237	0.130238
3	UCO	1,369.10	1,270.80	1,075.59	1,086.99	1,311.94	-1.0605	1222.884	119.8071	0.097971
4	UNION	1,699.11	1,944.83	1,466.65	2,087.02	2,117.49	5.657412	1863.02	247.2244	0.132701
5	UNITED	806.39	882.61	759.5	976.79	1,068.87	7.298818	898.832	112.4388	0.125094
6	INDIAN	1,005.70	1,022.41	1,045.16	1,363.19	1,748.89	14.8348	1237.07	287.8564	0.232692
7	ORIANTAL	1,047.91	1,110.51	1,317.80	1,106.08	1,772.76	14.04638	1271.012	267.0873	0.210138
8	CENTRAL	2,122.65	1,976.41	1,561.63	1,657.23	1,487.07	-8.51218	1760.998	246.0677	0.139732
9	BOI	1,930.54	2,317.29	2,219.87	2,491.56	4,014.88	20.08768	2594.828	732.9545	0.282467
10	SYND	1,344.38	1,433.99	1,224.68	1,634.93	1,926.49	9.411048	1512.894	246.4324	0.162888
11	DENA	649.68	653.8	498.97	641.77	588.77	-2.43107	606.598	58.69034	0.096753
12	IDBI	-180.99	27.62	-52.99	380.86	1,236.28	#NUM!	282.156	512.1935	1.815285
13	CANARA	2,238.29	2,606.02	1,972.79	2,645.39	2,659.10	4.400981	2424.318	274.042	0.113039
14	IOB	1,283.84	1,552.37	1,247.64	1,543.80	2,460.90	17.66458	1617.71	440.255	0.272147
15	CB	782.35	771.96	708.33	798.2	1,040.00	7.376208	820.168	114.0795	0.139093
16	BOB	2,347.90	2,551.07	2,476.29	2,896.21	2,881.15	5.24987	2630.524	220.6263	0.083872
17	PNB	3,227.45	3,673.15	3,485.40	3,741.04	4,617.53	9.367315	3748.914	469.3954	0.125208
18	PSB	313.9	341.54	396.22	577.45	682.81	21.4443	462.384	143.4268	0.31019
19	MAHA B	920.77	822.36	800.29	881.36	856.67	-1.78776	856.29	42.59945	0.049749
20	VIJAYA	845.9	740.61	468.84	862.32	941.78	2.720615	771.89	164.5208	0.21314
21	ANDRA	683.47	879.64	763.99	973.86	1,148.89	13.86487	889.97	162.9092	0.18305

Burdon: the above table shows the BURDON by the various public sector banks. The conclusions drawn are as follows

1. SBI is having highest interest earn share in public sector market followed by PNB, BOB and BOI.
2. GROWTH RATE of PSB is higher than all other banks.
3. BOB was showing maximum consistency in term of Burdon.

TABLE 6: NON INTEREST EXPENDITURE BY THE NATIONALISED BANKS DURING THE PERIOD (2006-2010)

SR.NO.	BANKS			YEARS			CAGR	MEAN	S.D	C.V
		2006	2007	2008	2009	2010				
1	ALLD	1,491.94	1,587.84	1,729.03	2,646.53	3,259.51	21.57667	2142.97	693.3383	0.323541
2	SBI	18,710.61	17,945.93	19,779.22	24,446.22	30,471.99	12.96742	22270.79	4681.44	0.210205
3	UCO	1,836.27	1,875.71	1,854.90	2,124.12	2,285.65	5.625383	1995.33	178.9984	0.089709
4	UNION	2,518.78	3,166.01	2,816.22	3,608.57	4,210.21	13.70469	3263.958	596.5742	0.182776
5	UNITED	1,252.92	1,230.29	1,225.00	1,526.19	1,735.20	8.481717	1393.92	204.5273	0.146728
6	INDIAN	1,613.24	1,846.46	2,199.56	2,468.46	3,032.52	17.09172	2232.048	495.8433	0.222147
7	ORIANTAL	1,676.92	1,928.80	2,138.22	2,182.12	3,013.87	15.7852	2187.986	450.1025	0.205715
8	CENTRAL	2,733.09	2,701.85	2,495.56	2,727.55	3,222.63	4.205137	2776.136	239.9216	0.086423
9	BOI	3,114.92	3,880.25	4,336.80	5,543.42	6,631.51	20.79289	4701.38	1245.669	0.264958
10	SYND	1,936.46	2,085.89	2,165.11	2,549.95	3,139.09	12.83629	2375.3	432.2953	0.181996
11	DENA	1,110.60	1,119.75	985.17	1,187.40	1,185.17	1.637914	1117.618	73.52424	0.065787
12	IDBI	1,099.46	1,085.76	1,706.43	1,943.08	3,579.67	34.3278	1882.88	912.4694	0.484614
13	CANARA	3,700.75	4,117.82	4,281.10	5,072.49	5,988.58	12.78687	4632.148	811.0585	0.175093
14	IOB	2,012.05	2,445.32	2,323.10	3,256.87	3,777.51	17.05547	2762.97	652.916	0.236309
15	CB	1,357.56	1,407.49	1,421.67	1,906.24	2,228.74	13.19444	1664.34	345.2644	0.207448
16	BOB	3,741.95	3,985.10	4,554.99	5,680.74	6,093.46	12.96437	4811.248	926.4633	0.192562
17	PNB	5,128.45	5,605.86	5,511.86	7,110.45	8,239.24	12.58363	6319.172	1173.982	0.185781
18	PSB	498.48	628.07	712.87	962.78	1,075.63	21.20033	775.566	213.3307	0.275065
19	MAHA B	1,230.77	1,256.57	1,193.93	1,392.98	1,512.24	5.283655	1317.298	118.427	0.089901
20	VIJAYA	1,218.44	1,120.79	1,010.92	1,625.59	1,832.36	10.73927	1361.62	313.932	0.230558
21	ANDRA	1,147.85	1,466.02	1,409.25	1,756.09	2,154.85	17.05312	1586.812	343.5488	0.216503

Non interest expenditure: The above table shows the non interest expenditure by the various public sector banks. The conclusions drawn are as follows

1. SBI is having highest Non interest expenditure share in public sector market followed by PNB and BOB.
2. GROWTH RATE of ALLD is higher than all other banks.
3. DENA was showing maximum consistency in term of Non interest expenditure.

TABLE 7: PROFIT BEFORE PROVISION/ TOTAL ASSETS BY THE NATIONALISED BANKS DURING THE PERIOD (2006-2010)

SR.NO.	BANKS			YEARS			CAGR	MEAN	S.D	C.V
		2006	2007	2008	2009	2010				
1	ALLD	2.1	1.9	2	2.1	2.4	3.394631	2.1	0.167332	0.079682
2	SBI	2.4	1.9	2.1	2.1	1.9	-5.67309	2.08	0.183303	0.088126
3	UCO	1.3	1.4	1.2	1.2	1.4	1.869968	1.3	0.089443	0.068802
4	UNION	1.8	2.1	2.3	2.2	2.1	3.928988	2.1	0.167332	0.079682
5	UNITED	2.1	1.9	1	1.3	1.4	-9.6398	1.54	0.402989	0.261681
6	INDIAN	2.2	2.6	2.8	2.8	3.1	8.951886	2.7	0.296648	0.10987
7	ORIANTAL	2.5	2.4	2	1.7	2	-5.42584	2.12	0.292575	0.138007
8	CENTRAL	1.8	1.7	1.2	1.1	1.3	-7.81342	1.42	0.278568	0.196174
9	BOI	1.6	1.9	2.3	2.7	1.9	4.389881	2.08	0.381576	0.18345
10	SYND	1.9	1.8	1.5	1.4	1.4	-7.35039	1.6	0.209762	0.131101
11	DENA	2.2	2.2	2	1.8	1.6	-7.65267	1.96	0.233238	0.118999
12	IDBI	0.9	0.8	1.2	0.9	1.4	11.67897	1.04	0.224499	0.215865
13	CANARA	2.2	2	1.7	2	2.2	-4.09034	2.1	0.2	0.095238
14	IOB	2.5	2.3	2.2	2.3	1.6	-4.20527	2.06	0.328634	0.159531
15	CB	2.6	2.4	2.1	2.3	2.2	-2.1518	2.28	0.176635	0.077472
16	BOB	1.9	1.9	1.8	2.1	2.1	3.928988	1.94	0.121655	0.062709
17	PNB	2.4	2.5	2.2	2.7	2.7	2.988357	2.24	0.32187	0.143692
18	PSB	1.8	2.6	2.6	2.1	1.8	0	2.18	0.36	0.165138
19	MAHA B	1.1	1.8	1.6	1.5	1.4	6.214507	1.48	0.231517	0.15643
20	VIJAYA	2.4	2.2	1.4	1.6	1.9	-5.67309	1.9	0.368782	0.194096
21	ANDRA	1.9	2.3	2	2.1	2.3	4.892288	2.12	0.16	0.075472

Profit before Provisions / Total Assets (%): the above table shows the Profit before Provisions / Total Assets (%) by the various public sector banks. The conclusions drawn are as follows

1. INDIAN bank is having highest Profit before Provisions / Total Assets (%) share in public sector market followed by CB.
2. GROWTH RATE of IDBI is higher than all other banks followed by INDIAN bank.
3. BOB was showing maximum consistency in term of **Profit before Provisions / Total Assets (%)**.

TABLE 8: NET PROFIT/TOTAL ASSETS BY THE NATIONALISED BANKS DURING THE PERIOD (2006-2010)

SR.NO.	BANKS			YEARS			CAGR	MEAN	S.D	C.V
		2006	2007	2008	2009	2010				
1	ALLD	1.4	1.2	1.3	0.9	1.1	-5.8509	1.18	0.172047	0.145802
2	SBI	0.9	0.9	1	1.1	0.9	0	0.96	0.08	0.083333
3	UCO	0.3	0.5	0.5	0.6	0.8	27.78862	0.54	0.162481	0.30089
4	UNION	0.8	0.9	1.2	1.2	1.2	10.66819	1.06	0.174356	0.164487
5	UNITED	0.7	0.7	0.3	0.3	0.5	-8.06773	0.5	0.178885	0.357771
6	INDIAN	1.2	1.5	1.6	1.6	1.7	9.098033	1.52	0.172047	0.113188
7	ORIANTAL	1	0.9	0.4	0.9	0.9	-2.59963	0.82	0.213542	0.260417
8	CENTRAL	0.4	0.6	0.5	0.4	0.7	15.01633	0.52	0.116619	0.224267
9	BOI	0.7	0.9	1.3	1.5	0.7	0	1.02	0.324962	0.31859
10	SYND	1	1	0.9	0.8	0.6	-11.9888	0.86	0.149666	0.174031
11	DENA	0.3	0.7	1	1	1	35.12002	0.8	0.275681	0.344601
12	IDBI	0.7	0.7	0.6	0.6	0.5	-8.06773	0.62	0.074833	0.120699
13	CANARA	1.1	1	0.9	1.1	1.3	4.264789	1.08	0.132665	0.122838
14	IOB	1.4	1.4	1.3	1.2	0.6	-19.0893	1.18	0.299333	0.253672
15	CB	1.2	1.2	1.2	1.2	1.2	0	1.2	0	0
16	BOB	0.8	0.8	0.9	1.1	1.2	10.66819	0.96	0.162481	0.169251
17	PNB	1.1	1	1.1	1.4	1.4	6.214507	1.2	0.167332	0.139443
18	PSB	1.7	1.9	1.5	1.2	1	-12.4235	1.46	0.32619	0.223418
19	MAHA B	0.2	0.8	0.8	0.7	0.7	**36.77824**	0.64	0.224499	0.35078
20	VIJAYA	0.4	0.9	0.7	0.5	0.8	18.92071	0.66	0.185472	0.281019
21	ANDRA	1.3	1.2	1.1	1	1.3	0	1.18	0.116619	0.09883

Net Profit / Total funds (%): The above table shows the Net Profit / Total funds (%) by the various public sector banks. The conclusions drawn are as follows

1. INDIAN bank is having highest Net Profit / Total funds (%) share in public sector market. followed by PSB.
2. GROWTH RATE of MAHARASTRA bank is higher than all other banks followed by DENA bank.
3. CENTRAL was showing maximum consistency in term of **Net Profit / Total funds (%).**

TABLE 9: INTEREST EXPENDED / INTEREST EARNED (%) BY THE NATIONALISED BANKS DURING THE PERIOD (2006-2010)

SR.NO.	BANKS			YEARS			CAGR	MEAN	S.D	C.V
		2006	2007	2008	2009	2010				
1	ALLD	58.1	64.2	72.9	70.7	68.3	4.126469	66.84	5.23664	0.078346
2	SBI	56.7	59.6	65.2	67.3	66.7	4.144345	63.1	4.200476	0.066569
3	UCO	64	69.5	77.1	79.8	75.6	4.252254	73.2	5.707188	0.077967
4	UNION	59.5	62.2	69	67.9	68.5	3.584173	65.42	3.843644	0.058753
5	UNITED	57	59.3	74.6	73.1	73.5	6.562186	67.5	7.68453	0.113845
6	INDIAN	55.1	57.5	60.6	61.8	58	1.290589	58.6	2.368966	0.040426
7	ORIANTAL	61	67.3	75.5	77.5	71.7	4.123158	70.6	5.930936	0.084008
8	CENTRAL	55.8	60.3	73.2	78.7	78.9	9.046241	69.38	9.580689	0.13809
9	BOI	62.6	61.5	65.8	66.4	67.8	2.014954	64.82	2.378571	0.036695
10	SYND	53.6	64.4	73.8	73.3	72.7	7.917632	67.56	7.786809	0.115258
11	DENA	58.9	59.6	67.9	69.1	72.6	5.367174	65.62	5.430064	0.08275
12	IDBI	92.9	89.6	91.6	89.3	85.2	-2.13983	89.72	2.617938	0.029179
13	CANARA	58.9	64.6	75.1	72.4	69.7	4.298814	68.14	5.778097	0.084797
14	IOB	53.1	56.1	68.3	70.2	69.1	6.806057	63.36	7.240331	0.114273
15	CB	53.3	61.1	68	72.1	69.7	6.936605	64.84	6.83333	0.105388
16	BOB	55	60.3	66.9	66.1	64.4	4.02334	62.54	4.404816	0.070432
17	PNB	51.3	53.6	61.2	64.3	60.3	4.123795	58.14	4.886144	0.084041
18	PSB	52.7	56.7	64.6	68.8	69.9	7.316535	62.54	6.760651	0.108101
19	MAHA B	60.7	59.8	67.2	70.7	72.6	4.577193	66.2	5.165656	0.078031
20	VIJAYA	57.9	62	78.7	78.5	72.1	5.636542	69.84	8.516243	0.121939
21	ANDRA	56.3	57.2	68.2	69.7	65.6	3.896008	63.4	5.59321	0.088221

Interest Expended / Interest Earned (%): The above table shows the Interest Expended / Interest Earned (%) by the various public sector banks. The conclusions drawn are as follows

1. IDBI is having highest Interest Expended / Interest Earned (%) share in public sector market followed by UCO.
2. GROWTH RATE of CENTRAL bank is higher than all other banks followed by SYND banks.
3. IDBI was showing maximum consistency in term of **Interest Expended / Interest Earned (%).**

TABLE 10: OTHER INCOME / TOTAL INCOME (%) BY THE NATIONALISED BANKS DURING THE PERIOD (2006-2010)

SR.NO.	BANKS	YEARS					CAGR	MEAN	S.D	C.V
		2006	2007	2008	2009	2010				
1	ALLD	14.1	10.7	14.3	14.6	17.8	5.998623	14.3	2.251222	0.157428
2	SBI	17.3	16.6	16.2	16.6	18.4	1.55304	17.02	0.775629	0.045572
3	UCO	9.7	10.4	10.7	11.3	9.3	-1.04726	10.28	0.711056	0.069169
4	UNION	12.3	14.2	12.8	11.4	13.6	2.543574	12.86	0.978979	0.076126
5	UNITED	16	11	11.6	11.3	11.3	-8.32739	12.24	1.88955	0.154375
6	INDIAN	15.3	16.4	18.1	13.9	14	-2.19543	15.54	1.575563	0.101388
7	ORIANTAL	13.3	13.7	10.7	10.8	10.8	-5.07228	11.86	1.345511	0.113449
8	CENTRAL	10.2	10.4	10.6	9.3	12.6	5.424753	10.62	1.085173	0.102182
9	BOI	14.4	14.9	14.6	15.7	12.8	-2.90165	14.48	0.949526	0.065575
10	SYND	12.8	9.7	10.6	8.8	10.8	-4.15853	10.54	1.335066	0.126667
11	DENA	20.8	18	15.4	13.7	13	-11.086	16.18	2.881944	0.178118
12	IDBI	19.2	14.3	18	11.9	13.3	-8.77002	15.34	2.794709	0.182184
13	CANARA	14.4	11.7	14	12.4	15.1	1.193732	13.52	1.270276	0.093955
14	IOB	14.2	13.3	12.2	15.1	11.4	-5.3427	13.24	1.330564	0.100496
15	CB	18	15.9	13.6	15.4	14	-6.08956	15.38	1.562562	0.101597
16	BOB	16.5	13.7	15	15.6	16.1	-0.61165	15.38	0.97857	0.063626
17	PNB	16.6	14.7	12.4	15	14.4	-3.49194	14.62	1.345214	0.092012
18	PSB	12.7	14.5	12.5	10.6	9.1	-7.99543	11.88	1.859462	0.15652
19	MAHA B	11.1	13.8	10.3	10.7	12.2	2.390394	11.62	1.260793	0.108502
20	VIJAYA	13.9	11.9	12.2	12.7	14.6	1.235892	13.06	1.028786	0.078774
21	ANDRA	14.8	15	13.3	12.7	13.6	-2.09175	13.88	0.884081	0.063695

OTHER INCOME / TOTAL INCOME (%): the above table shows the Other Income / Total Income (%) by the various public sector banks. The conclusions drawn are as follows

1. SBI is having highest Other Income / Total Income (%) share in public sector market followed by DENA, INDIAN, IDBI and CANARA.
2. GROWTH RATE of ALLD is higher than all other banks followed by CENTRAL bank.
3. SBI was showing maximum consistency in term of **OTHER INCOME / TOTAL INCOME (%).**

TABLE 11: TOTAL ASSETS BY THE NATIONALISED BANKS DURING THE PERIOD (2006-2010)

SR.NO.	BANKS			YEARS			CAGR	MEAN	S.D	C.V
		2006	2007	2008	2009	2010				
1	ALLD	55,298.48	67,675.93	82,943.52	97,657.77	121,704.10	21.8002	85055.96	23211.75	0.2729
2	SBI	494,160.62	566,806.13	722,125.08	965,042.96	1,053,956.61	20.84777	760418.3	218119.8	0.286842
3	UCO	61,839.39	74,863.89	89,794.94	111,995.91	137,808.28	22.18068	95260.48	27030.55	0.283754
4	UNION	89,173.88	102,779.68	124,286.70	161,337.64	195,509.44	21.68373	134617.5	39005.87	0.289753
5	UNITED	33,247.72	42,309.74	54,310.95	62,040.72	77,011.22	23.36672	53784.07	15240.42	0.283363
6	INDIAN	47,635.27	56,148.65	70,507.69	84,053.83	101,389.32	20.7858	71946.95	19267.31	0.267799
7	ORIANTAL	59,157.37	74,102.28	90,916.32	112,582.60	137,431.00	23.45792	94837.91	27739.83	0.292497
8	CENTRAL	75,068.80	93,343.65	124,463.56	148,016.86	183,100.76	24.97055	124798.7	38472.87	0.308279
9	BOI	112,286.22	141,847.01	178,860.63	225,931.64	274,966.46	25.09453	186778.4	58207.76	0.311641
10	SYND	61,090.73	89,277.37	107,132.28	130,255.67	139,050.95	22.82865	105361.4	28200.83	0.267658
11	DENA	26,556.84	31,461.51	38,651.39	48,464.73	57,589.07	21.35032	40544.71	11269.31	0.277948
12	IDBI	88,621.13	103,965.89	130,867.47	172,554.23	233,768.49	27.44188	145955.4	52338.55	0.358593
13	CANARA	132,937.94	166,099.09	180,696.04	219,645.80	265,051.68	18.82844	192886.1	45571.65	0.236262
14	IOB	59,357.81	82,256.83	101,837.72	121,073.39	131,096.39	21.90688	99124.43	25989.32	0.262189
15	CB	40,506.63	52,776.54	66,616.06	86,922.32	111,692.31	28.86183	71702.77	25251.04	0.352163
16	BOB	113,392.53	143,146.18	179,599.52	226,672.24	278,316.70	25.16667	188225.4	58823.64	0.312517
17	PNB	145,349.79	162,529.13	199,048.77	246,939.64	296,657.94	19.52545	210105.1	55546.63	0.264376
18	PSB	18,826.49	21,922.44	30,926.97	41,283.45	56,585.82	31.66931	33909.03	13774.42	0.406217
19	MAHA B	31,227.76	39,009.47	48,159.83	59,043.35	71,073.89	22.82657	49702.86	14156.44	0.284822
20	VIJAYA	31,537.05	42,357.57	56,185.12	62,382.16	70,222.09	22.15554	52536.8	13911.27	0.264791
21	ANDRA	40,673.27	47,557.90	56,624.34	68,529.21	90,430.81	22.11017	60763.11	17524.8	0.288412

Total assets: the above table shows the Total assets by the various public sector banks. The conclusions drawn are as follows

1. SBI is having highest Total assets share in public sector market followed by PNB, CANARA and BOB.
2. GROWTH RATE of PSB is higher than all other bank followed by CB, IDBI banks.
3. CANARA was showing maximum consistency in term of **Total assets.**

TABLE 12: TOTAL LIABILITIES BY THE NATIONALISED BANKS DURING THE PERIOD (2006-2010)

SR.NO.	BANKS			YEARS			CAGR	MEAN	S.D	C.V
		2006	2007	2008	2009	2010				
1	ALLD	55,298.48	67,675.93	82,943.52	97,657.77	121,704.10	21.8002	85055.96	23211.75	0.2729
2	SBI	494,160.62	566,806.13	722,125.08	965,042.96	1,053,956.61	20.84777	760418.3	218119.8	0.286842
3	UCO	61,839.39	74,863.89	89,794.94	111,995.91	137,808.28	22.18068	95260.48	27030.55	0.283754
4	UNION	89,173.88	102,779.68	124,286.70	161,337.64	195,509.44	21.68373	134617.5	39005.87	0.289753
5	UNITED	33,247.72	42,309.74	54,310.95	62,040.72	77,011.22	23.36672	53784.07	15240.42	0.283363
6	INDIAN	47,635.27	56,148.65	70,507.69	84,053.83	101,389.32	20.7858	71946.95	19267.31	0.267799
7	ORIANTAL	59,157.37	74,102.28	90,916.32	112,582.60	137,431.00	23.45792	94837.91	27739.83	0.292497
8	CENTRAL	75,068.80	93,343.65	124,463.56	148,016.86	183,100.76	24.97055	124798.7	38472.87	0.308279
9	BOI	112,286.22	141,847.01	178,860.63	225,931.64	274,966.46	25.09453	186778.4	58207.76	0.311641
10	SYND	61,090.73	89,277.37	107,132.28	130,255.67	139,050.95	22.82865	105361.4	28200.83	0.267658
11	DENA	26,556.84	31,461.51	38,651.39	48,464.73	57,589.07	21.35032	40544.71	11269.31	0.277948
12	IDBI	88,621.13	103,965.89	130,867.47	172,552.50	233,766.91	27.44167	145954.8	52337.85	0.358589
13	CANARA	132,937.94	166,099.09	180,696.04	219,645.80	265,051.68	18.82844	192886.1	45571.65	0.236262
14	IOB	59,357.81	82,256.83	101,837.72	121,073.39	131,096.39	21.90688	99124.43	25989.32	0.262189
15	CB	40,506.63	52,776.54	66,616.06	86,922.32	111,692.31	28.86183	71702.77	25251.04	0.352163
16	BOB	113,392.53	143,146.18	179,599.52	226,672.24	278,316.70	25.16667	188225.4	58823.64	0.312517
17	PNB	145,349.79	162,529.13	199,048.77	246,939.64	296,657.94	19.52545	210105.1	55546.63	0.264376
18	PSB	18,826.49	21,922.44	30,926.97	41,283.45	56,585.82	31.66931	33909.03	13774.42	0.406217
19	MAHA B	31,227.76	39,008.67	48,159.83	59,043.35	71,073.89	22.82657	49702.7	14156.56	0.284825
20	VIJAYA	31,537.05	42,357.57	56,185.12	62,382.16	70,222.09	22.15554	52536.8	13911.27	0.264791
21	ANDRA	40,673.27	47,557.90	56,624.34	68,529.21	90,430.81	22.11017	60763.11	17524.8	0.288412

Total liabilities: the above table shows the Total liabilities by the various public sector banks. The conclusions drawn are as follows

1. SBI is having highest Total liabilities share in public sector market followed by PNB, CANARA and BOB.
2. GROWTH RATE of PSB is higher than all other banks followed by IDBI bank.
3. CANARA was showing maximum consistency in term of **Total Liabilities.**

TABLE 13: INTEREST EXPENDED / TOTAL FUNDS (%) BY THE NATIONALISED BANKS DURING THE PERIOD (2006-2010)

SR.NO.	BANKS			YEARS			CAGR	MEAN	S.D	C.V
		2006	2007	2008	2009	2010				
1	ALLD	4.4	5.2	6	5.8	5.3	4.762487	5.34	0.557136	0.104332
2	SBI	4.3	4.2	5	5.1	4.7	2.248595	4.66	0.361109	0.077491
3	UCO	4.8	5.3	6.1	6.5	5.8	4.84475	5.7	0.596657	0.104677
4	UNION	4.3	4.8	5.7	5.7	5.2	4.865763	5.14	0.538888	0.104842
5	UNITED	4.3	4.5	5.6	5.5	5.6	6.82672	5.1	0.576194	0.112979
6	INDIAN	4.3	4.7	5	5.5	5	3.84256	4.9	0.394968	0.080606
7	ORIANTAL	4.4	5.2	6.3	6.8	5.9	7.609307	5.72	0.842378	0.147269
8	CENTRAL	4.2	4.5	5.4	6.1	5.8	8.403842	5.2	0.734847	0.141317
9	BOI	4.3	4.3	5.1	5.4	4.9	3.319407	4.8	0.438178	0.091287
10	SYND	3.9	5.2	6	5.9	5.4	8.475657	5.28	0.752064	0.142436
11	DENA	4.1	4.4	5.2	5.5	5.5	7.620426	4.94	0.581722	0.117757
12	IDBI	5.9	6	6.4	6.9	6.5	2.450796	6.34	0.361109	0.056957
13	CANARA	4.2	5	6.2	6.3	5.4	6.484432	5.42	0.780769	0.144053
14	IOB	4.3	4.6	5.8	6.1	5.7	7.300464	5.3	0.712741	0.134479
15	CB	3.8	4.4	5.2	5.7	5.1	7.633297	4.84	0.665132	0.137424
16	BOB	3.7	4.2	4.9	4.9	4.3	3.828525	4.4	0.45607	0.103652
17	PNB	3.6	3.9	4.9	5.6	4.8	7.456993	4.56	0.722772	0.158503
18	PSB	3.9	4.8	5.5	6.3	5.7	9.951855	5.24	0.82365	0.157185
19	MAHA B	4.7	4.6	5.3	5.7	5.3	3.049171	5.12	0.411825	0.080435
20	VIJAYA	4.4	4.8	6.2	7	5.7	6.685536	5.62	0.938936	0.16707
21	ANDRA	4.1	4.3	5.5	6	5.3	6.628427	5.04	0.725534	0.143955

Interest Expended / Total Funds (%): The above table shows the Interest Expended / Total assets (%) by the various public sector banks. The conclusions drawn are as follows

1. IDBI is having highest Interest Expended / Total Funds (%) Share in public sector market followed by ORIENTAL, and UCO.
2. GROWTH RATE of PSB is higher than all other banks followed by syndicate and central banks.
3. IDBI was showing maximum consistency in term of **Interest Expended / Total Funds (%).**

TABLE 14: INTEREST INCOME / TOTAL ASSETS (%) BY THE NATIONALISED BANKS DURING THE PERIOD (2006-2010)

SR.NO.	BANKS			YEARS			CAGR	MEAN	S.D	C.V
		2006	2007	2008	2009	2010				
1	ALLD	7.6	8	8.3	8.2	7.7	0.327337	7.96	0.272764	0.034267
2	SBI	7.5	7	7.6	7.6	7	-1.71003	7.34	0.28	0.038147
3	UCO	7.5	7.7	8	8.1	7.7	0.660102	7.8	0.219089	0.028088
4	UNION	7.3	7.7	8.2	8.4	7.5	0.678005	7.82	0.416653	0.05328
5	UNITED	7.6	7.5	7.4	7.5	7.6	0	7.52	0.074833	0.009951
6	INDIAN	7.7	8.1	8.3	8.9	8.6	2.802087	8.32	0.411825	0.049498
7	ORIANTAL	7.3	7.8	8.3	8.8	8.3	3.26159	8.1	0.509902	0.062951
8	CENTRAL	7.5	7.5	7.3	7.8	7.4	-0.33501	7.5	0.167332	0.022311
9	BOI	6.8	7	7.8	8.2	7.2	1.439219	7.4	0.521536	0.070478
10	SYND	7.2	8.1	8.1	8.1	7.5	1.025775	7.8	0.379473	0.04865
11	DENA	7	7.4	7.7	8	7.6	2.077233	7.54	0.332265	0.044067
12	IDBI	6.3	6.7	7	7.7	7.6	4.801684	7.06	0.531413	0.075271
13	CANARA	7.2	7.7	8.3	8.7	7.8	2.021223	7.94	0.51614	0.065005
14	IOB	8	8.3	8.4	8.7	8.2	0.619225	8.32	0.231517	0.027827
15	CB	7.1	7.2	7.6	7.9	7.4	1.040001	7.44	0.287054	0.038583
16	BOB	6.8	7	7.3	7.4	6.6	-0.74355	7.02	0.299333	0.04264
17	PNB	7.1	7.3	7.9	8.6	7.9	2.705142	7.76	0.527636	0.067994
18	PSB	7.4	8.4	8.5	9.1	8.1	2.285324	8.3	0.554977	0.066865
19	MAHA B	7.7	7.8	7.9	8	7.3	-1.3248	7.74	0.241661	0.031222
20	VIJAYA	7.6	7.7	7.9	8.9	7.9	0.972562	8	0.464758	0.058095
21	ANDRA	7.3	7.5	8.1	8.6	8	2.315583	7.9	0.460435	0.058283

Interest Income / Total Funds (%): The above table shows the Interest Income / Total Funds (%) by the various public sector banks. The conclusions drawn are as follows

1. INDIAN and IOB are having highest Interest Income / Total Funds (%) share in public sector market followed by PSB, ORIANTAL and VIJAYA.
2. GROWTH RATE of IDBI is higher than all other banks followed by ORIENTAL, INDIAN banks.
3. UNITED bank was showing maximum consistency in term of **Interest Income / Total Funds (%).**

TABLE 15: SPREAD AS PERCENT OF TOTAL FUND BY THE NATIONALISED BANKS DURING THE PERIOD (2006-2010)

SR.NO.	BANKS			YEARS			CAGR	MEAN	S.D	C.V
		2006	2007	2008	2009	2010				
1	ALLD	3.2	3.1	2.3	2.4	2.4	-6.93951	2.68	0.386782	0.144321
2	SBI	3.2	3.4	2.6	2.5	2.3	-7.92442	2.8	0.424264	0.151523
3	UCO	2.7	2.7	1.9	1.6	1.9	-8.41013	2.16	0.454313	0.21033
4	UNION	3	3.4	2.5	2.7	2.3	-6.42676	2.78	0.386782	0.13913
5	UNITED	3.3	2.9	1.8	2	2	-11.7674	2.4	0.589915	0.245798
6	INDIAN	3.4	3.6	3.3	3.4	3.6	1.439219	3.46	0.12	0.034682
7	ORIANTAL	2.9	3.1	2	2	2.4	-4.62088	2.48	0.453431	0.182835
8	CENTRAL	3.3	2.8	1.9	1.7	1.6	-16.5548	2.26	0.671118	0.296955
9	BOI	2.5	3.5	2.7	2.8	2.3	-2.06296	2.76	0.407922	0.147798
10	SYND	3.3	2.9	2.1	2.2	2.1	-10.6846	2.52	0.491528	0.195051
11	DENA	2.9	3.3	2.5	2.5	2.1	-7.75235	2.66	0.407922	0.153354
12	IDBI	0.4	1	0.6	0.8	1.1	28.77548	0.78	0.256125	0.328365
13	CANARA	3	3.3	2.1	2.4	2.4	-5.42584	2.64	0.440908	0.167011
14	IOB	3.7	3.8	2.6	2.6	2.5	-9.33606	3.04	0.581722	0.191356
15	CB	3.3	3.2	2.4	2.2	2.3	-8.63003	2.68	0.470744	0.175651
16	BOB	3.1	3.1	2.4	2.5	2.3	-7.19069	2.68	0.348712	0.130116
17	PNB	3.5	4	3	3	3.1	-2.98846	3.32	0.386782	0.1165
18	PSB	3.5	3.7	3	2.8	2.4	-9.00117	3.08	0.470744	0.152839
19	MAHA B	3	3.3	2.6	2.3	2	-9.6398	2.64	0.467333	0.17702
20	VIJAYA	3.2	3.1	1.7	1.9	2.2	-8.94199	2.42	0.617738	0.255264
21	ANDRA	3.2	3.8	2.6	2.6	2.7	-4.15853	2.98	0.466476	0.156536

Spread as percent of total fund: the above table shows the spread as percent of total fund **b**y the various public sector banks. The conclusions drawn are as follows

1. INDIAN having highest spread as percent of total fund share in public sector market followed by PNB, and PSB.
2. GROWTH RATE of IDBI is higher than all other banks.
3. INDIAN BANK was showing maximum consistency in term of **Spread as percent of total fund.**

LIMITATIONS

There are some limitations were faced during the analysis period they are as follows:

1. As growth rate are calculated on max and min value of the extreme years its value become zero if there are no change between the values.
2. Different website contains different values of same banks for the same year hence reference is taken from single website.
3. Ratios are calculated approximate values hence there is not 100% reliability.

CONCLUSION

As per the analysis performed it has been found that the ratios like interest earn ,total expenditure , net profit to total funds have recorded a downfall leading to decrease in the profitability while decrease in the ratios interest expenditure leading to increase the Burdon ratios. Hence this leads to increase in the profitability indices. These banks have been classified in the following table and rank according to the performance of the banks depending upon the various analyses.

The following table drawn from the various charts prepared above.

	EXCELLENT	GOOD	AVERAGE	BAD
STABILITY	SBI,UCO,CANARA, INDIAN, UNION	BOB,ALLD,DENA, PNB,MB	UNITED,SYND, IOB,CENTRAL,AB	BOI,VIJAYA,IDBI ORIANTAL,CB,PSB
GROWTH	PSB,IDBI, BOI,CB,ORIANTAL	BOB,AB,SYND CENTRAL, INDIAN	PNB, UNION, SBI,VIJAYA,ALLD	IOB,UNITED,UCO ,MB,CANARA, DENA,
PERFORMANCE	SBI,PNB,CANARA, BOI,UNION	IOB,ALLD,ORIANTAL,BOB,INDIAN,	CB,IDBI,CENTRAL ,SYND,UCO	DENA,PSB,UNITED,MB,AB, VIJAYA

As shown in the above table. SBI, UCO, CANARA, INDIAN, UNION having high stability than the other nationalized banks. In the same way PSB, IDBI, BOI, CB, ORIANTAL having the fast growth rate then other nationalized banks. And SBI, PNB, CANARA, BOI, UNION these banks have the better performance than the other banks.

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AN EMPIRICAL STUDY ON THE BEHAVIOUR OF RURAL CONSUMERS TOWARDS FMCGs

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ABSTRACT

Over the years there has been a great change with regard to income and lifestyle of Indian rural population. Yet there is a significant difference between the purchase behavior of rural and urban consumers. Marketing strategies always gave rise to core competencies and helped taking advantage of the increasing competition. While developing the strategies, the marketers need to treat the rural consumer differently from their urban counterparts because they are economically, socially and psycho-graphically different from each other. To satiate huge base of rural consumers a proportionately large investment is needed which is a risky venture. So, whatever strategies FMCG (Fast Moving Consumer Goods) companies follow must mutually benefit people at the bottom of the pyramid as well as them. This paper is an attempt to study marketing strategy adopted by FMCG companies in the rural India. Consumer characteristics like repeat- purchase- recommendation and loyalty are also being studied herewith. The study has focused on consumer behavior related to consumables, 4P's (product, price, place, promotion) and 4 A's (acceptability, affordability, availability and awareness). The researchers have used structured questionnaire technique and surveyed on the population in the rural areas of Odisha. The researchers tried to bring about similarities and differences of urban and rural India which indeed helps in framing of strategy in rural India.

KEYWORDS

Rural markets, FMCGs, Marketing strategy, Haat.

RURAL INDIA- A GREENER PASTURE

What is needed is a better approach to help the poor, an approach that involves partnering with them to innovate and achieve sustainable win-win scenarios where the poor are actively engaged and, at the same time, the companies providing products and services to them are profitable".

C.K.Prahalad

Liberalization of an Economy has its own pros and cons. The decision to liberalize the Indian Economy at the beginning of the 1990s had far-reaching consequences. On the marketing front, there was the arrival of many well-known MNCs, which are household brands in the international market today. A relevant example is of Hindustan Unilevers, the largest FMCG Company generating half of its annual income from rural market.

The rural India comprises almost 75 percent of the population living in 6.4 lakh villages, speaking 33 languages, 1652 dialects and has diverse sub-cultures and diverse requirements. More than 80 percent of the rural consumers depend upon agriculture and allied activities for their livelihood. The rural market has been growing steadily since the 1980s and is now bigger than the urban market for both fast moving consumer goods (53 percent share of the total market) and consumer durables (59 percent). An analysis of the National Samples Survey (NSS) data reveals that 75 percent of the expenditure on manufactured goods is accounted by rural India. Technological developments are taking place in rural areas at a rapid rate as is in the urban areas. The disposable income in rural India has increased manifold in the last five years than the urban area. Higher rural income means, the need for larger markets and at the same time they are exposed to large number of products so their brand awareness is magnified.

In the starting of FMCG companies' penetration into rural areas, it was considered that rural marketing is just synonyms to the farmers, those who rub their heels on fields day long and come back to homes with exhausted feet, just look food in the light of deeya (primitive light source) and lanterns and slept, and the story ends here. But, this is a misconception. Their life styles, their thinking, their choices and their selections have now turned to a new statistical height.

In the initial years, the focus was on the easily accessible, well-developed urban market. Soon there was a proliferation of brands and intense competition, resulting in the near saturation of the urban market. This forced companies to look for greener pastures, that is, new markets. All eyes turned to the world's most promising potential market of 742 million rural consumers, who had yet to taste the fruits of modernity, a promise that seemed ready to be fulfilled because of the explosion of the buying capacity in the rural sector.

Fuelled by good growth registered in the 1990s as a result of thirteen consecutive good monsoons, a 600 percent increase in the five-year plan outlay for rural development programmmes, from the Eighth to Tenth plan; a 230 percent increase in the flow of institutional credit for agriculture between 1997-98 and 2004-05 and 41 million Kisan Credit Cards(KCC) issued and cumulative credit amounting to Rs. 97,700 crore sanctioned since the inception of the scheme in 1998, has all helped the growth of the rural economy and contributed to the increasing rural prosperity.

Agricultural revolution has resulted in the rapid rise of rural incomes. According to the NCAER, Indian Market Demographics Report 1998, the consuming class households (annual income between Rs. 45,001 and Rs. 2,15,000) in rural India equals the number in urban India. It is well known that for the same level of income, the disposable surplus in rural areas is much higher because food, shelter, primary education and health are virtually free, whereas in urban India 60-70% of the income is spent on these necessities. Keeping all these changes in mind, Marketers must be proactive to withstand the changes in rural environment. Strategy must be different from state to state. A farmer in rural Punjab is more progressive than that of farmer of Bihar or Odisha. The variation that is coming in the sector of Rural Marketing Areas now has turned the astonished eyes of the astonished FMCG Company toward the rural areas.

Rural Markets: The census of India defines rural as any habitation where the population density is less than 400 per square kilometer, and where at least 75 percent of male working population is engaged in agriculture, and where there is no municipality or board. The same is defined by Reserve Bank of India (RBI) as any location with population up to 10,000 will be considered as rural and 10,000 to 100,000 as semi-urban. Since ancient times, Indian villages had the concept of village markets popularly known as the village "Haats". The "Haats" are basically a gathering of the local buyers and sellers. The barter system is still continuing in a number of places even today though the degree is varying over a period of time.

Rural Marketing: Rural marketing is a two-way marketing process that includes the flow of goods and services from rural to urban areas and the flow of goods and services from urban to rural areas, as well as flow of goods and services within rural areas.

Fast Moving Consumer Goods (FMCGs): FMCGs or consumables comprise all non-durable goods like toiletries, cosmetics, foods and beverages, footwear etc. These products are consumed quickly and purchased frequently. These products have a quick turnover and relatively low cost. FMCG products are those that get replaced within a year. The major players in the FMCG category in rural markets are HLL, Dabur, Marico, Colgate-Palmolive, ITC, Nirma, CavinKare, Godrej, Procter & Gamble etc.

FMCG market: According to NCAER survey, the rural market accounted for 53 percent of total consumption in the country during 1998-99. The estimated size of the FMCG rural market was around Rs. 484 billion in 1998-99 at current prices. Another estimate by Francis Kanoi in 2002 puts the rural market size at Rs. 650 billion. The rural market has grown consistently in 1990s (except for decline between 1997-98 and 1998-99 due to low growth in agriculture and allied activities). After 1995-96 there was a boom in the rural markets, which was mainly because of awareness and aspirations to consume. (Kashyap and Rout, 2007).

TABLE: 1-MARKET SIZE OF FMCG AT 1995-96 PRICE (Amount in Billion)

Year	Urban	Rural	Total
1992-93	220.4	319.9	540.3
1998-99	317.3	415.5	786.8
Source: NCAER			

LITERATURE REVIEW

"If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity can open up". This looks a very simple proposition made by C. K. Prahalad in his book "The Fortune at the bottom of Pyramid". But it has a great impact on many MNCs to go rural. Improving the lives of the billions of people at the bottom of the economic pyramid is a noble endeavour; it can also be a lucrative one. According to the census of India, villages with clear surveyed boundaries not having a municipality, corporation or board, with density of population engaged in agriculture and allied activities would qualify as rural. According to this definition, there are 6.4 lakh villages in the country. Of these, only 0.5% villages have a population above 10,000 and 2% between 5000 and 10000. Around 50% of the villages have population between 200 and 1000 and another 18 percent villages have population less than 200. There are several myths regarding rural consumers. It is also incorrect to assume that the poor are too concerned with fulfilling their basic needs to waste money on nonessential goods. In fact, the poor often do buy luxury items. Adi Godrej, Chairman of the Godrej group that is in portfolio of businesses from real estate and personal care to agri-foods, has no hesitation proclaiming-"It is a myth that rural consumers are not brand and quality conscious".

An average Indian spends 40 percent of his income on grocery and 8 percent on personal care products. The large share of FMCG in total individual spending along with the large population base is another factor that makes India one of the largest FMCG markets.

The Indian rural market with its vast size and demand base offers a huge opportunity that MNCs cannot afford to ignore. With 128 million households, the rural population is nearly three times the urban (Bala Krishna & Siddarth, 2004). The importance of the rural market for some FMCG and durable marketers is underlined by the fact that the rural market accounts for close to 70% of toilet soap users and 38% of all two-wheeler purchased.

In his article, Suvi Dogra (2008) writes that winds of change are blowing across the FMCG market. Evidence suggests that for the first time, the rural market has grown faster than the urban market in key product categories in April-May 2008.

The FMCG sector in India is the fourth largest in the economy, with a market size of over Rs 110,000 crore (around $22 billion) and is estimated to grow over Rs 185,000 crore (around $37 billion) by 2014. A recent study by the Rural Marketing Association of India (RMAI) confirms that rural income levels are on the rise, driven largely by continuous growth in agriculture for four continuous years. Encouraged by growth in sales from rural India, FMCG companies are devising ways to tap this segment.

"Though rural markets are growing from a smaller base, the numbers can be stark in some categories. Mass products like soaps, hair oil and biscuits have good sales, and almost all companies are now relooking their strategy," explains Anand Shah, analyst with Angel Broking.

For Marico, 25 percent of its sales come from rural India. Milind Sarwate, head of human resources and strategy, says: "We have been making products primarily for urban India. Moreover, rural India has given the industry much to cheer about. So, going forward, we would focus on increasing our reach in rural areas. The fixed cost of reaching in rural India is higher. To justify that, we need to have a larger reach."

Emami, on the other hand, prefers to promote products through channel-level incentives in smaller towns, including wall paintings, door-to-door activities, in-shop promotions, activities in rural markets, fairs and festivals, kheti mela, mobile traders or shops on wheels, and video vans. Aditya Agarwal, Director, Emami Group, said,"While FMCG companies are seeing a volume growth of just 6-7 per cent in metros, the growth in rural markets is over 20 per cent. So, we have also initiated a new level of distribution to increase penetration in the rural areas. We have introduced new super-stockist networks for rural coverage, with a special focus on West Bengal, Andhra Pradesh, Uttar Pradesh and Maharashtra. The van operations model has also been introduced to make the products reach remote villages."

Godrej Consumer Products (GCP) has seen rural sales grow by 40 per cent in 2010-11, double of that in urban areas. H K Press, Vice-Chairman, said: "Currently, rural sales make up around 38 per cent of its turnover. We intend increasing it to 50 per cent within a year. We have project 'Dharti' for rural India and we cover close to 17,000 villages. We intend covering 50,000 villages soon. This also means that the 4,000 sub-stockists we have in rural areas in India would be more than doubled, creating more employment opportunities."

Dabur India's Vice Chairman Amit Burman said, "Sales in rural India continue to grow at a fast pace. Rural and semi-urban India account for almost 50 per cent of our domestic sales. New product introductions have always been key to Dabur's growth strategy. In fact, in the previous year when a majority of consumer products companies were slowing down on new product introductions, Dabur was on an innovation overdrive. In 2008-09, new product introductions accounted for nearly 20 per cent of our sales growth, and we expect this contribution to grow to 30 per cent in the current fiscal."

Hindustan Unilever (HUL) and ITC, too, have robust rural initiatives such as Project Shakti and e-choupals, respectively. "HUL has the highest sales mix coming from rural India. Its key category, soaps and detergents, is facing intense competitive pressure in rural markets", states a Reliance Equities report.

As a marketing strategy, the basic objective of sales promotions is to create an immediate need by adding an extra incentive to buy the product. These incentives have been divided into monetary (price off, Rupees off, coupons, etc.) and non monetary promotions (gifts, premium, sweepstakes, samples). It is general belief that the monetary promotions enjoy a higher patronage than non monetary promotions (France, 1997).

In the planning of sales promotions, price has become a very important market place cue. The pervasive influence of price is a result of the fact that at a minimum, it represents that the consumers will have to sacrifice in order to engage in a given purchase transaction. Negatively speaking, higher prices affect purchase probabilities, i.e. consumers would like to abstain from purchasing products that are high priced (Lichtenstein et al, 1993). Price perceptions have always had an impact on how consumers evaluated products. Price in a positive role has a positive relationship with quality and in its negative role has had a negative relationship on purchase probabilities. Price perceptions have been studied from several dimensions such as Value consciousness; coupon prone sale proneness etc., and these have been clubbed under price in a negative role as they influence purchases where none exists (Liechtenstein et al, 1993).

PROBLEM STATEMENT

Due to increased competition, locally as well as internationally, organizations need a distinguishing element that will keep consumers identifying and buying their Product. With competition increasing annually, the traditional sources of competitive advantage no longer provide long term security for a company, product or marketer. In other words, leadership in price and quality is not enough to ensure the success of a product anymore. While general tendencies like price sensitivities are well known, we know little about how consumers actually respond to different brands and strategies adopted by FMCG companies. Without this crucial information it is problematic to guide executives to effectively leverage their marketing efforts within the confines of ethical business to rural populace. In addition, it is possible, and even likely, that cross- cultural difference influence FMCG buying behavior. If this is the case, this has implications for the extent to which the FMCG marketing mix can be standardized across countries and regions, or whether and how it must be adapted to specific cultural contexts. The strategic approaches to FMCG marketing are also likely to vary among different industries, customer groups, and product categories. These are significant considerations for Multinational enterprises. The relevance and the usefulness of marketing theory in today's business environment is increasingly being questioned. The skepticism has led to the increased emphasis on how to translate the marketing theory into effective marketing practice. This information has a potential to understand the driving forces behind their current and future customer's decision making process when they interface with FMCG products. It is goal of the study to find the factors which influence the purchase decision of FMCGs and so to help the marketers in fine tuning their strategies.

OBJECTIVES

1. To analyze the rural market potential for FMCGs.
2. To analyse the behaviour of rural consumers for FMCGs.
3. To find out important influencing factors of rural consumers for purchasing FMCGs.

RESEARCH METHODOLOGY

The present research work is exploratory in nature. It is based on primary data as well as secondary data. The secondary data collected from several text books, journals, research papers, magazine, internet etc., try to answer the first objective of the research. The primary data was collected using a structured questionnaire and survey was conducted in one of the rural districts of Odisha which gives answer to rest of the objectives. In addition to this, unstructured discussion and observation were made by researchers wherever deemed necessary.

DESCRIPTION OF SAMPLING REGION

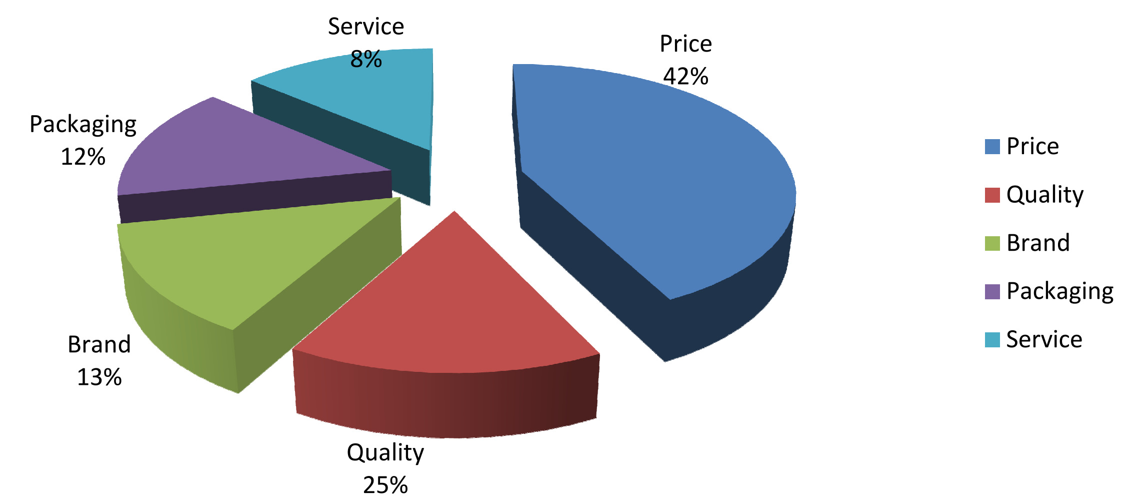
The district of **Keonjhar** is the northernmost district of Odisha which borders Jharkhand. It is a rural district, rich in mineral resources and about 30 percent of its total area is covered with tracts of dense forests. But the district, in spite of its immense mineral and forest wealth, still remains economically backward. Most of the rural consumers rely on agriculture and allied activities for their livelihood. Even in the era of satellites, many a villagers are deprived of access to newspapers, televisions and other sources of communications. Purchasing decisions for FMCGs are made mostly based on reference groups and the information provided by retailers. The researchers have randomly selected six villages from the three subdivisions of the district.

SAMPLE

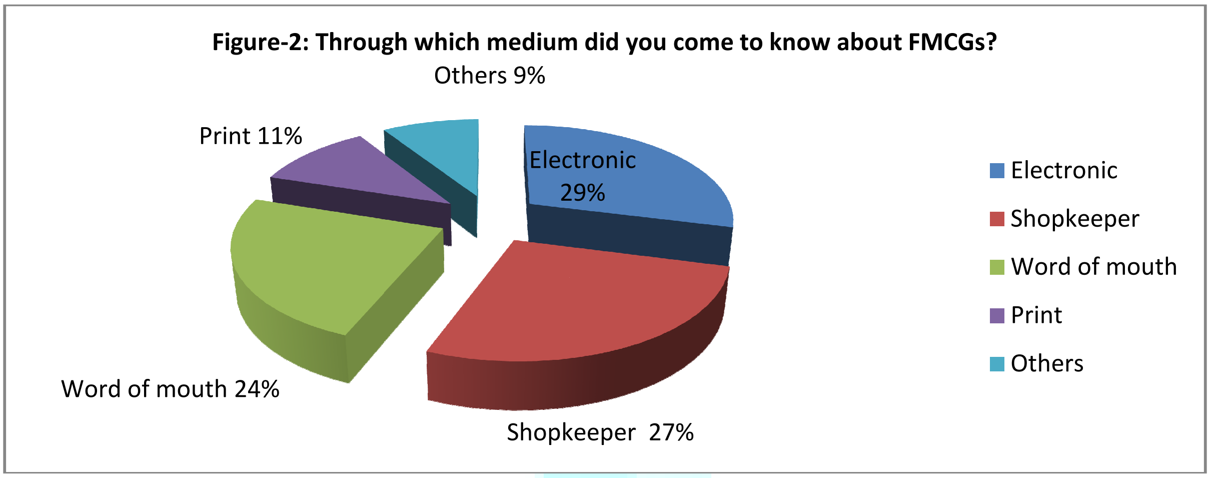
Respondents for the present study are the villagers, and more specifically the family heads. The nature of data in the present study is primary which has been collected by using a structured questionnaire. The area of research covers six villages (Rimuli, Rajia, Suakati, Banspan, Panchupalli and Mugpur) from three subdivisions (Champua, Keonjhar, Anandpur) respectively in Keonjhar District of Odisha. The sample size is 300 which include 50 respondents from each village. Data has been collected on the basis of random sampling; data is analyzed with the help of M.S.Excel software and presented through Pie chart and Bar charts.

RESULTS AND DISCUSSION

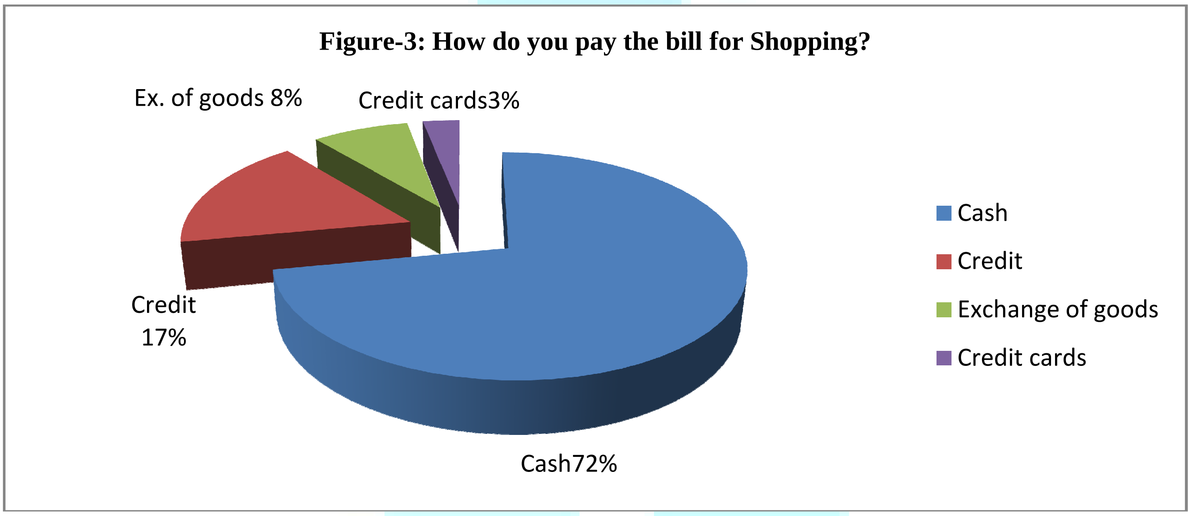
Figure-1: Which factor do you consider the most while purchasing FMCGs?



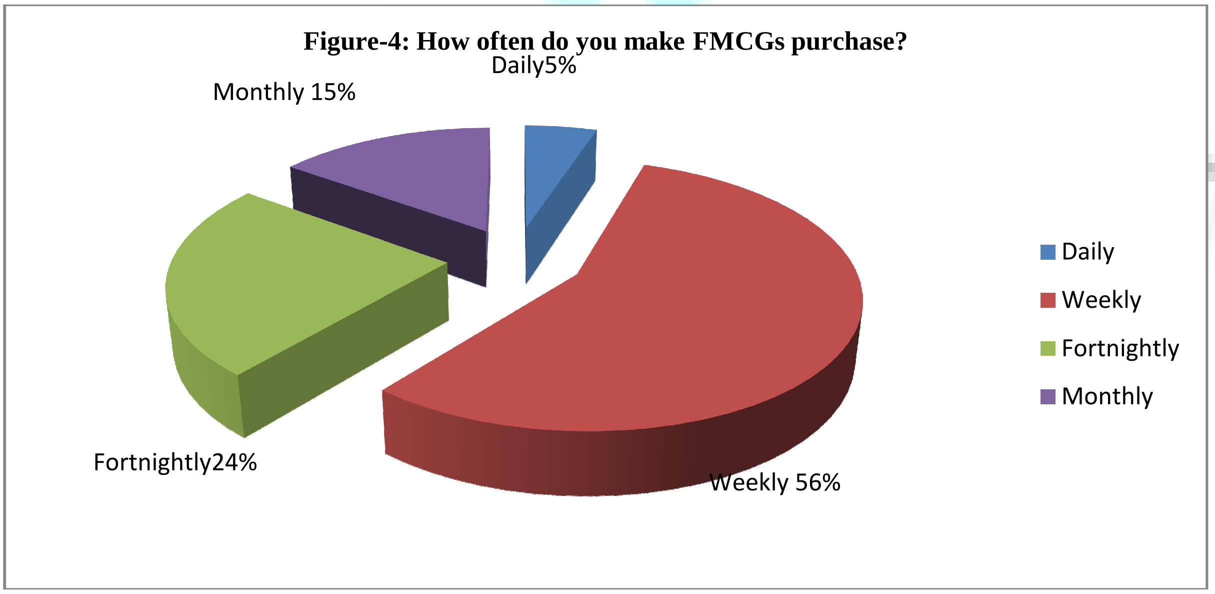
The above pie chart is the explanation about factors which are considered by a consumer before purchasing a product. On the basis of results researcher found that maximum people are price sensitive. 45% people are concerned about the price. Secondly, they are more concerned towards quality i.e. 25% people are concerned about quality. This signifies that it is a misconception to say that rural people are not quality conscious. Then, it is found that 13 percent rural people consider brand while purchasing the product. This smaller percentage indicates that they are not aware of all brands in a product category. After price, quality and brand, 12 percent rural people are affected by packaging. Rural area people are less affected by service because in rural area FMCG companies are not able to provide better services.



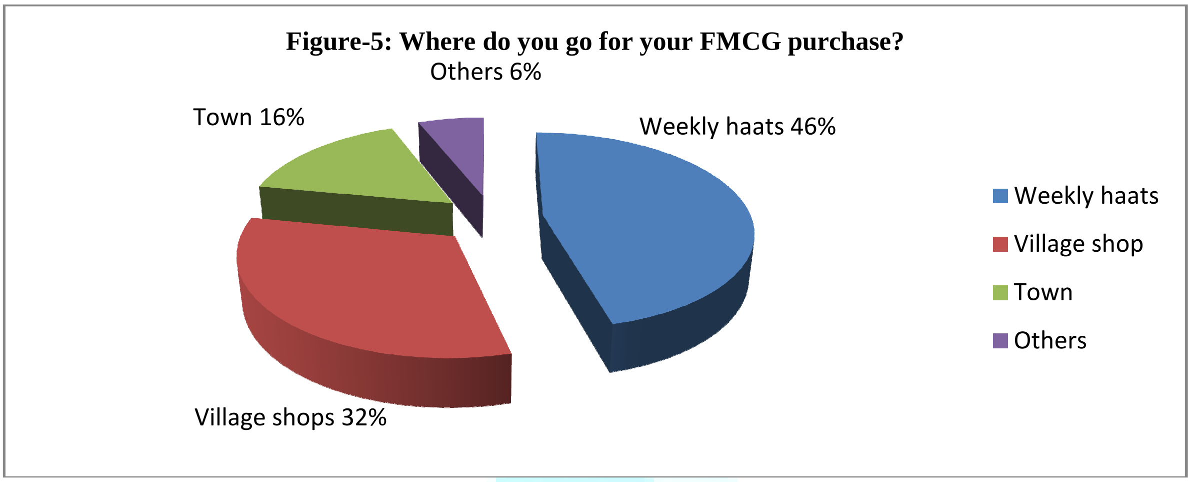
The above pie chart shows the opinion of rural people about medium of information about FMCG products. The researchers got maximum reply in the favour of electronic media, more specifically Television. Radio users are falling in number. Shopkeepers are a very rich source of information about the FMCGs and constitute 27%. Next, word of mouth is another major medium of awareness of FMCG products. Some people in rural area regularly read newspaper, magazines and through this also they know about FMCG products. Other factors include neighbours, friends, relatives who are also a source of information for rural people.



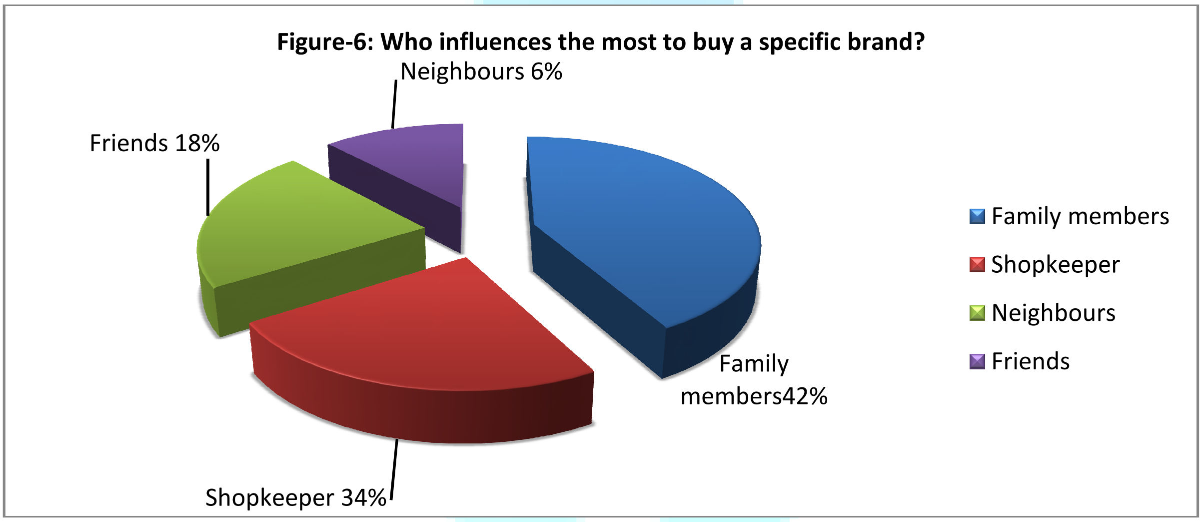
The above pie chart gives the result of how they paid the bill while shopping in rural areas. Mostly people purchase the FMCG product through cash. It is found that72 percent respondents pay bill through cash and rest 17 percent respondents purchase the product on credit because in rural areas people have seasonal income. The Barter system could be seen in 8 percent of people in rural areas. Some of them use credit card too, especially those who are doing job in cities but the number is very less.



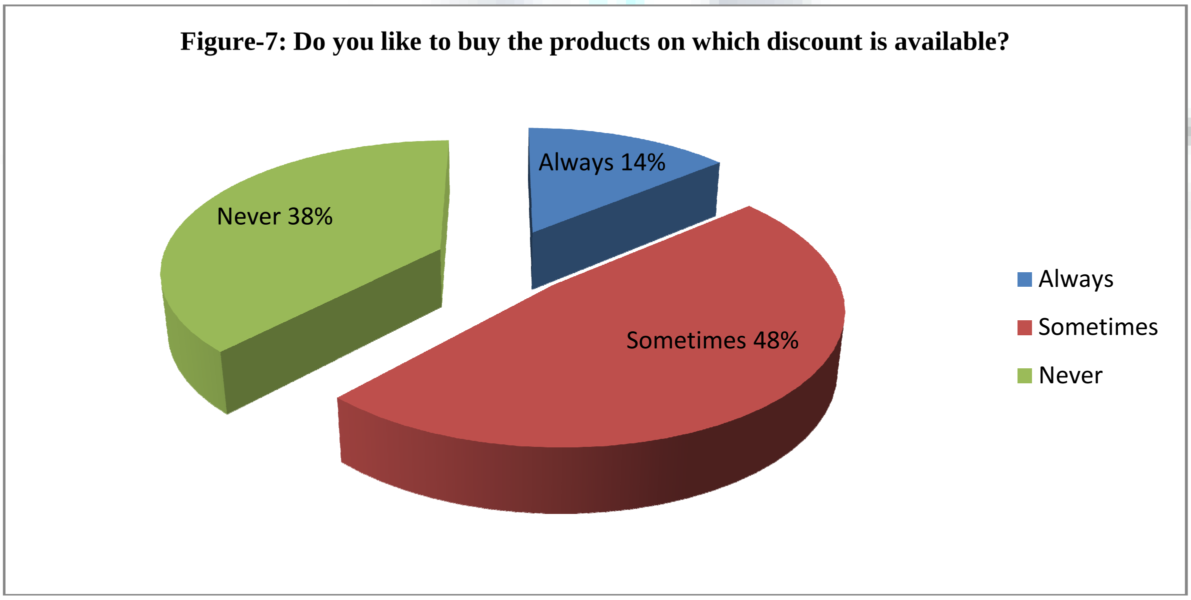
The above pie chart concludes on villagers about their frequency of purchase by rural consumers. Maximum people (56%) purchase the product weekly because of weekly 'haats', 24% of the villagers purchase fortnightly. Yet, 15% buy monthly and this category includes mostly those people who buy from towns in bulk. Only 5% buy daily which includes daily wagers, but not all the daily wagers make a purchase on daily basis.



The above pie chart explains the place of making purchase. Rural consumers got four relevant answers. About 56% respondents purchase the FMCG products from weekly haats. In rural area people also prefer "Kirana" store because it fulfills their untimely requirement and this accounts for 32%. Few consumers also buy from towns because of their visits during business trips. Other sources include seasonal and cultural fairs, network marketing retail outlets like RCM (Right Concept Marketing) etc.



The above pie chart is the explanation about what plays the important role in influencing the specific brand choice. 42% of the rural people choose a specific brand because they are insisted by family members. 34 % respondents are convinced by the shopkeeper. 18% respondents are influenced by friends and rest 6% by neighbours.



The above pie chart shows the impact of discount on rural consumers. 48% consumers say that they buy discounted products only sometimes. This signifies that even rural people are becoming quality and brand conscious. 38% people responded that the discount doesn't make any difference to their purchase basket, because they think a lot of risk is present on discounted product. Only 14% respondents look for the products available on discount.

FINDINGS

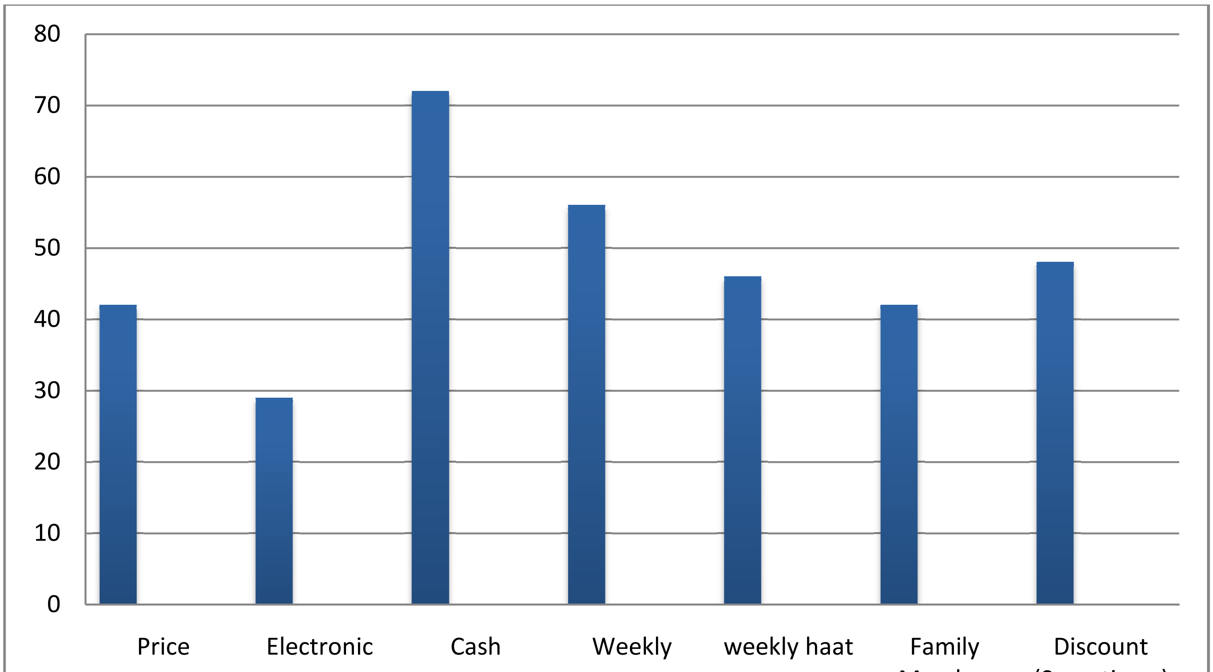


Figure-8: Major Findings

The above bar chart shows all the major findings in the rural areas. Researchers calculated that rural people consider the price as important factor while purchasing product (47%). Rural people get to know the FMCG products by the electronic media (29%). They pay the bill by cash (72%). Purchase frequency by the rural people is weekly (56%). Purchase place is weekly haats (46%). Their purchase decision is influenced by family members (42%) and they buy discounted products sometimes (48%).

CONCLUSION

It is observed that the Indian rural market suffers from a variety of problems starting from distribution to marketing communication. To capture the lucrative rural market, companies need to formulate strategies, which can deal with issues pertaining to consumer psychographics and a right marketing mix. Companies must always know that the requirements of the rural market are still different from urban markets though the gap is narrowing down slowly but steadily. The companies need to develop special products and strategies for the rural consumer.

The success in rural market would certainly come by adopting 4P's of marketing to the 4A's in their strategies i.e., Awareness, Acceptability, Availability and Affordability. Due to the limited reach of the mass media, marketers have to augment their efforts with traditional media- melas, haats, jatras, to create awareness. In the coming years, companies should not fight only for profit making but must join hands with the government to increase the economic activity in the villages through micro enterprises and mainstream these efforts by linking them to the larger industries.

Getting a right combination of scale, technology, price, sustainability, and usability requires that managers start with "zero based" view of innovation for rural markets. Managers need a new philosophy of innovation, product and service delivery for the rural populace.

Affordability is the key driver in rural areas and recognizing this fact, companies should produce small packs by quoting price in the range of Re.1, Rs.2 and Rs.5.

The only thing which is definite about the times to come is that the rural market will rapidly make way for urban. So, the FMCG giants have to gear up for future challenges that will be posed by rural market in addition to create a base and trust in rural consumers.

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PROBLEMS & PROSPECTS OF AGRICULTURE EXPORTS IN THE EMERGING SCENARIO

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ABSTRACT

India is an agriculture based economy, where 43% of its people remain employed in agriculture and allied activities. India's agro–climatic conditions and rich natural resource base sets prelude for doing well on the agriculture front. Today, India has become the world's largest producer across a range of commodities, like coconut, mango, banana, milk and dairy products, cashew nuts, pulses, ginger, turmeric and black pepper. It is also the second largest producer of rice, wheat, sugar, cotton, fruits and vegetables with a view to promoting agriculture in the country and to fetch remunerative returns to the farming community in the sustained manner, the state and the central government have been encouraging agri and food products from India. The expansion of this sector can bring in unutilized and under utilized land and labour resources into use which can be poverty alleviating. Export of agricultural and allied products not only generate foreign exchange but also give an opportunity for bringing about agriculture revolution in the country. India with an enviable share of the world's agri–produce and diverse agro– climatic regions coupled with changing demographic patterns, food habits and rise in income levels opens up numerous opportunities in the sector. India as a potential sourcing hub to the world. Yet India's share in the global food trade is just around 1.5 percent, the paper examines the current scenario of the agri and allied product exports in India and the government policy frame work to support the sector.

KEYWORDS
agriculture exports, agri products.

INTRODUCTION

Agriculture is known as the back bone of Indian economy accounting for 14.6% of the country's Gross Domestic product (GDP) and 8.7% of the total exports in FY 2009 -10 the sector provides employment to over 55% of the work force.

India's food and agriculture exports were valued US $ 15,617 million in 2009 -10, a decline by 9% from the level of US $ 17,154 million in 2008 -09, which was 3.4% higher as compared to exports in 2007 -08 (US $ 16,597)

TABLE 1: SHARE OF EXPORT OF FOOD AND AGRICULTURE PRODUCTS TO TOTAL EXPORTS (Figures millions USD)

Particular	Exports in value Terms		
	2007-08	2008-09	2009-10
Total Exports	1,63,132	1,85,295	1,78,751
Food & Agri Exports	16,597	17,154	15,617
Share of food & Agriculture Exports to total	10.2%	9.3%	8.7%

In spite of value of food and agriculture exports rising during the last five years (excluding 2009 -10) its share to total exports has been witnessing a downward, trend which necessitates corrective steps to promote growth.

India enjoys a competitive advantage in agriculture. Therefore these is an immense scope for increasing form income and employment by enhancing agro – based exports by consolidating rather than jeopardizing the food security already achieved. Exports of agriculture products add to the competitiveness of production, productivity and quality in relation to other exporting countries. On account of the green revolution, Indian agriculture is transformed from subsistence agriculture to surplus agriculture. Further due to emergence of liberalization as well as globalization, the scope of commercialization of Indian agriculture have exported oriented bias has increased manifold. According to APEDA, India's agro export turnover is expected to double in the next five years to reach US $ 18 billion.

INVESTMENTS

According to the Annual Report 2009 -10 of the Ministry of Agriculture, the Public and the private sector investment in agriculture have been steadily increases since 2004 – 05 while public sector investment in agriculture have increased from US$ 14 billion in 2004 -05 to US $ 25.5 billion in 2008 -09.

The flow of FDI in the food processing sector up to June 2010 stood at US $ 1067 million, and in agriculture services sector at US $ 1,507 million.

CURRENT TRENDS

Seed companies in India have been targeting the export markets in SAARC (South Asian Association for Regional Co –operation) and African countries with a host of hybrid seeds and best farm practices. Indian agro –based companies are also investing increasingly in agriculture lands in south – east Asia and African countries in food and fuel crops.

OPPORTUNITIES

World market is undergoing a major transformation. Today, , major market are product – driven and less commodity driven. To boost economic returns from farming, it is important to find ways for farmers to earn a greater share of the product sale revenue after adding value to the produce.

The problem of improvement in agriculture exports need to be tackled from two different angles, first to increase productivity of agriculture and delivery system, and second, to increase the farmer's earnings through efficient and effective value addition. Value addition of raw food material in India is estimated to be only 7% while it is 23%, 45% and 188% in China, Philippines and UK, respectively.

Through the contribution of the agri – input industry has been progressing gradually, time has come when agriculture has to be run as agribusiness rather tan subsistence agriculture' Agri – input companies in India are currently emphasizing on delivery of package of products and services to customers and help improving the farming community through technology transfer and value – added services, profits have to be achieved through judicious selection and application of inputs, higher productivity and improved quality.

CHALLENGES

India has been unable to reap its inherent potential for agriculture exports due to several challenges the prime hindrance has been inadequate export infrastructure specific for agriexports like storage and fast track inland and port handling facilities, the other challenges are the lack of large scale processing technology and export quota restrictions which made supply sources of India unreliable and hindered the exploitation of Indian Agriculture exports. Low level of agri – processing, grading quality control and poor or lack of quality, branding and packaging has added to the woes of the Sector.

SUB – SECTOR SNAP SHOTS

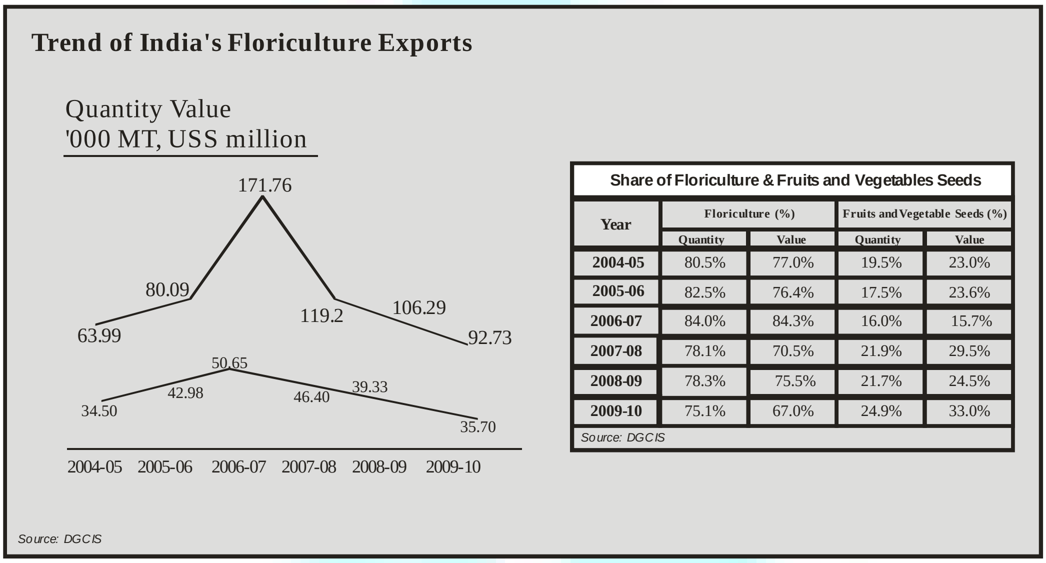
FLORICULTURE

Post globalization, Horticulture has become one of the important commercial activities in Indian agriculture. Karnataka, Tamil Nadu, Andhra Pradesh, West Bengal, Maharashtra, Uttrakhand, Uttar Pradesh, Delhi, Haryana, Kerala, Himachal Pradesh, and North eastern states are the major flower growing states in India. TamilNadu is the largest loose flower producing state, while west Bengal is the leading cut flower producing state in India.

Rose is the principal cut however grown all over the country, other most important cut flower crops in the country are Gladiolus, Tuberose, Asters, Gerbera, Carnation, Anthusium, Lillian, and Orchid.

SHARE OF FLORICULTURE & FRUITS AND VEGETABLES SEEDS

FIGURE 1



Share of Floriculture & Fruits and Vegetables Seeds

Year	Floriculture (%)		Fruits and Vegetable Seeds (%)	
	Quantity	Value	Quantity	Value
2004-05	80.5%	77.0%	19.5%	23.0%
2005-06	82.5%	76.4%	17.5%	23.6%
2006-07	84.0%	84.3%	16.0%	15.7%
2007-08	78.1%	70.5%	21.9%	29.5%
2008-09	78.3%	75.5%	21.7%	24.5%
2009-10	75.1%	67.0%	24.9%	33.0%

Source: DGCIS

EXPORT SCENARIO

India's exports of floriculture products in the year 2009-10 decreased by 22.6 percent US $ 62.1 million, from US $ 80.2 million in 2008-09, which is 4.6% less than exports in 2007 – 08 (US $ 84.3 million).

In recent years, dried flowers and foliage have been farming a large put of floriculture product exports from India accounting for 82% and 66% of total floriculture export in quantity & Value terms respectively during year 2009–10, from United India States and Europe continue to be the largest destination for Indian floriculture exports.

FRESH FRUITS AND VEGETABLES

India is the second largest producer of fruits and Vegetables in the world next only to China; India is the fruit and vegetable basket of the world. India's production of fruits vegetables currently stands at 73.5 million tones and 136.2 million tones respectively, making up for around 12% and 13% of world production in the respective sector. India produces 54% of the world's mango, 23% banana, 24% Cashew nuts, 36% green peas and 10% onion production.

EXPORT SCENARIO

Total export value of fruits and vegetables grow 19.8% in 2009 -10 to US $953.14 over US $ 795.64 of 2008 – 09. However, exports in quantity terms were down to 2.56 million MT during 2009 -10 from 26.46 million MT showing a negative growth of nearly 3.3% Although India's share in world exports of fruits and vegetables are less than 1.5%, India's exports of fruits & vegetables have been growing. The export of fruits and vegetables has registered growth of 58.2% during the last three years. (2007-08 to 2009-10).

TABLE 2: EXPORT DISTRIBUTION PATTERN BETWEEN SEGMENTS OF FRESH FRUITS & VEGETABLES.

Fresh Fruits and Vegetable Segments	Share in Qty.			Quantity
	2007-08 -	2008-09	2009-10	CAGR%
Fresh Onions	58.5%	63.1%	65.0%	18.20%
Other Fresh Vegetables	20.3%	19.1%	16.4%	6.2%
Walnuts	0.4%	0.02%	0.4%	10.5%
Fresh Mangoes	3.2%	3.2%	2.9%	11.1%
Fresh Grapes	5.6%	4.7%	5.1%	10.6%
Other Fresh Fruits	12.0%	9.7%	10.2%	7.9%

Source: DGDIS

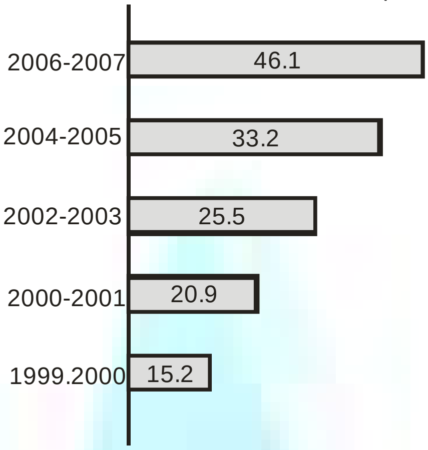
ORGANIC PRODUCTS

According to the Research Institute of Organic Agriculture(FIBL) and organic monitor, the global market for organic product in 2007, has been estimated at Us $46 Billion growing at a CAGR of around 20 % since 1999.

Fresh produce is the leading organic product category, comprising one – third of total revenues from sales of organic product in the world. Organic fruit and vegetables, such as apples, oranges, carrots and potatoes are some of the typical items, which have large demand in the organic market. Dairy products and beverages are the other major organic product categories.

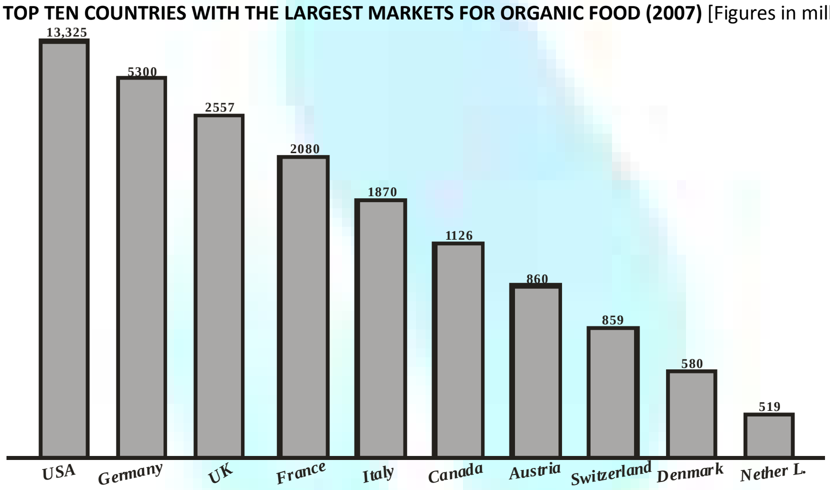
GLOBAL MARKET FOR ORGANIC FOOD PRODUCTS

FIGURE 2: TRENDS OF GLOBAL MARKET FOR ORGANIC FOOD PRODUCT (1999-207) [Figures in US $ billion]



Source: Organic Monitor, 2009

FIGURE 3: TOP TEN COUNTRIES WITH THE LARGEST MARKETS FOR ORGANIC FOOD (2007) [Figures in million Euros]



Source FIBL SURVEY 2009

RECOMMENDATIONS

The recommendations have been drawn with the objective of India Food and Agriculture Exports taking at least 3% share in world trade of agriculture and food products.

(1) Fit the product to the export market for focus to meet long term objectives

"Focus" and long term strategy are the cornerstones for sustainable success in food and agriculture exports, the focus should be on commodities where India has marketable surplus and competitive strength in the export market.

(2) Product segmentation for right positioning in export markets

India's exports of food and Agriculture products can be segmented on the basis of market potential and the opportunity to differentiate the product offering. India has inherent production advantage on account of unique varieties such as Durum wheat, Darjeeling tea, Alphonso Mango, which can be leveraged effectively to establish a premium position in these categories.

(3) Integrating various schemes of government

The government through various ministries and allied agencies offers support to exporters through various schemes. These include APEDA, MPEDA, Coffee board, Tea board, Export Inspection council, Ministry of Agriculture, Ministry of food processing etc. It is essential to align to various offerings of the government to ensure that all issues hindering exports are tackled comprehensively.

(4) Improving market access for exports

In order to focus on some key products and markets, it is critical to develop a strong database to help current and potential export to take rational decisions. Exporters from India do not have resources to invest in developing a dynamic market information system. We recommend a special cell to be set up by the Ministry of Food Processing which provides requisite information.

(5) Harmonization with international standards/practices, certification and testing

One of the major challenges for India, following the dismantling of quantitative restrictions on imports, is to raise. The level of productivity and quality standards to international competitive levels.

There are variation in standards and regulations adopted by importing countries, which may lead to trade conflicts and disputes. Regulatory agencies, worldwide have focused their attention on ISO guidelines for code of conduct and a specific system for the food industry known as hazard analysis and critical points HACCP.

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PROBLEMS AND PROSPECTS OF WOMEN ENTREPRENEURSHIP IN INDIA - AN INVESTIGATIVE STUDY IN CHITTOOR DISTRICT OF ANDHRA PRADESH

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ABSTRACT

Entrepreneurship among women in India is a recently fast growing concept. The Central and State Governments have initiated a number of measures in recent years for giving a great fillip to the cause of women entrepreneurship development by way of granting a variety of special concessions, incentives, subsidies, rebates and assistance of varied nature, financial, technical, organizational and managerial, etc. The banking sector also has been contributing its share for this cause. They have evolved a number of schemes of assistance to the benefit of women entrepreneurs. Several of the women entrepreneurs, who have set up industrial and commercial units with great optimism, are not able to achieve all their targeted goals. It is all because of plethora of problems they are confronted with in the course of promotion and development of their units. Several of these units have not been able to achieve the desired levels of operational efficiency and economic viability. With this backdrop, the researcher has made an attempt to evaluate the problems and prospects of women entrepreneurship in Chittoor District of Andhra Pradesh with the objectives to analyze the socio-economic profile, educational and family background of women entrepreneurs, to identify the reasons that made the women to become entrepreneurs, to ascertain the factors responsible for their success, to study the problems faced by them and to examine the prospects of women entrepreneurs. A survey has been conducted about the problems and prospects of the respondents in the district by using a well structured questionnaire. Based on the results of the survey some viable suggestions are offered for the betterment of women entrepreneurship in the district.

KEYWORDS

Motivational factors, Push pull factors, Women entrepreneur, Women enterprises.

INTRODUCTION

Economic development of the country essentially means a process by which the per capita income of that country changes upward over a period of time. Entrepreneurship plays a vital role in economic development through creation of utilities and generation of employment within a short period. The impetus for entrepreneurial ventures had come from industrialization in the developed nations by setting up large scale, technological, and sophisticated industries investing huge capital. Particularly, among the Asian countries, the concept of huge capital intensive industry has not only failed to solve their economic problems but also triggered off a spate of human and social problems. Stagnation of economy, widening inequality, staggering unemployment and under-employment and a volley of socio-cultural problems associated with urbanization plagued the Asian counties when they attempted to transplant Euro-American concept of Entrepreneurship in their countries. This experience has led these countries to follow the policy of encouraging individual small-scale ventures.

It has been accepted that entrepreneurship is an economic venture by which that lot of the people can be changed upward within a short period of time especially from the point of view of employment generation. Like other developing countries India has been endowed with abundant natural, biological and human resources. Technical progress of a country alone cannot lead to economic development unless the technology is used by the entrepreneurs. Entrepreneur organizes and puts to use of capital, labour and technology. It is true that entrepreneur is an agent of economic development of a country. Therefore, entrepreneurial awareness among the people in general and educated in particular is perhaps an urgent need. In India entrepreneurship will lead to generate more income, reduce the acute problem of unemployment, minimize the incidence of poverty, reduce the regional imbalance and increase the export trade and reduce the balance of payments to the possible extent.

Women in traditional societies are still confined to the four walls of home, children and family rituals. In a male dominated society, women are not equally treated by the partners. Women is a dynamic and dependable worker, who works without pay for 12 to 14 hours a day round the year, and yet is made to suffer the humiliating status of subordinate.

Those who involves in the activities of production and marketing of goods and services to generate profits enjoy a status of respect in society, whereas those engaged in social activities and necessary jobs for their livelihood that do not generate profits enjoy the status of second-class citizens of the nation (low social status). Most of the women, not only in India but throughout the world are associated with these kinds of jobs. To grant the equality status to the women India by the law has remained counter-balanced with social prejudices due to their self factors like lack of education, and lack of effective opportunity for employment. In spite of marked progress, Indian women have remained the nation's greatest untapped resources.

Despite all the hurdles, the modern Indian women have realized that their neglected power is at the core of their backwardness and hence the women have taken the great step of empowering themselves with the available resources to make their own decisions. Also women have recognized their importance and the role they have to play in the economic development of the nation which leads to their economic self-reliance. Today, women are at a historical compulsion to revise and redefine their values and roles at home and outside. A new economy, a new social order, and new ways of thinking, largely fashioned by Science and Technology, have emerged. The future belongs only to those who with assurance could shake hands with the widening global economy and adapt themselves to the faster pace of technological changes.

As our late Prime Minister Jawaharlal Nehru has aptly said, "You can tell the condition of a nation by looking at the status of its Women". That means the situation of women in general is closely related to the social, economic and cultural background of the country where she lives. Hence, it becomes very important for a developing country like ours to support women to emerge as entrepreneurs.

The organized sector in India, which employs an estimated 19 per cent of the total workforce, accounts for only an estimated 6 per cent of the female workers (Iyer, 1991). This means that 94 per cent of the female workforces are engaged in various informal sectors or in household activities. These informal activities including subsistence forming, petty trading and hawking, through wage employment in unregulated small enterprises or home based contract work for larger formal sector firms, to ownership of small business. In many developing countries there are more women than men in the informal sector (Chhabra, DFID Research Paper 1994).

The word 'entrepreneur' first appeared in the French language at the beginning of 16th century and was applied to leaders of military expeditions. ***Richard Cantillon***, the first person who introduced the term, 'entrepreneur' to mean "an agent who buys means of production at certain prices in order to combine them into a product, which he is going to sell at prices that are uncertain at the moment at which he commits himself to his costs".

In the words of F. H. Knight, entrepreneurs are a specialized group of people who bear risks and deal with uncertainty and if a women takes the same uncertain risk of initiating a business, sustaining it and successfully running it by contributing to the nation's economic development in the form of capital formation, improvement in per capita income and balanced regional development, then she is the real '***undertaker of the business***' and a successful women entrepreneur.

According to the Government of India, a women entrepreneur is defined as, "***an enterprise owned, controlled by a women having a minimum of financial interest of 51 per cent of capital and giving at least 51 per cent of employment generated in the enterprise to women***".

It is estimated that presently women entrepreneurs are about 10 per cent of the total entrepreneurs in India. It is also clear that this percentage is growing every year. If prevailing trends continue, it is not unlikely that in another five years, women will comprise 20 per cent of the entrepreneurial force in India (*Shika Sahai, 2005*).

MOTIVATIONAL FACTORS FOR WOMEN ENTREPRENEURSHIP
In recent years there has been a lot of debate in the print and electronic media, parliament and other forums about the development of entrepreneurship amongst women. Due to various cultural and social reasons, women in different parts of India have different motives, aspirations, social status, needs and urges. Varied motivation needs and interests plunge in women entrepreneurs for establishing an enterprise. The most dominant motives are fulfillment of ambition and pursuits of own interests is evident in almost all women entrepreneurs.
Factors that normally make women to be entrepreneurs include:
1. Economic needs (To earn money);
2. As a challenge to satisfy some of their personality needs (Power, Achievement and Novel experience);
3. Educated women utilizing their knowledge gained;
4. Family occupation (Second generation entrepreneurs); and
5. As a leisure time activity.

The assessment of business management skill is essential for every women entrepreneur before she starts her business as it provides the knowledge of one's strengths and weaknesses. Management skills required for women entrepreneurs:
1. Finance-securing capital;
2. Dealing with people (especially with trade unions), Management development and training;
3. Marketing/Sales – Marketing research, Product promotion and selling;
4. Idea generating, Product innovation;
5. Business Operations, Inventory, Production, Day-to-Day operations;
6. Organizing and planning Business strategy, Organization structure policies, etc.

A woman of challenging attitude and firm determination, high in her goals, will certainly manage her enterprise successfully. Women are dreamers with make high hopes and ambitions have a positive competition and are confident of her ability to deal with problems, have belief that hard work is a sure ingredient to success in entrepreneurial ventures. Profile of successful women entrepreneurs:
1. High need for achievement;
2. Commitment of conviction;
3. Capacity to analyze;
4. Risk taking;
5. Initiative and independence;
6. Hopeful about future and search for environment; and
7. High personnel efficiency.

Success depends on one's ability to prove the best by putting more efforts to succeed. Though women have the traits of being an entrepreneur such as achievement-oriented, responsible, moderate risk factor, success-oriented, energetic, forward looking, organized, still the number of women entering the entrepreneurship is very low. The turnout of women entrepreneurs is minimum is because a women is given lower status in the society. Though women are considered as weaker gender physically, mentally they are more capable and alert in managing things. Through age's women have been managing hoses and small finances in their best possible way. Women are easily accessible to management techniques and they adopt them quickly with utmost sincerity and honesty. The Governments is also utmost importance to the enhancement of women status in all sectors and walks of life. Effective strategies, policies are being formulated and implemented to achieve this end.

BARRIERS OF WOMEN ENTREPRENEURSHIP
In India women entrepreneurs are not free from problems in managing their units. They are facing a number of problems from internal as well as external environment. Women are not getting any encouragement from their family members as well as government side. They are facing multifarious problems like:
- Severe competition from the units which are managed by male entrepreneurs.
- Non-availability of raw material. The prices of raw material also at high side.
- Getting of required financial support is a big problem to the women entrepreneurs.
- Women entrepreneurs are facing problems of managerial deficiency.
- Technical know-how is another problem to the women entrepreneurs.
- Women entrepreneurs are having lesser economic and social risk bearing capacity.
- The inheriting inferiority complex of the women is a great barrier to the women entrepreneurs.
- Lack of specialized training to the women particularly in rural areas.
- Lack of sufficient infrastructure facilities is also discouraging the women to enter in the industrial sector in general and cooperative sector in particular.
- Lack of proper encouragement from the government by the way of special incentive packages exclusively for the women entrepreneurs.

LITERATURE REVIEW
In his study, *Small Business Opportunities for Women in Jamaica*, Nelson (1991) revealed that women were concentrated in businesses which required the least capital outlay or an extension of household activities. The study also revealed that women entrepreneurs were dependent on their business to maintain their homes and support their families.
Sikha Sahai (2005), has highlighted that presently women enterprise about 10 per cent of the total entrepreneurs in India. It is clear that this percentage is growing every year. If prevailing trends continue, it is not unlikely that in another five years, women will comprise 20 per cent of the entrepreneurial force in India.
Lall & Sahai, (2008), conduct a comparative assessment of multi-dimensional issues & challenges of women entrepreneurship, & family business. The study identified Psychographic variables like, degree of commitment, entrepreneurial challenges & future plan for expansion, based on demographic variables. Through stratified random sampling & convenience sampling the data have been collected from women entrepreneurs working in urban area of Lucknow. The study identified business owner's characteristics as self perception self esteem, Entrepreneurial intensity & operational problem for future plans for growth & expansion. The study suggested that though, there has been considerable growth in number of women opting to work in family owned.
Tambunan, (2009), made a study on recent developments of women entrepreneurs in Asian developing countries. The study focused mainly on women entrepreneurs in small and medium enterprises based on data analysis and review of recent key literature. This study found that in Asian developing countries SMEs are gaining overwhelming importance; more than 95% of all firms in all sectors on average per country. The study also depicted the fact that representation of women entrepreneurs in this region is relatively low due to factors like low level of education, lack of capital and cultural or religious constraints. However, the study revealed that most of the women entrepreneurs in SMEs are from the category of forced entrepreneurs seeking for better family incomes.

STATEMENT OF THE PROBLEM

Entrepreneurship development among women has picked up momentum in recent years. Several factors contributed to this most welcome phenomenon. The policies of the Central and State Governments in the matter of industrial development have undergone sweeping changes in the recent past, particularly in the post-liberalization era. A series of measures, conferring a wide variety of special concessions, subsidies, incentives, rebates, reliefs are enunciated. A number of other quite substantial inducements are also offered for women entrepreneurs with innovative skills, dynamism, commitment and preparedness to take risk and invest all their energies, intelligence and resources in promoting and developing industrial and commercial units. With an objective of rendering the requisite financial, technical, managerial, marketing, information and infrastructural, etc, support and guidance to the existing and prospective women entrepreneurs, liberal financial assistance has been made available under various employment programmes. The contributions made by the institutions, organizations and government departments are indeed commendable and are primarily responsible for accelerating the process and the movement of women entrepreneurship development in India. It is true that quite laudable efforts have been made in recent years for the development of women entrepreneurship in India, but the irony of the situation is that several women entrepreneurs have their owes, grievances and harrowing episodes. Several of the women entrepreneurs, who have set up industrial and commercial units with great optimism, are not able to achieve all their targeted goals. It is all because of plethora of problems they are confronted with in the course of promotion and development of their units. Several of these units have not been able to achieve the desired levels of operational efficiency and economic viability. With this backdrop the present paper entitled **"Problems and Prospects of Women Entrepreneurship in India - An Investigative Study in Chittoor District of Andhra Pradesh"** is a modest attempt in this direction and purports to identify the problems and prospects of women entrepreneurs in Chittoor district.

OBJECTIVES OF THE STUDY

1. To analyze the socio-economic profile, educational and family background of women entrepreneurs in Chittoor district.
2. To identify the reasons that made the women entrepreneurs in Chittoor district to start the business enterprises.
3. To ascertain the factors responsible for success of women entrepreneurs in Chittoor district.
4. To study the problems faced by the women entrepreneurs in Chittoor district.
5. To examine the prospects of women entrepreneurs in Chittoor district.
6. To suggest the strategies for further development of women entrepreneurship in Chittoor district.

METHODOLOGY FOR THE STUDY

In view of the objectives of the study listed above, an exploratory research design has been adopted. To study the problems and prospects of women entrepreneurs in Chittoor district, a structured questionnaire covering different aspects of women entrepreneurs was devised and administered among the sample women entrepreneurs.

SOURCES OF DATA

The study includes the collection of data from both primary and secondary sources. The primary data has been collected by conducting a survey among the sample women entrepreneurs with the help of a well-structured questionnaire. The secondary data has compiled from the various published books, magazines, research projects, research papers and articles, etc.

SAMPLE FRAME

There are more than 500 women entrepreneurs in Chittoor district. A detailed study of such large number of women entrepreneurs is a herculean task for an individual researcher. Therefore, to keep the inquiry with in manageable but yet reliable limits, a sample of 80 women entrepreneurs in the district across the business concerns like Garments, Parlours and Health Club, Food, Retail, School, Marketing and Advertising, Paper and Ceramics, Leather, Engineering and Electronics, Real estate, miscellaneous, etc, was taken as the sample by using the stratified sampling method.

HYPOTHESIS

1. **H_{01}**: There is close association between the marital status of women and their entry into business.
2. **H_{02}**: The religion and caste of the women entrepreneurs and their participation in the business are dependent each other.
3. **H_{03}**: Qualification of the respondents and their efforts to get job before entering into business are dependent each other.
4. **H_{04}**: There is no significant variation between the nature of family and its influence on the women's participation in business.
5. **H_{05}**: The spirit of women entrepreneurs and Government support/assistance are dependent each other.

TOOLS FOR DATA ANALYSIS

The data collected for the study has analyzed logically and meaningfully to arrive at logical and meaningful conclusions. The statistical tools, viz., simple percentages, weighted score analysis, χ^2 test are used.

LIMITATIONS OF THE STUDY

The study of women entrepreneurs' perception had to be carried under two major limitations. One of them was the small size of the sample selected. A sample of 80 women entrepreneurs appears to be inadequate to draw generalizations on the issues involved. However, considering the inhibiting factors that the researcher had to encounter, the present sample size appeared to be the best possible alternative under the circumstances. Secondly, an elaborate questionnaire was used consisting many questions to elicit the women entrepreneurs responses on various aspects, the respondents did not answer all the questions and some questions had to be left out of the analysis.

DATA ANALYSIS AND INTERPRETATION

General profile of respondents

The general profile of the sample respondent women entrepreneurs is given in Table – 1. From the data provided, the following inferences may be drawn.

a. Out of the 80 respondent women entrepreneurs taken for the study, 20 per cent belonged to the age group of 25-34 years, 48.75 per cent belonged to 35-44 years, 17.5 per cent belonged to 45-54 years and 13.75 belonged to 55+ year's age.
b. 25 per cent of the respondents belonged to forward community, 35 per cent belonged to backward community, 33.75 per cent belonged to most backward community and only 6.25 per cent of them belonged to SC/ST community.
c. Regarding the marital status 75 per cent are married, 16.25 per cent are unmarried, 7.5 per cent are divorced and 1.25 per cent is divorced.
d. Among the sample respondents, 10 per cent are illiterates, 27.50 per cent have studied up to 10^{th} standard, 36.25 per cent are graduates, 16.25 per cent are post graduates and 10.00 per cent are technically qualified.
e. Regarding the family type 80 per cent of the women entrepreneurs are from nuclear family and 20 per cent of them are from joint family.
f. 50 per cent of the respondents are first generation entrepreneurs, 40 per cent of them got that position from their parents and only 10 per cent of them have their in-laws as entrepreneurs.
g. 80 per cent of the respondents had the previous experience and only 20 per cent are fresher's.
h. 50 per cent of the respondents received manual help from their family members, 20 per cent of them have received advisory support and 30 per cent of them have received financial support.
i. Only 20 per cent of the respondents spent up to 4 hours towards their business, 40 per cent of them from 4 to 8 hours, 30 per cent of them from 8 to 12 hours and 10 per cent of them spent more than 12 hours.
j. Among the respondents, 40 per cent run the business in rural area and 60 per cent run in urban areas.
k. Regarding ownership, 66 per cent of them have 100% self-owned firms and 33 per cent of them have partnership firms.
l. About financial assistance, 15 per cent of the respondents have received soft loans, 70 per cent have enjoyed the subsidy and 15 per cent have received power concession.

TABLE – 1: GENERAL PROFILE OF SAMPLE WOMEN ENTREPRENEURS

Particulars	Classification	No. of Respondents	Percentage to total
Age (Years)	25 – 34	16	20.00
	35 – 44	39	48.75
	45 – 54	14	17.50
	55 +	11	13.75
Community	Forward	20	25.00
	Backward	28	35.00
	Most Backward	27	33.75
	SC/ST	5	6.25
Marital Status	Married	60	75.00
	Unmarried	13	16.25
	Divorced	6	7.5
	Widow	1	1.25
Educational Qualifications	Illiterate	8	10.00
	Up to 10th Standard	22	27.50
	Under Graduation	29	36.25
	Post Graduation	13	16.25
	Technical Education	8	10.00
Family Type	Nuclear Family	64	80.00
	Joint Family	16	20.00
Category of Women Entrepreneurship	First Generation Entrepreneurs	40	50.00
	Parents as Entrepreneurs	32	40.00
	In-laws as Entrepreneurs	8	10.00
Experience as Women Entrepreneur	Yes	64	80.00
	No	16	20.00
Form of Family Help	Manual Help	40	50.00
	Advisory Support	16	20.00
	Financial Support	24	30.00
Time Spent	Up to 4 hours	16	20.00
	4 – 8 hours	32	40.00
	8 – 12 hours	24	30.00
	More than 12 hours	8	10.00
Location	Rural	32	40.00
	Urban	48	60.00
Ownership	100% Self owned	53	66.00
	Partnership	47	33.00
Forms of Financial Assistance	Soft Loan	12	15.00
	Subsidy	56	70.00
	Power Concession	12	15.00

Source: Compiled from the Questionnaire administered to the sample respondent women entrepreneurs

Marital Status of Women and their Entry into Business

The information relating to marital status of the respondent women entrepreneurs and its effect in entering into business is provided in Table – 2. The survey results have proved that the majority of the married women (76 per cent) were stepped into business. This indicates that women have succeeded in breaking the traditional barricades of living within four walls after the marriage.

H_{01}: There is close association between the marital status of women and their entry into business.

TABLE – 2: MARITAL STATUS OF WOMEN AND THEIR ENTRY INTO BUSINESS

Marital Status	Participation in Business		Total
	Affected	Not Affected	
Married	34 (55.74)	27 (44.26)	61 (76.00)
Unmarried	17 (89.50)	2 (10.50)	19 (24.00)
Total	51	29	N = 80
χ^2 calculated value = 7.43			
For v = 1, $\chi^2_{0.05}$ = 3.841 (at 1 degrees of freedom and 5% level of significance)			
χ^2 calculated value > $\chi^2_{0.05}$ at 5% level of significance			

Source: Compiled from the Questionnaire administered to the sample respondent women entrepreneurs.

Note: Figures in parenthesis represents percentages to total.

Since the calculated value is higher than the table value, the null hypothesis is rejected. That is to say, marital status of the women entrepreneurs has direct influence on their business career. Another important finding of the study is that, family members had also encouraged the decision of taking part in services sector like opening parlour, tailoring shop, apparel shop, and departmental stores, photocopy centres next to her door step or within their locality. This clearly indicates that women get social security as well as generate surplus income by working close to the house and the family members.

Selection of Industries by Women Entrepreneurs

The traditional belief about the women enterprises around the 3 Ps of kitchen, i.e., papad, pickles, and powders (spices) were not found in the sample entrepreneurs. Rather, they have broken away from the beaten tracks and were exploring new avenues of economic participation. Table – 3 presents data relating to the type of enterprises chosen by the sample women entrepreneurs. It is observed from the table that the women entrepreneurs in the sample are engaged in diverse activities. As many as 78.50 per cent of them are engaged in traditional business activities like garments, food products and processing, parlours and health clubs, leather works, wood works, etc. The remaining were engaged in retail outlets (8.75 per cent), maintaining schools (2.50 per cent), oil and rice mills (3.75 per cent) marketing and advertising (1.25 per cent), engineering and electronics (2.50 percent) and the remaining are in real estate (2.50 per cent) respectively.

TABLE – 3: SELECTION OF INDUSTRIES BY WOMEN ENTREPRENEURS (TYPE OF WOMEN ENTERPRISES)

Type of Enterprise	No. of Respondents	Percentage to total

Garments	23	28.75
Food Products and Processing	27	33.75
Parlours and Health Club	5	6.25
Retail outlets	7	8.75
Schools	2	2.50
Oil and Rice Mills	3	3.75
Marketing and Advertising	1	1.25
Paper, Ceramics, Leather works, etc.	4	5.00
Wood works	4	5.00
Engineering and Electronics.	2	2.50
Real estate	2	2.50
Total	80	100.00

Source: Compiled from the Questionnaire administered to the sample respondent women entrepreneurs.

Religion wise participation of Women in Business

In a democratic country like India, religion plays an important role in all the activities, particularly, in business sector. The survey results shows that over 81 per cent of the women entrepreneurs were of Hindu religion, 12.50 per cent of the women entrepreneurs were of Christian religion and the remaining 6 per cent were Muslim women, who have dared to cross all the religious boundaries to stand unique in the front line of business.

H_{02}: The religion of the women entrepreneurs and their participation in the business are dependent each other.

TABLE – 4: RELIGION WISE PARTICIPATION OF WOMEN IN BUSINESS

Religion of Women Entrepreneurs	Affected	Not Affected	Total
Hindus	36 (55.40)	29 (44.60)	65 (81.25)
Muslims	4 (80.00)	1 (20.00)	5 (6.25)
Christians	8 (80.00)	2 (20.00)	10 (12.50)
Total	48	32	N = 80
χ^2 calculated value = 3.07 For v = 2, $\chi^2_{0.05}$ = 5.992 (at 2 degrees of freedom and 5% level of significance) χ^2 calculated value < $\chi^2_{0.05}$ at 5% level of significance			

Source: Compiled from the Questionnaire administered to the sample respondent women entrepreneurs.

Note: Figures in parenthesis represents percentages to total.

As the calculated value of chi-square is lesser than the table value, the null hypothesis is accepted. That is, the religion of the entrepreneur will not have influence on the women to participate in business and growth of them.

Size of Investment in Women Enterprises

It is often complained by the women entrepreneurs about their access to availability of funds from financial institutions. The study reveals that the size of funds used in women enterprises are very small and are provided from their own sources. Data relating to investment are given in Table – 5. It is observed from the table that most of the units have a very little asset base. 40 per cent of the units have a total investment including working capital less than ₹ one lakh and 68.75 per cent of the units are operating from rented accommodations. The investment in plant and machinery and other fixed assets is less than ₹ one lakh in case of 67.50 per cent of the units, while 77.50 per cent of the units have working capital less than ₹ one lakh. Only 21.25 per cent of the units invested ₹ five lakhs or more in land and building, while 36.50 per cent of the total units in this range.

TABLE – 5: SIZE OF INVESTMENT IN WOMEN ENTERPRISES (₹ IN LAKHS)

Size of Investment	Land & Building	Plant and Mech. and Other FAs'	Working Capital	Total
Below 1.0	2	54 (67.50)	62 (77.50)	32 (40.00)
1.0 to 5.0	6	9 (11.25)	5 (6.25)	19 (23.75)
1.0 to 10	6	8 (10.00)	5 (6.25)	11 (13.75)
10 to 20	8	5 (6.25)	5 (6.25)	8 (10.00)
20 and above	3	4 (5.00)	3 (3.75)	10 (12.50)
Total	25*	80	80	80

Source: Compiled from the Questionnaire administered to the sample respondent women entrepreneurs.

*Rest 55 units are operating from rented accommodation.

Note: Figures in parenthesis represents percentages to total.

Motivational Aspects of Women Entrepreneurs

One of the important problems which most of the working women including the entrepreneurs face is the long working hours and the absence from the home. But, most of the women entrepreneurs in our sample reveal that they got good support from their family members and hence are living happily with their husbands and children. A significant fact emerged from the survey is that the women entrepreneurs possessed adequate skill and strong motivation and run their units. The basic sources of motivation and the responses of the women entrepreneurs are presented in Table – 6. It is observed from the table that earning money was the predominant motive for 44.58 per cent of the respondents. It is implied from this motive that they want to be financially independent. It is followed by the desire to become independent (24.80 per cent), to prove oneself (18.54 per cent), status (5.42 per cent), utilization of one's skill and knowledge (3.54 per cent) and previous job satisfaction (3.12 per cent). Several studies have indicated that the desire to be independent is the predominant motive to take up some gainful activities, but in the present study earning more money is the predominant motivating factor. It is mainly due to the economic pressure of the family on them.

TABLE – 6: SOURCES OF ENTREPRENEURIAL MOTIVATION

Motives	No. of Respondents			Weighted Score	Rating (Per cent)	Rank
	No. One	No. Two	No. Three			
Desire to be Independent	21	18	20	119	24.80	2
To prove oneself	15	15	14	89	18.54	3
Status	5	2	7	26	5.42	4
Earning more money	33	40	35	214	44.58	1
Previous Job dissatisfaction	2	3	3	15	3.12	6
Utilization of one's skill and knowledge	4	2	1	17	3.54	5
Total	80	80	80	480	100.00	

Source: Compiled from the Questionnaire administered to the sample respondent women entrepreneurs.

Push and Pull Factors of Women Entrepreneurship

Another important problem that the study has addressed is how the women become entrepreneurs. To explain this process, the study has identified some situational factors which prompt them to be entrepreneurs. The responses of the sample entrepreneurs are presented in Table – 7. It is observed from the table that first five factors are conducive for the enterprise creation and hence considered to be positive push and pull factors, while the last two are negative factors which force somebody to be an entrepreneur. The most important factor considered by the respondents for entrepreneurship is the attractive source of income (67.50 per cent), followed by the inspiration and support from the family members (58.75 per cent). The respondents think that the unemployment and unsuitable working conditions are the compelling factors to take up this profession. The inner feeling of doing something better (competencies) associated with previous experience (15.00 per cent) prompts some of them to be entrepreneurs.

TABLE – 7: PUSH AND PULL FACTORS OF WOMEN ENTREPRENEURSHIP

Factors	No. of Respondents	Percentage to total
Attractive sources of Income	54	67.50
Education	18	22.50
Family Support	47	58.75
Government policies and incentives	18	22.50
Competencies and experience	12	15.00
Unable to find suitable employment	27	33.75
Unsuitable working environment	15	18.75

Source: Compiled from the Questionnaire administered to the sample respondent women entrepreneurs.

Respondents' pre-entrepreneurship efforts for getting job

The data relating to job attempts made by the respondents before establishing the enterprise is provided in Table - 9. Majority (74 per cent) of the respondents did not try for any jobs and the rest of them (26 per cent) made an attempt to get some job either in government sector or in private sector, but were not successful. As a result they started their own enterprise. The following hypothesis was put to test in this regard.

H_{03}: Qualification of the respondents and their efforts to get job before entering into business are dependent each other.

TABLE – 9: EFFORTS MADE BY THE RESPONDENTS FOR GETTING OTHER JOBS

Respondents Qualification	Job attempts made before establishing own enterprise		Total
	Attempted	Not Attempted	
Up to 10th Standard	1 (16.67)	5 (83.33)	6
Under Graduation	15 (34.10)	29 (65.90)	44
Post Graduation	8 (32.00)	17 (68.00)	25
Technical Education	2 (40.00)	3 (60.00)	5
Total	21 (26.25)	59 (73.75)	N = 80
χ^2 calculated value = 3.22 For v = 3, $\chi^2_{0.05}$ = 7.81 (at 3 degrees of freedom and 5% level of significance). χ^2 calculated value < $\chi^2_{0.05}$ at 5% level of significance.			

Source: Compiled from the Questionnaire administered to the sample respondent women entrepreneurs.

Note: Figures in parenthesis represents percentages to total.

The calculated value of chi-square is lesser than the table value; hence, the null hypothesis is accepted. This indicates that the qualification of the respondents and their efforts to get any other private or government job has not influenced them to start their own enterprises.

Nature of Family and its Influence on Women Entrepreneurship

The nature of family to which women entrepreneurs belongs is depicted in Table - 8. It is observed from the table that 58.75 per cent of the respondent women entrepreneurs belong to nuclear family and only 41.25 per cent of them belongs to joint family. The following hypothesis was put to test in this regard.

H_{04}: There is no significant variation between the nature of family and its influence on the women's participation in business.

TABLE – 8: NATURE OF FAMILY AS AN INFLUENCING FACTOR ON WOMEN'S PARTICIPATION

Nature of Family	Influencing factor on women's participation		Total
	Yes	No	
Nuclear Family	28 (59.60)	19 (40.40)	47 (58.75)
Joint Family	28 (84.84)	5 (15.16)	33 (41.25)
Total	56	24	N = 80
χ^2 calculated value = 6.12 For v = 1, $\chi^2_{0.05}$ = 3.841 (at 1 degrees of freedom and 5% level of significance) χ^2 calculated value > $\chi^2_{0.05}$ at 5% level of significance			

Source: Compiled from the Questionnaire administered to the sample respondent women entrepreneurs.

Note: Figures in parenthesis represents percentages to total.

The calculated value is more than the table value. Therefore, the null hypothesis is rejected. That is, the nature of the family whether it is nuclear or a joint family, influenced in decision making of women regarding her entry into business. Another important finding from the study is that the women entrepreneurs from joint family faced acute problem; they were over strained by working at both the sides, managing both business and family; they had the problem of co-operation from other family members, difference of opinion due to age differences, etc.

Respondents received financial support from the Government

It is necessary to understand that government institutions are coming forward to extend financial support to women entrepreneurs. The information relating to this aspect is presented in Table - 10. The survey shows that only 20 per cent (16) of respondents got finance from government agencies, like, APSFC, DRDA, Commercial banks, etc. 80 per cent of the respondents have not received any such support from government agencies and they depend on their own contribution, from their family members, etc. A hypothesis has been put to test and the following results were drawn.

H_{05}: The spirit of women entrepreneurs and Government support/assistance are dependent each other.

TABLE – 10: THE SPIRIT OF WOMEN ENTREPRENEURS AND GOVERNMENT SUPPORT/ASSISTANCE

Received Govt. support/assistance	Entrepreneurial Spirit		Total
	Affected	Not affected	
Received	10 (62.50)	6 (37.50)	16 (20.00)
Not Received	14 (22.00)	50 (78.00)	64 (80.00)
Total	24	56	N = 80
χ^2 calculated value = 9.14 For v = 1, $\chi^2_{0.05}$ = 3.841 (at 1 degrees of freedom and 5% level of significance) χ^2 calculated value > $\chi^2_{0.05}$ at 5% level of significance			

Source: Compiled from the Questionnaire administered to the sample respondent women entrepreneurs.

Note: Figures in parenthesis represents percentages to total.

The calculated value of chi-square is greater than the calculated value and, hence, the null hypothesis has to be rejected. That means the support and assistance by the government acted as a motivating factor to the women for venturing into the business world.

Sources of Finance to Women Entrepreneurs

Finance is the basic input for any activity and it forms the basis for all key inputs, viz., labour, material, machinery, etc. The data relating to financial sources of respondent women entrepreneurs is depicted in Table – 11. The table reveals that 45 per cent of the respondents have their self-owned sources of funds, 40 per cent of them have taken bank loan, 10 per cent of them have depend on the support by spouse/family, and only 5 per cent of them have other sources of finance. Therefore, for majority of the respondent's self-owned funds constitute the major source of finance.

TABLE – 11: SOURCES OF FINANCE TO WOMEN ENTREPRENEURS

Sources of finance	No. of Respondents	Percentage to total
Self-owned funds	36	45.00
Support by Spouse/family	8	10.00
Bank Borrowings	32	40.00
Other Sources	4	5.00
Total	80	100.00

Source: Compiled from the Questionnaire administered to the sample respondent women entrepreneurs.

Employment in Selected Women Enterprises

Manpower constitutes the most significant input factor along with other resources, viz., capital, machinery, material, methods, etc. The data relating to the manpower employed in the selected women enterprises in given in Table – 12. It is observed from the table that 70 per cent of the units were employing 3 to 5 workers, 12 per cent of the units were employing 6 to 10 workers, 8 per cent of the units had 11 to 20 workers and only 10 per cent had more than 21 workers. On an average, sample enterprises employed 7 full time workers.

TABLE – 12: TOTAL EMPLOYMENT IN SELECTED WOMEN ENTERPRISES IN CHITTOOR DISTRICT (2011-12)

Employment (No. of Persons)	No. of Enterprises	Percentage to total
3 to 5	56	70.00
6 to 10	10	12.00
11 to 20	6	8.00
21 and above	8	10.00
Total	80	100.00
Average Employment	7	--

Source: Compiled from the Questionnaire administered to the sample respondent women entrepreneurs.

Annual Turnover of sample Women Enterprises

The annual turnover of the selected women enterprises for the financial year 2011-12 is depicted in Table – 13. It is observed from the table that 16 per cent of the enterprises have the turnover below ₹. 1 lakh, 46 per cent of the enterprises have ₹. 1 to 10 lakhs, 23 per cent of the enterprises have ₹. 10 to 20 lakhs, 10 per cent of the enterprises have ₹. 20 to 30 lakhs and only 5 per cent of the enterprises have the turnover of above ₹. 30 lakhs. The mean annual turnover of the selected enterprises was ₹. 13.50 lakhs.

TABLE – 13: TOTAL ANNUAL TURNOVER OF SELECTED WOMEN ENTERPRISES IN CHITTOOR DISTRICT (2011-12)

Turnover (₹. in lakhs)	No. of Enterprises	Percentage to total
Below 1.0	13	16.00
1.0 to 10.0	37	46.00
10.0 to 20.0	18	23.00
20.0 to 30.0	8	10.00
30.0 and above	4	5.00
Total	80	100.00
Average Turnover	₹. 13.50 lakhs	

Source: Compiled from the Questionnaire administered to the sample respondent women entrepreneurs.

Net Profit of sample Women Enterprises

Net profit is the difference between total revenue and expenditure. The data concerning to the net profit of the selected women enterprises for the financial year 2011-12 is depicted in Table – 14. 36 per cent of the units had incurred loss during the year. The net profit of 36 per cent of units was below ₹. 1 lakh while it was more than ₹. 5 lakhs in case of 4 per cent of units. The average net profit was ₹. 1.02 lakhs. The net profit was high in service enterprises. Most of the manufacturing enterprises incurred loss during the year.

TABLE – 14: NET PROFIT OF SELECTED WOMEN ENTERPRISES IN CHITTOOR DISTRICT (2011-12)

Net Profit (₹. in lakhs)	No. of Enterprises	Percentage to total
Loss above 1.0	8	10.00
Loss below 1.0	21	26.00
Profit below 1.0	29	36.00
Profit 1.0 to 5.0	21	26.00
Above 5.0	3	4.00
Total	80	100.00
Average Profit	₹. 1.02 lakhs	

Source: Compiled from the Questionnaire administered to the sample respondent women entrepreneurs.

Challenges faced by the respondent women entrepreneurs

Indian society is characterized by male chauvinism on account of which talented and energetic Indian women cut notice in high-flying business activities which are traditionally dominated by men. The conventions and traditions prevalent in our society are not favourable for women to set up business units and if they enter this field they may have to eat the humble pie because of non-cooperation and meddlesome attitude of our society. The data relating to the challenges faced by the respondents is depicted in Table – 15.

TABLE – 15: PROBLEMS OF SELECTED WOMEN ENTREPRENEURS

Nature of the Problem	No. of respondents	Percentage to total
Power problem	16	20.00
Technical/management assistance problem	13	16.25
Financial problem	19	23.75
Manpower/human resources problem	9	11.25
Problem of marketing their products	11	13.75
Problem of availability of raw materials	4	5.00
Penetrating competition	2	2.50
Constraints in mobility	2	2.50
Lack of proper training on innovative business practices	2	2.50
Poor support from family members	2	2.50
Total	80	100.00

Source: Compiled from the Questionnaire administered to the sample respondent women entrepreneurs.

It is observed from the above table that the majority of the respondents (23.75 per cent) have struggled due to financial problem, while 20 per cent of them have struggled due to power problem, 16.25 per cent of them have faced technical/management assistance problem, 13.75 per cent of the respondents have highlighted the problem of marketing their products, 11.25 per cent of them have expressed the problem of manpower/human resources, 5 per cent of the respondents have expressed the problem of availability of raw materials and only a few respondents (2.5 per cent) faced the problems like penetrating competition, constraints in mobility, lack of proper training on innovative business practices and poor support from family members.

SUGGESTIONS

In the light of interaction with the sample respondents and the foregoing analysis of data, the researcher has offered the following suggestions for the betterment of women entrepreneurs in general and in Chittoor district in particular.

1. Free training on technical aspects, marketing and financial management should be offered. Further, women entrepreneurs are advised to undergo some HR training conducted by SME's. This would help them to acquire knowledge of emerging HR policies and practices, which in turn, causes for cordial relations with the employees.
2. Proper co-ordination between executives of promotional agencies and viable entrepreneurs must be promoted.
3. In the modern market era (liberalization, privatization and globalization), the entrepreneurs should attend to trade fairs and exhibitions to acquire more knowledge on the recent trends and developments at the national and international level.
4. The State Financial Institutions, District Industries Centres (DICs), Association of Women Entrepreneurs, Organizations like FICCI, CII, NABARD, SIDBI, etc. could set up guidance cells for women entrepreneurs.
5. Rural women entrepreneurs should be given liberty to choose their business activity. This creates interest in the entrepreneur and attracts her commitment.
6. A most striking problem among majority of the entrepreneurs is the 'finance'. Estimation of financial requirements and assistance by the government agencies is unrealistic. Apart from providing concessional financial assistance to the entrepreneurs in rural areas, more important is providing sufficient finance to run their business operations.
7. To promote women entrepreneurs effectively, integration of governments supporting agencies, in providing inputs and marketing of finished products, is necessary.
8. Adequate data regarding marketing situation should be made available to the women entrepreneurs.
9. Adequate follow-up support to the women entrepreneurs.
10. The government should ensure speedy change from traditional occupation to modern business enterprises in order to take the maximum advantage of the new market conditions and available new technology.
11. The government should make planned efforts to inculcate the spirit of entrepreneurship among women through many incentives and developmental programmes.
12. Last but not least is the family support for women entrepreneurs. Family support boosts the morale and confidence in them and gives strength to fight various problems.

If the suggestions offered above are implemented, no doubt, the women entrepreneurship in the district will take its new path and causes for sound employment and self sufficiency and the country will become the most entrepreneurial country.

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CAPITAL STRUCTURE ANALYSIS: AN INTER AND INTRA-INDUSTRY STUDY

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ABSTRACT

The capital structure decision is one of the most crucial decisions faced by a firm. Capital structure decisions can influence the value of the firm through the earnings available to the shareholders and the cost of capital. Therefore, a company should select an optimal capital structure that maximizes the value of the equity shares and at which the cost of capital is the least. The nature of industry can be one of the most important elements in determining the degree of financial leverage a firm can safely include in its capital structure. The purpose of this paper is to identify whether there is a significant difference in the financial mix of firms belonging to a particular industry and if the capital structures of the 15 sampled industries are significantly different. The result of this study indicates that firms in majority of the 15 industries have debt-equity ratios significantly different from the industry average and that the capital structures do not differ significantly across the sample of 15 industries.

KEYWORDS

Capital Structure, Debt Equity ratio, Financial mix, Difference in capital Structure.

INTRODUCTION

The capital structure decision is one of the most crucial decisions faced by a firm. Capital structure refers to the proportion of firm's liabilities and owner's equity. Capital structure decisions can influence the value of the firm through the earnings available to the shareholders and the cost of capital. Therefore, a company should select a capital structure that maximizes the value of the equity shares and at which the cost of capital is the least. Such a combination of debt and equity is called the optimum capital structure. This highlights the consequence of an appropriate capital structure. Modigilani and Miller (1958), however, came up with an irrelevance proposition that under certain assumptions the market value and it cost of capital of any firm is independent of its capital structure.

Extensive consideration has been given to the relationship between industry membership and capital structure. The capital structure of a firm is likely to be highly influenced by the industry in which it operates. The nature of industry can be one of the most important elements in determining the degree of financial leverage a firm can safely include in its capital structure.

It is generally accepted that in a given industry, firms have similar leverage ratios and that the leverage ratios vary across industries (Harris and Raviv, 1991). Bradley, Jarrel and Kim (1983) provide empirical evidence that firm leverage ratios are industry related. Their theory highlights three firm-specific factors that influence the firm's optimal capital structure: the variability of firm value, the level of non-debt tax shields, and the magnitude of the costs of financial distress. These three factors are considered to quite plausibly exhibit important industry commonalities. Titman and Wessels (1988) suggests that firms manufacturing machines and equipments require the availability of specialized servicing and spare parts and will find liquidation costly. Such firms are likely to be financed by relatively less debt.

The purpose of this research is twofold-

1) To analyze whether there is any difference in the capital structures of 15 industries- Aviation, Breweries, Cement Products, Cigarettes, Finance (Large), Hospital, Hotels(Large), IT And BPO, Paper(Large), Power Generation, Shipping-(Large), Steel(Large), Sugar Integrated, Telecom Services, Tyres (Large) and

2) To study whether the leverage level of firms within these industries is industry independent.

In accordance with this aim, to consider statistically significant relationships (using ANOVA) between firm capital structure and the industry capital structure, a sample consisting of the company debt-equity ratios has been included. The study uses data of 1919 listed firms extracted from Capitaline Plus database for the period of five years, from 2007-2011.

REVIEW OF LITERATURE

Studies on capital structure of companies date back to the nineteen fifties. Since the controversial irrelevance proposition by Modigilani and Miller (1958), the literature on capital structure has extended to explain the corporate leverage and its evolution. The three major theories that subsequently came up are the Static Trade off theory (Myers, 1984), the Pecking Order theory (Myers & Majluf, 1984) and the Agency Cost theory (Jenkins & Meckling, 1976).

Static Trade-off Theory states that a firm's optimal debt ratio is usually viewed as determined by a tradeoff of the costs and benefits of borrowing, holding the firm's assets and investment plans constant. The firm is portrayed as balancing the value of interest tax shields (advantages) against various costs of bankruptcy or financial distress (disadvantages). The firm is supposed to substitute debt for equity, or equity for debt, until the value of the firm is maximized. The literature on costs of financial distress supports two qualitative statements about financing behavior:

1) Risky firms ought to borrow less, other things equal. Here "risk" would be defined as the variance rate of the market value of the firm's assets. The higher the variance rate, the greater the probability of default on any given package of debt claims. Since costs of financial distress are caused by threatened or actual default, safe firms ought to be able to borrow more before expected costs of financial distress offset the tax advantages of borrowing.

2) Firms holding tangible assets-in-place will borrow less than firms holding specialized, intangible assets or valuable growth opportunities. The expected cost of financial distress depends not just on the probability of trouble, but the value lost if trouble comes. Specialized, intangible assets or growth opportunities are more likely to lose value in financial distress. However, some researchers have expressed problems in the ability of static trade-off theory to explain actual firm behavior.

Myers (2001) argued that static trade-off theory implies that highly profitable firms should have high debt ratios in order to shield their large profits from taxation, whereas in reality, highly profitable firms tend to have less debt than less profitable firms

Pecking Order Theory states that which the firm prefers internal to external financing and debt to equity if it issues securities. In the pure pecking order theory, the firm has no well-defined target debt-to-value ratio. If external finance is required, firms issue the safest security first. That is, they start with debt, then possibly hybrid securities such as convertible bonds, then perhaps equity as a last resort. In this story, there is no well-defined target debt-equity mix, because there are two kinds of equity, internal and external, one at the top of the pecking order and one at the bottom. Each firm's observed debt ratio reflects its cumulative requirements for external finance (Myers, 1984).

Myers (2001) explains why the bulk of external financing comes from debt. It also explains why more profitable firms borrow less: not because their target debt ratio is low but because profitable firms have more internal financing available. Less profitable firms require external financing, and consequently accumulate debt.

Therefore it can be said that the pecking order theory implies that more profitable companies will have lower debt ratios as they can finance their investments through internal sources and would not have to resort to debt financing. Also, firms with high growth rates will have a higher debt ratio since they would have a higher need for external funds (Sinha, 1993).

Agency Cost Theory: Jensen and Meckling identify managers as the agents who are employed to work for maximizing the returns to the shareholders, who are the principals. Jensen and Meckling identify monitoring the agent's actions as a source of agency cost, but they also identify at least two other sources: bonding costs borne by the agent, and the wealth loss borne by the principal when the agent's actions do not maximize his welfare (referred to as "residual loss"). Jensen and Meckling investigate the incentives faced by each of the parties and the elements entering into the contract characterizing the relationship between the manager (i.e., agent) of the firm and the outside equity and debt holders (i.e., principals).

The agency cost theory of capital structure states that an optimal capital structure will be determined by minimizing the costs arising from conflicts between the parties involved. Jensen and Meckling argue that agency costs play an important role in financing decisions due to the conflict that may exist between shareholders and debt holders. If companies are approaching financial distress, shareholders can encourage management to take decisions, which, in effect, expropriate funds from debt holders to equity holders. Sophisticated debt holders will then require a higher return for their funds if there is potential for this transfer of wealth. Debt and the accompanying interest payments, however, may reduce the agency conflict between shareholders and managers. Debt holders have legal redress if management fails to make interest payments when they are due, hence managers concerned about potential loss of job, will be more likely to operate the firm as efficiently as possible in order to meet the interest payments, thus aligning their behavior closer to shareholder wealth maximization.

In terms of agency cost theory, we would expect young, owner managed firms to have the least debt, and that debt levels will gradually increase as the firm develops and acquires a greater number of shareholders and more professional managers.

SCOPE & METHODOLOGY

Analysis in this study is based on the data obtained from Capitaline Plus Databases of the debt-equity ratios of the companies included in the sample. The sample comprises of 1919 listed companies representative of 15 different industries of India. The sample data is for a five year period, from 2007-2011. The details are as follows:

INDUSTRY	NO. OF COMPANIES
Aviation	15
Breweries	59
Cement Products	22
Cigarettes	9
Finance-Large	657
Hospital	66
Hotels – Large	118
IT & BPO	509
Paper- Large	118
Power Generation	121
Shipping- Large	44
Steel-Large	13
Sugar Intergrated	86
Telecom Services	57
Tyres- Large	25
TOTAL	**1919**

The sample is exclusive of companies merged or wound-up during the period.

Editing, classification and tabulation of the data collected from the secondary sources has been done as per the requirements of the study.

The average of the debt equity ratios was computed for each of the companies as well as the industries for the five year period. In order to ensure whether there is any difference in the capital structures of 15 industries and to judge the leverage level of firms within these industries is industry independent, hypotheses were developed and tests through the one-way ANOVA was used at a 5% level of significance. For analyzing data statistical computations have been done using Microsoft Excel.

ANALYSIS AND OBSERVATION

INTRA INDUSTRY ANALYSIS OF CAPITAL STRUCTURES

1. **AVIATION INDUSTRY**

Statistical hypothesis are:

H_0: The average debt ratios of the sampled 15 companies of the Aviation industry are equal.

H_1: The average debt ratios of the sampled 15 companies of the Aviation industry are not equal.

The results of ANOVA were as under:

TABLE 1: ANALYSIS OF VARIANCE TABLE FOR DEBT- EQUITY RATIO OF AVIATION INDUSTRY

Source of Variation	*SS*	*df*	*F*	*P-value*	*F crit*
Between Groups	529.965232	14	4.128694501	5.45738E-05	1.860242
Within Groups	550.12052	60			
Total	1080.08575	74			

Since the P-value is less than the significance level, the null hypothesis is rejected and it can be concluded that there is a significant difference between the average debt equity ratios of the sampled companies of the Aviation industry.

2. **BREWERIES INDUSTRY**

Statistical hypothesis are:

H_0: The average debt ratios of the sampled 59 companies of the Breweries industry are equal.

H_1: The average debt ratios of the sampled 59 companies of the Breweries industry are not equal.

The results of ANOVA were as under:

TABLE 2: ANALYSIS OF VARIANCE TABLE FOR DEBT-EQUITY RATIO OF BREWERIES INDUSTRY

Source of Variation	*SS*	*Df*	*F*	*P-value*	*F crit*
Between Groups	4819.853	58	1.214429	0.159768	1.38071
Within Groups	16149	236			
Total	20968.85	294			

Since the P-value is greater than the significance level, the null hypothesis is accepted and it can be concluded that the average debt equity ratios of the sampled companies of the Breweries industry are not significantly different.

3. **CEMENT PRODUCTS INDUSTRY**

Statistical hypothesis are:

H_0: The average debt ratios of the sampled 22 companies of the Cement industry are equal.

H_1: The average debt ratios of the sampled 22 companies of the Cement industry are not equal.

The results of ANOVA were as under:

TABLE 3: ANALYSIS OF VARIANCE TABLE FOR DEBT-EQUITY RATIO OF CEMENT PRODUCTS INDUSTRY

Source of Variation	*SS*	*Df*	*F*	*P-value*	*F crit*
Between Groups	475.7826	21	1.185709	0.283574	1.677224
Within Groups	1681.488	88			
Total	2157.271	109			

Since the P-value is greater than the significance level, the null hypothesis is accepted and it can be concluded that there is a no significant difference between the average debt equity ratios of the sampled companies of the Cement Products industry.

4. **CIGARETTES INDUSTRY**

Statistical hypothesis are:

H_0: The average debt ratios of the sampled 9 companies of the Cigarettes industry are equal.

H_1: The average debt ratios of the sampled 9 companies of the Cigarettes industry are not equal.

The results of ANOVA were as under:

TABLE 4: ANALYSIS OF VARIANCE TABLE FOR DEBT-EQUITY RATIO OF CIGARETTES INDUSTRY

Source of Variation	*SS*	*Df*	*F*	*P-value*	*F crit*
Between Groups	93.20952	8	1.193784	0.329993	2.208518
Within Groups	351.3558	36			
Total	444.5653	44			

As can be seen, the P-value is greater than the significance level, hence the null hypothesis is accepted and it can be concluded that there is a no significant difference between the average debt equity ratios of the sampled companies of the Cigarettes industry.

5. **FINANCE(LARGE) INDUSTRY**

Statistical hypothesis are:

H_0: The average debt ratios of the sampled 657 companies of the Finance (Large) industry are equal.

H_1: The average debt ratios of the sampled 657 companies of the Finance (Large) industry are not equal.

The results of ANOVA were as under:

TABLE 5: ANALYSIS OF VARIANCE TABLE FOR DEBT-EQUITY RATIO OF FINANCE (LARGE) INDUSTRY

Source of Variation	*SS*	*Df*	*F*	*P-value*	*F crit*
Between Groups	623397.6	656	3.456425	1.4E-110	1.104939
Within Groups	722536	2628			
Total	1345934	3284			

Since the P-value is less than the significance level, the null hypothesis is rejected and it can be concluded that there is a significant difference between the average debt equity ratios of the sampled companies of the Finance (Large) industry.

6. **HOSPITAL INDUSTRY**

Statistical hypothesis are:

H_0: The average debt ratios of the sampled 66 companies of the Hospital industry are equal.

H_1: The average debt ratios of the sampled 66 companies of the Hospital industry are not equal.

The results of ANOVA were as under:

TABLE 6: ANALYSIS OF VARIANCE TABLE FOR DEBT-EQUITY RATIO OF HOSPITAL INDUSTRY

Source of Variation	*SS*	*Df*	*F*	*P-value*	*F crit*
Between Groups	372342.4	65	1.064126	0.360057	1.357527
Within Groups	1421151	264			
Total	1793493	329			

As can be seen, the P-value is greater than the significance level, hence the null hypothesis is accepted and it can be concluded that there is a no significant difference between the average debt equity ratios of the sampled companies of the Hospital industry

7. **HOTELS (LARGE) INDUSTRY**

Statistical hypothesis are:

H_0: The average debt ratios of the sampled 118 companies of the Hotels (Large) industry are equal.

H_1: The average debt ratios of the sampled 118 companies of the Hotels (Large) industry are not equal.

The results of ANOVA were as under:

TABLE 7: ANALYSIS OF VARIANCE TABLE FOR DEBT-EQUITY OF HOTELS (LARGE) INDUSTRY

Source of Variation	*SS*	*Df*	*F*	*P-value*	*F crit*
Between Groups	22967.72	117	8.243716	7.16E-63	1.259727
Within Groups	11239.61	472			
Total	34207.33	589			

Since the P-value is less than the significance level, the null hypothesis is rejected and it can be concluded that there is a significant difference between the average debt equity ratios of the sampled companies of the Hotels (Large) industry.

8. **IT & BPO INDUSTRY**

Statistical hypothesis are:

H_0: The average debt ratios of the sampled 509 companies of the IT & BPO industry are equal.
H_1: The average debt ratios of the sampled 509 companies of the IT & BPO industry are not equal.
The results of ANOVA were as under:

TABLE 8: ANALYSIS OF VARIANCE TABLE FOR DEBT-EQUITY RATIO OF IT & BPO INDUSTRY

Source of Variation	*SS*	*Df*	*F*	*P-value*	*F crit*
Between Groups	781739.4	508	1.245729	0.000654	1.119782
Within Groups	2515084	2036			
Total	3296823	2544			

Since the P-value is less than the significance level, the null hypothesis is rejected and it can be concluded that there is a significant difference between the average debt equity ratios of the sampled companies of the IT & BPO industry.

9. PAPER (LARGE) INDUSTRY

Statistical hypothesis are:
H_0: The average debt ratios of the sampled 118 companies of the Paper (Large) industry are equal.
H_1: The average debt ratios of the sampled 118 companies of the Paper (Large) industry are not equal.
The results of ANOVA were as under:

TABLE 9: ANALYSIS OF VARIANCE TABLE FOR DEBT-EQUITY RATIO OF PAPER (LARGE) INDUSTRY

Source of Variation	*SS*	*Df*	*F*	*P-value*	*F crit*
Between Groups	85395.73	117	1.606178	0.000312	1.259727
Within Groups	214485.8	472			
Total	299881.5	589			

Since the P-value is less than the significance level, the null hypothesis is rejected and it can be concluded that there is a significant difference between the average debt equity ratios of the sampled companies of the Paper (Large) industry.

10. POWER GENERATION INDUSTRY

Statistical hypothesis are:
H_0: The average debt ratios of the sampled 121 companies of the Power Generation industry are equal.
H_1: The average debt ratios of the sampled 121 companies of the Power Generation industry are not equal.
The results of ANOVA were as under:

TABLE 10: ANALYSIS OF VARIANCE TABLE FOR DEBT-EQUITY RATIO OF POWER GENERATION INDUSTRY

Source of Variation	*SS*	*Df*	*F*	*P-value*	*F crit*
Between Groups	3163926	120	1.069052	0.310442	1.256216
Within Groups	11936903	484			
Total	15100829	604			

As can be seen, the P-value is greater than the significance level, hence the null hypothesis is accepted and it can be concluded that there is a no significant difference between the average debt equity ratios of the sampled companies of the Power Generation industry.

11. SHIPPING (LARGE) INDUSTRY

Statistical hypothesis are:
H_0: The average debt ratios of the sampled 44 companies of the Shipping (Large) industry are equal.
H_1: The average debt ratios of the sampled 44 companies of the Shipping (Large) industry are not equal.
The results of ANOVA were as under:

TABLE 11: ANALYSIS OF VARIANCE TABLE FOR DEBT-EQUITY RATIO OF SHIPPING (LARGE) INDUSTRY

Source of Variation	*SS*	*df*	*F*	*P-value*	*F crit*
Between Groups	8416.397	43	2.51197	1.34E-05	1.449704
Within Groups	13713.74	176			
Total	22130.14	219			

Since the P-value is less than the significance level, the null hypothesis is rejected and it can be concluded that there is a significant difference between the average debt equity ratios of the sampled companies of Shipping (Large) industry.

12. STEEL (LARGE) INDUSTRY

Statistical hypothesis are:
H_0: The average debt ratios of the sampled 13 companies of the Steel (Large) industry are equal.
H_1: The average debt ratios of the sampled 13 companies of the Steel (Large) industry are not equal.
The results of ANOVA were as under:

TABLE 12: ANALYSIS OF VARIANCE TABLE FOR DEBT-EQUITY RATIO OF STEEL (LARGE) INDUSTRY

Source of Variation	*SS*	*df*	*F*	*P-value*	*F crit*
Between Groups	180.9767	12	30.75851	2.17E-19	1.943617
Within Groups	25.49644	52			
Total	206.4731	64			

Since the P-value is less than the significance level, the null hypothesis is rejected and it can be concluded that there is a significant difference between the average debt equity ratios of the sampled companies of Steel (Large) industry.

13. SUGAR INTERGRATED INDUSRTY

Statistical hypothesis are:
H_0: The average debt ratios of the sampled 86 companies of the Sugar Intergraded industry are equal.
H_1: The average debt ratios of the sampled 86 companies of the Sugar Integrated industry are not equal.
The results of ANOVA were as under:

TABLE 13: ANALYSIS OF VARIANCE TABLE FOR DEBT-EQUITY RATIO OF SUGAR INTERGRATED INDUSTRY

Source of Variation	*SS*	*df*	*F*	*P-value*	*F crit*
Between Groups	127616.4	85	10.71087	1.33E-58	1.30873
Within Groups	48219.34	344			
Total	175835.7	429			

Since the P-value is less than the significance level, the null hypothesis is rejected and it can be concluded that there is a significant difference between the average debt equity ratios of the sampled companies of Sugar Intergrated industry.

14. TELECOM SERVICE INDUSRTY

Statistical hypothesis are:

H_0: The average debt ratios of the sampled 57 companies of the Telecom Service industry are equal.

H_1: The average debt ratios of the sampled 57 companies of the Telecom Service industry are not equal.

The results of ANOVA were as under:

TABLE 14: ANALYSIS OF VARIANCE TABLE FOR DEBT-EQUITY RATIO OF TELECOM SERVICE INDUSTRY

Source of Variation	*SS*	*Df*	*F*	*P-value*	*F crit*
Between Groups	59398.25	56	1.120278	0.278914	1.388173
Within Groups	215871.2	228			
Total	275269.5	284			

As can be seen, the P-value is greater than the significance level, hence the null hypothesis is accepted and it can be concluded that there is a no significant difference between the average debt equity ratios of the sampled companies of the Telecom Service industry.

15. TYRES (LARGE) INDUSTRY

Statistical hypothesis are:

H_0: The average debt ratios of the sampled 25 companies of the Tyres (Large) industry are equal.

H_1: The average debt ratios of the sampled 25 companies of the Tyres (Large) industry are not equal.

The results of ANOVA were as under:

TABLE 15: ANALYSIS OF VARIANCE TABLE FOR DEBT OF TYRES (LARGE) INDUSTRY

Source of Variation	*SS*	*Df*	*F*	*P-value*	*F crit*
Between Groups	1115.425	24	7.184732	5.37E-13	1.626708
Within Groups	646.8724	100			
Total	1762.298	124			

Since the P-value is less than the significance level, the null hypothesis is rejected and it can be concluded that there is a significant difference between the average debt equity ratios of the sampled companies of Tyres (Large) industry.

INTER INDUSTRY ANALYSIS OF CAPITAL STRUCTURES

Statistical hypothesis are:

H_0: The average debt ratios of the sampled 15 industries are equal.

H_1: The average debt ratios of the sampled 15 industries are not equal.

The results of ANOVA were as under:

TABLE 16: ANALYSIS OF VARIANCE TABLE FOR DEBT-EQUITY RATIO OF 15 INDUSTRIES

Source of Variation	*SS*	*df*	*F*	*P-value*	*F crit*
Between Groups	460.0747	14	1.702835	0.078932	1.860242
Within Groups	1157.921	60			
Total	1617.995	74			

Since the P-value is greater than the significance level the null hypothesis is accepted and it can be concluded that there is a no significant difference between the average debt equity ratios of the sampled 15 industries.

SUMMARY & CONCLUSION

In this paper, we studied the average debt equity ratios of a sample of 1919 companies of 15 different sectors from 2007-2011. Using One-way ANOVA at a 5% significance level, we examined whether there were any differences in the debt-equity ratios of the companies within the 15 industries (intra-industry analysis) and if there was a difference across industries in the capital structure (inter-industry analysis).

Based on the analyses, this study reported significant differences regarding the debt equity ratio in the following industries:

- Aviation
- Finance-Large
- Hotels – Large
- IT & BPO
- Paper- Large
- Shipping- Large
- Steel-Large
- Sugar Intergrated
- Tyres- Large

This means that the capital structures of companies in the above industries are different from the average industry financial mix.

Whereas, in the remaining 6 industries- Breweries, Cement Products, Cigarettes, Hospital, Power Generation and Telecom Services; companies have capital structures similar to the average industry financial mix.

The second implication emanating from this research is that capital structures do not differ significantly across the sample of 15 industries. Naidu (1984) also arrived to an akin conclusion for India in his paper on dependence of industry on the capital structure of a firm.

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BOOK

13. Financial Management: Text, Problems and Cases by MY Khan & PK Jain

MANAGERIAL USES OF HUMAN RESOURCE ACCOUNTING: A SURVEY

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ABSTRACT

Human resources are truly the most valuable resources a firm can possess because effective utilization of physical and financial resources depends upon quality of human resources. Effective Human Resource Management is important as people produce profit whereas machines and capital merely enhance the profit making capability. Human Resource Accounting is the process of identifying and measuring data about human resources and communicating this information to interested parties. Basically HRA is an information system that tells management what changes over time are occurring to the human resources of the organization. The present paper summarizes the result of the survey conducted to know the perception of managers regarding utility of human resource accounting in their different managerial decisions.

KEYWORDS

Decision-Making, Human Resources, Human Resource Accounting, Human Resource Management.

1. INTRODUCTION

Human Resource Accounting is accounting for people as an organizational resource. It involves measuring the cost incurred by business firms and other organizations to recruit, select, hire, train and develop human assets. It also involves measuring the economic value of people to the organization. Human resource accounting provides monetary data regarding the human resources of the organization that helps the management in taking various decisions. It can be useful in areas of recruitment planning, selection (Flamholtz 1971), allocation of financial resources, conservation of human resources, utilization of human resources (Gupta 1990), creation of a conducive organizational climate and better employee- employer relations etc.

2. REVIEW OF LITERATURE

Human Resource Accounting information can be useful for managerial decision making in different areas. Many research studies were conducted to prove this. Tomassini (1977) carried out a laboratory study to examine the effects of HRA cost data in personnel layoff decision context. He concluded that HRA cost estimates caused different managerial preferences in the personnel lay off decision context. Gul (1984) attempted to study the usefulness of human resources turnover cost information for labour turnover decision-making in a sample of Australian Accounting Firms. Bayes (1984) conducted an empirical investigation of the effects of HRA information on decision-making**.** Malik (1993) carried out an empirical investigation to know the impact of HRA information on decision-making. Sen et.al (2008) in their study make a scientific investigation into whether HR information has any impact on internal decision-making i.e. in the context of personnel management decision-making related to employee recruitment and employee turnover control in banking industry of Bangladesh. There are so many studies that support the hypothesized usefulness of HRA in the process of decision making by internal and external users. There has also been an increasing recognition of the concept of HRA, evidenced by the flow of literature on various aspects of HRA. But there are very few organizations involved in the systematic measurement and reporting of HRA information. Though the users of the information are interested and they welcome HRA reporting but they fail to throw light on this vacuum created by the resistance of the organizations to adopt a system of human resource accounting. It is very important to know the perceptions of the management about the specific uses to which HRA information can be put. Because it is the management to decide regarding adoption of system of HRA and in what form it should be made available to the internal and external users. The proposed work is a step forward in that direction.

3. OBJECTIVES OF THE STUDY

Human Resource Accounting helps the management in various decisions. Keeping this in mind the present paper is prepared with the objective to understand the perception of the management regarding utility of human resource accounting in decision making.

4. RESEARCH METHODOLOGY

For the present study, the top one hundred companies from public sector and the same number of organizations from the private sector (as per the Economic Times rating for 2007-08 on the basis of total capital employed) were selected. These organizations have been selected on the assumption that human resource accounting being an emerging field in accounting in India large organizations might introduce it in their annual reports.The annual reports of two hundred organizations were accessed from the web sites of the respective companies as well as the Stock Exchange. These reports were scanned to identify the companies reporting human resource accounting. It was found that many organizations include in their annual reports some information about human resources like costs incurred on hiring, training human resources, employee compensation etc. However only ten organizations, seven in public sector and four in the private sector, report human resource accounting in their annual reports. To understand the perception of managers regarding the utility and problem areas a questionnaire was mailed to twenty four organizations that are presently disclosing HRA information in their annual reports and others that started HRA system but had now stopped disclosure in their annual reports with a request that only those managers should respond who have knowledge of the human resource accounting system and were associated with the designing of such system. Those companies that failed to respond to the mailed questionnaire were contacted in person to seek their response to the questionnaire. Through mail and personal contact a total of nineteen responses could be collected for analysis that worked out to be 79.16 percent of the 24 companies selected for the study.

5. RESEARCH TECHNIQUE APPLIED

Likert Five-Point scale was applied in order to analyze the results. The percentage response for each category was calculated and the various weights assigned to different opinions as per Likert Five Point scale i.e. Strongly agree =5, Agree= 4, Neutral = 3, Disagree = 2, Strongly disagree = 1.The mean scores and standard deviation scores were calculated for the same. The result of the study is summarized in Table 1.

6. RESULTS AND DISCUSSION

TABLE 1: PERCEPTIONS OF RESPONDENTS RELATED TO VARIOUS ASPECTS OF MANAGERIAL USES OF HUMAN RESOURCE ACCOUNTING

Sl. No.	Response Questions	5	4	3	2	1	Mean	Standard Deviation	Ranks
1	HRA helps in recruitment and planning	15.79%	84.21%	0.00%	0.00%	0.00%	4.16	0.37	2
2	HRA provides measurements for budgeting human resource acquisition & development	15.79%	73.69%	10.52%	0.00%	0.00%	4.05	0.52	4
3	HRA helps in personnel selection process	5.26%	78.95%	15.79%	0.00%	0.00%	4.00	0.47	5
4	HRA helps in resource allocation among various HR development programmes	15.79%	68.42%	10.53%	5.26%	0.00%	3.95	0.71	6
5	HRA helps in providing estimate the cost of recruitment from outside & development from inside	26.32%	68.42%	5.20%	0.00%	0.00%	4.21	0.53	1
6	HRA helps management in human resources conservation	15.79%	57.89%	26.32%	0.00%	0.00%	3.89	0.66	7
7	HRA highlights the loss due to turnover of employees	10.53%	42.10%	47.37%	0.00%	0.00%	3.63	0.68	12
8	HRA leads to alienation	0.00%	0.00%	42.11%	57.89%	0.00%	2.42	0.51	13
9	HRA helps in utilization of HR's effectively & efficiently	15.79%	73.69%	10.52%	0.00%	0.00%	3.74	0.62	10
10	HRA creates conditions to the best treatment of personnel	15.79%	52.63%	26.32%	5.26%	0.00%	3.79	0.79	9
11	HRA helps in performance evaluation process.	26.32%	57.89%	15.79%	0.00%	0.00%	4.10	0.66	3
12	HRA helps in better reward administration	5.26%	57.89%	36.84%	0.00%	0.00%	3.68	0.58	11
13	HRA helps in evaluation of performance of personnel	5.26%	73.69%	15.79%	5.26%	0.00%	3.79	0.63	8

One of the primary purposes of human resource accounting system is to help management plan and control the use of human resources effectively and efficiently.

6.1 ACQUISITION OF HUMAN RESOURCES

The acquisition of human resources involves recruiting, selecting and hiring people to meet the organization's present and expected workforce needs (Brummet, Flamholtz and Pyle). To understand the perception of managers regarding this view the first question seeks their reaction as to whether HRA helps them in forecasting human resources requirement that is the first step in human resource acquisition. All the respondents agreed with the statement including 15.79 percent of the respondents who strongly agreed. The mean score of this question was 4.16 with the standard deviation of 0.37 percent. None of the respondents disagreed with the statement. The second question was in relation to the help provided by human resource accounting by providing measurements of the standard costs of recruiting, selecting and hiring people that can be used to prepare human resource acquisition budgets. 73.69 percent of the respondents agreed, 15.79 percent strongly agreed and 10.52 percent remained neutral. The mean score of this question was 4.05 and standard deviation was 0.52. The third question was in relation to the acquisition of human resources was to find whether HRA helps management in making personnel selection decisions. Personnel selection is another process in which HRA can play a role by providing monetary measurements of the expected value of people. Dilip Kumar and his associates conducted a study to find the impact of HRA information on internal decision making. The results indicate that employee recruitment decision changed significantly when the personnel executive shifted from using conventional accounting information to conventional accounting information combined with HRA information in deciding whom to recruit between the two. The same conclusions were drawn by Malik's study in this regard. The managers under the study also agreed with this statement. The mean score was 3.79 and the standard deviation 0.63. 15.79. percent of the respondents were neutral whereas all the remaining either agreed or strongly agreed with the same.

6.2 DEVELOPMENT OF HUMAN RESOURCES

The development of human resources involves various forms of trainings designed to enhance people's technical, administrative and interpersonal skills. These skills in turn increase their value to an organization. Development may occur through formal programmes or on-job training (Famholtz 1999).

Human resource Accounting facilitates decisions involving the allocation of resources to human resource development by measuring the expected rate of return on proposed investments. The fourth question seeks the perception of the managers in this regard. 15.79 percent of respondents strongly agreed, 68.42 percent agreed 10.53 percent remained neutral and 5.26 disagreed with the statement. The mean score was 3.95 with a standard deviation 0.71 percent.

At times the management is caught in a dilemma with regard to the recruitment of employees. A decision has to be taken whether it would be in the interest of the organization to recruit employees at entry level and then train them to assume positions of higher responsibility or should directly recruit experienced personnel. Human resource accounting provide estimates of the historical and current costs to acquire and develop people that can be used by the management to assess the cost of recruitment of personnel from outside and development from within. The response to fifth question in this regard was that 95 percent of the respondents agreed with this statement including 26.32 percent respondents strongly agreed and 5 percent remained neutral. The question scored 4.21 mean with 0.53 of standard deviation.

6.3 CONSERVATION OF HUMAN RESOURCES

An organization's human resources may take several forms such as technical capabilities of individuals or that of an effectively functioning management team. Conservation of human resources is a process of maintaining the capabilities of people as individuals and the effectiveness of the human system developed by the organization. The conservation of human resources of an organization is typically a measurement of turnover of rates. The problem of human resource turnover has always been a matter of great concern to the personnel managers of the organization. Most employers have recognized that human resource turnover is a serious problem. They are unhappy with the high rates of personnel turnover and the consequent high costs involved in recruiting and training replacements. Organizations do employ various programmes whereby they can minimize the employee turnover. Human resource accounting helps the management in measuring and reporting the loss to the organization as a result of turnover in quantitative terms.

The next question seeks the reaction of the managers regarding that human resource accounting provides an early warning to take care of human resource conservation through monetary measures and reporting socio-psychological indicators of the condition of human organization scored 3.89 on mean scale with standard deviation 0.66. 26 percent of the respondents remain neutral and 74 percent agreed with the statement including 16 percent strongly agreeing. The other question whether human resource accounting highlights the loss due to turnover of employees earned 3.63 mean score with standard deviation of 0.68.

Malik conducted a study to find that whether human resource turnover cost information can have an impact on human resource turnover decision of the personnel managers. The results of the study indicates that the cost aspect of the various alternatives dominate the decision makers for a particular proposal. The majority of respondents changed their decision after the inclusion of HRTC information to traditional HRTC information. Participants of the study not only changed their decision but their level of certainty also increased with the availability of HRTC information.

Levine (1980) has expressed apprehension that human resource accounting lead to alienation as the HRA system may lead the employees to feel that they are being considered as an industrial input commodity. The next question sought the opinion of the managers regarding this issue. 58 percent of the respondents disagreed with the statements and 42 percent remained neutral. The mean score turned out to be 2.42 with standard deviation of 0.51.

6.4 UTILIZATION OF HUMAN RESOURCES

Human resource utilization is the process of using human services to achieve organizational objectives. At present, the management of human resources in organizations is less effective than it might be because it lacks a unifying framework to guide it. Mangers have neither a valid criterion to guide decisions affecting people nor a methodology for assessing the anticipated or actual consequences of such decisions. The criterions of productivity and satisfaction, which frequently underline strategies of human resource management, have not been entirely helpful in coping with the problems of managing people. Similarly, since it is exceedingly difficult to measure the productivity and satisfaction or to assess the trade-offs a manager should be willing to make to increase one by decreasing the other. It is frequently impossible to predict the economic consequences of alternative actions with respect to people. The notion of human resource value provides one possible solution to these problems. The human resource accounting can provide a framework to help managers utilize human resources effectively and efficiently. The next question seeks the perception of the managers in this regards. 89.48 percent of the respondents agreed with the statement that human resource accounting helps in utilizations of human resources effectively and efficiently and 10.52 percent remained neutral. The question in this regard was that whether HRA creates conditions for an organizational climate conducive to the best treatment of personnel. The mean score for this question turned out to be 3.79 with standard deviation of 0.79.

6.5 EVALUATION AND REWARD OF HUMAN RESOURCES

Human resource evaluation is the process of assessing the value of people to an organization. It involves measuring the performance and promotability of people (Flamholtz 1979).Human resources are typically evaluated by non monetary methods. These methods cannot be used in most of the human resource acquisition, development, allocation and conservation decisions. For that monetary methods of human resource evaluation are needed.

HRA can be useful in the evaluation process by developing reliable methods of measuring the value of people of an organization. They permit human resource management decisions to be made on a cost-value basis. The question number eleven concerned with this aspect showed that only 15.79 percent of the respondents are neutral and the rest either strongly agree or agree with the statement. The mean score for this question was 4.10 with standard deviation of 0.66.

Human resource accounting will also have an impact on the administration of reward systems. These systems are intended to motivate and reinforce the optimal performance of people in achieving organizational objectives. Rewards include compensation, promotion and symbolic recompense such as performance appraisal. Human resource evaluation permits rewards to be administered in relation to a person’s value to an organization. The mean score 3.68 and standard deviation 0.58 shows the favourable reaction of the managers that human resource accounting helps management to base compensation decisions on the value of people of the organizations.

Human resource accounting can be used to evaluate the efficiency of the personnel management by providing the standard costs of acquiring and developing people. 73.69 percent of the respondents agreed with the statement and 5.26 percent strongly agreed. Only 5.26 percent of the respondents disagreed and others remained neutral. The mean score for this aspect was 3.79 with standard deviation of 0.63.

7. CONCLUSION

On the basis of the mean and standard deviation calculated for the various aspects of managerial uses of human resource accounting we can conclude that the usefulness of the human resource accounting in providing the estimates of the cost of recruitment from outside and development from within is perceived to be highest. The second best rating was assigned to the help provided by the human resource accounting information in recruitment planning. The calculation of human resource value helps in performance evaluation of employees got the third highest ranking. The least mean score assigned to the question that human resource accounting leads to alienation. The professionals responded to the question were of the opinion that human resource accounting is not responsible for this problem. Table1 itself gives the overview of mean and standard deviation based on which we can give the weightage to each question.

Finally we can say that the output of HRA system can be used to take a variety of decisions in the area of human resource management. But the number of organizations that have adopted HRA system in India is low as it is not compulsory for the Indian organizations to value human resources. There are certain problems associated with the system also as per the survey conducted by Dinesh Gupta (1992). Therefore researchers should come forward to provide a feasible solution to those problems to make the concept widely acceptable and practicable.

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BORDER TRADE VIS-À-VIS INDIA'S LOOK EAST POLICY: A CASE STUDY OF MANIPUR

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ABSTRACT

The present paper has been planned to study the importance of India – Myanmar relations in the smooth implementation of the Look East Policy. Concerning the relationship between the two countries, the paper argues that India's overriding "security" concerns have always played spoilsport in Manipur and the North East. The study concludes that significant changes have taken place in regard to the commodity composition and the direction of Indian merchandise exports and imports during the reference period. With Manipur as a vital transit route in this highly flourishing trade of illicit drug trafficking, India's failure to monitor its borders effectively and check this evil remains crucial in assessing the probable outcome of the Look East Policy. The paper stresses on the need for synchronization of India's Myanmar policy for meaningful contribution by Manipur in the Look East Policy.

KEYWORDS

Expectation of the people of Manipur, India's Myanmar policy, Manipur in Look East Policy, Security, Smuggling.

1. INTRODUCTION

The concluded 12th Home Secretary level talks between India and Myanmar from 13 to 14 September, 2006, in New Delhi, on wide ranging issues such as cross border insurgency, narcotics proliferation, border trade, HIV/AIDS etc., brought once again to the fore the long term implication of the bilateral relations between the two on Manipur and the entire Northeast. The paper attempts to trace the growth of Indo-Myanmar relations and its implications on Manipur. At present Indo-Myanmar relations happen to be at one of the most decisive and crucial stages. India, the emerging Asian power, and Myanmar, the biggest country in the Southeast Asia mainland with its abundant natural resources, are clubbed together in one of the most geo-strategically and economically significant regions of the world. The two are in the tri-junction of South, East and Southeast Asia.

Geopolitical shifts in South and Southeast Asia and the increasing wave of globalization after the end of the cold war brought about the need for a new orientation in India's Foreign policy. This need for a more pragmatic and dynamic foreign policy culminate in India's Look East Policy. The rapid multi-polarization in the new sphere of geo-politics compelled the country to move nearer to the regional and sub-regional power Centre for security and economic interests. India's relation with Myanmar is of utmost importance in the context of our new orientation and area specific approach to the Look East Policy. Policy makers in South block perceive Myanmar as a bridgehead to Southeast Asia. On Myanmar's part also the growing relationship is increasingly regarded beneficial in the sense that it can counter balance China by using India as a bargaining chip and thereby enhance its position in the international arena. In this scenario Manipur occupies a crucial space in the emerging configurations. New Delhi's concern for Manipur and the North East India is conditioned by more of security issues then economic ones, in spite of its conspicuously different projections. An in-depth analysis is needed to ascertain to the validity of New Delhi's claims of benefit in the North East through this policy.

2. REVIEW OF LITERATURE

To review the impacts of the Look East Policy, various committees and analysts have presented their expertise as it has been a key area of study on the relationship between India and Myanmar. They have suggested various tools and techniques for effective analysis and interpretation of the financial and operational aspects of the trade relation with Myanmar.

Ministry of External Affairs (1993-94) extended the fact that India's relations with Myanmar underwent a major change in 1994 with the signing of a MOU on trade and economic cooperation, particularly in terms of border trade.

Bahroo (2005) maintain that improved India-Myanmar relations formed the first and critical step in India-Southeast Asia ties while improving security in the North East region and paving the way for future economic development in the region.

In the meeting of the ASEAN Regional Forum (ARF) in July, 2006 in Kuala Lumpur, India's State Minister of Defense declared that India would not isolate Myanmar in an attempt to encourage democracy in the country. The changing shifts in India's economic and strategic needs and its desire for a strong foothold in Southeast Asia through its all-inclusive "Look East Policy" necessitated a close relationship with Myanmar.

Singh, Jasjit,(2000) has assessed in the context of larger China-Myanmar relations, Myanmar's increasing dependency on China in economic terms as well as for military armaments has been a matter of concern for India.

Langpoklakpam (2000)identified that in the backdrop of developments Myanmar's relations with China and its overall implications on India's national interests can be analyzed mainly from two angles: i) Strategic considerations; and ii) Economic compulsions.

3. NEEDS OF THE STUDY

In the backdrop of the review of literature, it is evident that Manipur's position in the equations of India-Myanmar relations has felt needs careful scrutiny. Its implications on Manipur have to be looked into with depth. Manipur being a prospective gateway to the mainland Southeast Asia becomes important in the context of its locational importance in the greater prospective of India's Look East Policy.

4. STATEMENT OF THE PROBLEM OF THE STUDY

It is important to understand in the context of the sustainability of the India's Look East Policy in light of Indo – Myanmar border trade. Perception and understanding of Manipur and the North East have been engaged from two vantage positions, operating more or less with similar dynamics. One reflects the bureaucratic position of the geo-strategic location of the region and its identification with the security/defense matrix of India. The other position, apparently liberal in its outlook, talks about developmental perspectives and failure to transform the economic backwardness of the region. As such, there is a compelling need to analyze and assess the production and consumption of these notions vis-à-vis the recent thrust to bring changes in Manipur and the North East through the Look East Policy.

5. THE OBJECTIVES OF THE STUDY

The study under consideration proposes to achieve the following objectives:

i) To find out the significance of the experience of the people of Manipur in particular with respect to the various aspects concerning Look East Policy.

ii) To give suggestions in the context of the sustainability of the Look East Policy in light of Indo-Myanmar border trade.

However, the researcher would like to emphasize that researcher has tried to make the study purposeful and fruitful and make inroads into the subject as much as possible.

6. METHODOLOGY

The data collection comprises of primary data collection, secondary data collection and informal discussions. The data for the study are collected through personal interview and discussion with different persons concerned. The secondary data was collected from the various sources like- relevant books on the subject, articles published in various journals, reports of various committees constituted by the appropriate bodies from time to time to make necessary modifications in the bylaws of the policy, broachers issued by the different government's departments, trade magazines, and relevant web sites. The method used in the present study for sampling is convenience sampling. Thus out of the Government departments, Directorate of Commerce and Industries (DIC) and Taxation Department are chosen and out of the Private sectors, The Imphal Free Press & Sangai Express (Manipur English Daily newspaper) and Association of exporter & importer of Moreh (border town of Myanmar) are chosen for the purpose of the present study. The type of sample used for the selection of respondents is also the convenience sampling.

The data collected by means of questionnaire are analyzed by using tabulation and appropriate statistical tools and conclusions are drawn based on the analysis. The statistical tools used in the study are CAGR (Compound Annual Growth Rate), Growth Rate and Two-dimensional-diagram.

7. RESULT AND DISCUSSION OF THE STUDY

The purpose of the present study is to know the position of such trends of business and such study would indicate the trends in the development of effective policy and problems confronted to it from time immemorial.

"A good economy is the most prominent determining factor for full fledge development of the material aspects of man's life. No scheme of education therefore can be contemplated without considering the economic structure of the community". All the economic activities of the tribal were veering round their outdated method of shifting cultivation. The review of literature for the concerned study is essential to every researcher to produce accurate and sufficient information related to the area of study. In fact the reference of the early studies is of tremendous help and positive sources of an invaluable output. In other word, referring to the studies done previously is the basic attempt has been made to review some of the available studies.

It may be said that a number of studies have been done to identify problems. Many further studies may be said to be needed to identify problems. In this perspective, the present investigation proposed here is to be quite relevant. With this thinking, we proceed to outline the particular problems that plague Government policy.

8. FINDINGS OF THE STUDY

i) Present position:

Though the trade is to be conducted in freely convertible currencies mutually agreed upon by the two countries under Article-III of the agreement, the trade is functioning under Barter mechanism though the following payment system with regard to border trade has been agreed upon by both sides.

a) Through ACU mechanism

(N.B. both Myanmar and India is member of Asian Clearing Union),

b) In US dollar.

c) Through ESCROW Account Mechanism (a contract or bond deposited with a third party, by whom it is to be delivered to the guarantee on the fulfillment of some condition).

d) Through Agency arrangement between the Indian and Myanmar Banks.

Transaction : United Bank of India((UBI), Moreh Branch, has been nominated by the Indian Authorities to act as designated bank (authorized dealer) on Indian side (through Moreh border) to facilitate trade related transaction and similarly the Myanmar authorities have nominated Myanmar Economic Bank (MEB), Tamu from Myanmar side.

ii) Year-wise volume of trade :-

The total turnover of foreign trade (imports / exports) has been steadily rising since the beginning of the Planning era in India. Value of trade increased from Rs. 6, 93, 63,143/- in 1999-2000 to Rs. 29, 81, 92,391/- in 2009-2010. During 2009-2010, India's total export amounted to Rs. 21, 50, 40,000/- as compared to Rs. 1, 60, 59,236/- during 2008-09, registering a growth rate of 1230%. At the same time, import increased from Rs. 76, 14,553/- in 2008-09 to Rs. 8, 31, 52,391/- during 2009-2010 thereby registering growth of 992%. And, the trade deficit was not happening in most of the years except for 1999-2000, 2001-2002, 2002-2003, 2005-06, and 2007-08. Balance of trade is quite favorable for the recent year, 2009-2010 (Depicted in Table 1).

Table 1, disclosed that progressiveness and acceptability of Export and Import have resulted in an intermittent rise and fall in the figure of Export/Import with Myanmar. During 2009-2010, share of export have reached to 72.11 per cent from mere 46.95 per cent in 1999-2000 besides a frequent fluctuation in the percentage rate during the reference period. Conversely, share of Import is depicting a decreasing rate from 53.05% in 1999-2000 to 27.89 % in 2009-2010. Table shows an unsteady percentage rate of Export and Import.

TABLE 1: INDIA' MERCANTILE EXPORT & IMPORT PERFORMANCE SINCE 2000 (In Rupees)

PERIOD	EXPORT	IMPORT	TOTAL VALUE IN FOREIGN TRADE WITH MYANMAR	BALANCE OF TRADE
1999-2000	3,25,65,827/- (46.95)	3,67,97,316/- (53.05)	6,93,63,143/- (100)	(-)42,31,489/-
2000-2001	5,29,17,530/- (96.46)	19,38,523/- (3.54)	5,48,56,053/- (100)	5,09,79,007/-
2001-2002	1,25,08,345/- (13.10)	8,29,71,255/- (86.90)	9,54,79,600/- (100)	(-)7,04,62,910/-
2002-2003	3,89,46,060/- (24.64)	11,90,92,960/- (75.36)	15,80,39,020/- (100)	(-)8,01,46,900/-
2003-2004	9,45,82,647/- (51.64)	8,85,91,062/- (48.36)	18,31,73,709/- (100)	59,91,585/-
2004-2005	6,12,70,400/- (52.77)	5,48,18,676/- (47.23)	11,60,89,076/- (100)	64,51,724/-
2005-2006	3,86,66,699/- (42.60)	5,21,15,866/- (57.40)	9,07,82,565/- (100)	(-)134,49,167/-
2006-2007	61,26,52,642/- (95.78)	2,69,64,981/- (4.22)	63,96,17,623/- (100)	585687661/-
2007-2008	4,93,74,078/- (26.83)	13,46,73,330/- (73.17)	18,40,47,408/- (100)	(-)852,99,252/-
2008-2009	1,60,59,236/- (67.84)	76,14,553/- (32.16)	2,36,73,789/- (100)	84,44,683/-
2009-2010	21,50,40,000/- (72.11)	8,31,52,391/- (27.89)	29,81,92,391/- (100)	13,18,87,609/-
Total	1,22,45,83,464/- (64)	68,87,30,913/- (36)	1,91,33,14,377/- (100)	53,58,52,551/-

Source: Directorate of commerce and Industries, Government of Manipur, 2010

Growth rates of Export and Import is depicted in Table 2. It is evident from the table that export reflects a negative growth in the years 2001-02, 2004-06, 2007-09, but in 2009-2010, there is a large scale increase in the same (1239.04 per cent). Conversely, percentage growth in Import have registered a positive rate at increasing trend over the years resulting in -94.73 per cent in 2001 to 992.02 per cent in 2010. Though rise in Import items has shown an intermittent fluctuating rate. Even in the terminal year of the reference period when Import transactions registered a declining growth rate of 992.02 %, the growth rates of Export transactions were far ahead at 1239.04 per cent.

TABLE 2: GROWTH RATE OF EXPORT & IMPORT OF INDIA WITH MYANMAR

YEARS	EXPORT	GROWTH PERCENT	IMPORT	GROWTH PERCENT
1999-2000	3,25,65,827/-	_	3,67,97,316/-	_
2000-2001	5,29,17,530/-	62.49	19,38,523/-	-94.73
2001-2002	1,25,08,345/-	-76.36	8,29,71,255/-	4180.12
2002-2003	3,89,46,060/-	211.36	11,90,92,960/-	43.54
2003-2004	9,45,82,647/-	142.85	8,85,91,062/-	-25.61
2004-2005	6,12,70,400/-	-35.22	5,48,18,676/-	-38.12
2005-2006	3,86,66,699/-	-36.89	5,21,15,866/-	-4.93
2006-2007	61,26,52,642/-	1484.45	2,69,64,981/-	-48.26
2007-2008	4,93,74,078/-	-91.94	13,46,73,330/-	399.44
2008-2009	1,60,59,236/-	-67.47	76,14,553/-	-94.35
2009-2010	21,50,40,000/-	1239.04	8,31,52,391/-	992.02

Source: Directorate of commerce and Industries, Government of Manipur, 2010

The above pattern in Table 2 is further confirmed by the figures of Compound Annual Growth Rate (CAGR) computed for various years in Table 3. From 1999 to 2010, CAGR of Export transactions is 21 per cent, while Import transactions reveal CAGR of 8.5 per cent during the same period. From the foregoing analysis, we can conclude that growth performance of Export is much better as compared to Import transactions.

Thus, CAGR for 10 years export and import transactions is equal to 21% and 8.5% respectively, representing the smoothed annualized improvement over export-import time horizon. CAGR assumes that foreign trade with Myanmar grew at a steady rate. In reality there is volatility: export and import transactions with Myanmar are vary significantly over time.

TABLE 3: CAGR (%)

YEARS	EXPORT	IMPORT
1999-2010	21	8.5

Source: Calculation of above CAGR is as follows:

CAGR = [Ending value/Beginning value] (1⁄number of years) - 1

Export : (215040000/32565827)1⁄10 – 1 = [1⁄10 log(6.60324)] – 1 = (1/10 X 0.8197) – 1 = Antilog 0.08197 – 1 = 1.208 – 1
=0.208 or 21% (approximately)

Import : (8,31,52,391/3,67,97,316)1⁄10 – 1 = [1/10 log(2.25974)] – 1 = (1/10 X 0.3539) – 1 = Antilog 0.03539 – 1 = 1.085 – 1
= 0.085 or 8.5 % (approximately)

iii) NER (North East Region) – Myanmar Trade :-

As per the 'Planning Commission, Task Force on Connectivity and Promotion of Trade and Investment in the NER, 2006', the reasons for lack of significant trade with Myanmar are, first, the presence of troops along the international border affects the movement of goods and second, the official 'Rupee' and 'Kyat' exchange rate is grossly distorted.

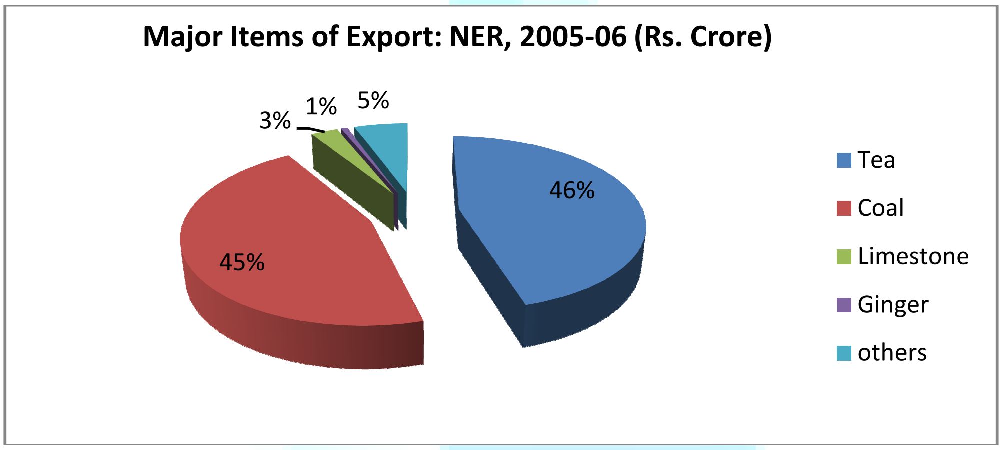
To a large extent the export composition of the NER is dominated by tea, coal, lime stone, ginger, etc. (Table 4). And the absence of manufacturing products in the region is a major handicap in the growth of trade between the two regions. However, the northeast imports significant amount of products from Myanmar. The free trade agreement is likely to facilitate greater trade integration between the two regions. Since the NER is not fully integrated with the national economy, trade integration with Myanmar is likely make the NER imports more easy and cheaper, which may not harm the regional economy of the region. However, easy access of the NER market may have an unfavorable repercussion on the Indian economy.

TABLE – 4: MAJOR EXPORT ITEMS FROM THE NORTHEASTERN REGION (Rs. Crore)

Items	1999-2000	2000 – 01	2001 – 02	2002 – 03	2003 – 04	2004 – 05	2005 – 06
Tea	219.59	250.32	195.64	200.73	184.86	188.65	199.68
Coal	105.62	135.87	150.67	188.61	227.14	175.08	199.14
Limestone	29.20	4.34	13.75	4.46	7.46	9.24	12.05
Boulder	3.99	3.62	2.18	1.99	0.99	0.65	0.52
Ginger	2.27	0.26	2.75	3.04	1.16	3.63	2.90
Fruits	0.56	0.96	1.36	1.12	1.31	1.25	1.65
Vegetables	0.05	0	0.05	0.02	0.11	0.16	0.006
Perfumery	0.03	0.24	0.39	0.72	0.42	0.87	0.64
Soya Bari	2.24	4.43	0.97	1.28	1.44	1.53	2.08
Cumin	0.13	0.47	0.12	1.91	0.46	1.04	1.07
Flour	0.77	0.35	N.A.	N.A.	3.17	1.7	N.A.
Others	31.45	3.22	11.27	6.23	6.48	8.24	18.08
Total	393.55	404.23	384.47	409.36	434.96	392.03	437.81

Source: Planning Commission, Task Force on Connectivity and Promotion of Trade and Investment in the NER, 2006.

FIG. 1



Source: Personal Calculation.

It is imperative that the proportion of Export or Import of Myanmar with India is quite minimal as compared to the India's foreign trade with other countries like America, European Union, ASEAN, etc.

iv) Developmental strategies

Manipur daily (Sangai Express, 19/03/2011) reported that – Helicopter service will be launch shortly at Moreh, Tamenglong, Jiribam. External Affair Minister extends hand for Imphal-Mandale bus services. Whole week service will be provided to Moreh.

A first kind of Trilateral Trade Conference was organized at Water World, Tamu, and Manipur, participated by the official of India, Myanmar and Thailand. Thai-Myanmar border Trade in-charge Tharadol thoruang, Myanmar Trade Chamber of Commerce Vice President Yu Minthe Sube and India Commerce and Industries OSD Foreign Trade official Dwijamani represent Thailand, Myanmar and India respectively and many businessmen communities are also attended on the conference. Thailand delegates inserted that "India's Look East Policy and Thailand's Look West Policy will be effective if we consider Myanmar as a potential because of its geographical location". They also discussed about the increment of the number of items that has to be traded between the said countries. Indian delegate put emphasis on the importance of maintaining relationship on Sports and Culture among the participated countries. (Manipur Daily, Sangai Express, 28/03/2011).

As part of the Government's initiative to boost Trans-border trade between India and Myanmar, the foundation stone for a multi- storey market complex was laid on 4/04/2011 at Moreh jeep parking area by Commerce and Industries Minister Y. Erabot. It is targeted for completion by March next year i.e 2012. Land would be provided by the Meitei Council Moreh (MCM) on lease for a period of 90 years. (Sangai Express, 04/04/2011).

Form an association, called, "Indo Asian Friendship, Manipur" under the theme of Look East Policy of the Government of India, so as to bring good relationship with the Asian countries through Tourism, Sports, Business, Health and Cultural exchange.(Sangai express, 01/05/2011) .

A four member team of officials of Reserve Bank of India, Foreign Exchange Department headed by DGM A Bhaskara Rao convened a meeting of traders, importers, and exporters of Moreh on May 9, 2011 at the Moreh Trade Centre. Later in the evening, another meeting of traders, exporters and importers of Manipur was held at Classic Hotel, Imphal. United bank of India is coordinating the programmed with the help of Government of Manipur. A team of UBI officials headed by Chief Manager Ananda Kumar visited Moreh along with the RBI team. UBI Moreh branch is authorized for monitoring barter trade in the Moreh border for import and export of goods of value above $ 1000 to $ 20,000. Beside barter trade, other normal trade is also allowed through Moreh Land Customs Station but so far no normal trade except the barter trade through banking channel is materialized so far. The RBI officials would analyze the bottlenecks of formal trading through Moreh border and would take stock of the weaknesses of the banking channel, if any, conveyed a press release issued by the United Bank of India. (Sangai Express, May 7, 2011).

9. RECOMMENDATION / SUGGESTION OF THE STUDY

Highlighting the rich potential that Manipur has to offer for various industrial sectors, Industry Minister Shri Y. Erabot and his Cabinet colleague Mr.TN Haokip, who holds the Tourism portfolio, have urged investors of the country to set up business units in the state. Addressing a seminar on "Investment opportunity in Manipur" on 26/04/2011, Erabot highlighted certain projects taken up by the Government at Moreh town bordering Myanmar to accelerate the ongoing commercial activities between the two countries. Significantly Moreh, the gateway to Southeast Asia and a strategic place for the country's "Look East Policy", does a business of around rupees five crores daily in trans-border trading. Chief Secretary of the State, Manipur, D.S. Poonia pointed out the construction of rail link between Jiribam sub division of Imphal East District and Imphal, which would be extended up to Moreh to be the backbone of the proposed Trans Asian railways. (Sangai Express, 27/04/2011).

10. CONCLUSION

When viewed from Manipur's perspective, Indian initiative seems to have more political and security concerns rather than the economic concerns related with the border trade. New Delhi's interest in the region has more to do with security concerns *vis-à-vis* the prevailing conflict than with genuine economic development and trade promotion. Economic analyses in the region think that the Central Government is not keen with the overall development of the state,

inclusive of the India-Myanmar border trade, which is now in total disarray. No one seems to know who is in charge of the border trade. Policy makers in New Delhi have already forgotten the intertwined relationship between economic development and socio-political problems. In the heat of containing insurgency most of the significant bilateral development Projects are left in the lurch. Millions of rupees are pumped by the Indian Government to maintain its security forces in Manipur and other states bordering Myanmar while necessary infrastructural developments related with the border trade are blatantly ignored.
India while moving forward with its broad Look East Policy needs to give a minute and systematic policy approach commensurate with the distinctive needs of the region and the state. Improving relations with its neighbor and opening borders lone in the absence of proper policy planning will neither solve the multi-faceted problems faced by New Delhi in Manipur nor bring socio-economic changes in the region. Consequently, India's Myanmar policy itself loses meaningless for Manipur and the North East. Initial hopes of the people of Manipur that there will be a major opening in the Eastern direction, the opening of the traditionally believed *Nongpok Thong* (Eastern Gate), which will bring prosperity, seems to be gradually disappearing. Contrary to their expectation nothing sort of significant progress came. Practically positive improvement in the direction could be possible only when the right type of planning is taken up with sincerity on the part of policymakers in New Delhi, taking into confidence the local authorities, and by going much beyond its narrow outlook of security maintenance.
Political pragmatism should be combined with development realities in taking up any policy implementation and planning on the part of New Delhi. Synchronization of India's Myanmar policy with the interest of those who are directly linked with the issue is a necessity. Only then India-Myanmar cooperation will become meaningful for the North East region, and Manipur can play a positive role in India's Myanmar policy in its greater perspective of Look East Policy.

11. SCOPE FOR FURTHER STUDY
On the basis of the study in the preceding analysis, the findings, suggestions and conclusion have been drawn and a number of suggestion and recommendation have been offered so that the sustainable development will be able to overcome the problems/difficulties on the part of overall development for economy and it helps in achieving the roles and objectives for the national look east policy. Since the research study is limited to only Manipur state, it needs further study for overall development of Border Trade through India's Look East Policy.

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NEW RURAL MARKETING STRATEGIES OF FMCG COMPANIES IN INDIA: A STUDY OF SELECTED RURAL MARKETS OF PUNJAB AND MADHYA PRADESH

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ABSTRACT

As we know that there is wave to cut down the cost in this era of global pressure. Companies are looking to increase their sales through different marketing strategies in existing markets. But the companies are continuously facing huge crises in changing the overall functioning as per urban markets now in this scenario there is an urgent need of the companies to look for New Pastures (markets) to grow. This is where the role of rural markets comes. With household in middle and higher group in the Rural areas are going overtake become double in few years there is an utmost requirement of the FMCG companies to capture this market and survive. But the during last 10-15 years it has been experienced by no. of companies that it is not so easy to tap this market. The Reach, Requirement, Resources, Re-strategies, Re-branding, Re-pricing is what is in demand. This paper attempts to uncover the strategies of those companies which have done fairly well in Rural markets and also an attempt to give the companies the strategies to focus before entering the Rural markets in India.

KEYWORDS

Re-Strategies, Re-Branding, Rural, Punjab, Madhya Pradesh.

INTRODUCTION

Most marketers realize that India is on the cusp of momentous change. The economy is vibrant, incomes are rising and the habits, preferences, and attitudes are changing rapidly. But nowhere is this more evident than in Rural India. There is, thus, an emerging need to build expertise in rural marketing. In the past, the urban-oriented approaches used by marketers met with reasonable success in rural markets because the rural consumer was neither aware nor discerning. But with the spread of television, better roads network, and STD connectivity in recent times, the consumer has become far more demanding. Professionals will have to acquire diverse skills and equip themselves with practical knowledge and detailed data if they want to succeed in rural market in the future.

The decision to liberalize the Indian economy at the beginning of the 1990s had far-reaching consequences, which continued into new millennium. On the marketing front, there was the arrival of many well-known MNCs, which are household brands in the international market. Soon there was a proliferation of brands and intense competition, resulting in the near saturation of urban market. This forced companies to look for greener pastures, that is, new markets. All eyes turned to the world's most promising potential market of 742 million rural consumers, who had yet to taste the fruits of modernity, a promise that seemed ready to be fulfilled because of the explosion in the buying capacity in the rural market.

The census of India defines rural as any habitation with a population density of less than 400 per sq.km. where at least 75 present of the male working population is engaged in agriculture and where there exists no municipality or board. Most companies in the FMCG sector would define rural as any place with a population up to 20,000. Similarly, durable and agri-input companies would consider any town with the population below 50,000 as rural. Companies face many challenges in tackling the rural markets, some of the more critical being: understanding rural consumers, reaching. The psych products and services to remote locations and communicating with vastly heterogeneous rural audiences. Sadly, not many companies have invested sufficient effort and money in research and nor have they spent enough time in the field to understand rural consumers, their values, aspirations, needs and usage habits. Marketing is all about 'getting to know your customers', but having largely ignored this cardinal principle, most corporates in rural markets find that success has eluded them.

RURAL MARKETS AND RURAL MARKETING INVOLVE A NUMBER OF STRATEGIES, WHICH INCLUDE

Client and location specific promotion
- Joint or cooperative promotion.
- Bundling of inputs
- Management of demand
- Developmental marketing
- Unique selling proposition (USP)
- Extension services
- Business ethics
- Partnership for sustainability

Client and Location specific promotion involves a strategy designed to be suitable to the location and the client.

Joint or co-operative promotion strategy involves participation between the marketing agencies and the client.

'Bundling of inputs' denote a marketing strategy, in which several related items are sold to the target client, including arrangements of credit, after-sale service, and so on.

Management of demand involve continuous market research of buyer's needs and problems at various levels so that continuous improvements and innovations can be undertaken for a sustainable market performance.

Developmental marketing refer to taking up marketing programmes keeping the development objective in mind and using various managerial and other inputs of marketing to achieve these objectives.

Media, both traditional as well as the modern media, is used as a marketing strategy.

Unique Selling Propositions (USP) involves presenting a theme with the product to attract the client to buy that particular product. For examples, some of famous Indian Farm equipment manufacturers have coined catchy themes, which they display along with the products, to attract the target client that is the farmers. English version of some of such themes would read like:

- The heartbeats of rural India
- With new technique for a life time of company
- For the sake of progress and prosperity

Extension Services denote, in short, a system of attending to the missing links and providing the required know-how.
Ethics in Business. Form, as usual, an important plank for rural markets and rural marketing.
Partnership for sustainability involves laying and building a foundation for continuous and long lasting relationship.
'***Building sustainable market linkages for rural products: Industry's role, scope, opportunities and challenges''***

LITERATURE REVIEW

NCAER

Indian Market Demographics Report 1998, the consuming class households (annual income between Rs. 45,001 and Rs 215,000) in rural India equals the number in urban India. It is well known that for the same level of income, the disposable surplus (purchasing power) in rural areas is much higher because food, shelter, primary education and health are virtually free, whereas in urban India 60 to 70 per cent of the income is spent on these necessities. As per the National Council for Applied Economic Research (NCAER) study, there are as many 'middle income and above' households in the rural areas as there are in the urban areas. There are almost twice as many 'lower middle income' households in rural areas as in the urban areas. At the highest income level there are 2.3 million urban households as against 1.6 million households in rural areas. According to the NCAER projections, the number of middle and high-income households in rural India is expected to grow from 80 million to 111 million by 2007. In urban India, the same is expected to grow from 46 million to 59 million. Thus, the absolute size of rural India is expected to be double that of urban India. But despite the high rural share in these categories, the rural penetration rates are low, thus offering tremendous potential for growth.

NATIONAL ECONOMIC PLANNING COMMISSION

Fuelled by good growth registered in the 1990s as a result of thirteen consecutive good monsoons(barring those in 2002 and 2003); a 600 per cent increase in the five-year plan outlay for rural development programmes, from the Eighth to the Tenth plan; a 230 percent increase in the flow of institutional credit for agriculture between 1997-98 and 2004-05 and 41million kisan credit cards(KCC) issued and cumulative credit amounting to Rs. 97,700 crore were sanctioned since the inception of the scheme in 1998 has helped the growth of the rural economy and contributed to the increasing rural prosperity. Growth in agriculture has resulted in the rapid rise of rural incomes.

MARKETING AND RESEARCH TEAM (MART)

Already rural marketers are proving to be vital for the growth of most companies and this has resulted in overhauling of marketing strategies of companies specific to rural market in India. Take the largest FMCG Company in the country, Hindustan Lever, more than half its annual sales of Rs 11,700 crore come from rural market. The situation is similar for companies such as of dry cell, wristwatches, cassette recorders, soaps, tea which sells as FMCG products. But despite the high rural share in these categories, the rural penetration rates are low because of lack of company push and difficulties in logistics and transportation. Priority to develop the rural markets and sincere efforts to overcome the difficulties would open the floodgates, offering tremendous potential for growth.

THE UNION BUDGET 2000-01

A programme for sustainable rural development, which takes care of not only progress in agriculture but also in meeting the social needs of the rural people.
(PMGY) Pradhan mantri gramodaya yojana: a sum of Rs 5000 crore was earmarked to fulfill critical needs of the people in rural areas. Other schemes were launched to give the uplift to the rural spending by people in rural areas such as *Self employment schemes; Employment assurance scheme; Janashree bima yojana; Rural infrastructure development fund; Micro finance development fund; Rural housing*.

HLL chairman MS Banga

The improved agricultural growth is expected to boost rural demand, through not at too sizzling a rate. Moreover, the price drop in personal products, after the recent excise duty reductions, in also expected to drive consumption. "Better agricultural yields will give farmers more spending power, making the rural markets bullish

As a result, HLL has planned a rural marketing program that is expected to result in a marked growth in the consumption of the company's products in the rural market. HLL will adopt three-pronged marketing strategy- new price points, sizes and awareness campaigns for its detergents and soaps segment to augment rural growth

The Economic Times (2003), "The rural market likes it strong" the strength of rural markets for Indian companies. Financial express, June 19, 2000 has published the strategy about FMCG majors, HLL, Marico Industries, Colgate Palmolive have formula had for rural markets.

NEED OF STUDY

India is one of the fastest growing countries in this world and the awareness level of consumers of India is also increasing day by day and the urban markets are becoming more or less saturated as the companies are facing huge pressures to find new growth engines and new markets and this has led to a change in the way the FMCG companies are developing, redefining, remolding their Marketing strategies to capture the market in rural India. Marketing strategies of FMCG companies in rural markets are very different from each other as the way they perceive the size of rural market, potential in rural market, importance of rural market in their portfolio of markets, stage in which the company in its present state. So it becomes very important to unfold the real picture of FMCG companies operating in rural India. So the following is the need of the study

- To know different marketing strategies of the FMCG companies in rural market.

Therefore, this study has a great relevance not only to existing FMCG companies operating in rural market in which population low and spread out also to new companies who wants to enter this large untapped market and also to the students of management.

SCOPE OF STUDY

Under the scope of study will include rural areas of Punjab and Madhya Pradesh following companies will be covered.

1. HLL (HINDUSTAN LEVER (unilever) LIIMITED)
2. ITC

First hand information from the various sources available such as industry people, distributors of the above companies, various NGO's and Government agencies operating in rural area, etc collected.

STATEMENT OF PROBLEM

There has been a new buying pattern among the Rural Consumer for FMCG products in all price categories in Punjab and Madhya Pradesh from 2009-2012.

OBJECTIVES

The main Objective of the study is:-

1. To study the various marketing strategies of FMCG companies in rural market of Punjab and Madhya Pradesh.

HYPOTHESIS

NULL HYPOTHESIS: H0

There is no relation with new marketing strategies by FMCG companies in Rural market and Sales in Rural market.

ALTERNATE HYPOTHESIS: H1

There is a positive co-orelation between adoption of new marketing strategies by FMCG in Rural areas and Sales.

RESEARCH METHODOLOGY

RESEARCH DESIGN

The Exploratory Design have adopted for this study. Reason for selecting this Design is because we are exploring the new data.

On the basis of above I have taken the following ways of collecting data.

1. Focus Group Study
2. Questionnaire

As far as sampling technique is concerned I have taken Convenience sampling for collection of Primary Data.

The above-mentioned objective was critically appraised by using both primary and secondary data.

PRIMARY DATA

The schedule was prepared to collect first hand information from the various sources available such from industry people, local villagers, SHG (self help groups) various NGO's and Government agencies operating in rural area through questionnaire, schedules, Focus group. Etc.

SECONDARY DATA

Secondary data constitutes published and unpublished reports of FMCG companies. Further, a review of the existing literature available in the internet and magazines is consulted in persuasion of secondary data.

SELECTION OF STUDY AREA

The study will be carried out in randomly selected rural areas of Punjab and Madhya Pradesh.

SAMPLE DESIGN

Simple Random sample was chosen.

a. HLL (HINDUSTAN LEVER (unilever) LIIMITED)

b. ITC

SELECTION OF MARKET

Information from the various rural markets was collected. In all at least 2 districts (rural area) with total 10 villages in 2 districts was be covered along with NGO's working in that area, 1 dealer/distributor of each city (covering rural area) will be covered for different FMCG companies. Along with the dealers/distributor 2 sale person from each FMCG company and 100 local villagers from different rural areas were sampled.

PERIOD OF THE STUDY

The study will be conducted in the year 2011-2012.

STATISTICAL DESIGN

All the schedules were processed through computer using the windows based excel package & SPSS. The primary data was linked through digitized maps using the Arc view package and smart shape design. Data was coded, tabulated and analyzed by using statistical package-SPSS. The use of FACTOR analysis was done.

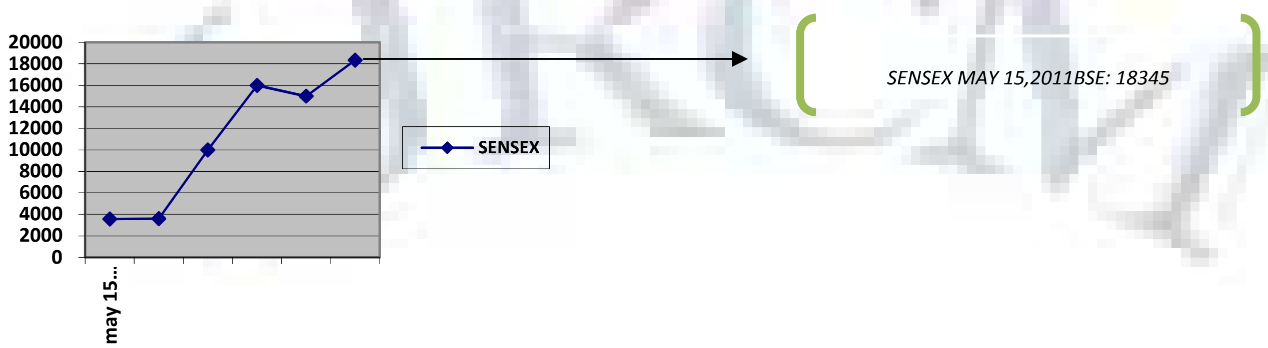
THE OVERALL STRATEGIES BEING FOLLOWED BY FMCG COMPANIES IN RURAL MARKET

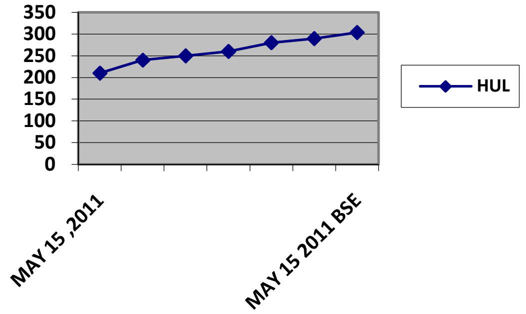
- DISTRIBUTION FORMS AN IMPORTANT LINK AND IMPORTANT IS THE WAY THE DISTRIBUTION CHANNEL WORKS.
- THE RETAILER IS ONE OF THE SINGLE MOST IMPORTANT FACTORS.
- RESULTS: DIFFERENCE IN THE CHANNEL OF DISTRIBUTION.
- ASSESILBILTY HAVE IMPACT ON CHANNEL LENGTH.

TABLE 1: HINDUSTAN UNILEVER STRATEGY

S.NO 1	STRATEGY NAME	APPROACH	FINDINGS
1	MISSION BUSHFIRE 2010	what is the position(image) of their company in minds of rural customer, meeting people directly, not only his sales personal but the HUL accountants, production and human resource,	High awareness levels of people in Rural Areas. People know what product for what purpose. Girls in the remote areas were taking to the company people in English.
2	Project Shakti	Basically a woman empowerment programme, SELF HELP GROUP consisting the group of ladies. To know why a particular product is selling and culture to know their customer right from the grass root level of interaction of Customer with their people across the different departments.	High end products were in demand like DOVE soap, Domex , Knorr Soup etc
3	**2001 FOOD REVOLUTION**	Reduce food prices, increase consumption and bring more money to farmers	

PERFORMANCE OF HLL ON STOCK EXCHANGE





This was infact the fate of share price as compared to Sensex. The HUL scrip was up around 44% as compared to Sexsex increase of over 400%. This clearly shows something was wrong.

STRATEGIES RE-FRAMED WITH FOCUS ON

1. Emerging markets inside them for example Rural markets which forms heavy disposable income group. For HUL India its top priority.
2. Along with the Shakti Model to Self Help Group on Financial Inclusion resulted in Shakti group member openining an account in the State Bank of India "faster than they do at an SBI branch in Mumbai through biometric identification.
3. Shakti members have become last mile payment collectors for cable operators or even caretakers for low – cost telecom towers.
4. Also in the pipeline is to extend loan to its distributors.
5. From Shakti AMMAS to SHAKTIMAAN: To reach small towns on bicycle.
6. HUL have 20000 SHAKTIMAANS signed up, in addition to 45000- plus SHAKTI AMMAS.
7. 'MORE STORES' MODEL to increase the coverage to two million stores within 24 months.
8. Normally distribution seen as a supply job but HUL is of different view and approach. HUL working on how do we create CONSUMER PULL? It's all about a mindset.
9. The Strategy Of Urban And Rural Is Different. URBAN: Going to more stores is not a competitive advantage. The quality of what they can execute in a store can be a source of Competitive advantage. RURAL: Advantage is to go to more stores.
10. A system of ZERO INVENTORY. It's a programme and uses technology.
11. Focus on consumer buying pattern.
12. FROM supply side job to say treating distribution as Demand side job.

HLL FACING COMPETITION FROM ITC, NESTLE AND OTHERS

NESTLE STRONG: A strong innovation- led approach.

Innovation need not always mean new products→ it could mean new packaging or ingenious pricing.

RURAL INNOVATION: move to sachets has been a big positive for FMCG companies, roping in a large, new section of buyers and enabling penetration- into non urban market.

FINDINGS: NO CYCLICITY INVOLVED SO LESS IMPACT OF

A. The demand for these goods may not be entirely immune to market-moving factors like GDP growth, inflation or interest rates, but it is not wholly dependent on them gather.
B. People will keep buying soap, toothpaste even if prices shoot up.

TABLE 2: ITC-STARTEGIES FOR RURAL INDIA

S.NO	APPROACH	FINDINGS	How it works
1.	**E- Choupal,** strong and enduring farmer partnerships. To link directly with rural farmers via the Internet for procurement of agricultural and aquaculture products like soybeans, wheat, coffee, and prawns	Paid good dividends because of retaining the integral importance of local partners, the company's commitment to transparency, and the respect and fairness with which both farmers and local partners are Treated. Availability (Meeting Local Demand By Increasing Production Locally), Acceptability (Building Brand Equity), And Affordability (Pricing Higher Than Local Brands, But Adapting To Local Conditions) Are The Key Factors	Sanchalak disseminates information about prices, weather, Fertilizers, seeds etc. to the farmers in the village. He has a computer set-up at his house and he Receives information through it on a daily basis.
2.	**Choupal Saagar**	This is where the farmers bring their produce to be sold to ITC. This is Accompanied by a retail outlet where these farmers can buy various kinds of daily necessities. A Lot of students purchased stuff from this store lured by the heavy discounts.	

DATA ANALYSIS & INTERPRETATION

All the above Strategies/Factors/Variables were converted in various questions and were put to various consumers and retailers and salesman in Rural Areas of Punjab and Haryana. Factor analysis was used for this.

FACTOR ANALYSIS: ROTATED COMPONENT MATRIX

FOLLWING ARE THE STATEMENTS IN FACTOR ANALYSIS TECHINUE IS USED TO CONVERT THE STATEMENTS IN SCALE VALUE SO THAT FACTOR'S CAN BE MADE OUT OF IT. THE FACTOR LOADING IS USED TO PUT THE STATEMENTS INTO THE FACTOR TO WHICH IT BELONGS.

TABLE 5: FOR THIS ROTATED COMPONENT MATRIX IS USED

Rotated Component Matrixa(N=100)				
	Component			
	1	2	3	4
Q13	0.600	0.356	0.525	-0.369
Q14		0.783	0.427	
Q15				0.856
Q16			0.824	0.451
Q17	0.725		0.494	
Q18	0.815			
Q19		0.784		-0.448
Q20		0.338	0.778	-0.429
Q21	-0.452	-0.441		0.636
Q22	-0.536			0.713
Q23		0.912		
Q24	0.186	0.484	-0.705	
Q25	0.898			
Q26		0.388	0.776	0.377
Q27		0.838		

ExtractionMethod:
PrincipalComponentAnalysis.
Rotation Method: Varimax with Kaiser Normalization.

Q13 TO Q 27 ARE THE STATEMENTS.
NO. 1, 2, 3, 4 ARE THE FACTORS FOR THE STATEMENTS.
N = 100 i.e. DATA IS OF 100 RESPONDANTS.
FACTOR VALUES RANGE FROM -0.536 TO 0.912.

The data is arranged in 4 factors and the statements are arranged according showing which statements are having a high degree of relation with the factor and others which are not having a high degree of association with the factor.

Following are the 4 factors under which the statement's have been arranged.

FACTOR 1
RESPONDANTS BELIEF AND ATTITUDE TOWARDS INFORMATION ON FMCG PRODUCTS EFFECTS PURCHASE BEHAVIOR.
FACTOR 2
RELATIONSHIP FORMS THE BASE OF RESPONDANT PERCEIVE QUALITY ABOUT THE PRODUCT IN BUYING PROCESS
FACTOR 3
REFERENCE GROUP PLAYS AN IMPORTANT FACTOR FOR CONSUMER TO BUY/INDUCE TO BUY AN EXPENSIVE PRODUCT.
FACTOR 4
REACH IS IMPORTANT

TABLE 6: VARIANCE EXPLAINED

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	5.997	39.98	39.98	5.997	39.98	39.98	3.927	26.18	26.18
2	3.272	21.813	61.79	3.272	21.81	61.79	3.675	24.502	50.682
3	2.739	18.26	80.05	2.739	18.26	80.05	3.263	21.754	72.436
4	1.424	9.496	89.55	1.424	9.496	89.55	2.567	17.113	89.549
5	0.93	6.2	95.75						
6	0.31	2.063	97.81						
7	0.128	0.855	98.67						
8	0.111	0.738	99.41						
9	0.068	0.452	99.86						
10	0.012	0.081	99.94						
11	0.009	0.061	100						
12	0	0.002	100						
13	3.416E-16	2.28E-15	100						
14	-5.864E-17	-3.9E-16	100						
15	-5.212E-16	-3.5E-15	100						
Extraction Method: Principal Component Analysis.									

THE ABOVE DATA SHOWS THE Initial Eigen values, Extraction Sums of Squared LOADINGS AND ROTATION ON SUM OF SQUARED LOADING. THIS SHOWS THAT THE REASON WE HAVE TAKEN ONLY 4 MAIN COMPONENTS or FACTORS FOR DISTRIBUTING THE 15 STATEMENTS.

More over NULL HYPOTHESIS: H0 **REJECTED**

There is no relation with new marketing strategies by FMCG companies in Rural market and Sales in Rural market.

The analysis shows that there is a positive correlation between adoption of new marketing strategies by FMCG in Rural areas and Sales.

ALTERNATE HYPOTHESIS: H1 ACCEPTED

There is a positive co-correlation between adoption of new marketing strategies by FMCG in Rural areas and Sales.

CONCLUSIONS

These are few of the ways in which the marketing strategy needs to be developed so as to improve the success rate of being successful in Indian rural market. Companies need to re-focus their marketing strategies and start considering the importance of rural market and try to change as per the demand of the rural market. following are few of the important strategies that can prove to be very useful , by communicating and changing quality perception, by proper communication in Indian language, by target changing perception, by understanding cultural and social values, by providing what customer want, by promoting products with Indian models and actor, by associating themselves with india,by promoting Indian sports team, by talking about a normal Indian, by developing rural-specific products, by giving Indian words for brands, by effective media communication, by adopting localized way of distributing, by associating themselves with Indian celebrities, melas, paintings etc.

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A STUDY AND ANALYSIS OF FINANCIAL INCLUSION IN INDIA

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ABSTRACT

Financial inclusion is an important process to attain the goal of inclusive growth. Accordingly, the Reserve Bank of India has made sustained efforts to increase the penetration of formal financial services in unbanked areas, while continuing with its policy of ensuring adequate but viable flow of credit to priority sectors of the economy. Financial inclusion is delivery of banking services at an affordable cost to the vast sections of underprivileged and low income groups. By financial inclusion we mean the provision of affordable financial services, namely access to payments and remittance facilities, savings, loans, and insurance services by the formal financial system to those who tend to be excluded. Significance of financial inclusion arises from the problem of financial exclusion of nearly 3billion people from the financial services across the world, with only 34percent population engaged in formal banking. India has, 135 million financially excluded households, the second highest after china. The present paper is a humble attempt to find out the causes of financial exclusion in India, analyze the extent and magnitude of financial inclusion in the context of India and suggest measures to solve the problem of financial exclusion in India.

KEYWORDS
Financial inclusion, Inclusive growth.

INTRODUCTION
Financial inclusion is an important process to attain the goal of inclusive growth. Accordingly, the Reserve Bank of India has made sustained efforts to increase the penetration of formal financial services in unbanked areas, while continuing with its policy of ensuring adequate but viable flow of credit to priority sectors of the economy. Financial inclusion is delivery of banking services at an affordable cost to the vast sections of underprivileged and low income groups. By financial inclusion we mean the provision of affordable financial services, namely access to payments and remittance facilities, savings, loans, and insurance services by the formal financial system to those who tend to be excluded. In the Indian context, Rangarajan committee defines financial inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups at an affordable cost. In short according to this committee financial inclusion is timely delivery of financial services to disadvantages sections of the society.

The general equation of financial inclusion is given by

FI=NFA+BC

Where, NFA=No frills saving bank accounts with minimum or zero balance.

BC=Business correspondents which includes other financial institutions (OFIs) like insurance companies, mutual funds, pension companies etc. micro financial institutions(MFIs)and Information technology(IT).Thus BC=Banks +OFIs +MFI+IT

SIGNIFICANCE OF THE STUDY
Significance of financial inclusion arises from the problem of financial exclusion of nearly 3billion people from the financial services across the world, with only 34percent population engaged in formal banking. India has, 135 million financially excluded households, the second highest after china. Further the real rate of financial inclusion in India is very low and about 40percent of the bank account holders use their accounts not even once a month. According to deputy governor of R.B.I, K.C chakrabarty, there is a large gap between the coverage of banking services among the adult population in urban and rural India. In rural India, the coverage among the adult population is 39percent against 60percent in urban India. Thus despite widespread expansion of the banking sector, a significant proportion (40percent) of the households especially in rural areas remains outside the coverage of the formal banking system. In India the financially excluded sections comprise largely rural masses comprising marginal farmers, landless labourers, self-employed and unorganized sector enterprises, urban slum dwellers, socially excluded groups, senior citizens and women. In India alone 560 million people excluded from formal source of finance. Financial inclusion has emerged as a tool for the socio-economic development of the society. The basket of financial services under financial exclusion will create an opportunity for rural people and thereby driving the economic growth of the country. The study of financial inclusion is highly important for the society because consequences of financial exclusion may be quite harmful. It may generate lower investment resulting from difficulties in getting access to credit or gaining credit from informal sector at very high interest rates. The importance of financial inclusion is also very widely recognized in policy circles and has become a policy priority in many countries. Several constraints across the globe now look at financial inclusion as the means to more comprehensive growth, where in each citizen of the country is able to use earnings as a financial resources that can be put to work to improve future financial status and adding to the nations progress.

REVIEW OF LITERATURE
Numerous research as well as general studies has been conducted over the years with regard to financial inclusion and its corresponding impact in India and across the world. An effort has been made to review some of the important works having a great bearing on the present study.

In 1998, Kempson and Whyley, has pointed out that two out of ten households do not have a current bank or building society account. His study demonstrates that financial exclusion is neither a single nor a straight forward process.

In 2006, UNITED Nations estimated that globally over two billion people are currently excluded from access to financial services. In most developing countries, a large segment of society particularly low income people has very little access to financial services both formal and semi formal.

In 2007, RBI launched a multilateral website in139 Indian language on all matters concerning banking and the common person to promote financial literacy.

In 2008, World Bank pointed out that without an inclusive financial system, poor individuals and small enterprises have to rely on their limited savings and earnings to invest in their education and entrenurship to take advantage of growth opportunities.

In 2008, Chairman Dr.C. Rangarajan in the final report of the committee on financial inclusion viewed financial inclusion as a comprehensive and holistic process of ensuring access to financial services and timely and adequate credit, particularly by vulnerable groups such as weaker sections and low income groups at an affordable cost. The same report also observed that in India 51.4percent of formal households are financially excluded from both formal and informal sources and 73percent of farmer households do not access formal sources of credit.

In 2008, European Commission studied financial inclusion in 25 European countries and pointed out that the levels of financial exclusion within the European Union. It reported that 1percent of adults in Denmark and Belgium, 2percent in France, 3percent in Austria, and 8percent in Spain and 28percent in Greece are financial excluded.

In 2010, Jayo in a report commissioned by the European Microfinance Network, 'Overview of the Microcredit Sector in the European Union 2008-2009 which gathered data from 170 microfinance providers, 63% of micro lenders in Europe define their mission as job creation and 62% as social inclusion and poverty reduction, in addition to their focus on microenterprise promotion (70%). Moreover, 'unbankable' persons, i.e., financially and often socially excluded persons who will remain excluded from the mainstream financial services in the mid to long term, make up 70% of microfinance clients in Europe. Nearly half (47%) of EU micro lenders explicitly target people excluded from mainstream financial services, 44% target women, 41% immigrants and ethnic minorities and 32% target the rural population.

OBJECTIVES
The study has been undertaken in order to fulfill the following objectives.
1. To find out the causes of financial exclusion in India.
2. To analyze the extent and magnitude of financial inclusion in the context of India.
3. To suggest measures to solve the problem of financial exclusion in India.

CAUSES OF FINANCIAL EXCLUSION
Lack of appropriate supply of services to the needy people and lack of demand for appropriate financial products and services by the people is a major cause for financial exclusion in India. Several causes are responsible for financial exclusion in India. They are discussed below.
1. Gender issues: Access to credit is often limited for women who do not have, or cannot hold title to assets such as land and property or must seek male guarantees to borrow.
2. Legal identity: The primary requirement for opening bank accounts is identity proof and witness. Lack of legal identities like identity card, driving license, birth certificates, or written records often exclude women, ethnic minorities, refugees, migrant workers from accessing financial services.
3. Psychological and cultural barriers: The rural people and low income groups feels that banks are not interested to look into their matter which has led to self exclusion for such groups of people. However cultural and religious barriers to banking have been observed in some of the countries like Pakistan, Bangladesh and England.
4. Limited literacy: In India limited literacy particularly, financial literacy that is basic mathematics, business finance skills as well as lack of understanding often constraint people to have access from financial services.
5. Terms and conditions: Many people are not comfortable using formal financial services because they face difficulties in understanding language, various terms and conditions that come with financial services. The low income people do not understand financial product, usage, operation and management of accounts. It has also been seen that the poor people living in urban and rural areas do not utilize the financial services that available because of high cost. For example to open a bank account in Cmeroon, the minimum deposit requirement is over 700dollars. While no minimum amounts required in South Africa, Swizerland etc. In Bangladesh, Pakistan, Phillipines to get a small business loan processed requires more than a month, while the wait is only a day in Denmark.
6. Age factor**:** Banks usually provides financial service to the middle class and economically active population, often overlooking the design of appropriate products for older or younger potential customers.
7. Supply factors: Such factors take into account a financial institution's criteria for accepting a client, the fees it charges for access to its services and its requirements (e.g., its risk assessment procedures). These can lead a bank to refuse services to a person and can act as a strong deterrent to a potential client seeking a particular financial service. Supply factors encompass the geographic location of the institution, which in several cases is a primary cause of financial exclusion.

Demand side or behavior factors: Apart from the supply side factors, demand side factors can also undermine consumers' willingness to engage with financial services and ability to make effective, informed choices and decisions. These factors have a significant bearing on the extent of financial inclusion. A higher share of population below the poverty line results in lower demand for financial services as the poor may not have savings to place as deposit in savings banks. Thus, low income leads to low demand for financial services, particularly savings products. Likewise, at low levels of development, investment activity may be low and hence, may lead to low demand for credit from banks and other formal financial institutions. However, as poverty levels decline and households move into higher income brackets, their propensity to save increases, which, in turn, leads to higher demand for financial services both for saving and investment purposes.

EXTENT AND MAGNITUDE OF FINANCIAL INCLUSION IN INDIA
Financial inclusion in the context of India implies the provision of affordable financial services, namely, access to payment and remittance facilities, savings, loans and insurance services by the formal system to those who tend to be excluded. In India, the term financial inclusion first featured in 2005, when RBI, in its annual policy statement of 2005-06, while recognizing the concerns in regard to the banking practices that tend to exclude rather than attract vast sections of the population, urged banks to review their existing practices to align them with the objective of financial inclusion. Although the term financial inclusion was not vogue in India then, since the late 1960s both the government and the RBI have been concerned about the non availability of banking facilities to the under-privileged and weaker sections of the society. The government of India's National Rural Financial Industrial Plan (NRFIP) has set a target to achieve complete financial inclusion by 2015. The plan aims to serve 50percent of the financially excluded 280million population by 2012 through regional and semi urban branches of commercial and regional rural bank. In the Index of financial inclusion prepared by the Indian council for research on International Economic Relations (ICRIER), India has been placed 50th position in the list of 100 countries. The index of financial inclusion, which measure the availability and usage of bank accounts per1000 adults, number of ATMs and bank branches per million people and the amount of bank credits and deposits. While economic growth in India has benefited a growing middle class, it has also created great disparities between rural and urban areas, prosperous and lagging states, and between semi skilled and low skilled workers.

The broad strategy for financial inclusion in India in recent years comprises the following elements.
1. encouraging penetration into unbanked and backward areas and encouraging agents and intermediaries such as NGOs, MFIs, CSOs and business correspondents (BCs);
2. focusing on a decentralized strategy by using existing arrangements such as State Level Bankers' Committee (SLBC) and district consultative committee (DCC) and strengthening local institutions such as co-operatives and RRBs;
3. using technology for furthering financial inclusion;
4. advising banks to open a basic banking 'no frills' account;
5. emphasis on financial literacy and credit counseling and
6. Creating synergies between the formal and informal segments (Thorat, 2008).

Various initiatives of financial inclusion undertaken could broadly be categorized into three phases.
1. 1970-1990: Channeling credit to the neglected sectors and special emphasis was laid on weaker sections of the society.
2. 1990-2005: The main focus was mainly on strengthening the financial sector reforms. In this phase financial inclusion was encouraged mainly by the introductions of SHGs-bank linkage programme in early 1990s and Krishan Credit Cards (KCCs) for providing credit to farmers. The SHGs-bank linkage programme was launched by NABARD in 1992 with policy support from the Reserve Bank, to facilitate collective decision making by the poor and provides door step banking.
3. 2005-onwards- In the third phase, financial inclusion was explicitly made as a major policy objective and thrust was on providing safe facility of savings deposits through "no frills" account.

Bank nationalization in India marked a paradigm shift in the focus of banking as it was intended to shift the focus from class banking to mass banking. The rationale for creating Regional Rural Banks was also to take the banking services to poor people. The branches of commercial banks and the RRBs have increased from 8,321 in the year 1969 to 68,282 branches as at the end of March 2005. The average population per branch office has decreased from 64,000 to 16,000 during the same period. In the Indian context, even after the implementation of the new Branch Authorization Policy of Reserve Bank, out of a total of 1,250 new branches that were opened during July 2004-June 2005 only 1.2 % branches were actually opened in the un-banked areas. During the same Corresponding period during 2005-06, 933 new branches were authorized to operate and out of which only 0.21 % were opened in the un-banked areas.

CURRENT SCENARIO OF FINANCIAL INCLUSION IN INDIA
The current scenario of financial inclusion in India reveals a significant variation across the states in the No. of accounts pre 100 of total population and per 100 of adult population, No. of banks, Primary Agricultural Credit societies in rural areas (PACs) in rural areas etc. A survey of 14 leading states of India in 2011 reveals that states such as Maharastra, West Bengal, Punjab, Guzrat have reasonably high No. of financial inclusion, banks and Primary Agricultural Credit societies (PACs) in rural areas. For example Maharastra has 46 PACs per 100,000 persons while west Bengal has 38 banks. Again, another statistics collected from Indian institute of Banking and Finance on total No. of branches, total No. of rural branches, new rural branches etc. in India reveals a variation in the period 2010-2011(Table-1). Out of the total 5165 new branches opened in 2011, only 21.86 percent are rural branches. Currently the No. of accounts per 100 of adult population and the total population in India is 59 and 31 respectively. According to the annual report (2010-2011) of Consultative Group to Assist the Poor (CGAP) and the World Bank the No. of deposit accounts per 100 adults for the period is 747.29 and the value of GDP is 55.03percent (Table-2). Similarly, according to the same report the No. of outreach total branches per 100,000adults in urban and rural area is equal to 3.82 and 6.29percent respectively for the period 2010-11. This report gives highest importance of macroeconomic stability and growth for improving financial access. Now RBI is keen on achieving 100percent financial inclusion for sustaining equitable growth. To achieve the target of 100percent financial inclusion, however, 1584 million accounts will need to be opened. But despite the efforts taken by the government there exist a sharp financial exclusion in the country. In fact presently 60percent of the Indian population does not have access to formal banking facility.

TABLE-1: RURAL BRANCHES IN INDIA (2010-2011)

SL. No.	Particulars	March 2010 No's	March 2011 No's
1	Total No. of branches	6995	75160
2	Total No. of Rural branches	21554	22683
3	Total No. of urban branches	48441	52477
4	Total no of New branches	3192	5165
5	Total no of New rural branches	825	1129
6	Total no of New Urban branches	3354	4036

Source: Indian institute of Banking and Finance

TABLE-2: FINANCIAL ACCESS: COMMERCIAL BANKS (2009-10)

Financial access	Accounts Per 1000 adults	Value (Percentage) of GDP	Average account Value (/of income PC)
Deposits	747.29	55.03	107.86
Loans	137.46	40.93	436.09
Outreach branches per 100,00adults	3.82 (Urban)	6.29 (Rural)	10.11 (Total)

Source: Consultative Group to Assist the Poor (CGAP) and World Bank

SUGGESTIONS
RBI has been undertaking financial inclusion initiatives in a mission mode through a combination of strategies ranging from provision of new products, relaxation of regulatory guidelines and other supportive measures to achieve sustainable and scalable financial inclusion. In India, RBI has initiated several measures to achieve greater financial inclusion, such as facilitating no-frills accounts and GCCs for small deposits and credit. Some of these steps are:

Opening of no-frills accounts:

Basic banking no-frills accounts with nil or very low minimum balance as well as charges that make such accounts accessible to vast sections of the population. Banks have been advised to provide small overdrafts in such accounts.

Relaxation on know-your-customer (KYC) norms: KYC requirements for opening bank accounts were relaxed for small accounts in August 2005, thereby simplifying procedures by stipulating that introduction by an account holder who has been subjected to the full KYC drill would suffice for opening such accounts.

The banks were also permitted to take any evidence as to the identity and address of the customer to their satisfaction. It has now been further relaxed to include the letters issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number.

Engaging business correspondents (BCs):

In January 2006, RBI permitted banks to engage business facilitators (BFs) and BCs as intermediaries for providing financial and banking services. The BC model allows banks to provide doorstep delivery of services, especially cash in-cash out transactions, thus addressing the last-mile problem. The list of eligible individuals and entities that can be engaged as BCs is being widened from time to time. With effect from September 2010, for-profit companies have also been allowed to be engaged as BCs.

Use of technology:

Recognizing that technology has the potential to address the issues of outreach and credit delivery in rural and remote areas in a viable manner, banks have been advised to make effective use of information and communications technology (ICT), to provide doorstep banking services through the BC model where the accounts can be operated by even illiterate customers by using biometrics, thus ensuring the security of transactions and enhancing confidence in the banking system.

Adoption of EBT:

Banks have been advised to implement EBT by leveraging ICT-based banking through BCs to transfer social benefits electronically to the bank account of the beneficiary and deliver government benefits to the doorstep of the beneficiary, thus reducing dependence on cash and lowering transaction costs.

GCC:

With a view to helping the poor and the disadvantaged with access to easy credit, banks have been asked to consider introduction of a general purpose credit card facility up to ₹25,000 at their rural and semi-urban branches. The objective of the scheme is to provide hassle-free credit to banks' customers based on the assessment of cash flow without insistence on security, purpose or end use of the credit. This is in the nature of revolving credit entitling the holder to withdraw up to the limit sanctioned.

Simplified branch authorization:

To address the issue of uneven spread of bank branches, in December 2009, domestic scheduled commercial banks were permitted to freely open branches in tier III to tier VI centres with a population of less than 50,000 under general permission, subject to reporting. In the north-eastern states and Sikkim, domestic scheduled commercial banks can now open branches in rural, semi-urban and urban centres without the need to take permission from RBI in each case, subject to reporting.

Opening of branches in unbanked rural areas:
To further step up the opening of branches in rural areas so as to improve banking penetration and financial inclusion rapidly, the need for the opening of more bricks and mortar branches, besides the use of BCs, was felt. Accordingly, banks have been mandated in the April monetary policy statement to allocate at least 25% of the total number of branches to be opened during a year to unbanked rural areas.
Besides the above mentioned initiatives taken by the RBI for financial inclusion we can also definitely achieve the objective of financial inclusion by following a systematic approach.
• Awareness in general, coupled with financial awareness on opening and operating accounts, must accompany the financial inclusion initiative.
• Banks should prepare comprehensive plans to cover all villages, through a mix of branchless banking and bricks and mortar branch banking. They should speed up enrolment of customers and opening of UID-enabled bank accounts. It envisages putting in place a system that enables routing of all social benefits to bank accounts electronically as also seamless cash transfer to the poor, as and when the government replaces the age-old system of subsidy and public distribution system with cash transfers.
The success of financial inclusion is highly dependent on the kind of support provided by base branches, especially for cash management, documentation and redress of customer grievances. Hence, it is necessary that a bricks and mortar structure is available to support about 8-10 BCs at a reasonable distance of 2-3km. These branches can be low-cost intermediary simple structures comprising minimum infrastructure for operating small customer transactions and can act as an effective supervisory mechanism for BC operations.
• Banks must provide a minimum four products—a no-frills savings account with an overdraft facility, a pure savings product, entrepreneurial credit and remittance services, and new products tailored to income streams of poor borrowers and according to their needs and interests. Banks must be able to offer the entire suite of financial products and services to poor clients at attractive pricing.
Though the cost of administering small-ticket personal transactions is high, this can be brought down if banks effectively leverage ICT solutions. This can be attained through product innovation with superior cost efficiency. They must understand and penetrate the rural markets efficiently to cross-sell products and services. Mobile banking has tremendous potential and the benefits of m-commerce need to be exploited.
• It is important that adequate infrastructure such as digital and physical connectivity, uninterrupted power supply, etc., is available. All stakeholders will have to work together through sound and purposeful collaborations. Local and national-level organizations have to ensure that these partnerships look at both commercial and social aspects to help achieve scale, sustainability and impact.
This collaborative model will have to tackle exclusion by stimulating demand for appropriate financial products, services and advice with the appropriate delivery mechanism, and by ensuring that there is a supply of appropriate and affordable services available to those that need them.
• Mindset, cultural and attitudinal changes at grass roots and cutting-edge technology levels of branches of banks are needed to impart organizational resilience and flexibility. Banks should institute systems of reward and recognition for personnel initiating, ideating, innovating and successfully executing new products and services in the rural areas.

CONCLUSION
Empirical evidence shows that economic growth follows financial inclusion. Boosting business opportunities will definitely increase the gross domestic product, which will be reflected in our national income growth. People will have safe savings along with access to allied products and services such as insurance cover, entrepreneurial loans, payment and settlement facility, etc. Public-private partnerships can contribute to financial inclusion, with government offering the appropriate regulatory framework and incentives to service providers, and private operators increasing their institutional outreach and range of services. Models that the banking sector can use to expand financial access include retail banking, wholesale banking in partnership with MFIs, and franchise or agent banking. Microfinance “processing hubs” have the potential to provide “back-end” technology to the industry and assist service providers in overcoming cost hurdles that are holding back the advance of financial inclusion. There is also a need to develop partnerships, and to lower costs to increase the accessibility of certain services for particular groups, such as remittance services for migrant workers.
Our dream of inclusive growth will not be complete until we create millions of micro-entrepreneurs across the country. Microfinance has the potential to widen financial inclusion by bridging the needs and opportunities at the bottom of the economic pyramid and the resources of the financial sector. To sum up, financial inclusion is the road that India needs to travel toward becoming a global player. Financial access will attract global market players to our country and that will result in increasing employment and business opportunities.

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AWARENESS TOWARDS VARIOUS ASPECTS OF INSURANCE: AN EMPIRICAL STUDY IN THE STATE OF RAJASTHAN

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ABSTRACT

The Indian Insurance industry is flourishing with several national and international players competing and growing at rapid rates. The reforms and the easing of policy regulations has allowed the Indian insurance sector to flourish and as we move further, this growth can only increase , with the period from 2010-2015 projected to be the ' Golden Age ' for the Indian insurance industry . But on the other hand when we see the awareness of the Indians towards various aspects of insurance, we find that a lot needs to be done. Indians have perceived insurance from different angles and never has a right idea ever been responded. The survey was conducted on around 200 respondents from the state of Rajasthan and an analysis was done to study the relationship between select demographic factors and the perception of the respondents towards various aspects of insurance.

KEYWORDS

awareness, insurance, perception, savings, security.

INTRODUCTION

Consumer awareness as a concept is of universal concern for all economies of the world. In the context of a booming Indian economy and unprecedented growth being witnessed by Insurance industry - specially life insurance -, it would be interesting to examine this concept in depth. Such a study will provide rare insights as to how to harness huge untapped market potential for life insurance to the benefit of vast rural and semi urban populace. And how to expand the reach of life insurance to every nook and corner of India and provide basic sense of security to masses. Low penetration of insurance in India, as elsewhere, has varied explanations, economic and sociological. One basic factor that puts a brake on growth is low propensity to consume: low propensity for life insurance, not necessarily because of considerations of affordability nor because of inadequate range of insurance products and services. The major determining factor is lack of awareness of life insurance per se. And this phenomenon is not confined to rural and semi rural segments of society: it pervades urban populace as well. Surprising, isn't it- but true.

Consumer awareness is the mainspring of demand creation which runs the wheels of industry

- any industry for that matter. To this 'demand' curve, suppliers and service providers respond,
- by making available to consumers what they want, meeting their needs and expectations.

This is the way two usages 'customer needs' and 'customer satisfaction' emerged. And these later travelled to domains of 'customer delight' and 'customer ecstasy'.

Today insurance occupies an important place in the complex modern world since risk, which can be insured, has increased enormously in every walk of life. This has led to growth in the insurance business and evolution of various types of insurance covers. The insurance sector acts as a mobiliser of savings and a financial intermediary and is also a promoter of investment activities. It can play a significant role in the economic development of a country, while economic development itself can facilitate the growth of the insurance sector.

But the success of insurance would be purely dependent upon the level of awareness of the people, their understanding as to what they think about it as a concept; and educating the people about its various aspects of which they were unaware. Hence, in order to make informed choices, people should be educated about the concept of insurance, the various types of insurance covers available, and the benefits that an insurance cover could yield. The present awareness study attempted to find out households' view on various aspects of insurance, including questions, such as: (i) what is insurance? (ii) how relevant is insurance? (iii) the kind of tool it is; and (iv) the benefits of insurance vis-à-vis other forms of savings.

REVIEW OF LITERATURE

Dr. T.V.Malick (2011) highlighted the robust growth and the potential in the Indian life insurance industry, the role played and customer's awareness on the private life insurance players in Vellore District, Tamil Nadu. **Krishnamurthy (2007)** pointed out that, the country was witnessing growing insurance awareness with such new generation products making entry, even in Tier 2 and Tier 3 cities. Private insurers have already made an impressive beginning. Liberalization has led to a new distribution channel, Bancassurance, a concept that is already firmly rooted in European countries. **Sheela (2007**) studied that the Indian market – both the urban and the rural offers tremendous growth opportunities for insurance companies, the need of the hour is to understand the changing needs of customers and their occupational structure. **Joy Chakraborty (2007)** examined that the Indian insurance industry underwent a drastic transformation with the entry of private players who captured a significant market share (26.6%) during 2005-06. **Hima Gupta (2007)** argued that to stimulate private health insurance growth, the Indian government should recognize health insurance as a separate line of business and distinguish it from other non-life insurance. She laid particular emphasis on the present health care scenario in India and international field generally. **Akash Acharya and M. Kent Ranson (2005)** studied that the health indicators in India have seen substantial improvements in the recent decades but quality and affordable health care services still continue to elude the poor. The authors concluded that while CBHI schemes were still in their infancy, to ensure a wider cover an acceptance, they could be attached to other decentralized agencies of governance such as panchayati raj institutions. **Venkata Ramana Rao (2008)** concluded that a good awareness campaign will start yielding results by the end of first quarter and unless the Company's processing centre was fine tuned to cope with the increased flow, the service quality would diminish, the processing time would increase and even the brand image could get damaged. **Punita Kumari (2009)** studied the importance of personal finance of an individual. And concluded that with introduction of private companies in life insurance, the scenario of the insurance sector has changed from security to investment opportunity. Her study aimed to find whether "Unit-linked insurance, as an insurance cover, was an alternative investment plan for providing solutions for all kinds of investors". **Mohd. Taqi , B. K. Suthar(2011)** focused on various aspects of health insurance sector of rural Gujarat by considering the peculiar features, namely; awareness and sources towards health insurance, awaked but unsubscribed rural Guajarati and their willingness to join and pay for it. Their study explores the low level of awareness and willingness to join and some barriers in health insurance subscription like: lack of funds, lack of awareness lack of willingness to join, lack of reliability and comprehensive coverage, lack of accessible services, narrow policy options, preference to investment alternatives and lack of intermediaries outreach and capabilities. Their study also explores on possible existence of significant association between general demographics and willingness to join and pay for health insurance. **Anil Gumber (2002)** examined that the main thrust of the state should be in initiative schemes for the poor. He also suggested an option that is without putting much strain on both physical and financial resources of the state. **Ahuja and De. (2004)** examined that the demand of health insurance falls down in case of health services supply is weak. It is also explained that the interstate variation and demands for health insurance by poor in relation to variation in healthcare infrastructure. **Ahuja and Narang (2005)** provided alternative trends in health insurance for low income segment of India and suggested to bring various health insurance schemes under one regulatory or bit to improve health insurance services in India.

On the basis of the above Review of Literature the following objectives were framed for the study:

OBJECTIVES OF THE STUDY

1. To study the relationship between select demographic determinants and the class to which Insurance is relevant in the state of Rajasthan.
2. To study the effect of select demographic determinants on the perception towards the purpose for taking Insurance in the state of Rajasthan.

HYPOTHESIS FRAMED FOR THE STUDY

$H_{01:}$ There is no significant association between various demographic factors (Age, Annual Income, Educational Qualification, Profession) and the class to which insurance is relevant.

H_{02}: There is no significant association between various demographic factors (Age, Annual Income, Educational Qualification, Profession) and the purpose for which insurance cover is taken.

METHODOLOGY

- The study is based on the primary data collected through the state of Rajasthan.
- The respondents taken at least had a bank account so as assume financial inclusion.
- The field work was undertaken from October 2011- February 2012.
- Research design used was exploratory in nature.
- Convenient sampling technique was used.
- A sample of 200 respondents was taken from the four different places of Rajasthan – Jaipur, Jodhpur, Kota and Udaipur.
- A structured questionnaire was designed to collect data for the study. Before conducting the field study, the questionnaires were pre-tested. A few modifications were made as a result of the pretest exercise. All the questions were analyzed on the nominal scale.
- Chi-square test was used as the test for association or non-association of variables.
- Data has been presented in the form of tables in order to make the analysis easy.
- Statistical software and Microsoft Excel has been extensively used for the study.

ANALYSIS AND INTERPRETATION

TABLE 1: DEMOGRAPHIC PROFILE

		Insured		Total
		Uninsured	Insured	
Age	< 30 years	14	31	45
	30-40 years	25	38	63
	40-50 years	29	27	56
	50-60 years	7	19	26
	> 60 years	5	5	10
Total		**80**	**120**	**200**
Annual Income	< Rs 150000	20	29	49
	Rs 150000-300000	17	32	49
	Rs 300000-500000	26	40	66
	> Rs 500000	17	19	36
Total		**80**	**120**	**200**
Place	Jaipur	18	32	50
	Jodhpur	22	28	50
	Kota	24	26	50
	Udaipur	16	34	50
Total		**80**	**120**	**200**
Educational Qualification	Undergraduate	15	18	33
	Graduate	17	36	53
	Post graduate	27	38	65
	Professional	17	21	38
	Others	4	7	11
Total		**80**	**120**	**200**
Profession	Service	24	43	67
	Self employed	20	32	52
	Professional	26	21	47
	Others	10	24	34
Total		**80**	**120**	**200**

- The impact of various demographic factors on the perception regarding the class to which insurance is relevant has been studied and analyzed separately , the results of which are as under-

1. Extent of relationship between respondents' age and their perception regarding the class to which insurance is relevant(Table 2)

H_o: There is no association between age and his perception regarding the class to which insurance is relevant.

TABLE 2: ASSOCIATION BETWEEN AGE AND THE PERCEPTION REGARDING THE CLASS OF RELEVANCY

			Class of relevancy						Total
			Only for the rich	Only for the middle class	Only for the poor	For all	None	Can't say	
Age	< 30 years	Count	10	12	8	11	3	1	**45**
		Expected Count	6.3	10.4	12.4	11.5	2.3	2.3	**45.0**
	30-40 years	Count	9	15	19	14	3	3	**63**
		Expected Count	8.8	14.5	17.3	16.1	3.2	3.2	**63.0**
	40-50 years	Count	7	9	20	15	2	3	**56**
		Expected Count	7.8	12.9	15.4	14.3	2.8	2.8	**56.0**
	50-60 years	Count	2	8	7	5	1	3	**26**
		Expected Count	3.6	6.0	7.2	6.6	1.3	1.3	**26.0**
	> 60 years	Count	0	2	1	6	1	0	**10**
		Expected Count	1.4	2.3	2.8	2.6	.5	.5	**10.0**
Total		**Count**	**28**	**46**	**55**	**51**	**10**	**10**	**200**
		Expected Count	**28.0**	**46.0**	**55.0**	**51.0**	**10.0**	**10.0**	**200.0**
Chi Square (Calculated value)			20.660						
Degrees of freedom			20						
Tabulated value			31.41						

Level of Significance: 5%

As the calculated value is less than the tabulated value, the null hypothesis is accepted that there is a no significant association between the age and the perception regarding the class to which insurance is relevant.

2. Extent of relationship between respondents' Annual Income and their perception regarding the class to which insurance is relevant (Table 3)

H_o: There is no association between respondents' Annual Income and their perception regarding the class to which insurance is relevant.

TABLE 3: ASSOCIATION BETWEEN ANNUAL INCOME AND THE PERCEPTION REGARDING THE CLASS OF RELEVANCY

			Class of relevancy						Total
			Only for the rich	Only for the middle class	Only for the poor	For all	None	Can't say	
Annual Income	< Rs 150000	Count	8	7	20	10	2	2	**49**
		Expected Count	6.9	11.3	13.5	12.5	2.5	2.5	**49.0**
	Rs 150000-300000	Count	6	14	12	13	3	1	**49**
		Expected Count	6.9	11.3	13.5	12.5	2.5	2.5	**49.0**
	Rs 300000-500000	Count	6	18	15	18	4	5	**66**
		Expected Count	9.2	15.2	18.2	16.8	3.3	3.3	**66.0**
	> Rs 500000	Count	8	7	8	10	1	2	**36**
		Expected Count	5.0	8.3	9.9	9.2	1.8	1.8	**36.0**
Total		**Count**	**28**	**46**	**55**	**51**	**10**	**10**	**200**
		Expected Count	**28.0**	**46.0**	**55.0**	**51.0**	**10.0**	**10.0**	**200.0**
Chi Square (Calculated value)			13.627						
Degrees of freedom			15						
Tabulated value			24.996						

Level of Significance: 5 %

As the calculated value is less than the tabulated value, the null hypothesis is accepted there is a no significant association between the annual income and the perception regarding the class to which insurance is relevant.

3. Extent of relationship between respondents' Place and their perception regarding the class to which insurance is relevant(Table 4)

H_o: There is no association between respondents' place and his perception regarding the class to which insurance is relevant.

TABLE 4: ASSOCIATION BETWEEN PLACE AND THE PERCEPTION REGARDING THE CLASS OF RELEVANCY

			Class of relevancy						Total
			Only for the rich	Only for the middle class	Only for the poor	For all	None	Can't say	
Place	Jaipur	Count	7	15	9	10	6	3	**50**
		Expected Count	7.0	11.5	13.8	12.8	2.5	2.5	**50.0**
	Jodhpur	Count	6	10	17	11	2	4	**50**
		Expected Count	7.0	11.5	13.8	12.8	2.5	2.5	**50.0**
	Kota	Count	7	12	11	18	1	1	**50**
		Expected Count	7.0	11.5	13.8	12.8	2.5	2.5	**50.0**
	Udaipur	Count	8	9	18	12	1	2	**50**
		Expected Count	7.0	11.5	13.8	12.8	2.5	2.5	**50.0**
Total		**Count**	**28**	**46**	**55**	**51**	**10**	**10**	**200**
		Expected Count	**28.0**	**46.0**	**55.0**	**51.0**	**10.0**	**10.0**	**200.0**
Chi Square (Calculated value)			18.224						
Degrees of freedom			15						
Tabulated value			24.996						

Level of significance: 5 %

As the calculated value is less than the tabulated value, the null hypothesis is accepted there is a no significant association between the place of residence and the perception regarding the class to which insurance is relevant.

4. Extent of relationship between educational qualification and their perception regarding the class to which insurance is relevant (Table 5)

H_o : There is no association between the educational qualification and his perception regarding the class to which insurance is relevant .

TABLE 5: ASSOCIATION BETWEEN EDUCATION QUALIFICATION AND THE PERCEPTION REGARDING THE CLASS OF RELEVANCY

			Class of relevancy						Total
			Only for the rich	Only for the middle class	Only for the poor	For all	None	Can't say	
Educational Qualification	Undergraduate	Count	4	11	8	8	1	1	**33**
		Expected Count	4.6	7.6	9.1	8.4	1.7	1.7	**33.0**
	Graduate	Count	7	12	14	13	3	4	**53**
		Expected Count	7.4	12.2	14.6	13.5	2.7	2.7	**53.0**
	Post graduate	Count	10	12	19	17	4	3	**65**
		Expected Count	9.1	15.0	17.9	16.6	3.3	3.3	**65.0**
	Professional	Count	5	8	11	11	2	1	**38**
		Expected Count	5.3	8.7	10.5	9.7	1.9	1.9	**38.0**
	Others	Count	2	3	3	2	0	1	**11**
		Expected Count	1.5	2.5	3.0	2.8	.6	.6	**11.0**
Total		**Count**	**28**	**46**	**55**	**51**	**10**	**10**	**200**
		Expected Count	**28.0**	**46.0**	**55.0**	**51.0**	**10.0**	**10.0**	**200.0**
Chi Square (Calculated value)			6.117						
Degrees of freedom			20						
Tabulated value			31.41						

Level of significance : 5%

As the calculated value is less than the tabulated value, the null hypothesis is accepted that there is no association between the educational qualification and the perception regarding the class to which insurance is relevant.

5. Extent of relationship between the Profession and their perception regarding the class to which insurance is relevant (Table 6)

H_o : There is no association between the Profession and the perception regarding the class to which insurance is relevant.

TABLE 6: ASSOCIATION BETWEEN PROFESSION AND THE PERCEPTION REGARDING THE CLASS OF RELEVANCY

			Class of relevancy						Total
			Only for the rich	Only for the middle class	Only for the poor	for all	None	Can't say	
Profession	Service	Count	11	15	19	18	1	3	**67**
		Expected Count	9.4	15.4	18.4	17.1	3.4	3.4	**67.0**
	Self employed	Count	6	13	14	11	5	3	**52**
		Expected Count	7.3	12.0	14.3	13.3	2.6	2.6	**52.0**
	Professional	Count	7	10	13	14	1	2	**47**
		Expected Count	6.6	10.8	12.9	12.0	2.4	2.4	**47.0**
	Others	Count	4	8	9	8	3	2	**34**
		Expected Count	4.8	7.8	9.4	8.7	1.7	1.7	**34.0**
Total		**Count**	**28**	**46**	**55**	**51**	**10**	**10**	**200**
		Expected Count	**28.0**	**46.0**	**55.0**	**51.0**	**10.0**	**10.0**	**200.0**
Chi Square (Calculated value)			**7.518**						
Degrees of freedom			**15**						
Tabulated value			**24.996**						

Level of significance: 5%

As the calculated value is less than the tabulated value, the null hypothesis is accepted that there is no association between the respondents' status of insurance and the perception regarding the class to which insurance is relevant.

6. Extent of relationship between whether the respondents are insured or not and their perception regarding the class to which insurance is relevant(Table 7)

H_o: There is no association between respondents' status of insurance and his perception regarding the class to which insurance is relevant.

TABLE 7: ASSOCIATION BETWEEN WHETHER INSURED OR NOT WITH THE PERCEPTION REGARDING THE CLASS OF RELEVANCY

			Class of relevancy						Total
			Only for the rich	Only for the middle class	Only for the poor	For all	None	Can't say	
Insured	Uninsured	Count	14	16	21	23	2	4	**80**
		Expected Count	11.2	18.4	22.0	20.4	4.0	4.0	**80.0**
	Insured	Count	14	30	34	28	8	6	**120**
		Expected Count	16.8	27.6	33.0	30.6	6.0	6.0	**120.0**
Total		**Count**	**28**	**46**	**55**	**51**	**10**	**10**	**200**
		Expected Count	**28.0**	**46.0**	**55.0**	**51.0**	**10.0**	**10.0**	**200.0**
Chi Square (Calculated value)			3.983						
Degrees of freedom			5						
Tabulated value			11.07						

Level of Significance: 5 %

As the calculated value is less than the tabulated value, the null hypothesis is accepted that there is no association between the educational qualification and the perception regarding the class to which insurance is relevant.

❖ The impact of select demographic factors on the perception regarding the purpose for which Insurance is taken is studied and analyzed separately , the results of which are as under-

1. Extent of relationship between whether the respondents' Educational Qualification and their perception regarding the purpose for taking Insurance (Table 8)

H_o: There is no association between respondents' Educational Qualification and his perception regarding the purpose for taking Insurance.

TABLE 8: ASSOCIATION BETWEEN EDUCATIONAL QUALIFICATION AND PURPOSE OF INSURANCE

			Purpose of Insurance				Total
			Savings tool	**Protection tool**	**Both**	**None**	
Educational Qualification	Undergraduate	Count	6	16	11	0	**33**
		Expected Count	7.1	13.9	11.1	1.0	**33.0**
	Graduate	Count	13	22	17	1	**53**
		Expected Count	11.4	22.3	17.8	1.6	**53.0**
	Post graduate	Count	13	26	24	2	**65**
		Expected Count	14.0	27.3	21.8	2.0	**65.0**
	Professional	Count	8	17	11	2	**38**
		Expected Count	8.2	16.0	12.7	1.1	**38.0**
	Others	Count	3	3	4	1	**11**
		Expected Count	2.4	4.6	3.7	.3	**11.0**
Total		**Count**	**43**	**84**	**67**	**6**	**200**
		Expected Count	**43.0**	**84.0**	**67.0**	**6.0**	**200.0**
Chi Square (Calculated value)			5.409				
Degrees of freedom			12				
Tabulated value			21.026				

Level of Significance: 5 %

As the calculated value is less than the tabulated value, the null hypothesis is accepted that there is no association between the educational qualification and the perception regarding the purpose for which insurance is sought.

2. Extent of relationship between whether the respondents' Profession and their perception regarding the purpose for taking Insurance (Table 9)

H_o: There is no association between respondents' Profession and his perception regarding the purpose for taking Insurance.

TABLE 9: ASSOCIATION BETWEEN PROFESSION AND PURPOSE OF INSURANCE

			Insurance method				Total
			Savings tool	Protection tool	Both	None	
Profession	Service	Count	17	23	23	4	**67**
		Expected Count	14.4	28.1	22.4	2.0	**67.0**
	Self employed	Count	11	22	19	0	**52**
		Expected Count	11.2	21.8	17.4	1.6	**52.0**
	Professional	Count	9	19	17	2	**47**
		Expected Count	10.1	19.7	15.7	1.4	**47.0**
	Others	Count	6	20	8	0	**34**
		Expected Count	7.3	14.3	11.4	1.0	**34.0**
Total		**Count**	**43**	**84**	**67**	**6**	**200**
		Expected Count	**43.0**	**84.0**	**67.0**	**6.0**	**200.0**
Chi Square (Calculated value)			10.148				
Degrees of freedom			9				
Tabulated value			16.919				

Level of significance: 5%

As the calculated value is less than the tabulated value, the null hypothesis is accepted that there is no association between the profession pursued and the perception regarding the purpose for which insurance is sought.

3. Extent of relationship between the Annual Income and the perception regarding the purpose for taking Insurance (Table 10)

H_o: There is no association between Annual Income and his perception regarding the purpose for taking Insurance.

TABLE 10: ASSOCIATION BETWEEN ANNUAL INCOME AND PURPOSE OF INSURANCE

			Purpose of Insurance				Total
			Savings tool	Protection tool	Both	None	
Annual Income	< Rs 150000	Count	16	20	11	2	**49**
		Expected Count	10.5	20.6	16.4	1.5	**49.0**
	Rs 150000-300000	Count	7	21	21	0	**49**
		Expected Count	10.5	20.6	16.4	1.5	**49.0**
	Rs 300000-500000	Count	15	28	20	3	**66**
		Expected Count	14.2	27.7	22.1	2.0	**66.0**
	> Rs 500000	Count	5	15	15	1	**36**
		Expected Count	7.7	15.1	12.1	1.1	**36.0**
Total		**Count**	**43**	**84**	**67**	**6**	**200**
		Expected Count	**43.0**	**84.0**	**67.0**	**6.0**	**200.0**
Chi Square (Calculated value)			11.244				
Degrees of freedom			9				
Tabulated value			16.919				

Level of Significance: 5%

As the calculated value is less than the tabulated value, the null hypothesis is accepted that there is no association between the Annual Income and the perception regarding the purpose for which insurance is sought.

4. Extent of relationship between the place of residence and the perception regarding the purpose for taking Insurance (Table 11)

H_o: There is no association between place of residence and the perception regarding the purpose for taking Insurance.

TABLE 11: ASSOCIATION BETWEEN THE PLACE TO WHICH THE RESPONDENTS' BELONG AND PURPOSE OF INSURANCE

			Purpose of Insurance				Total
			Savings tool	Protection tool	Both	None	
Place	Jaipur	Count	12	18	17	3	**50**
		Expected Count	10.8	21.0	16.8	1.5	**50.0**
	Jodhpur	Count	13	21	15	1	**50**
		Expected Count	10.8	21.0	16.8	1.5	**50.0**
	Kota	Count	13	21	16	0	**50**
		Expected Count	10.8	21.0	16.8	1.5	**50.0**
	Udaipur	Count	5	24	19	2	**50**
		Expected Count	10.8	21.0	16.8	1.5	**50.0**
Total		**Count**	**43**	**84**	**67**	**6**	**200**
		Expected Count	**43.0**	**84.0**	**67.0**	**6.0**	**200.0**
Chi Square (Calculated value)			8.876				
Degrees of freedom			9				
Tabulated value			16.919				

Level of Significance: 5%

As the calculated value is less than the tabulated value, the null hypothesis is accepted that there is no association between the place of residence and the perception regarding the purpose for which insurance is sought.

5. Extent of relationship between the Insurance Status and the perception regarding the purpose for taking Insurance (Table 12)

H_o : There is no association between the Insurance Status and the perception regarding the purpose for taking Insurance.

TABLE 12: ASSOCIATION BETWEEN INSURANCE STATUS AND PURPOSE OF INSURANCE

			Purpose of Insurance				Total
			Savings tool	Protection tool	Both	None	
Insured	Uninsured	Count	17	31	28	4	80
		Expected Count	17.2	33.6	26.8	2.4	80.0
	Insured	Count	26	53	39	2	120
		Expected Count	25.8	50.4	40.2	3.6	120.0
Total		Count	43	84	67	6	200
		Expected Count	43.0	84.0	67.0	6.0	200.0
Chi Square (Calculated value)			2.207				
Degrees of freedom			3				
Tabulated value			7.815				

Level of significance: 5 %

As the calculated value is less than the tabulated value, the null hypothesis is accepted that there is no association between the status of Insurance and the perception regarding the purpose for which insurance is sought.

6. Extent of relationship between the Age and the perception regarding the purpose for taking Insurance (Table 13)

H_o: There is no association between Age and the perception regarding the purpose for taking Insurance.

TABLE 13: ASSOCIATION BETWEEN THE AGE AND PURPOSE OF INSURANCE

			Purpose of Insurance				Total
			Savings tool	Protection tool	Both	None	
Age	< 30 years	Count	7	22	14	2	45
		Expected Count	9.7	18.9	15.1	1.4	45.0
	30-40 years	Count	12	27	24	0	63
		Expected Count	13.5	26.5	21.1	1.9	63.0
	40-50 years	Count	16	21	17	2	56
		Expected Count	12.0	23.5	18.8	1.7	56.0
	50-60 years	Count	6	10	8	2	26
		Expected Count	5.6	10.9	8.7	.8	26.0
	> 60 years	Count	2	4	4	0	10
		Expected Count	2.2	4.2	3.4	.3	10.0
Total		Count	43	84	67	6	200
		Expected Count	43.0	84.0	67.0	6.0	200.0
Chi Square (Calculated value)			8.430				
Degrees of freedom			12				
Tabulated value			21.026				

Level of significance: 5 %

As the calculated value is less than the tabulated value, the null hypothesis is accepted that there is no association between the age and the perception regarding the purpose for which insurance is sought.

CONCLUSION

Maslow's need hierarchy states that the security needs come after the fulfillment of the basic needs and hence the need for insurance should be different for people of different age and income groups. But the study shows that there is no association between the selected demographic factors and the class to insurance is relevant or the purpose for insurance cover is sought. Hence as serious awareness campaign regarding the need and reliance of insurance should be taken up by the regulators and the stakeholders concerned for the providing better social and financial security.

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IMPACT OF MERGERS & ACQUISITIONS ON THE PERFORMANCE OF COMPANIES

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ABSTRACT

This paper is an attempt to evaluate the Performance Analysis of Mergers & Acquisition of different Companies. Theories of mergers assumed that the performance of companies increase after mergers & acquisitions due to gaining market share, synergy creation, diversification, cross selling, resource transfer etc. The objective of this study was to analyze operating performance of companies who involved in mergers & acquisitions using various ratios. The analysis was done using the data of two years before & after mergers & acquisitions with help of paired sample t-test. The results suggest that there were minor variations in the performance after M&A. but it was not statistically significant.

KEYWORDS

Mergers & acquisitions, Operating performance, Ratios.

INTRODUCTION

The Indian economy is growing fast and emerging at the top in the no. of sectors like IT, R&D, pharmaceutical, infrastructure, energy, consumer retail, telecom, financial services, media, and hospitality etc. India is second fastest growing economy in the world with growth rate 9.3 % last year. The growth momentum was supported by the double digit growth of the services sector at 10.6% and industry at 9.7% in the first quarter of 2006-07. Indian market is growing and proliferating phase from the view point of Investors, giant companies and industrial houses for the purpose of return on investment. From the last two decades, the growth of mergers and acquisitions increased in inbound and outbound both. According to Investment bankers, Merger & Acquisition (M&A) deals in India have crossed $100 billion in the year 2006-07, which was double the last year.

In the first two months of 2007, corporate India witnessed deals worth close to $40 billion. One of the first overseas acquisitions by an Indian company in 2007 was **Mahindra & Mahindra**'s takeover of 90 percent stake in **Schoneweiss**, a family-owned German company with over 140 years of experience in forging business. Another headline of this year was **Tata's** takeover of **Corus** for $10 billion. Besides that deal, **Hutchison Whampoa** of Hong Kong sold their controlling stake in **Hutchison-Essar** to **Vodafone** for $11.1 billion. A Bangalore-based **MTR's** packaged food division found a buyer in **Orkala**, a Norwegian company for $100 million. The Service sector has also joined the game of M&A. The taxation practice of Mumbai-based **RSM Ambit** was acquired by **PricewaterhouseCoopers**. There are many other bids in the pipeline. The earning capacity of Indian companies has increased 20-25% in last four years which contribute to M&A as an effective strategy to expand their business and acquire global footprint.

MERGERS AND ACQUISITIONS IN DIFFERENT SECTORS IN INDIA

The volume of M&A is increased in no. of sectors like finance, telecom, FMCG, construction materials, automotives and metals. The financial sector has contributed 20% of total volume of M&A, Telecom sector accounted for 16% while FMCG and construction materials accounted for 13% and 10% respectively during the year 2005.

The important M&A taken place in banking sector includes the merger between IDBI (Industrial Development bank of India) and its own subsidiary IDBI Bank for $ 174.6 million (Rs. 7.6 billion in Indian currencies) and merger of Centurion Bank and Bank of Punjab led to create 235 branches of Centurion Bank of Punjab.

In case of telecom sector, SingTel has increased their stake from 26.96 % to 32.8 % in Bharti Telecom for worth $252 million (Rs. 10.9 billion in Indian currency).

The M&A deal in Foods and FMCG sector includes the acquisition of Shaw Wallace and Company was acquired by United Breweries Group owned by Vijay Mallya and deal was worth $371.6 million and acquisition of 90% stake in Williamson Tea Assam by McLeod Russell India. A construction materials sector, Holcim has acquired 67 % stake in Ambuja Cement India Ltd, a Swiss company for $634.9 million (Rs 27.3 billion in Indian currency).

It was a very rare news couple of years back, that the Indian companies acquired American-European entities. However, this scenario has taken a sudden U turn that the Indian Companies acquiring foreign businesses is more common than other.

The new acquisition trend have been contributed by buoyant Indian Economy, extra cash with Indian corporate, Government policies and newly found dynamism in Indian businessmen. Now Indian companies are aggressively looking at North American and European markets to spread their wings and become the global players.

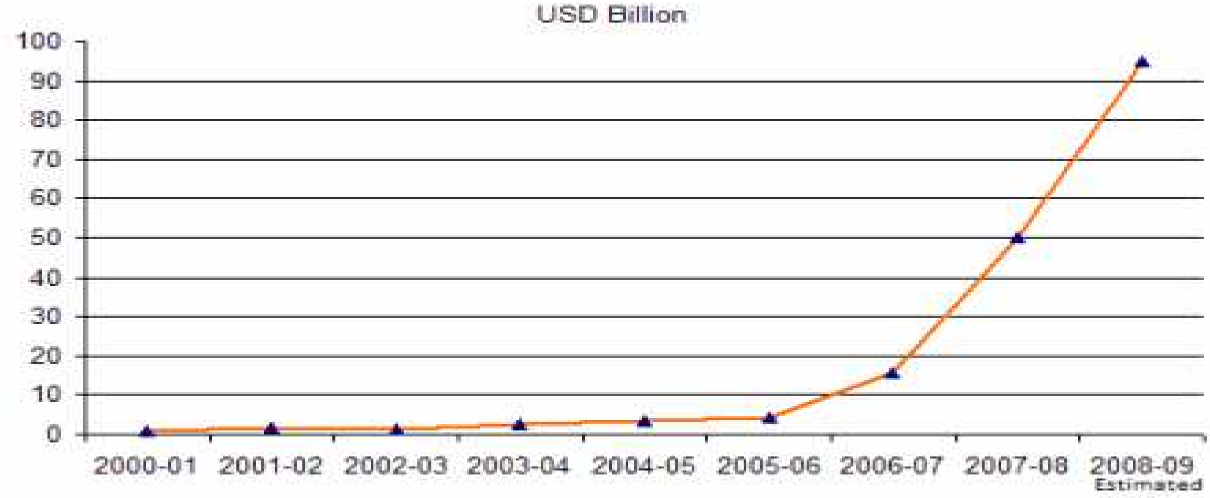
The Indian IT and ITES sector has already a strong presence in foreign markets and other sectors are also now growing rapidly to enter into foreign market. The increasing engagement of the Indian companies in the world markets is not only an indication of the maturity reached by Indian Industry but also the extent of their participation in the overall globalization process.

FIGURE: 1 HERE IS THE TOP 10 ACQUISITIONS MADE BY INDIAN COMPANIES WORLDWIDE

Acquirer	Target Company	Country targeted	Deal value ($ ml)	Industry
Tata Steel	Corus Group plc	UK	12,000	Steel
Hindalco	Novelis	Canada	5,982	Steel
Videocon	Daewoo Electronics Corp.	Korea	729	Electronics
Dr. Reddy's Labs	Betapharm	Germany	597	Pharmaceutical
Suzlon Energy	Hansen Group	Belgium	565	Energy
HPCL	Kenya Petroleum Refinery Ltd.	Kenya	500	Oil and Gas
Ranbaxy Labs	Terapia SA	Romania	324	Pharmaceutical
Tata Steel	Natsteel	Singapore	293	Steel
Videocon	Thomson SA	France	290	Electronics
VSNL	Teleglobe	Canada	239	Telecom

The above top deals accounted nearly for US $ 21,500 million which was more than double the amount involved in US companies' acquisition of Indian counterpart.

FIGURE: 2 GRAPHICAL REPRESENTATIONS OF TOTAL INDIAN OUTBOUND DEALS FROM 2000 TO 2009



Have a look at some of the highlights of Indian Mergers and Acquisitions scenario as it stands

Source: http://ibef.org

The value of Indian outbound deals were at **US$ 0.7 billion in the year 2000-01**, **US$ 4.3 billion in 2005**, and further crossed US$ 15 billion-mark in 2006. In fact, year 2006 has been remembered in India's corporate history as a year when Indian companies covered a lot of new ground. They went shopping across the globe and acquired a number of strategically significant companies. This comprised 60 per cent of the total mergers and acquisitions (M&A) activity in India during 2006 and **almost 99 per cent of acquisitions were made with cash payments.**

The total 287 M&A deals took place during January-May 2007 **with a value of US$ 47.37 billion**. From those deals, total outbound **cross border deals were 102 with a value of US$ 28.19 billion**, representing 59.5 per cent of the total M&A activity in India.

The total 102 M&A deals took place January-February 2007 with a value of US$ 36.8 billion. From those deals, the total outbound cross border deals were 40 with a value of US$ 21 billion.

There were 111 M&A deals took place with a total value of about US$ 6.12 billion in March and April 2007. From those deals, the numbers of outbound cross border deals were 32 with a value of US$ 3.41 billion.

There were 74 M&A deals with a total value of about US$ 4.37 billion in May 2007 out of them; the numbers of outbound cross border deals were 30 with a value of US$ 3.79 billion.

The sectors which induce to corporate India includes metals, pharmaceuticals, industrial goods, automotive components, beverages, cosmetics and energy in manufacturing, and mobile communications, software and financial services while pharmaceuticals, IT and energy being the prominent ones among these sectors.

REVIEW OF LITERATURE

There have been very limited studies on mergers and acquisitions in India. Mergers and Acquisitions are considered to be lifeblood for growth of company in competitive environment. There have been numerous M & A were taken place last two decades in India but very few performed as per expectation. So it becomes critical question to the researcher whether merged company has achieved the expected performance.

Pawaskar has analyzed the operating performance of the companies during 1992-95 using financial indicators like profitability, growth, leverage and liquidity. The study has found that acquiring firm performs better than the industry in terms of profitability but not performed well compared to competitiors.

The study entitled, 'Takeovers as a Strategy of Turnaround' by Ravi Sanker and Rao K.V. (1998) analyzed the financial position of takeovers by using various ratios and other financial parameters. They observe that turnaround succeeded only when company is having expertise of resource management.

Jaykumar S. (1999) evaluates mergers and acquisitions strategic benefit expected by the companies. The author has also examined how share prices changes at the time of announcement of merger.

Canagavally. R. (2000) analyzed the performance of companies before and after merger by using various parameters like risk, size, profitability and growth. They have also examined the response of share price at time of announcement of merger.

Beena P.L. (2000) evaluates the performance before and after merger by using various financial ratios. There has been no evidence found that the result improved by comparing pre and post performance of acquiring companies.

Surjit Kaur (2002) compared the pre and post mergers performance of companies by using various financial ratios. They have compared 3 years before and 3 years after the mergers and acquisitions take place using t-test. The Study has found that profitability and efficiency both declined after merger.

The study entitled, 'Financial Performance of Indian Manufacturing Companies During Pre and Post Merger by S. Vanitha and M. Slevam analyzed the financial performance of 17 manufacturing companies during 2000, 2001and 2002. The financial performance evaluated by using financial ratios[2]. The tools used for analysis were mean, standard deviation and t-test. The study found that merging companies were taken over by companies with reputed and good management in India.

Mahesh Kumar Tambi (2000-2001) evaluated the impact of Mergers on the performance of the companies. They have selected 40 companies and analyzed them by using four parameters.[3] The performance was evaluated 2 years pre and 2 years post mergers during year 2000-2001. The study has concluded that mergers were failed to improve the performance.

RESEARCH METHODOLOGY

STATEMENT OF PROBLEM

Mergers and Acquisitions take place due to various reasons. Therefore it is important to analyze their impact on the performance of company. It is significant to measure whether the company has realized their goal for what actually they meant for.

OBJECTIVES OF THE STUDY

PRIMARY OBJECTIVE

To ascertain the impact of Mergers & Acquisitions on the performance of companies.

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[2] Ratios used were Current ratio, Quick ratio, Net working capital Ratio, Diversion of short term funds Ratio, Total debt to equity ratio, Total borrowing and equity to EBITD, Interest coverage ratio, Operating Ratio, Net Profit Ratio, Return on Investment ratio and Return on Net worth Ratio.

[3] Total Performance improvement, Economies of scale, Operation Synergy and Financial Synergy.

SECONDARY OBJECTIVE

To evaluate the Operating performance before and after Mergers & Acquisitions.

HYPOTHESIS OF THE STUDY

H0: There is no significance change in the performance of a company before & after M & A.
H1: There is a significance change in the performance of a company before & after M & A.

RESEARCH DESIGN

Exploratory Studies

When researcher is not having clear idea about the research problem then exploratory study is used. Researcher develops concepts more clearly, establishes priorities and improve the final research design with the help of exploration. Exploration may also save the time and money. Exploration serves other purposes as well, like when the new or so vague investigation projects are there at that time this study will make researcher understand about the dilemma facing the manager.

So here I have used Exploratory Research Design for purpose of study.

SAMPLING TECHNIQUE

The sample industries and companies were identified at randomly from the mergers and acquisitions taken place during year 2007. Mergers & Acquisitions where two years of data for pre-merger and post-merger was not available or dissolved were removed from the study sample. Total 35 companies form 6 industries were considered for the study. The details of sample size are given in Table 1.

TABLE 1: LIST OF MERGED COMPANIES DURING THE YEAR 2007

Sr.No.	Name of the industry	Total Merged Companies
1	Cement	5
2	Computer Software	5
3	Textile & Textiles product	6
4	Construction	8
5	Entertainment	5
6	Steel	6

DATA COLLECTION METHOD

There are mainly two sources of gathering information about research problem. Sometimes information required is already available as a secondary data and it needs to be extracted.

Here I have used secondary sources of information and Data were collected from the Capitaline Software. Some information was collected from Annual reports, books and websites.

PERIOD OF THE STUDY

The study is mainly focus to evaluate the operating performance of merged companies two years before and two years after mergers.

DATA ANALYSIS

Operating performance of companies were compared by averages computed for the sample pre and post mergers and compared to see if there was any statistically significant change in the operating performance due to mergers by using “Paired sample t-test”.

TOOLS USED FOR ANALYSIS

In order to evaluate the operating performance of merged companies, tools like ratio analysis and‘t’ test have been used.

DATA ANALYSIS & INTERPRETATION

(A) ANA LYSIS OF ALL MERGERS IN THE SAMPLE

TABLE 2: ALL MERGERS: MEAN PRE-MERGER AND POST-MERGER RATIOS FOR MERGING FIRMS

Ratios	Pre Merger (2 yrs before)	Post Merger (2 yrs after)	t-test (0.05 significance)
Operating Profit Ratio	18.66	35.64	.078
Gross Profit Ratio	12.93	29.70	.092
Net Profit Ratio	5.98	18.48	.112
Debt Equity Ratio	1.53	1.35	.593
Current Ratio	2.74	3.20	.526
Return on Capital Employed	13.64	12.55	.543
Return on Net Worth	18.51	10.81	.057

The comparison of the pre-merger and post-merger operating performance ratios for the entire sample set of mergers showed that there was a increase in the mean operating profit margin (18.66% to 35.64%), but the increase was not statistically significant (t-statistic value of 0.078). However gross profit margin (12.93% to 29.70%) and net profit margin (5.98% to 18.48%) ratios showed statistically insignificant in the post-merger period (t-statistic values of 0.092 and 0.112).

The result of debt equity ratio decreased after merger (1.53 to 1.35), and decreased was not statistically significant (t-value of 0.593). The current ratio also increased after merger (2.74 to 3.20) but increased was not statistically significant (t-value of 0.526).

Mean return on capital employed (13.64% to 12.55%) and return on net worth (18.51% to 10.81%) showed statistically significant decline post the merger (t-values of o.543 and 0.057 respectively).

(B) ANALYSIS OF OPERATING PERFORMANCE OF ACQUIRING FIRMS IN DIFFERENT INDUSTRIES

(I) CEMENT

TABLE 3: MEAN PRE-MERGER AND POST-MERGER RATIOS FOR ACQUIRING FIRMS IN CEMENT SECTOR

Ratios	Pre Merger (2 yrs before)	Post Merger (2 yrs after)	t-test (0.05 significance)
Operating Profit Ratio	8.94	24.60	.162
Gross Profit Ratio	7.30	17.81	.117
Net Profit Ratio	0.24	9.44	.120
Debt Equity Ratio	1.87	1.18	.378
Current Ratio	1.87	1.27	.351
Return on Capital Employed	11.16	21.53	.177
Return on Net Worth	8.94	24.60	.162

The result of mean operating profit ratio increased marginally during post merger period (8.94% to 24.60%), and the increased was not statistically significant (t-value of 0.162). Similarly, the mean gross profit margin (7.30% to 17.81%) and net profit margin (0.24% to 9.44%) also increased during post-merger period, and the increases were not statistically significant (t-values of 0.117 and 0.120)

The mean debt-equity ratio decreased after merger (1.87 to 1.18), and decreased was not statistically significant (t-value of 0.378). The result of current ratio decreased during post-merger period (1.87 to 1.27), and decreased was also not statistically significant (t-value of 0.351).
The result of return on capital employed increased marginally (11.16% to 21.53), and mean return on net worth (8.94% to 24.60%) both showed a statistically insignificant during the post-merger period (t- values of 0.117 and 0.162 respectively).

(II) COMPUTER SOFTWARE

TABLE 4: MEAN PRE-MERGER AND POST-MERGER RATIOS FOR ACQUIRING FIRMS IN COMPUTER SOFTWARE SECTOR

Ratios	Pre Merger (2 yrs before)	Post Merger (2 yrs after)	t-test (0.05 significance)
Operating Profit Ratio	8.92	6.07	.496
Gross Profit Ratio	17.99	13.6 6	.546
Net Profit Ratio	13.58	5.43	.273
Debt Equity Ratio	0.21	0.34	.624
Current Ratio	5.62	9.23	.502
Return on Capital Employed	6.64	5.23	.722
Return on Net Worth	8.92	6.07	.496

The result of mean operating profit ratio decreased during post merger period (8.92% to 6.07%), and the decreased was not statistically significant (t- value of 0.496). Similarly, the mean gross profit margin (17.99% to 13.66%) and net profit margin (13.58% to 5.43%) also decreased during post-merger period, and the decreases were not statistically significant (t-values of 0.546 and 0.273)
The mean debt-equity ratio increased after merger (0.21 to 0.34), and increased was not statistically significant (t-value of 0.624). The result of current ratio increased during post-merger period (5.62 to 9.23), and increased was also not statistically significant (t-value of 0.502).
The result of return on capital employed decreased (6.64% to 5.23), and mean return on net worth (8.92% to 6.07%) both showed a statistically insignificant during the post-merger period (t- values of 0.722 and 0.496 respectively).

(III) TEXTILES AND TEXTILE PRODUCTS

TABLE 5: MEAN PRE-MERGER AND POST-MERGER RATIOS FOR ACQUIRING FIRMS IN TEXTILES AND TEXTILE PRODUCTS SECTOR

Ratios	Pre Merger (2 yrs before)	Post Merger (2 yrs after)	t-test (0.05 significance)
Operating Profit Ratio	11.81	4.61	.143
Gross Profit Ratio	8.45	-2.68	.079
Net Profit Ratio	3.72	-6.81	.070
Debt Equity Ratio	1.80	3.07	.386
Current Ratio	1.27	1.18	.277
Return on Capital Employed	13.03	2.70	.004
Return on Net Worth	19.18	-8.67	.016

The result of mean operating profit ratio decreased marginally during post merger period (11.81% to 4.61%), and the decreased was not statistically significant (t- value of 0.143). Similarly, the mean gross profit margin (8.45% to -2.68%) and net profit margin (3.72% to -6.81%) also decreased during post-merger period, and the decreases were not statistically significant (t-values of 0.079 and 0.070)
The mean debt-equity ratio increased after merger (1.80 to 3.07), and increased was not statistically significant (t-value of 0.386). The result of current ratio decreased during post-merger period (1.27 to 1.18), and decreased was also not statistically significant (t-value of 0.277).
The result of return on capital employed decreased (13.03% to 2.70%), and mean return on net worth (19.18% to -8.67%) both showed a statistically significant during the post-merger period (t- values of 0.004 and 0.016 respectively).

(IV) CONSTRUCTION

TABLE 6: MEAN PRE-MERGER AND POST-MERGER RATIOS FOR ACQUIRING FIRMS IN CONSTRUCTION SECTOR

Ratios	Pre Merger (2 yrs before)	Post Merger (2 yrs after)	t-test (0.05 significance)
Operating Profit Ratio	29.68	61.65	.005
Gross Profit Ratio	11.24	49.25	.022
Net Profit Ratio	10.40	37.33	.049
Debt Equity Ratio	1.70	0.95	.342
Current Ratio	3.62	3.97	.751
Return on Capital Employed	15.65	16.94	.730
Return on Net Worth	32.38	19.22	.291

The result of mean operating profit ratio increased marginally during post merger period (29.68% to 61.65%), and the increased was statistically significant (t-value of 0.005). Similarly, the mean gross profit margin (11.24% to 49.25%) and net profit margin (10.40% to 37.33%) also increased during post-merger period, and the increases were statistically significant (t-values of 0.02 and 0.049)
The mean debt-equity ratio decreased after merger (1.70 to 0.95), and decreased was not statistically significant (t-value of 0.342). The result of current ratio increased during post-merger period (3.62 to 3.97), and increased was also not statistically significant (t-value of 0.751).
The result of return on capital employed increased (15.65% to 16.94), and mean return on net worth decreased (32.38% to 19.22%) both showed a statistically insignificant during the post-merger period (t- values of 0.730 and 0.291 respectively).

(V) ENTERTAINMENT

TABLE 7: MEAN PRE-MERGER AND POST-MERGER RATIOS FOR ACQUIRING FIRMS IN ENTERTAINMENT SECTOR

Ratios	Pre Merger (2 yrs before)	Post Merger (2 yrs after)	t-test (0.05 significance)
Operating Profit Ratio	13.13	11.46	.518
Gross Profit Ratio	30.71	25.13	.619
Net Profit Ratio	16.34	8.76	.478
Debt Equity Ratio	0.38	0.16	.402
Current Ratio	2.57	2.12	.600
Return on Capital Employed	16.30	17.00	.789
Return on Net Worth	13.13	11.46	.518

The result of mean operating profit ratio decreased during post merger period (13.13% to 11.46%), and the decreased was not statistically significant (t- value of 0.518). Similarly, the mean gross profit margin (30.71% to 25.13%) and net profit margin (16.34% to 8.76%) also decreased during post-merger period, and the decreases were not statistically significant (t-values of 0.619 and 0.478)

The mean debt-equity ratio decreased after merger (0.38 to 0.16), and decreased was not statistically significant (t-value of 0.402). The result of current ratio decreased during post-merger period (2.57 to 2.12), and increased was also not statistically significant (t-value of 0.600).
The result of return on capital employed increased (16.30% to 17.00), and mean return on net worth (13.13% to 11.46%) both showed a statistically insignificant during the post-merger period (t- values of 0.789 and 0.518 respectively).

(VI) STEEL

TABLE 8: MEAN PRE-MERGER AND POST-MERGER RATIOS FOR ACQUIRING FIRMS IN STEEL SECTOR

Ratios	Pre Merger (2 yrs before)	Post Merger (2 yrs after)	t-test (0.05 significance)
Operating Profit Ratio	22.56	19.81	.732
Gross Profit Ratio	7.30	14.30	.120
Net Profit Ratio	2.04	9.34	.104
Debt Equity Ratio	2.83	2.12	.472
Current Ratio	1.47	1.67	.112
Return on Capital Employed	17.25	11.45	.135
Return on Net Worth	19.79	10.99	.207

The result of mean operating profit ratio decreased during post merger period (22.56% to 19.81%), and the decreased was not statistically significant (t- value of 0.732). Similarly, the mean gross profit margin (7.30% to 14.30%) and net profit margin (2.04% to 9.34%) increased during post-merger period, and the increases were not statistically significant (t-values of 0.120 and 0.104)
The mean debt-equity ratio decreased after merger (2.83 to 2.12), and increased was not statistically significant (t-value of 0.472). The result of current ratio increased during post-merger period (1.47to 1.67), and increased was also not statistically significant (t-value of 0.112).
The result of return on capital employed decreased (17.25% to 11.45), and mean return on net worth (19.79% to 10.99%) both showed a statistically insignificant during the post-merger period (t- values of 0.135 and 0.207 respectively).

FINDINGS

The performance of overall industry indicates that there was increased in Operational efficiency and profitability of six selected industries but unable to generate return from the total capital invested. The result of Cement Industry shows statistically insignificant increases in Operating efficiency and Return on Investment both but decrease in Debt equity ratio and current ratio after acquiring company.
The performance of Computer Software industry decline in Operational efficiency and Return on invested capital while increase in debt equity and current assets due to addition of assets of the acquired company. The merger of this industry had helped increase the scale of operations and asset size without affecting the profit margins. The result of Textile and textile products shows that mergers had caused slight improvement but statistically insignificant decline in operating performance, in terms of profitability and returns on invested capital.
The performance of Construction Sector increased marginally in terms of Operational efficiency, profitability and return in capital employed but return on net worth decline substantially statistically insignificant. The result of Entertainment Sector shows statistically insignificant marginally decline in profitability and return on investment both. Debt equity ratio and current ratio also decline after mergers.
The performance of Steel Industry declined in terms of Operational efficiency and return on investment but profitability has increased after mergers. The performance increases and decreases were statistically insignificant.

CONCLUSION

The study was done to measure the impact of mergers and acquisition on the performance of companies in terms of operating performance. The result has proved that companies failed to perform well after mergers and acquisitions in all parameters understudy. The analysis shows that performance was different from different industry. Hence performance of company depends on the type of industry in which mergers and acquisitions take place.

FUTURE SCOPE OF THE STUDY

1. The study with similar objectives could me made from time to time.
2. The study could be made of other industries with similar objectives also.
3. Researcher can also judge the impact of M & A on Shareholder's wealth.

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FOREIGN DIRECT INVESTMENT: IMPORTANCE, GROWTH & EMPLOYMENT OPPORTUNITIES IN INDIA

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ABSTRACT

Increasing foreign investment can be used as one measure of growing economic globalization. Foreign direct investments have become the major economic driver of globalization. Various sectors of economies are their which grows & nurtures because of FDI. The Foreign Direct Investment is responsible for countries over all growth. It creates infrastructure, improves services & supply chains. Employment generation is another positive effect of FDI. India enjoys a strong position as a global investment hub with the country registering high economic growth. It is important to study the growth & changes investors of FDI in India during last ten years. Also try to understand the relations between FDI & employment generation.

KEYWORDS

economic driver, Employment, FDI, Growth, economic driver.

I. INTRODUCTION

Foreign direct investments have become the major economic driver of globalization, accounting for over head of all cross-border investments. Historically, FDI has been directed at developing nations as firms from advanced economies invested in other markets, with the US capturing most of the FDI inflows. While developed countries still account for the largest share of FDI inflows, the flow of FDI has increased and is moving towards developing nations, especially in the emerging economies around the world.

India enjoys a strong position as a global investment hub with the country registering high economic growth figures even during the peak of financial meltdown. As a result, overseas investors rested their confidence in the economy which eventually pushed Foreign Direct Investments (FDI) in India. Increasing foreign investment can be used as one measure of growing economic globalization.

II. LITERATURE REVIEW

- Laura Alfaro (2003) in the paper 'foreign direct investment & growth' stated that Although it may seem natural to argue that foreign direct investment (FDI) can convey great advantages to host countries, the benefits of FDI vary greatly across sectors. The foreign direct investment effects on growth in the primary, manufacturing, and services sectors.
- Sumon K.Bhumik (2003) examined in the paper 'Survey of FDI in India' that as with the overall economic reforms programme, India's performance with respect to FDI remains a mixed bag. The average MNC remains satisfied with growth in labour productivity, revenue and profits, and remains willing to transfer technological resources to the Indian affiliate.
- Kulwindar Singh (2005) stated in paper that the government while serious in its efforts to induce growth in the economy and country started with foreign investment in a haphazard manner. While it is accepted that the government was under compulsion to liberalize cautiously, the understanding of foreign investment was lacking.

III. RESEARCH METHODOLOGY

The Researcher uses secondary data available on internet & in written form. For the study purpose the data has been collected throw various websites like website of Reserve Bank of India, Government of India, DIPP, FIPB etc. various reports are collected through websites of the concern authorities. The researcher also uses books & written reports available in libraries & journals.

IV. WHAT IS FDI?

Foreign direct investment (FDI) or foreign investment refers to the net inflows of investment to acquire a lasting management interest in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, other long-term capital, and short-term capital as shown in the balance of payments. It usually involves participation in management, joint-venture, transfer of technology and expertise. There are two types of FDI: inward foreign direct investment and outward foreign direct investment, resulting in a net FDI inflow (positive or negative) and "stock of foreign direct investment", which is the cumulative number for a given period. Direct investment excludes investment through purchase of shares.

Foreign direct investment, in its classic definition, is defined as a company from one country making a physical investment into building a factory in another country. The direct investment in buildings, machinery and equipment is in contrast with making a portfolio investment, which is considered an indirect investment. In recent years, given rapid growth and change in global investment patterns, the definition has been broadened to include the acquisition of a lasting management interest in a company or enterprise outside the investing firm's home country. As such, it may take many forms, such as a direct acquisition of a foreign firm, construction of a facility, or investment in a joint venture or strategic alliance with a local firm with attendant input of technology, licensing of intellectual property

V. IMPORTANCE OF FDI

FDI is very important especially for developing country like India. There are several benefits of FDI over the economy of the receiving country. These benefits could be classified mainly in four types

A. Growth and Employment

Productive FDI usually brings long lasting and stable capital flows as they are invested in long term assets. These funds are introduced into a country's economy contributing to the aggregate demand of the economy, and therefore to the growth of the economy of a country. Companies within the country, due to the competition brought in by FDI; tend to become more productive to effectively counter the threat of the competitor from abroad. Higher productivity of companies contributes to the growth of a country's economy.

Employment generation is another positive effect of FDI. As a country becomes more productive, its competitiveness increases. With increases competitiveness, employment is created and the introduction to the world economy is more feasible.

B. Technology and Know How

FDI allows for the transfer of technology and specialized knowledge which in turns favors and increase in productivity.

C. Access to Goods and Services

FDI may bring new goods and services, allowing the receiving country access to these with the benefit of the local consumers.

D. Fill the Savings Gap

FDI becomes a way to fill the gap between the required funds for growth and the internal savings capacity of a country.

The Foreign Direct Investment is responsible for countries over all growth. It creates infrastructure, improves services & supply chains. It plays major role in helping small scale industries of the nation. The FDI strengthen the countries capabilities in competition. Various sectors of economies are their which grows & nurtures because of FDI. It is depend on country that how much FDI is allows in different sectors. The Indian government allows different percentage of FDI for different sectors. Let's see the rates of FDI in different sectors.

TABLE I: SECTOR SPECIFIC FDI IN INDIA

Sr.No.	Sector	FDI (% allowed)
1.	Hotel & Tourism	100
2.	Private banking	49
3.	Insurance	26
4.	Trading	51
5.	Power	100
6.	Drug & Pharmaceuticals	100
7.	Roads, highways, ports and harbors	100
8.	Telecommunication	49
9.	Pollution control & management	100
10.	Call centers	100

Source: Consolidated FDI policy, Government of India.

Table I. explains the government preferences to the FDI in priority sectors. The table also provides information about the sectors where 100% FDI is allowed by government. These sectors are very important sectors for economic growth of the nation.

VI. GROWTH OF FDI IN INDIA

India ranks second in the world in terms of financial attractiveness, people and skills availability and business environment. India has a strong position as a global investment hub with the country registering high economic growth. As a result, overseas investors rested their confidence in the economy which eventually pushed foreign direct investments (FDI) in India. Around US$ 48 billion of FDI has been pumped in the Indian economy in the last two years.

The government is in the process of fine tuning FDI rules in order to make India more attractive as FDI destination. Let us see the growth of FDI in India from 2000 to 2011.

TABLE II: FOREIGN DIRECT INVESTMENT FLOWS

Sr.No.	Financial Year	Total FDI Flows (amount in US $ millions)	% growth over previous year
1.	2000-01	4,029	-
2.	2001-02	6,130	(+) 52%
3.	2002-03	5,035	(-) 18%
4.	2003-04	4,322	(-) 14%
5.	2004-05	6,051	(+) 40%
6.	2005-06	8,961	(+) 48%
7.	2006-07	22,826	(+) 146%
8.	2007-08	34,835	(+) 53%
9.	2008-09	37,838	(+) 09%
10.	2009-10	37,763	(-) 0.2%
11.	2010-11	30,380	(-) 20%
12.	2011-12	20,973	-
	Cumulative Total	219,143	

Source: RBI Bulletins

The table II. Reveals the truth about growth of FDI in India. As per table 2. Year 2001-02 shows a very good growth of 52%, but year 2002 &03 shows negative growth constantly. From year 2004 to 2008 FDI flow shows positive growth where the highest growth percentage was recorded in 2006-07 i.e. 146%. In the recent years also FDI flow shows negative growth that mean it is decreasing. This also means government has to take more initiatives for attracting FDI in India.

The growth of financial year-wise FDI equity inflows means for equity capital components are like…

TABLE III: FOREIGN DIRECT INVESTMENT EQUITY INFLOWS

Sr.No.	Financial Year	Amount of FDI inflows (in US$ million)	% growth over previous year
1.	2000-01	2,463	-
2.	2001-02	4,065	(+) 65%
3.	2002-03	2,705	(-) 50%
4.	2003-04	2,188	(-) 19%
5.	2004-05	3,219	(+) 47%
6.	2005-06	5,540	(+) 72%
7.	2006-07	12,492	(+) 125%
8.	2007-08	24,575	(+) 97%
9.	2008-09	27,330	(+) 11%
10.	2009-10	25,834	(-) 05%
11.	2010-11	19,427	(-) 25%
12.	2011-12	17,372	-
	Cumulative Total	147,210	

Source: RBI Bulletins

As per the table No. 3 the FDI equity inflows shows the positive growth during 2001, 05,06,07,08. It also shows negative growth during recent years. This is a critical situation because for the developing country like India FDI plays major role. The FDI has been used for developing several projects within country. Although during the recession period also the FDI flow was continuing which is the important fact.

The growth of the nation is depending on the growth of the sectors presents in nation. There are various sectors in India attracting FDI towards them. The sectors which are most popular & Profitable attract more FDI. Let's try to understand which sectors of India attracting highest FDI.

TABLE IV: SECTORS ATTRACTING HIGHEST FDI

Sr.No.	Sector	Cumulative inflows (Apr.2000– Aug.2011) (in US$ million)	% to total inflows
1.	Service sector	134,000	20%
2.	Telecommunication	56,471	8%
3.	Computer software & hardware	48,010	7%
4.	Housing & real estate	48,038	7%
5.	Construction activities	42,072	6%
6.	Power	30,535	5%
7.	Automobile industry	28,552	4%
8.	Metallurgical industries	23,790	4%
9.	Drugs & pharmaceuticals	21,896	3%
10	Petroleum & natural gas	14,300	2%

Source: RBI reports on FDI inflows 2000-11

Table no. IV revealed the truth behind most attractive sector of India for FDI. As per table service sector is the sector that attracts highest FDI i.e.20% of total FDI inflows during Apr.2010 to Aug.2011. After service sector telecommunication is the second sector that attracts 8% of the total FDI inflows. Computer & real estate sectors were attracting 7% each. At the lowest petroleum & gas sectors which only attracted 2% share of total FDI inflows from Apr.2010 to Aug.2011.

This also shows the fact that service sector is the most popular sector for investment. The foreign investors like to invest in service sector. It is necessary to understand that this service sector provides most important opportunity for India in raising the foreign investment. The government should see this sector as a priority sector & prepare the policies for growth of service sector in India.

The investors are also important who invest & provides an opportunity to a country. In case of India more than forty countries invest their money in India in the form of FDI. The share of top investing countries FDI inflow is like...

TABLE V: SHARE OF TOP INVESTING COUNTRIES FDI EQUITY INFLOWS

Sr.No.	Country	Cumulative inflow (Apr. 00 to Aug. 11) In US$ million	% of total inflows
1.	Mauritius	60172	41%
2.	Singapore	14923	10%
3.	U.S.A.	9910	7%
4.	U.K.	9158	6%
5.	Japan	7019	5%
6.	Netherland	6416	4%
7.	Cyprus	5221	4%
8.	Germany	4278	3%
9.	France	2639	2%
10.	U.A.E.	1974	1%

Source: RBI reports 2000-11

Mauritius is the top most investor in India whose average share was 41% in the total FDI during last ten years. Singapore is also investing up to 10% of total FDI in India. Likely other investors are also there who invest in India which provides an opportunity of growth to the developing country like India.

VII. FDI & EMPLOYMENT

Foreign Direct Investment (FDI) is often seen as a driver for economic development as it may bring capital, technology, management know-how, jobs and access to new markets. While FDI and multinational enterprises (MNEs) are often perceived to be beneficial for local development, they have also aroused much controversy and social concerns. The increase in FDI is also reflected by a rise in the number of jobs in the foreign affiliates of MNEs. The potential benefits that FDI can bring to the host economy, including by improving pay and working conditions. These benefits may be direct or indirect.

The FDI can directly or indirectly affect on the employment conditions & industrial relations. In a span of a few years, there have been visible gains from SEZs by way of generating employment, creating world-class infrastructure within the zones, and attracting investment, including FDI. SEZ indirectly not only attracts FDI but also generates employment.

In year 2008-09 1277 units are functioning in SEZs that were set up prior to the enactment of the SEZ Act, 2005. These units provide direct employment to over 2 lakh people, of which 40 per cent are women. Private investment in these SEZs is over Rs. 7,104 crore. FDI plants in Assam, Gujarat and Haryana have relatively high proportions of employment in small cities.

FDI generates employment as well as improves labour capacity, increases wages systems, technological advancement, industrial productivity and overall improvement in businesses. In this way the FDI provides growth to the developing economies.

VIII. CONCLUSION

Foreign Direct Investment is one of the important factors for boosting the economic growth. India is presently rank second in world for attracting investment. As a result, overseas investors rested their confidence in the economy which eventually pushed foreign direct investments (FDI) in India.

At the same time we have to understand the fact that FDI in India shows negative growth in recent years. This means government of India should prepare some policies for protecting their share & maintain their share of FDI in world market. The study shows that service sector was highest attractive sector during last year's so government should concentrate on it.

As the FDI in India directly & indirectly creates job, generates employment as well as improves labour capacity, increases wages systems, technological advancement, industrial productivity and overall improvement in businesses. So the government should attract other nations for investing in India by providing them various facilities. Finally FDI can provide a very good path to India for become an developed economy.

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AN INVESTIGATION ON BRAND PREFERENCE AMONG SPORT SHOE CONSUMERS: A CROSS SECTIONAL INVESTIGATION

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ABSTRACT

The study of consumer behavior in sport helps understand customers. A better understanding of customers can help develop products and services that meet their needs and design marketing strategies to attract new customers and retain existing customers. Consumer has been elated with the kind of reception they are getting from various companies these days. The reason behind a drastic change in consumer behavior is because the consumer is no more treated as a hire purchaser but, he is treated as the decider of the company's fortune. The purpose of the study was to investigate the brand preference of sport shoe consumers in Malnad region of Karnataka State. The subjects for the study were 200 inter university level sports persons from different sports disciplines representing Kuvempu University during the academic year 2011-12. In order to test the hypotheses formulated for the study a self structured questionnaire was constructed with thirty two close ended questions. Percent analysis was carried out wherever necessary and results were depicted with the help of tables and charts. Reebok and Nike brands were highly preferred at the cost of Indian made shoes like ASE, Action and others. Particular brands were preferred because of its perceived quality and durability by the consumers. Least importance was assigned to price, variety or safety provided by the sports shoes to the consumers in this study.

KEYWORDS

Consumer behaviour, sportswear, sports shoes, sports brand, marketing.

INTRODUCTION

Sportswear has become a common and popular category among young people as it identifies them with a more relaxed lifestyle, greater versatility and comfort. This has prompted manufacturers like Nike and Adidas to start expanding their business particularly in Asia as it has the potential to give them higher volume of sales for their products (Yee and Sidek, 2008). Sports shoes have essentially become an inevitable part of any sports person at any level.

Many companies in the sportswear industry try to enhance brand loyalty among their customers. Brand loyalty is a consumer's conscious or unconscious decision that is expressed through the intention or behaviour to repurchase a particular brand continually. Brand loyalty has been proclaimed to be the ultimate goal of marketing (Reichheld & Sasser, 1990). In marketing, brand loyalty consists of a consumer's commitment to repurchase the brand through repeated buying of a product or a service or other positive behaviours such as word of mouth. This indicates that the repurchase decision very much depends on trust and quality performance of the product or service (Chaudhuri & Holbrook, 2001).

Famous brand names can disseminate product benefits and lead to higher recall of advertised benefits than non-famous brand names (Keller, 2003). There are many unfamiliar brand names and alternatives available in the market place. Consumers may prefer to trust major famous brand names. These prestigious brand names and their images attract consumers to purchase the brand and bring about repeat purchasing behaviour and reduce price related switching behaviours (Cadogan & Foster, 2000).

In the past decade, the field of marketing, including consumer behavior has received great attention. Researchers found that when consumers seek information about certain products, they relied on some key sources, which transmitted consumer-related values, attitudes, motivations, and behaviors. Consumer has been elated with the kind of reception they are getting from various companies these days. The reason behind a drastic change in consumer behavior is because the consumer is no more treated as a hire purchaser but, he is treated as the decider of the company's fortune (Bheri, 2004). The study of consumer behavior in sport helps understand customers. A better understanding of customers can help develop products and services that meet their needs and design marketing strategies to attract new customers and retain existing customers.

REVIEW OF LITERATURE

Yee and Sidek (2008) investigated how the respondents are influenced by factors of brand loyalty towards sportswear brands. Previous research adopted seven factors to test in the Malaysian environment. The seven factors of brand loyalty are brand name, product quality, price, style, promotion, service quality and store environment. Brand name has shown strong correlation with brand loyalty. In order to increase customer satisfaction and drive them to be brand loyalists, marketers are encouraged to develop aggressive marketing programs. Questionnaires were distributed and self-administered to 100 respondents. Descriptive analysis, one-way ANOVA and Pearson Correlation were used in this study. The research results showed that there is positive and significant relationship between factors of brand loyalty (brand name, product quality, price, style, promotion, service quality and store environment) with sportswear brand loyalty. Study of more focused factors that are appropriate to the Malaysian environment is recommended in order to obtain accurate information.

Youn, Song and MacLachlan (2008) examined how consumers' brand preferences and price sensitivities evolve as their levels of experience increase in outdoor sports gear categories. Using a Hidden Markov modeling framework, we investigate how consumers evolve along discrete latent states that represent their experience and knowledge levels, and how this corresponds to changes in preference parameters. In our empirical estimation and evaluation of the model we utilize customer membership data from a large outdoor and sporting goods retailer. Existing single-category Hidden Markov approaches require a rich purchase history and do not work well for the types of durable product categories in an area such as sport climbing, as typical customers make relatively few purchases in any single category, even over long periods of time. For this reason we use a multi-category framework in which unobservable experience levels are inferred by leveraging information from multiple categories. Using Hierarchical Bayes estimation, we account for initial consumer heterogeneity as customers first take up the sport at different skill levels. This also allows us to account for consumer heterogeneity in transition probabilities as customers accumulate experience and knowledge at different rates. We model the latent states to follow a Markov chain with a transition probability matrix that is specific to individual customers, and is a function of their cumulative purchases in each category. Thus, we are able to identify the typical brand(s) purchased by customers at different stages of their experience. We find empirical evidence that customer who are beginners or are new to sport climbing will prefer certain brands while customers who have more experience or knowledge of the sport will prefer other brands. The multi-category approach allows us to determine which product category is most indicative of a stage of a consumer's evolution.

Krishna (2012) focused on attitudes and behavior on the concept of the youth's buying behavior towards branded sports shoes, different consumers have got different decision making process. The buyer's ultimate goal is to buy the product of qualitative, quantitative with low/best affordable price. In order to identify different kinds of consumer's behavior towards buying of different branded shoes and Nike sports shoe. Investigator have carried out buying behavior of youth and different kind of consumer behavior models, literature and theory of consumer behavior; and finally, analyzed and concluded.

Yoh, Mohr and Gordon (2012) investigated factors that influence Korean teens' athletic footwear purchase. Four hundred and fifty-six teens participated in the study. Throughout the review of related literature and the conduction of a pilot study, seven characteristics were considered; price, color, style, brand name, comfort, quality, and celebrity endorsement. ANOVA procedures indicated that gender played a significant role in the purchasing behavior of Korean teens. Male teens stated that comfort and quality are the most important factors while female teens revealed that style and color are more important factors than any other factor. Marketers and advertising managers of athletic shoes companies should utilize the findings of this study to communicate with teen consumers more effectively.

Sportswear, including sports shoes, becomes a common and popular category because it gives young people a more relax lifestyle and greater versatility and comfort. It is believed that consumers prefer products of developed countries to products of developing or underdeveloped countries. Ko, Kim and Hoon (2008) tried to compare consumer behaviors for sports shoes in China and Korea. Our research model analyzed relationships among country-of-origin, perceived quality, perceived price, brand image and purchase intention for sports shoes in Korea and China. The country-of-origin was not found to play a significant role in Korea. But it was found to positively influence perceived quality in China. Brand image was found to play an important role in influencing perceived quality and perceived price in Korea and China. Perceived quality was found to influence positively purchase intention in both countries. Perceived price was found to negatively influence purchase intention in China. Implications drawn from this study were discussed.

IMPORTANCE OF THE STUDY

The study was considered significant for the following reasons:

1) Understanding of dynamics in marketing of sport shoe was facilitated.
2) Sports shoe manufacturers could understand the demands of consumers.
3) Feedback derived from consumers to shoe manufacturers was made possible.
4) Helpful for budding shoe companies to understand the preference patterns of consumers.

STATEMENT OF THE PROBLEM

The objective of the study was to investigate the brand preference of sport shoe consumers in Malnad region of Karnataka State.

HYPOTHESES

On the basis of the review of literature and understanding of the research problem it was hypothesized that the consumer perceptions are influenced by explicit factors.

RESEARCH METHODOLOGY

SELECTION SUBJECTS

The subjects for the study were 200 inter university level sports persons from different sports disciplines during the academic year 2011-12. Simple random sampling technique was observed to give equal opportunity to every sports person irrespective of gender and sports discipline. All the subjects belonged to Kuvempu university jurisdiction and their age regarding between twenty to twenty eight years.

SELECTION OF TEST ITEMS

In order to test the hypotheses formulated for the study a self structured questionnaire (Appendix I) was constructed as per the insight of the researcher and literature review. Apart From personal details the questionnaire included 32 closed ended questions framed both in English as well as regional language Kannada. A pilot study was conducted in order to remove ambiguities in the questionnaire.

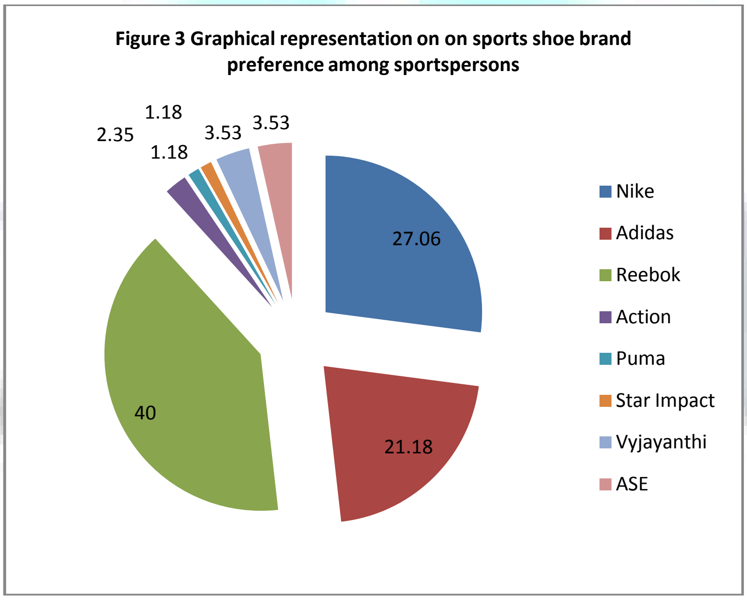
STATISTICAL TECHNIQUES

In order to derive inferences suitable statistical techniques were employed. Percent analysis was carried out wherever necessary and results were depicted with the help of tables and charts.

FINDINGS AND DISCUSSION

All the Inter University level sportspersons selected for the present cross sectional study preferred wearing sports shoes due to inevitableness and the nature of sports. Replacement of sports shoes from time to time is imperative for hassle free high sports performance. It was apparent that the respondents replaced their sports shoes either once in six months (44.71%) or once in a year (51.76%). Information relating to consumer preferred sports shoes brand is provided in figure 1.

FIG. 1



Information relating to factors influencing the selection of particular brand is provided in table 1.

TABLE 1: DETAILS ON FACTORS INFLUENCING SELECTION OF SPORTS SHOE BRAND

Factors	Responses (in Percentage)
Quality	70.59
Durability	23.53
Price	2.35
Variety	2.35
Safety	1.18
Total	100

From the above table it is clear that the majority of respondents prefer a particular brand of sports shoes because of its quality (70.59%). A considerable amount of respondents preferred a particular brand of sports shoes because of its durability (23.53%). A very meager proportion of respondents preferred because of its price, variety or safety.

Table 2 to table 9 provides information on various aspects related to brand loyalty among sportspersons of Malnad region. Table 2 contains details on responses of sportspersons towards brand name of sports shoes.

TABLE 2: INFORMATION PERTAINING TO RESPONSES OF SPORTSPERSONS TOWARDS BRAND NAME OF PREFERRED SPORT SHOES

Aspect	Response	Percentage
Agreement on selection of brand name regardless of price	Yes	76.47
	No	23.53
	Total	**100**
Agreement on reputation of the brand	Yes	91.76
	No	8.24
	Total	**100**
Agreement on brand name and image attracting purchasers	Yes	82.35
	No	17.65
	Total	**100**
Agreement on reflection of personality through brand name	Yes	83.53
	No	16.47
	Total	**100**

From table 2 it is apparent that the subjects (76.47%) select their preferred brand irrespective of price; 91.76% of the subjects agree that their preferred brand is reputable; 82.35% of respondents believed that the brand name and image attracts them in making purchase; 83.53% of respondents agree that the brand name reflects their personality. Table 3 provides details on product quality of preferred brand as perceived by sportspersons of Malnad region.

TABLE 3: INFORMATION PERTAINING TO RESPONSES OF SPORTSPERSONS TOWARDS QUALITY OF PREFERRED BRAND OF SPORT SHOES

Aspect	Response	Percentage
Agreement on fitting of size of sport shoes	Yes	98.82
	No	1.18
	Total	**100**
Agreement on comfort of materials used by preferred brand	Yes	88.24
	No	11.76
	Total	**100**
Agreement on preferred brand providing sufficient colour options	Yes	68.24
	No	31.76
	Total	**100**
Agreement on satisfaction with the quality of preferred brand	Yes	100
	No	00
	Total	**100**

From table 3 it is clear that the majority of the subjects (98.82%) agree on the fitting of the size of preferred brand sport shoes; 88.24% of respondents are comfortable with the materials used by preferred brand; about two third (68.24%) of the subjects agree that their preferred brand provides sufficient colour options for selection; and there is complete agreement on the satisfaction with the quality of preferred brand. Table 4 provides details on aspects relating to style of preferred brand of sport shoes.

TABLE 4: INFORMATION PERTAINING TO RESPONSES OF SPORTSPERSONS TOWARDS STYLE OF PREFERRED BRAND OF SPORT SHOES

Aspect	Response	Percentage
Agreement on provision of wide variety of styles	Yes	77.65
	No	22.35
	Total	**100**
Agreement on suitability of styles of brand	Yes	92.94
	No	7.06
	Total	**100**
Agreement on style of the brand having distinctive features	Yes	71.76
	No	28.24
	Total	**100**
Agreement on styles of the brand being trendy and fashionable	Yes	77.65
	No	22.35
	Total	**100**

From table 4 it is obvious that the three fourth of the subjects (77.65%) feel that their preferred brand provides wide variety of styles; 92.94% of the respondents perceive that the style of the preferred brand is suitable to them; 71.76% of the respondents believe that the style of their preferred brand has distinctive features; and 77.65% of the respondents believe that the style of their preferred brand is trendy and fashionable. Table 5 provides details on aspects relating to store environment and service quality of preferred brand of sport shoes.

TABLE 5: INFORMATION PERTAINING TO RESPONSES OF SPORTSPERSONS TOWARDS STORE ENVIRONMENT AND SERVICE QUALITY OF PREFERRED BRAND OF SPORT SHOES

	Aspect	Response	Percentage
Store environment	Agreement on sufficient sales outlet	Yes	89.41
		No	10.59
		Total	**100**
	Agreement on attractive interior displays of store	Yes	71.76
		No	28.24
		Total	**100**
Service quality	Agreement on training acquired by sales person of the store	Yes	61.18
		No	38.82
		Total	**100**
	Agreement on willingness of the salespersons of the stores to help	Yes	68.24
		No	31.76
		Total	**100**
	Agreement on friendly and courteous behaviour of salesperson of the store	Yes	77.65
		No	22.35
		Total	**100**

From table 5 it is clear that the respondents of this study feel that their preferred brand have sufficient outlets (89.41%); 71.76% agree that the interior displays at the store of preferred brand sport shoes are attractive; 61.18% of respondents agree on the fact that the sales person of the store is trained; 68.24% of respondents feel that the salespersons of the stores is willing to help; and 77.65% of respondents agree that the behaviour of salesperson of the store is friendly and courteous. Table 6 provides details on aspects relating to sales promotion and price of preferred brand of sport shoes.

TABLE 6: INFORMATION PERTAINING TO RESPONSES OF SPORTSPERSONS TOWARDS SALES PROMOTION AND PRICE OF PREFERRED BRAND OF SPORT SHOES

	Aspect	Response	Percentage
Sales Promotion	Agreement on attractiveness of ads	Yes	80
		No	20
		Total	**100**
	Agreement on attractiveness of window displays	Yes	78.82
		No	21.18
		Total	**100**
	Agreement on impact of celebrities on purchase of sport shoes	Yes	44.71
		No	55.29
		Total	**100**
Price	Increase of price hinders purchase	Yes	61.18
		No	38.82
		Total	**100**
	Agreement on goods value for money	Yes	81.18
		No	18.82
		Total	**100**
	Agreement on satisfaction with the price range	Yes	67.06
		No	32.94
		Total	**100**
	Agreement on purchase of another brand of same quality with lesser price	Yes	36.47
		No	63.53
		Total	**100**

From table 6 it becomes obvious that the majority of respondents of this study agree on the attractiveness of ads (80%); 78.82% agree on the attractiveness of window displays; there was disagreement by a large number (55.29%) on the impact of celebrities on purchase of sport shoes; 61.18% believe that the increase of price hinders purchase; 81.18% Agree that the preferred brand provides goods value for money; 67.06% agree on satisfaction with the price range; and 63.53% disagree on purchase of another brand of same quality with lesser price. Table 7 provides details on importance of sports shoes as perceived by respondents in the present study.

TABLE 7: DETAILS ON PERCEPTION OF SPORTSPERSONS REGARDING IMPORTANCE OF SPORT SHOES

Factors	Percentage
Comfort	30.59
Price	0
Durability	15.29
Utility	54.12
Total	100

Table 7 makes it very clear that the sportspersons perceive sports shoes of their preferred brand important for the following reasons: 54.12% of respondents believe on the utility and 30.59% of respondents believe on its comfort. It is noteworthy that none of the respondents provide importance on the price of sports shoes of their preferred brand. Table 8 provides information on switching over of the brand under normal circumstances.

TABLE 8: DETAILS ON SWITCHING OVER OF THEIR PREFERRED BRAND SPORT SHOES IN SPORTSPERSONS OF MALNAD REGION

Response	Percentage
Yes	22.35
No	77.65
Total	100

From table 8 it is evident that more than three fourth of the respondents (77.65%) have expressed their loyalty and are determined not to switch over their preferred brand sport shoes under normal circumstances. Table 9 provides information on preference for promotional tool by their preferred brand sport shoes among sports persons of Malnad region.

TABLE 9: DETAILS ON PREFERENCE FOR PROMOTIONAL TOOL BY THEIR PREFERRED BRAND

Promotional tool	Percentage
Lucky Coupon	10.59
Free Gift	8.24
Discount	67.06
Buy one get one free	14.12
Total	100

From table 9 it become obvious than the majority of respondents (67.06%) expect some sort of discount to be offered by their preferred brand sport shoes.

CONCLUSION

On the basis of the results of this study it was concluded that the sports persons of Malnad region prefer wearing sports shoes on regular basis. Sportspersons replace their shoes either once in six months or once in a year. Reebok and Nike brands were highly preferred at the cost of Indian made shoes like ASE, Action and others. Particular brands were preferred because of its perceived quality and durability by the consumers. Least importance was assigned to price, variety or safety provided by the sports shoes to the consumers in this study. The brand name and image attracted consumers and they felt that the preferred brand reflected their personality. The consumers were contended with the materials used and colour options provided by their preferred brands. There was complete agreement on the satisfaction with the quality of preferred brand sports shoes. They perceived that the style of the preferred brand was suitable to them and also believed that the style of their preferred brand has distinctive features. There was agreement among respondents on sufficient sales outlets by their preferred brand and agree that the interior displays at the store was attractive. The sales person of the store was believed to be trained and willing to help. They agreed that the behaviour of salesperson of the store was friendly and courteous. There was disagreement by a large number on the impact of celebrities on purchase of sport shoes. It was also believed that the increase of price hindered their ability to purchase. Sportspersons agree that the preferred brand provided goods value for buyers money. They also agreed on satisfaction with the price range and disagreed on purchase of another brand of same quality with lesser price. This exhibited their strong association with the brand and their loyalty. It is noteworthy that none of the respondents provide importance on the price of sports shoes of their preferred brand. Respondents were determined not to switch over their preferred brand sport shoes under normal circumstances and they expect some sort of discount to be offered.

RECOMMENDATIONS

Following recommendations are recommended on the basis of the findings of this study:

- The results of the present study may be helpful to upcoming sports marketing professionals in order to enhance their sales.
- The results of the present study shall guide the sports manufacturers and franchise in making their product better.
- A similar study can be conducted on National and International level sportspersons.
- The study in future days may include vast area not just limited a particular region.
- The tool used in the study may be made systematic by using Likert Scale for assessing the perception of the consumers.

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APPENDICES

APPENDIX I: QUESTIONNAIRE ON PREFERENCE FOR SPORTS SHOE BRAND

PERSONAL INFORMATION

1. Name : ______________________________
2. Age : ______________________________
3. Gender : ______________________________
4. Address : ______________________________
5. Phone No. : ______________________________
6. E-mail : ______________________________
7. Occupation : ______________________________
8. Date : ______________________________

Instructions: Kindly read each question carefully and mark [√] appropriate response.

1. Do you prefer wearing sport shoes?
   Yes No
2. Do you use it regularly?
   Yes No
3. How often do you replace your sport shoes with a new one?
   Once every six months
   Once every year
   Once in two years
   More than two years
4. Which brand you prefer?
   Nike

Adidas
Reebok
Action
Any other Kindly specify ___________________

5. What factors influence you to go for a particular brand?
Quality
Durability
Price
Variety
Any other Kindly specify ___________________

6. Do you select brand name regardless of price?
Yes No
7. Is the brand reputable?
Yes No
8. Does brand Name and Image attract you to purchase?
Yes No
9. Does the size of sportswear fit you very much?
Yes No
10. Does your preferred brand provide wide variety of styles?
Yes No
11. Does your preferred brand have sufficient sales outlet?
Yes No
12. Is the sales person of the store is well-trained?
Yes No
13. Are ads of your preferred brand attractive?
Yes No
14. Does an increase of price hinder you to purchase?
Yes No
15. Are the materials used by your preferred brand comfortable?
Yes No
16. Are styles of the brand suitable for you?
Yes No
17. Are the salespersons of the stores willing to help?
Yes No
18. Are window displays of your preferred brand attractive?
Yes No
19. Does your preferred brand provide goods value for money.
Yes No
20. Does your preferred brand have sufficient colour options?
Yes No
21. Does the style of your preferred brand have distinctive features?
Yes No
22. Are the interior displays of store of your preferred brand attractive?
Yes No
23. Is the salesperson of the store friendly and courteous?
Yes No
24. Are you satisfied with the quality of your preferred brand?
Yes No
25. Are the styles of your preferred brand trendy and fashionable?
Yes No
26. Does the brand reflect your own personality?
Yes No
27. Are you satisfied with the price range of preferred brand?
Yes No
28. How do you consider the importance of sport shoes?
Comfort
Price
Durability
Use in sport
Any other Kindly specify ___________________

29. Do you normally switch over the brand?
Yes No
30. What kind of promotional tool you prefer?
Lucky coupon
Free gift
Discount
Buy one get one free.

31. Is there any impact of celebrities on your purchase of sport shoes?
Yes No
32. Will you purchase another brand of same quality with lesser price?
Yes No

FACTORS AFFECTING BEHAVIOR OF INDIAN STOCK MARKET

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ABSTRACT

This paper presents a systematic analysis of monthly return data for studying the influence of macroeconomic fundamentals in explaining variations in Indian stock returns namely BSE Sensex. All possible relevant macro variables were considered in the context of our study of the relation between stock returns and macro variables, and the following variables viz., real economic activity, growth in money supply (broad money, M3), wholesale price index, index of industrial production, exchange rate, world crude oil prices, world gold prices, domestic gold prices, domestic silver prices, LIBOR, foreign capital market like S&P, FTSE-UK, NASDAQ, DJI activity and foreign institutional investment were finally found to have significant effects on monthly returns in the period. Statistical analysis mainly Factor and Regression analysis suggests that linear dependence in the form of model is adequate. In the period taken for study world gold prices and broad money were found to have significant effect in explaining variation in stock return. While if consider the foreign stock market then DJIA and FTSE-UK has the major impact on the returns of the Indian stock market.

KEYWORDS

Indian Stock Market, APT, Regression Analysis, Factor Analysis, Principal Component Analysis.

INTRODUCTION

The movement of stock prices is highly sensitive to fundamentals of economy as well as many other subjective factors which are unpredictable and also non quantifiable. The domestic economic fundamentals play determining role in the performance of stock market. As the economy is globally integrated so domestic variables are also depends upon the global events. The common external factors influencing the stock return would be stock prices in global economy, the interest rate and the exchange rate. Currency appreciation and depreciation is also a key factor which impacts in the movement of stock market.

In financial economics one important empirical regularity is that asset returns can be predicted by a set of macroeconomic variables. This obviously contradicts the efficient market hypothesis, in particular, semi-strong form efficiency which states that stock prices must contain all relevant information including publicly available information. There is a growing literature showing strong influence of macroeconomic variables on stock markets. Earlier the Arbitrage Pricing Theory (APT) developed by Ross and Chen also showed that economic variables have a systematic effect on stock market returns.

As financial theory asserts that movement in stock prices is related to macroeconomic variables, it is important to understand the economic meaning of such relationships. To start with, an increase in current real activity increases demand on existing capital stock, which ultimately induces increased capital investment in the future, and the stock market is very likely to anticipate this. Money supply has a direct effect on stock prices by changing liquidity. Money supply also has an indirect effect on stock prices through corporate dividends by increasing or decreasing interest rates. Stock prices are also influenced by changes in interest rates. Since interest rate is an opportunity cost of holding stock, an increase in interest rate is likely to lead to a substitution effect between stocks and other interest bearing assets. It is therefore expected that as interest rate declines stock price would rise. Inflation also affects the stock market through the output link. There is also strong evidence on the causal influence of exchange rate on stock prices.

The main implication is that changes in exchange rate affects firm's exports and also the cost of imported goods and production inputs and thus ultimately affects stock prices. In recent times the link between stock return and changes in oil price has also been examined.

The linkage between different equity markets can also be due to liberalization of different markets, improvement and development of communications technology, innovations in financial products and services, increase in the international activities of multinational corporations etc. This international integration, in particular of emerging stock markets, with the rest of the world has also led to link-up of the domestic stock markets with the world financial and economic variables. It is also pertinent to note that foreign investment in the developing countries is now playing a crucial role in restructuring of these economies.

Apart from the aforesaid interrelations between economic variables on the one hand and stock return on the other, an important issue in the context of this analysis is the relative role of local factors over global factors as the primary source of variation in stock returns in emerging markets. This issue is important mainly for international investors since the benefits from diversification are enhanced when the allocation of funds is spread across, rather than within regions.

The purpose of this paper is to examine the influence of macroeconomic variables in explaining variation in stock returns in an emerging economy like the Indian economy with due emphasis on the issues related to market efficiency and proper specification, as stated above.

We have selected a number of economic variables which are likely to be effective in explaining the time-series of aggregate return in several economies. These include real economic activity, inflation WPI, money supply (M3, broad money), foreign exchange rate, international gold price, foreign capital market activity, foreign institutional investment.

Thus, this study not only concludes on the status of market efficiency (semi-strong) of the Indian capital market at the monthly level of returns but also suggests the most appropriate model from consideration of specification of conditional mean and conditional variance, which can be used for the prediction of return.

Objective of this study is to explore whether the movement of stock market are associated with macro economic variables like wholesale price index, consumer price index, index of industrial production, money supply, foreign institutional investment, call money rate and gold prices as well as with other foreign stock market as Nasdaq, Nikkei, S&P, Dow Jones index and FTSE-UK. The objective of study is to explore such causal relation for India with the use of Arbitrage Pricing Model.

LIMITATIONS

Research is being conducted is based on data of around 95 months only may be that much duration is not significant in analyzing the behavior of stock market and it had not covered any other external events like terrorists attack of September 11 while these kind of events have major impact on stock market movement as well as any public announcements from government and from company which too have impact on movement of stock market.

DATA ON VARIABLES

Study is being conducted on data from May 2004 to March 2012 collected from various sources. The data set required for the study consists of BSE Sensex, Index of Industrial Production, Money Supply (M3, Broad Money), Interest Rate (Libor), Foreign Institutional Investment, Wholesale Price Index (general index) as a proxy of inflation, World Crude Oil Prices, World Gold Prices, Domestic Gold Prices, Domestic Silver Prices, Foreign Capital Market activity, and Exchange Rate.

BSE Sensex is being taken for study as it is the most popular market in India and as both Nifty 50 and BSE Sensex are highly correlated so study of one gives insight of other also. IIP shows the development in any economy and if any economy will develop then that will certainly have positive impact on its market also so have chosen IIP as a variable. Broad Money (M3) is being consider as money supply in economy as investment in any market depends upon the money available in economy so that had been considered as one variable. Investment in stock market is directly related to prevailing interest rate as movement of market always depends upon the prevailing interest rate in market for that purpose short term interest rate as LIBOR being taken as FIIs investment depends upon the prevailing interest rate worldwide which can be taken as London Inter Bank Offering Rate, so LIBOR is being considered as a proxy for short term interest rate. Investments from institutional investment especially from foreign institutions guide the movement of stock market so it had also been considered as a variable. WPI is taken as proxy to inflation as presently inflation is being calculated on basis of WPI.

Gold and Crude are also investment and consumption asset and they share the amount of money which can be invested in stock market so they too impact on the movement of stock market. As India is among top most country in terms of consumption of gold so it is worth to take that into consideration and not only gold even silver is also an investment asset for Indian investor so it also impacts on movement of stock market. Also appreciation and depreciation of rupee impacts the investment amount in stock market and hence movement of stock market so it had also been considered as a variable.

As the entire world markets are integrated and they move in tandem to other so have taken five major markets as DJIA, FTSE-UK, S&P 500, NIKKEI and NASDAQ.

As range of data is too wide so for the purpose of statistical analysis logarithmic values are being taken for entire data set.

LITERATURE REVIEW

Shahid Ahmed, 2008," Aggregate Economics Variables and Stock Markets in India," International Research Journal of Finance and Economics, Issue 14 (2008)-- The paper discussed about causal relationship between stock prices and the key macro variables. Time series analysis is being done over quarterly data from March, 1995 to March, 2007. Long run relationship is being found in between stock prices and FDI, stock prices and money supply and stock market and IIP. Paper discussed about lead lag relationship between macro variable and stock prices.

Debarata Mukhopadhyay, Nityananda Sarkar, 2003, "Stock Return and Macroeconomic Fundamentals in Model Specification Framework: Evidence from Indian Stock Market,"--- The paper discussed about the influence of macroeconomic variables as real economic activities like wholesale price index, short term rate, consumer price index, IIP, inflation, money supply, interest rate, domestic oil prices, foreign exchange rate, international oil price, foreign capital market activity, FDI, FII, world industrial output and world interest rate. Monthly data is being analyzed and also seasonal effect is being considered in the study.

Basabi Bhattacharya and Jayadeep Mukherjee, "The Nature of the Causal Relationship Between Stock Market and Macroeconomic Aggregates in India: an Empirical Analysis,"--The objective of the paper is to determine the lead lag relation between Indian stock market and the five key macroeconomic variable with a question : Can the Indian stock market act as a barometer for the Indian Economy? The key variables which are being considered as broad money supply, national income, IIP, interest rate, and inflation.

Narasimhan Jagadeesh, Sheridan Titman, 1993,"Returns to Buying Winners and Selling Losers: Implications for Stock Market Efficiency," Journal of Finance, Vol. 48, No. 1, pp 65-91--- Paper discuss about overreaction of stock prices to information. Whether profits are due to systematic risk of trading strategies or there is a role of lead-lag effect from delayed stock prices reactions to information about a common factor exists. The paper do discuss about the transaction by investors who buy past winners and sell low performing stocks move prices away from their long run values temporarily and thereby cause prices to overreact.

Brooks, Ajay Patel, Tie Su, 2003," How the Equity Market Responds to Unanticipated Events," Journal of Business, 2003, Vol 76, No. 1--- The paper talks about publicly available information including macroeconomic information, that can be used to predict stock prices, the impact of unanticipated events over stock prices. According to author the market's response to unanticipated events that take place when the market is closed as there is time to digest the information before trading day opens, the reaction is immediate in price, volume selling pressure, and bid ask spreads. The day time events induce wider bid-ask spreads and longer duration of wider spreads compared with overnight events.

Pham Vu Thang Long, 1991,"Abnormal Returns after Large Stock Price Changes: Evidence from the Vietnamese Stock Market," Journal of Finance, 1991 --- The paper talks about overreaction in Vietnamese stock market to both bad and good news arrivals on the day of large or extreme price changes. The financial market under react to information in some cases i.e., market price does not upward far enough in reaction to good news, or does not move downward far enough in reaction to bad news, while overreact in others. The extreme movements are followed by subsequent price movements in opposite direction. More extreme the initial price movement, the greater is the subsequent adjustment. Generalized Method of Moments (GMM) is used to explain the above over and under reaction in stock market price.

Nupur Hetamsaria, 2008,"A Multi Country Study of the Relationship between Development of Stock Exchanges and Economic Development," ICFAI Journal of Applied Finance, 2008--- The paper talks about the development of stock market as it is dependent on economic fundamentals of the country as there is positive correlation between economic growth and financial development. Other factors which affect stock market are legal system, infrastructure, political environment, FDI, shareholders rights, capital account and stock market liberalization. Author has discussed about the lag-lead relation between stock market and economic development as in less developed countries, financial development leads to economic development while in developed countries economic development causes financial development.

Joao Leitao and Crestova Oliviera, 2008," The Puzzling Effect of September 11 on Interdependences of International Stock Markets," ICFAI Journal of Applied Economics, 2008---The paper talks about the interdependence among some of the important stock markets and occurrence of contagion effect on the European stock market, taking the terrorist attack of 9/11, 2001, in USA, as the reference point. The paper talks about vertical and horizontal contagion effects in market.

Ranjan Kumar Das and Sumanjeet Singh, 2008," Is Indian Stock Market More Volatile in Reform Period? Evidence from E-Garch Model", ICFAI Journal of Applied Economics, 2008--- The paper talks about relation between savings and economy and stock market as stock market helps to increase in savings and investment in an economy which is vital for economic growth. Stock market helps in reducing risk by diversifying risk across a variety of assets. Volatility of affects investment, corporate finance and financial stability in economy, as volatility increases the risk will also increase. Excess volatility cause economic uncertainty which leads increase in market risk hence financial instability increases which will increase the cost of capital hence reduction in investments which ultimately reduce the economic growth.

RESEARCH METHODOLOGY

Statistical and graphical analysis will be done on the data collected from various sources. Period for the study will be May, 2004 to March, 2012. Relation between variables will be find out on the basis of correlation coefficient which will be get determined by doing regression analysis. Statistical analyses will be done by using SPSS statistical tool.

DATA INTERPRETATION

Stock market of any country is driven by macroeconomic condition of the country so we have taken some important macroeconomic indicators as wholesale price index, consumer price index, index of industrial production, foreign institutional investment, total money supply in economy (broad money) in our study.

Other major stock markets also have an impact on the Indian stock market as movements in stock market are contagion as every market is linked to each other so impact of all the market are need to observe over the Indian stock market.

ANALYSIS

FACTOR ANALYSIS

KMO test is used to check whether factor analysis can be done or not as if its value is less than 0.5 than factor analysis is not suitable. But in our analysis its coming out to be 0.708 (Table 1) which is quite good so using factor analysis is advisable.

Same be the case with Bartlett's test of sphericity as Chi-square value is quite high at degree of freedom of 105 that too at 0.000 significance level which represents that factor analysis is quite suitable.

Anti-Image Matrix

The matrix shown in Table 2 shows the correlation between variables but we consider only diagonal elements of anti-image correlation matrix and as the values of every diagonal element are more than 0.5 which represents that variable itself are highly correlated.

Total Variance Explained

Table 3 shows that there are three significant factors as Eigen values for three factors only are greater than 1 and they are explaining 81.053% of total variation. Same can be seen from Scree Plot in Figure 1.

Rotated Component Matrix

Table 4 used to form factors from variables as there are seventeen variables being taken out of them some are correlated to each other so we used factor analysis and based on that we had combined these variables to three factors based on values against each factor.

Factor1	Factor2	Factor3
World Crude Oil Prices	DJIA	FII
World Gold Prices	NASDAQ	
Domestic Gold Prices	S&P	
Domestic Silver Prices	NIKKEI	
LIBOR	FTSE-UK	
WPI	FOREX	

Component Score Matrix

Score of each variable is being calculated from Component Score Coefficient Matrix based on coefficient we calculate the value of each factor.

Factor1 = 0.004*log DJIA + 0.021*log FTSE + 0.066*log NASDAQ - 0.103*log NIKKEI -0.024*log S&P + 0.081*log FOREX + 0.164*log GOLD US$ + 0.167*log IND GOLD + 0.161*log IND SIL + 0.065*log FII + 0.104*log CRUDE - 0.007*log M3 + 0.069*log IIP - 0.152*log LIBOR + 0.167*log WPI

Factor2 = 0.184*log DJIA + 0.195*log FTSE + 0.175*log NASDAQ - 0.136*log NIKKEI -0.188*log S&P - 0.128*log FOREX + 0.026*log GOLD US$ + 0.007*log IND GOLD + 0.045*log IND SIL + 0.037*log FII + 0.118*log CRUDE - 0.006*log M3 - 0.045*log IIP - 0.066*log LIBOR + 0.019*log WPI

Factor3 = 0.067*log DJIA - 0.097*log FTSE - 0.043*log NASDAQ - 0.058*log NIKKEI + 0.017*log S&P - 0.071*log FOREX - 0.004*log GOLD US$ - 0.021*log IND GOLD + 0.006*log IND SIL - 0.800*log FII + 0.008*log CRUDE + 0.473*log M3 + 0.166*log IIP + 0.097*log LIBOR - 0.010*log WPI

log DJIA = logarithm with base 10 of Dow Jones Index
log FTSE = logarithm with base 10 of Index of FTSE-UK market
log NASDAQ= logarithm with base 10 of Index of NASDAQ
log NIKKEI= logarithm with base 10 of Index of NIKKEI
log S&P= logarithm with base 10 of Index of Standard and Poor
log FOREX= logarithm with base 10 of Rupee Dollar exchange rate
log GOLD US$= logarithm with base 10 of World gold prices from Dubai Gold exchange in US $ per 10 gram
log WPI= logarithm with base 10 of Wholesale price index for all commodities
log IIP= logarithm with base 10 of Index of Industrial production for general companies
log FII= logarithm with base 10 of Foreign Institutional Investment
log M3= logarithm with base 10 of Broad money in money supply of Indian economy
log CRUDE= logarithm with base 10 of World Crude Oil Prices in US $ per barrel
log IND GOLD= logarithm with base 10 of Domestic Gold Prices in INR per 10 gram
log IND SIL= logarithm with base 10 of Domestic Silver Prices in INR per kg
log LIBOR= logarithm with base 10 of London Inter Bank Offer Rate

REGRESSION ANALYSIS

R Square value is the measure of regression models ability to predict the dependent variable by the independent variables. If value of R Square value is greater than 0.5 then model is acceptable, here the value of R Square is 0.819 (table 6) means Indian stock is 81.9% predictable by the factors which is quite large hence we can say that model is quite accurate.

From the table 7 we had derived an equation between dependent variable BSE Sensex and independent variables means factors which had been identified as-

For Standardized Coefficients--

Index of Indian stock market BSE Sensex = 0.758* Factor1 + 0.493* Factor2 - 0.034* Factor3

The above equation shows a relation between index of Indian stock market and other factors which are discussed in study. From equation we can easily find out as which factor has major impact on the movement of stock market as factor 1 has the highest coefficient of multiplier so impact of change in factor1 is maximum on the index.

Next important factor is factor2 as increase in factor2 has positive impact on index means an increase in factor2 shows a significant positive impact on index of stock market i.e. BSE Sensex.

While when we observe the impact of FII over the Indian stock market we find that it is the least significant means changes in FII holdings have very less impact on BSE index.

CONCLUSION

In this paper we have basically identified, using monthly data, the major macroeconomic fundamentals responsible for significant movements in Indian stock returns. Amongst the variables considered towards this end, real economic activity, interest rate, growth in money supply or broad money, consumer price index, wholesale price index, nominal exchange rate, international gold price, international crude oil prices, domestic gold and silver prices, US stock return denoted by NASDAQ composite index and of various other major stock market returns like that of Dow Jones, S&P, FTSE-UK and Nikkei, variable representing foreign capital inflow viz., FII, real economic activity, inflation, growth in money supply were found to be significant in explaining variations in stock return during the period.

However, the significant presence of the variables like NASDAQ has important implications from the point of view of integration of the Indian economy with the rest of the world and policies relating to foreign institutional investment. Finally, results based on regression analysis which has been applied in order to examine the relation and linear dependence on various variables.

SCOPE FOR FURTHER RESEARCH

Non quantifiable events like changes in governmental policies, terrorist attacks, company announcements, etc. also affect the movement of stock prices. A researcher may consider all these factors and a better estimate of SenSex can be made.

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APPENDIX

TABLE 1: KMO AND BARTLETT'S TEST

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.708
Bartlett's Test of Sphericity	Approx. Chi-Square	2834.072
	df	105
	Sig.	.000

TABLE 2: ANTI-IMAGE MATRICES

		log DJIA	log FTSE	logNASDAQ	log NIKKIE	log S&P	log FOREX	log GOLD US$	log IND GOLD	log IND SIL	log FII	log CRUDE	log M3	log IIP	log LIBOR	log WPI
Anti-image Covariance	log DJIA	.005	.002	.005	.005	-.003	.009	.001	-.001	.005	.015	.014	-.002	-.019	.002	-.003
	log FTSE	.002	.028	.002	-.022	-.002	.010	-.001	.000	.005	-.029	.018	.019	.035	.005	-.003
	logNASDAQ	.005	.002	.015	.004	-.004	.010	.001	-.002	.007	.014	.012	-.008	-.010	.017	-.004
	log NIKKIE	.005	-.022	.004	.061	-.002	.005	.001	-.002	.003	.011	.005	-.006	-.036	-.015	.007
	log S&P	-.003	-.002	-.004	-.002	.002	-.005	.000	.001	-.004	-.007	-.009	.001	.006	-.003	.002
	log FOREX	.009	.010	.010	.005	-.005	.107	.016	-.012	.011	.037	.061	.012	-.007	-.001	-.008
	log GOLD US$	.001	-.001	.001	.001	.000	.016	.004	-.003	.001	.012	.004	-.004	-.001	.001	-.001
	log IND GOLD	-.001	.000	-.002	-.002	.001	-.012	-.003	.003	-.003	-.009	-.006	.002	.000	-.001	.000
	log IND SIL	.005	.005	.007	.003	-.004	.011	.001	-.003	.018	.028	.019	-.005	-.009	.008	-.004
	log FII	.015	-.029	.014	.011	-.007	.037	.012	-.009	.028	.728	.021	-.040	-.064	.040	-.011
	log CRUDE	.014	.018	.012	.005	-.009	.061	.004	-.006	.019	.021	.144	.031	-.022	-.011	-.018
	log M3	-.002	.019	-.008	-.006	.001	.012	-.004	.002	-.005	-.040	.031	.897	.013	-.032	-.008
	log IIP	-.019	.035	-.010	-.036	.006	-.007	-.001	.000	-.009	-.064	-.022	.013	.318	.032	.016
	log LIBOR	.002	.005	.017	-.015	-.003	-.001	.001	-.001	.008	.040	-.011	-.032	.032	.048	-.001
	log WPI	-.003	-.003	-.004	.007	.002	-.008	-.001	.000	-.004	-.011	-.018	-.008	.016	-.001	.013
Anti-image Correlation	log DJIA	.599[a]	.160	.583	.283	-.915	.394	.136	-.369	.496	.239	.516	-.026	-.458	.096	-.411
	log FTSE	.160	.818[a]	.117	-.532	-.338	.176	-.109	-.117	.205	-.202	.282	.118	.376	.129	-.170
	logNASDAQ	.583	.117	.645[a]	.119	-.804	.250	.181	-.357	.447	.138	.266	-.072	-.141	.647	-.299
	log NIKKIE	.283	-.532	.119	.856[a]	-.190	.059	.040	-.144	.079	.052	.058	-.024	-.255	-.275	.263
	log S&P	-.915	-.338	-.804	-.190	.569[a]	-.374	-.137	.441	-.607	-.179	-.516	.026	.257	-.356	.377
	log FOREX	.394	.176	.250	.059	-.374	.592[a]	.737	-.761	.246	.134	.491	.039	-.038	-.014	-.215
	log GOLD US$	.136	-.109	.181	.040	-.137	.737	.767[a]	-.827	.157	.204	.147	-.056	-.038	.067	-.153
	log IND GOLD	-.369	-.117	-.357	-.144	.441	-.761	-.827	.685[a]	-.525	-.201	-.331	.049	.017	-.134	-.041
	log IND SIL	.496	.205	.447	.079	-.607	.246	.157	-.525	.747[a]	.244	.370	-.040	-.124	.286	-.270
	log FII	.239	-.202	.138	.052	-.179	.134	.204	-.201	.244	.097[a]	.065	-.050	-.133	.214	-.117
	log CRUDE	.516	.282	.266	.058	-.516	.491	.147	-.331	.370	.065	.694[a]	.086	-.102	-.128	-.430
	log M3	-.026	.118	-.072	-.024	.026	.039	-.056	.049	-.040	-.050	.086	.761[a]	.024	-.155	-.075
	log IIP	-.458	.376	-.141	-.255	.257	-.038	-.038	.017	-.124	-.133	-.102	.024	.653[a]	.256	.254
	log LIBOR	.096	.129	.647	-.275	-.356	-.014	.067	-.134	.286	.214	-.128	-.155	.256	.821[a]	-.044
	log WPI	-.411	-.170	-.299	.263	.377	-.215	-.153	-.041	-.270	-.117	-.430	-.075	.254	-.044	.840[a]

a. Measures of Sampling Adequacy(MSA)

TABLE 3: 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	5.962	39.745	39.745	5.962	39.745	39.745	5.923	39.484	39.484
2	5.126	34.174	73.920	5.126	34.174	73.920	5.114	34.091	73.575
3	1.070	7.134	81.053	1.070	7.134	81.053	1.122	7.479	81.053
4	.934	6.228	87.281						
5	.884	5.891	93.172						
6	.444	2.959	96.131						
7	.236	1.574	97.705						
8	.178	1.189	98.895						
9	.087	.581	99.475						
10	.028	.186	99.661						
11	.020	.133	99.795						
12	.017	.111	99.906						
13	.011	.072	99.977						
14	.002	.015	99.993						
15	.001	.007	100.000						

Extraction Method: Principal Component Analysis.

FIGURE 1

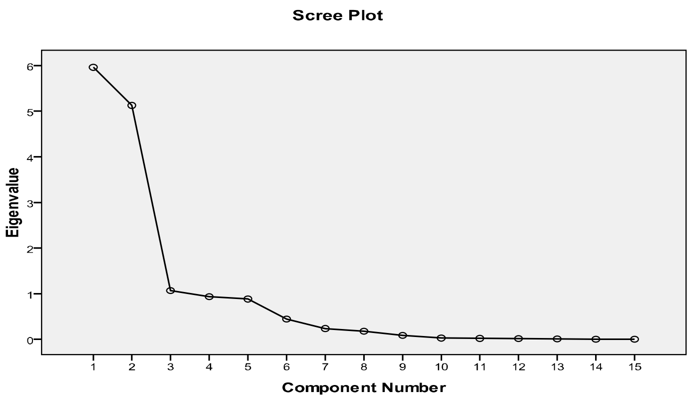

TABLE 4: ROTATED COMPONENT MATRIX[a]

	Component		
	1	2	3
log DJIA	.044	.959	.119
log FTSE	.072	.972	-.055
logNASDAQ	.360	.880	.021
log NIKKIE	-.640	.686	-.078
log S&P	-.144	.966	.052
log FOREX	.456	-.674	-.074
log GOLD US$	.968	.122	.071
log IND GOLD	.983	.024	.050
log IND SIL	.951	.222	.086
log FII	.038	.001	-.861
log CRUDE	.613	.602	.081
log M3	.160	.079	.526
log IIP	.481	-.196	.206
log LIBOR	-.863	.370	.059
log WPI	.982	.084	.064

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 4 iterations.

TABLE 5: COMPONENT SCORE COEFFICIENT MATRIX

	Component		
	1	2	3
log DJIA	.004	.184	.067
log FTSE	.021	.195	-.097
logNASDAQ	.066	.175	-.043
log NIKKIE	-.103	.136	-.058
log S&P	-.024	.188	.017
log FOREX	.081	-.128	-.071
log GOLD US$	.164	.026	-.004
log IND GOLD	.167	.007	-.021
log IND SIL	.161	.045	.006
log FII	.065	.037	-.800
log CRUDE	.104	.118	.008
log M3	-.007	-.006	.473
log IIP	.069	-.045	.166
log LIBOR	-.152	.066	.097
log WPI	.167	.019	-.010

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
Component Scores.

TABLE 6: MODEL SUMMARY[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.905[a]	.819	.813	1.9983214E3	.819	136.987	3	91	.000	.329

a. Predictors: (Constant), BART factor score 3 for analysis 1, BART factor score 2 for analysis 1, BART factor score 1 for analysis 1

b. Dependent Variable: BSE- 30

TABLE 7: COEFFICIENTS[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	13391.564	205.023		65.317	.000	12984.311	13798.818
BART factor score 1 for analysis 1	3501.220	206.111	.758	16.987	.000	3091.805	3910.634
BART factor score 2 for analysis 1	2274.745	206.111	.493	11.036	.000	1865.331	2684.159
BART factor score 3 for analysis 1	-159.291	206.111	-.034	-.773	.442	-568.705	250.124

a. Dependent Variable: BSE- 30

CORPORATE GREENING: A STUDY OF RESPONSIVENESS OF FIRMS IN THE CONTEXT OF INDIAN HOTEL INDUSTRY

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ABSTRACT

Studies have shown that firms though not all, around the world are now trying to enroll in to the ideology of environmentalism either fully or partly, in spite of the hardships associated with greening. In few such cases, researchers have investigated why some firms embrace ecologically responsive initiatives, while others in seemingly similar circumstances do not even comply with existing legislation. In this background, the present study has been taken up to enfold two aspects; firstly, to identify the factors which motivated the hotels to embrace greening as their selling proposition, secondly to identify the factors which are impediment to the process of greening. The study also aimed at bringing out the adequacy of measures taken up by green hotels towards achieving greening with a view to coming out with reasonable recommendations. The present study is qualitative in nature and takes up an inductive methodology. Considering the sample of four representative hotels belonging to high grade and budget category in a metropolitan city of India, the study employed an in depth interview technique with the help of a semi structured interview guide. Grounded theory approach to data analysis helped in identifying the major motivational factors as; want of greening as a theme of marketing, responsibility to match profitability and planet, want of best management practice, stake holder pressure and want of incentives. Few problems associated with the greening process of firms were brought out corresponding to motivations. Grounding of the rich data helped in bringing out appropriate recommendations.

KEYWORDS

Environmental sustainability, Greening, Hospitality industry, Motives, Responsiveness.

INTRODUCTION

The issue of Environmental sustainability has been widely discussed and addressed in the business literature. Studies have shown that, businesses in recent past, could catch up with green products and services in their constant effort to meeting the demand for innovative alternatives. These new demands have helped to trigger a new trend in the business world, “corporate environmentalism.”(Elkington, 1994: 91).

Presently concern about the environment has become a world wide phenomenon. There has been a growing awareness of widespread environmental degradation facing current and future generations. As a result, Greening of market place has become one of the most significant environmental trends of recent years (Elkington, 1994). Thus it is not surprising, that many companies have been attempting to capitalize on the public’s interest in green issues by positioning themselves as environmentally responsible organizations (Jay, 1990).

In spite of the hardships associated with greening, certain firms chose to embrace greening either as the main or part of their marketing agenda or part of social responsibility. “The hospitality industry is one of the fastest growing sectors globally.” (Watson, 2008: 758). Hospitality firms, such as hotels, are an ideal example of a market which could benefit from the implementation of green practices and labeling themselves as ‘green’. ‘Eco friendly’ and ‘green’ hotels are the terms that refer to a lodging establishment that has made a commitment to various ecologically sound practices such as; saving water, saving energy and reducing solid waste(Manaktola, cited in Victorina, 2005). Becoming a green hotel can be the foundation for a great marketing strategy.

Green marketing (Peattie and Ottman, 1992) as a strategy facilitates promotion of products by employing environmental claims either about their attributes or about the systems, policies and processes of the firms that manufacture or sell them. Websites of certain hotels are flooded with innumerable claims relating to greening of systems, policies and processes. “As people are becoming aware of the damage caused to the environment, they are increasingly looking for hotels that follow practices to protect the environment.” (Manaktola, 2007: 365). As a result, hotels are trying to adopt methods that bring down the harm caused by them to the environment. Thus it is observed that “The willingness and ability of hotel management to advocate and implement state-of-the art environmentally responsible behavior and practices is crucial for the incorporation of more sustainable hotel practices.” (Warszawa, 2004: 2)

The issue of greening has been widely addressed in the business literature. Based on the two concepts- Green Marketing and Corporate Responsiveness, the present study aims at exploring the reasonable motives which are responsible for hotel’s green initiatives. Such motives explored in the present study are expected to help in understanding and predicting the ecologically based behaviors of the hotels.

REVIEW OF LITERATURE

Several studies have identified motives for corporate greening, such as regulatory compliance, competitive advantage, stake holder pressures, ethical concerns, critical events and top management initiative (Dillon & Fischer, 1992; Lampe, Ellis & Drummond, 1991; Lawrence & Morell, 1995; Vredenburg & Westley 1993; Winn, 1995). It was observed that, these studies helped in understanding the concept of greening yet failed to foresee ecological responsiveness. Conceptual distinctiveness of alternate ecologically based motivations was not specified. Further, clarity was not established with the identified categories of motivations as to whether the factors leading to motivation categories were either inclusive or exclusive to each other. (Bansal, 2000)

Tzchentke *et al.,* (2004) carried out a study to explore the reasons behind the adoption of environmental practices and participation in an environmental accreditation scheme. The findings suggested that ethical and social concerns were equally important drivers of environmental commitment, acting in many cases in parallel with economic factors.

Prakash, (2002) in his study tries to apply Herzberg’s theory of motivation and attempted to understand whether consumers view firm/product greening as motivating factors or hygiene factors and made a note that green certification like ISO 14001 or green products like the one with a percentage of recycled inputs are motivating factors for consumers to buy products from a green firm.

Another stream of literature tries to bring out the economic as well as environmental benefits by adopting greening of organizational culture. Accordingly, by incorporating environmental concerns in to the culture of the firm may deliver environmental capabilities that competitors would find hard to imitate (Barney, 1991) and such imperfectly imitable resources should facilitate a sustainable competitive advantage.

NEED FOR THE STUDY

Hotels which form a very important part of Hospitality industry operate in varied sizes in different environment. Hotels consume various local resources specific to cleaner industry, the unprincipled consumption of which in an unbalanced manner harms the supporting environment.

Manaktola and Jauhari, (2007: 366) made an observation that the environment is the major recipient of negative impacts created by the construction and operation of hotel and facilities.

In view of the volume of environmental harm which could be done; hotels assume a huge responsibility towards greening. "There have been growing efforts to engage the greening of hospitality practice, with initiatives such as the International Hotels Environmental Initiative (IHEI) acting as a catalyst for action" (Tzschentke *et al*., 2004: 116). "Green Tourism Business Scheme (GTBS) is an environmental accreditation scheme for tourism businesses in Scotland" (Tzschentke *et al.,* 2004: 117). Members of this scheme are socially responsible and proactive towards greening. These kinds of initiatives are being reported more and more in recent years which have resulted in the onset of green consumerism which implies change in perception of general public and hotel customers in particular towards hotel and its services. In this sense, customers appreciate environmentally friendly efforts at tourism businesses." (Andereck, cited in Ruiz-Molina, 2010: 465).

As Carmona et al., (2004) describe, firms in the groups with more developed environmental strategies are associated with a higher level of environmental performance but not necessarily with economic performance. However economic benefits of green practices cannot be undermined. As Barney, cited in Rivera, (2001) a credible green reputation can be a source of differentiation advantage that yields price premiums and/or enhanced sales because it is rare, difficult to create and imitate, and provide higher value to environmentally aware customers. Thus, understanding of eco responsiveness which is both external and internal to the firm is necessitated to support the hotel marketers in exploring green initiatives which are unique and help them to stand apart in the competitive market.

OBJECTIVES OF THE STUDY

Good number of studies have been undertaken on consumer green responsiveness whereas corporate responsiveness towards greening has been Limited. In few such cases, researchers have investigated why some firms embrace ecologically responsive initiatives, while others in seemingly similar circumstances do not even comply with existing legislation (Bansal & Roth, 2000).

Limited research in the Indian context prompted the researcher to examine the corporate responsiveness towards green practices of hotels where the literature lacks compared to studies in developed countries. Hence the present study has been undertaken with the following specific objectives:

1. To examine the various measures employed by Hotels in achieving the green objective
2. To elucidate the factors which motivated the Hotels to take up green initiatives
3. To establish the uniqueness of green innovations of participant hotels in India
4. To determine the factors impediment to the process of greening in the hotel industry

RESEARCH METHODOLOGY

To achieve the objective of understanding corporate responsiveness towards green ideology in the context of Indian hotels, an attempt is made to enfold two aspects; firstly, to identify the factors which motivated the hotels to embrace greening, secondly to identify the factors which are impediment to the process of greening.

RESEARCH PARADIGM

The present study is qualitative in nature where corporate responsiveness to green initiatives is attempted to be generalised through the observation of green practices of fairly small number of participant hotels. The interpretive approach seeks to describe how and why the hotels become responsive to green ideology. Sample frame consisted of the two categories of hotels selected from the directory of hotels published by the Ministry of Tourism Development, Government of Karnataka. Star category and Budget category. Two hotels each from each of the category made up the size of the sample to four hotels. Judgmental sampling procedure was employed which attempted to draw sample elements from the geographic jurisdiction of urban Bangalore District of Karnataka in India. Websites as source of visual object helped in identifying pioneering Green Hotels in Bangalore. Data was collected by the technique of in-depth interview with the help of a semi structured interview guide. This be undertaken over a week period involved face to face interview with key executives, one each drawn from two high grade Star hotels and two local group budget hotels. Each interview session lasted between one to two hours. The researcher chose to digitally record the interviews and use the input directly for analysis. The questions were specifically designed so as to allow the informants to freely express their understanding and observations. This data was analyzed through open coding technique.

ANALYSIS AND INTERPRETATION

To achieve clarity, findings were presented under various appropriate themes.

MOTIVES FOR HOTELS' GREEN INITIATIVES

To derive the factors which are responsible for Hotels' green initiatives, at the outset, the ecological responses of each firm was listed as suggested by Bansol and Roth, 2000. This list was then used to sort them under broader motivation category. A table that listed all possible initiatives corresponding to their broader motivation category was prepared for each of the hotel. This table directed the researcher towards short listing the firm's green initiatives which are unique to a specific category of motivations which was enveloped as the dominant motivation of the firm.

"GREEN AS A THEME"

Informants in general viewed the term greening with reverence and they asserted that the term greening is synonymous with green features such as rain water harvesting system, use of Light Emitting Diode (LED) to save energy, Censor controlled power management, recycling of water etc.

As regards the significance of the ideology of "greening' in the hotels, informants did generally differ in their contention. One informant asserted that "green" is one of the finest and unique selling proposition through which they are able to get very good response. He revealed that from the hotel building stage they have incorporated the concept of greening and greening is not something like celebrating green week or green day rather it is perpetual and is there in their DNA. This observation is justified by (Porter, 1998 cited in Manaktola, 2007) "product differentiation has proven to be a successful competitive strategy that may also be applied within the environmental context." (Hart, 1997; Reinhardt, 1998, cited in Manaktoa, 2007)

Desire to be recognized and respected as market leaders by setting a new trend appeared to be another reason for choosing green niche. It was evident from the contention of an informant in repeatedly putting forward that his hotel was the first in implementing variety of innovative green initiatives. One informant contended that they are competing on the edges of price and quality as their business consists of corporate customers. For another informant "green" doesn't make much sense. As expected, informants affirmed that though each of them is determined to be recognized as green hotel, the importance attached to it varied substantially. While one informant established that they are the trend setters in setting the green norms for the society, another stated that they want to be recognized in the society as a high technology hotel. For one informant practicing green would bring in wisdom, where as another informant was strongly against to the idea of incorporating green features. He mainly cited financial burden and customer indifference towards the ideology. However excepting one, all the informants disputed the endorsement of "Green" as a unique selling proposition though they did acknowledge on its intangible benefits.

Success of "Green" theme as a unique selling proposition appears to be related to the age and type of the hotel. It was on the late 1980s the idea of green marketing emerged." (Peattie and Crane 2005: 358) and became popular in the recent past. Embracing the theme of green is practically impossible for hotels with design of the old building and facilities, incompatible to adopt green initiatives. The informants of five star category hotels were sure about the benefits of green endorsement which was in line with the suggestions made by (Barney, 1991; Hart, 1995) that green tag would prove advantageous to the hotel in way of premium prices and enhanced sales. "Moreover the green firm enjoys the first mover advantage" (Prakash, 2002: 287). As suggested by literature, philosophy of greening is much respected and adopted by higher class of the society, who mainly form their customer base.

RESPONSIBILITY TO MATCH PROFITABILITY AND PLANET

Adoption of environmental measures in the case of a hotel was a well thought process imbibed in the vision statement. The prime reason behind the adoption of green practices as expressed by informants was responsibility towards the society. For them greening starts from the inception of the hotel and go on with design of the building.

One informant stated that greening process in his hotel has started from five years and every year they are adding to the list. They have realized that they can not profit on green issue only. Still they are gradually incorporating green initiatives stage by stage. In case of another hotel, adoption of green measures was a slow and gradual process associated with either up- gradation of facilities and equipments or renovation of hotel building. An informant made an effort to explain, that even a simple facility for rain water harvesting can not be created in his hotel and as an alternative, they have created a ground unit in the back of the hotel through which water is harvested and that is the minimum that they could do. He was quick to add that the top management wants green without incurring cost which is not possible. He asserted: Adding to this was the time-lag involved in pro- green-renovation process which may cause a lasting damage to the existing business, which small hotels can not withstand.

Higher investment costs and time-lag involved appeared to be the reasons behind poor green initiatives in budget hotels which are old. This is consistent with the findings of the study of (Richardson and Lynes, 2007) where they found that some of the respondents were strongly against incorporating green design features in to buildings on campus citing financial considerations and long pay back period.

It is evident from the study undertaken by (Richardson and Lynes, 2007) where lack of vision and commitment on the part of the leaders of the organization did not yield the desired results. Managers who have strong vision were able to meeting the challenge of balancing profitability and social responsibility towards greening. This view is in accordance with the observation made by that, corporate sustainability leaders achieve long term share holder value by gearing their strategies and management to harness the market's potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks." (Holcomb et al, 2007).

BEST MANAGEMENT PRACTICE

Informants generally felt that greening is a best management practice in that several measures like use of solar power, waste management, and energy production and conservation will result in higher returns to the hotel either by increasing revenue or by decreasing costs.

In one hotel, HR policies were focused to save the distance traveled by its employees. Initiatives like internal green audit, monthly reporting about the green performance to the head office, energy audit by third party vendor and strict monitoring of employees towards green practices, all contributed to "ideal management practices" which resulted in increased efficiency of the hotel and hence the profitability.

HR Practices of new and large hotels appeared to environment friendly. It was noticed in one hotel that, recruitment interview with the prospective employee consisted of questions which would exploit the perception and respect which the candidates have towards ideology of greening. Training also played a significant role in this regard. In one case the execution system of green practices is so rigorous, that the HR department even resorted to punishments for under-performing employees. Results suggested that almost all the hotels created the required technological establishments with a primary motive to reducing their costs, although they felt that those measures were a part of their ethical responsibility in that they were able to conserve critical resources. This finding is consistent with an outcome of the study undertaken by (Tzschentke, 2004) which affirms that hotels embrace green initiative if they believe that they benefit the business financially.

Interesting observation is that the new hotels out-smarted the old and already established renowned hotels in adopting required technology to conserve resources in order to find out comfort to claim that they are 'Green' hotels. This observation is conforming the observation made by (Prakash, 2002) that firms can make verifiable claims about the environmental impact of their management system.

The findings revealed that the old and small hotels with a weakness of being incapable of projecting 'Green' as their main agenda, paved way for new and big hotels to convert in to their opportunities to project themselves as 'Green". It is obvious that, old and small hotels can not compete with new and large hotels on green issue and undoubtedly gave them a competitive advantage which apparently was judiciously exploited. This observation was supported by Russo & Flouts (Russo & Flouts, cited in Harris and Crane,2002) that by incorporating environmental concerns in to the culture of the firm may deliver environmental capabilities that competitors would find hard to imitate and (Barney, 1991)such imperfectly imitable resources should facilitate a sustainable competitive advantage.

STAKE HOLDER PRESSURE

As regards Government norms are concerned, mixed opinions were expressed. Informants generally accepted that there are certain norms of Local authorities regarding construction of building, usage of water and energy which are mandatory and hence they also would follow. Further it was found that government regulations are discriminatory. For instance, rain water harvesting facilities are mandatory only for new and coming up hotels as old hotels are practically unable to comply with. Environmental legislation in hotel industry is almost non existent unlike other industries in India and hence green activities appeared to be of voluntary in nature. However, another Informant strongly contradicted that government norms are only indicative and minimum which does not discourage him to go beyond them.

He made the point clear by saying that in terms of greening; his hotel is more than going beyond the legislation and is going to set the norm in the coming years. The list of initiatives stated by him substantiated his views; Training to spouses of employees, guests are offered bicycles to move around, training to stake holders to minimize waste, customer card service, constructing check dams in nearby village, planting saplings on the birth day of each of the employee, organic waste converting system, production of wind power etc. All these practices are very unique to a hotel which is practically going beyond what was expected by the society and government.

ISO certification is another factor which appeared to have made the hotels in general to keep up the environment standards. As far as public and media were concerned, all the respondents felt that they are very supportive to their green agenda. Results suggested that, in general new hotels embraced greening voluntarily by making up self legislation towards it, which was in compliance with the governmental requirements and also they stretched beyond legislation considering societal well being and also profitable business in the long run. It was feasible for them by virtue of their size and volume of operation. As far as old and small hotels are concerned, greening merely meant, keeping up to the minimum possible legislation. Results indicated the lapse of governmental action towards maintaining the required environmental standards.

The common belief that customers always expect pampered services was disputed by an informant. He responded by claiming that customers relish anything which brings in environmental well being. However the experience of another informant did differ when he said that guests are arrogant and irresponsible in their behaviour. He narrated an instance happened an year before that an educated guest kept the tap opened and vanished and allowed the water to waste till the overhead tank got empty.

It was a common opinion of informants that the guests are indifferent towards conservation of resources and environment and green initiatives were taken up in their respective hotels with a view to have a control on such customers through innovative waste reducing technology. Use of I Pod interface system, Light Emitting Diode (LED) bulbs, in-built water tap censors are few such examples implemented to have a check on customers.

An informant opined that, customers are attracted to a hotel not because products and services offered are green but for their innovativeness facilitated by emerging technology, which result in green benefits, towards which customers may be indifferent. Yet he revealed that modern technology implementation is associated with certain difficulties and even a small inconvenience may result in loosing valuable customers. It was commonly observed by informants that, customers look for aesthetic look of the hotel. One informant believed that, creating green facilities mean losing of aesthetic look of the hotel. For him a city hotel should look like a city hotel with the contemporary fittings.

However a respondent believed that green policies are expensive and firms often need to charge premium prices for green services which may affect their customer base negatively. However greening process need not always be associated with heavy investments and running costs as it was suggested by (Kirk, 1995) that environmental management does not have to involve capital intensive projects and may not necessarily introduce increased running costs. It can be achieved by starting with staff training together with the initiation of low-cost, easy to achieve projects and slowly move on to higher levels. As it was indicated by results, keeping up the customer loyalty in the long run and achieving environmental sustainability largely depends on educating and enrolling the customers via trained employees.

INCENTIVES

Incentives either monitory or non-monitory is generally assumed to be a strong motivator. In the context of present study a factor appeared to have impact on hotels' motivation to activate green initiatives appeared to be that of benefits they get by its implementation. However the benefits were perceived in different ways by different informants.It is justified by the observation made by Prakash, (2002) that green certification like ISO 14001 or green products like the one with a percentage of recycled inputs are motivating factors for consumers.

However, certification and awards did not carry any significant meaning for an informant who affirmed that they are not bothered about them. This was evident when an informant exposing that certification does not carry any importance till the time their customers ask for it and that they are sure customers will not ask for it.

The results suggested that, incentives in the form of awards and recognitions played an important role for large and new hotels competing on the green theme. Small and old hotels were however not keen even on the award certifying their star category. Interviews with the respondents clearly indicated that most hotels under study practiced rain water harvesting for the want of subsidy and new and big hotels erected wind mills for want of depreciation subsidy. Hotels followed certain green initiatives only when they were associated with incentives.

CONCLUSION AND RECOMMENDATIONS

GREEN AS A THEME

'Greening' in the present study was represented as offering "responsible luxury" to hotel customers without harming the environment and a continuous process which needs to be present in a hotel's DNA. The literature brings out many dimensions of greening. Scholars in 1990s called it "sustainability marketing" (Charter and Polonsky, 1999): Corporate environmentalism; "Green orientation' (Donaton and Fitzgerald, 1992). One of the more cited definition as proposed by (Peattie, 1995; Welford 2000, cited in Manaktola, 2007) described the process of Greening from the customer as well as societal point of view. They define it as the management process responsible for identifying, anticipating and satisfying the requirements of customers and society, in a profitable and sustainable way. Findings of the present research thus supported the conception of the term greening and contributed to the terminology of the marketing literature by assigning a new dimension called "responsible luxury" to greening, appropriate for the hotel industry in particular.

"Green" conceived as a theme of the hotel to project and position itself in the market was perceived reverential only by new and large hotels. Hence, "Green" as a unique selling proposition was a motivator only for new and large hotels. While literature review also suggested that Product differentiation has proven to be a successful competitive strategy that may also be applied within the environmental context (Hart, 1997; Reinhardt, 1998 cited in Manaktola, 2007). Desire to command respect for business by setting the green trend ahead of any one else appeared to be another reason for new and large hotels for choosing a green niche.

For old and small hotels "Green" could not be a selling theme as they were unable to create the required environment in terms of facilities and infrastructure. For them Price, quality and technology associated with customer relationship management still remained competitive advantage.

MATCHING PROFITABILITY AND PLANET

The literature on corporate responsibility towards greening is enormous. As Holcomb, (2007) describes, "In the context of tourism, corporate responsibility is known by the term "Corporate sustainability". For new and large hotels, corporate sustainability is imbibed in their corporate vision. For them working towards conserving the environment is a part of their strong 'Triple Bottom Line approach' of corporate management practice where they are making effort to match their profitability with the environmental well being. Results suggested that a hotel went beyond a limit to render respect to the environment which was evident by the action they initiated to transplant four hundred plus trees in their construction site to elsewhere in the city. Thus they facilitated the long term growth of the hotel without sacrificing the environmental cause.

Another large, old hotel embraced greening in the preceeding five years by constantly making effort to incorporate as much green initiatives as possible in spite of their knowing that they can not make profits on green issues. This view is in accordance with the observation made by (Holcomb,2007) that, corporate sustainability leaders achieve long term share holder value by gearing their strategies and management to harness the market's potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks." For another small, old hotel who would never wish to put the green agenda forward, "Green" is just a fancy word which is impracticable in terms of investment and time lag involved in the process of creating facilities and infrastructure for executing green initiatives. Managing the running costs is also a big difficulty for them. However they incorporated green initiatives only when they were associated with financial benefits. This supports the literature that the small firms faced financial constraints and therefore that some of the most commonly implemented measures were those that benefited the business financially (Tzschentke *et al*., 2004).

Vision of the individuals at the helm of affairs appeared to have a commendable impact on hotels' green initiatives. Corporate hotels out-smarted the individual employers whose inadequacy of vision towards green ideology was noticeable. This was supported by the study undertaken by (Richardson and Lynes, 2007) where lack of vision and commitment on the part of the leaders of the organization did not yield the desired results.

BEST MANAGEMENT PRACTICES

The findings of the present study revealed the significance of managements' aspirations to adopt the "Best management practices". Informants could bring out the role of technology in implementation of green measures. All the hotels irrespective of old or new; small or big; established technologically supported facilities which drastically reduced wastage of energy and water which are the major expense accounts of the hotels. This view was justified in a study that, "By using proactive environmental strategies, firms can eliminate environmentally hazardous production processes, redesign existing product systems to reduce life cycle impacts, and develop new products with lower life cycle costs (Hart, 1995). "More advanced environmental strategies can assist the whole organization in achieving greater organizational efficiency." (Molina-Azorin *et al* ., 2009 : 1082). An interesting observation in this context is that, the high technology hotels would start claiming that they are green hotels by conserving resources like water and energy even though they intended merely to save their costs.

In the literature regarding best environmental practices, various issues relating to technology and processes are discussed. 3R Formula for environmental management that is, Reusing, Recycling and Reducing was suggested by (Grove, 1996). A prudent marketing manager may be able to realize the benefits by prudently harvesting the available opportunities to achieve the goals of the hotel. (Prakash, 2002) asserted that firms can make verifiable claims about the environmental impact of their management system and in turn make the customers to reward for it. It is evident from the findings of the present study that new and big hotels adopted the highest level of HR practices and could employ skilled and motivated workforce to materialize the greening aspirations.

STAKE HOLDER PRESSURE

Another motive for greening, extensively noticed in the literature is pressure exerted by various stake holders of the firm. As Tzschentke *et al*., (2004) stated, the small firms faced financial constraints and therefore that they commonly implemented measures which benefited the business financially. As Brown, (1994) described, although some practices in the hotel industry could be viewed as being environmental, the main reason for introducing them are different: regulatory requirements, cost savings or customer pressure.

The present study facilitated the listing of the various stake holders of hotels as government, certification agencies, media and public and importantly customers. This is in line with the observation made by (Ambec and Lanoie, 2008) that firms are facing growing pressure to become greener. Various stake holders like consumers, investors, bankers, NGOs etc. press companies to reduce their negative impact on the environment.

Findings of the present study clearly indicated that, governmental pressure on greening of hotels did not exist at all as the compliance formalities were very minimal. Small, old hotels were quick to adhere to the norms set by the Government as regards rain water harvesting and solar energy installations because they were coupled with good amount of subsidies and reductions and also they would bring down their running costs substantially. It was very apparent that these hotels did never go beyond the regulatory norms set by the Government.

In the case of large, new hotels, Governmental norms did not impact on their green activities as they are enlightened to do much more than the legislation. As far as public and media are concerned all the hotels in general revealed that they are very supportive towards their environmental cause. On the other hand hotels that are not serious in environmental cause were also not pressurized by media and public. This observation contradicts the revelation made by Jay (1990) that social groups and media are active in bringing to light the firms which are harmful to the environment causing substantial damage to their reputation.

Customers are presumed to be very important stake holder for a hotel. There are two extreme judgments maintained by informants of hotels. Firstly, Large, new hotels are delighted by the response of customers towards their green initiatives though some times associated with some amount of inconveniences. This finding is a justification to the statement that there has been a wide spread acceptance towards the green ideology by the consumers whose number is growing day by day (Ruiz-Molina, 2010). Interestingly customers from west and east are more concerned about greening in hotels. Secondly small, old hotels are unhappy about the indifferent behavior and pampered expectations of customers towards green initiatives. The results also revealed that in many cases, cost cutting technology is the solution towards controlling such erring customers.

INCENTIVES

Certification on green initiatives and awards contributed to enhancing the image of the hotel and thus attracted the attention of enlightened customers. For big, new hotels which competed on “Green” theme, certification was of huge motivation to embrace greening. This finding was supported by (Klassen and McLaughlin, 1996) in that incentives extended to firms in the form of awards, certification and recognitions result in enhancing the image of the organization which indirectly supports the firm’s profitability. Further certification and awards enhanced the image of the hotels in the minds of customers. This view was well supported by the literature study undertaken by Ann *et al*.,(2006) when he revealed that customers perceived ‘enhanced corporate image’ to be the strongest impact of certification. However Certification and awards did not carry any significance for Small and old hotels.

RECOMMENDATIONS

Based on the findings of the present study, few recommendations are suggested in this section.

As the literature suggested, firms generally compete on different edges like price, quality and so on. A hotel, preferring to position green theme in the market as its unique selling proposition may put itself in to hardship as “Green” is not always the best seller. Greening is an emerging issue and managers of hotels need to develop a long term strategy involving “green concept selling” to enroll customers. This theme may be taken up by a well established corporate hotel extending its branches and slowly incorporate in other existing branches.

Results revealed that Indian customers are not as much enlightened about the green ideology as the western customers did. It is obvious that firms have to take initiative to change the perception of customers towards hotels in the light of green issues. Signing up of the visionaries at the helm of affairs and the employers towards this becomes necessary to formulate the environmental management practices and marketing strategies.

The Media, public groups and green consumer groups need to team up with the visionaries of green hotels in bringing awareness among consumers. Further, government and local authorities were found to be passive towards the environment. Green hotels, along with other stake holders may make effort to set pressure on the government to put the green legislation on wheels.

In the absence of government legislation, standard environmental management system can not be expected in hotels. Hotels which are emerging successfully on the green ideology may potentially lead the industry through knowledge and technology sharing so that minimum standards of environmental practices are ensured in all hotels. Further, the hotels competing on the green agenda need to stress more on HR training and development to make the business more viable. Pro-active HR policies would prove beneficial both to the firms and the environment.

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LEVEL OF CUSTOMER SATISFACTION - A STUDY WITH REFERENCE TO INDIAN BANK, MAYILADUTHURAI BRANCH

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ABSTRACT
Every business enterprise wants to satisfy its customers. Customer satisfaction is the base for success of any business. Banks are not an exception to that. Mahatma Gandhi said, "A customer is the most important visitor on our premises. He is not dependent on us; we are dependent on him. He is not an interruption in our work; he is the purpose of it. He is not an outsider on our business; he is a part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so…" Thus, the customer is the king. Therefore, the customer satisfaction must be the mission of any business organisation. Banking is essentially a service-oriented industry and it has to sustain itself on its service. The survival and growth of a bank does not depend on its size or funds, rather it depends on its ability to provide qualitative service to its customers on a sustained basis. While choosing a bank, customers attach greatest importance to perceived quality of service and the image of the bank. In the modern competitive environment and the identical nature of bank schemes and facilities, the bank that provides better services and the bank that is perceived to be different from the others gets the patronage of the customers. The Banks should deliver customer needed services in a customer-satisfying manner. This study analyse the extent of satisfaction of the customers regarding the services rendered by the Indian Bank, Mayiladuthurai branch.

KEYWORDS
Bank, Customer, Customer Satisfaction, Service.

INTRODUCTION
Banks play an important role in the economic development of a country. There may be an economic crisis in the country if the banks stop functioning even for a few days. It is worthy to note the saying of Sayer. Sayer says, "Banks are not only purveyors (suppliers) of money but in important sense they are manufacturers of money".

The tiny streams of capital flowing into the bank vault become rivers and these in turn fall in to the ocean of national finance to drive the wheels of industry and to float the vessels of commerce.

Banks cater to the needs of agriculturists, industrialists, and traders and to all the other sections of the society. Thus, they accelerate the economic growth of a country and steer the wheels of the economy towards its goal of "self reliance in all fields".

Since the banking activities were started in different periods in different countries, there is no unanimous view regarding the origin of the word 'bank'. The word 'bank' is said to have derived from the French word 'Banco' or 'Bancus' which means, a 'bench'. Initially, the bankers transacted their banking business by sitting on benches in the market place and the bench resembled the banking counter. When their business failed, the benches were broken and hence the word "bankrupt" has come. Bankrupt means a person who has lost all his money, wealth or financial resources.

Another common-held view is that the word 'bank' might be originated from the German word 'banck' which means a joint stock fund. Of course, a bank essentially deals with funds. In due course, it was Italiansed into 'banco', Frienchised into 'bank' and finally Anglicised in to 'bank'. This view is most prevalent even today.

BANKER

According to Oxford Dictionary bank means, "an establishment for custody of money which it pays out on customers' order". A person who is doing the banking business is called a banker. But, it is not at all easy to define the term 'banker' precisely because a banker performs multifarious functions.

The early definitions were not positive in the sense, they did not point out any of the functions performed by a banker. For instance, The Bill of Exchange Act of 1882 defines the banker thus: "Banker includes a body of persons whether incorporated or not who carry on the business of banking". So also Sec.3 of the Negotiable Instruments Act states that "the term banker includes a person or a corporation or a company acting as a banker". These definitions are vague. They amount to saying that a person who acts as a banker is a banker.

According to Macleod "the essential business of a banker is to buy money and debts by creating other debts. A banker is essentially a dealer in debts or credit".

Dr. L. Hart states in his book 'Law of Banking' that "a banker is one who in the ordinary course of his business honours cheques drawn upon him by persons from and for whom he receives money on current accounts".

Sir John Paget in his book 'Law of Banking' defines the term 'banker' as follows: "That no person or body corporate or otherwise can be a banker who does not, (i) take deposit accounts, (ii) take current accounts, (iii) issue and pay cheques, and (iv) collect cheques crossed and uncrossed for his customers".

Crowther defines a bank as, "one that collects money from those who have it to spare or who are saving it out of their income and lends the money so collected to those who require it".

All these experts have pointed out some aspects of a banker. They are the following: receiving deposits of various kinds, lending money or creating credit, issuing cheques, honouring cheques and collecting cheques. These are the essential functions of a bank. However, these definitions do not include any agency and general utility services rendered by modern bankers.

The definition given in India in the Banking Regulation Act appears to be more precise and acceptable. Thus Sec.5 (B) of the above mentioned Act defines the term 'Banking Company' as "a company which transacts the business of banking in India" and the term 'Banking' has been defined as "accepting for the purpose of lending and investment, of deposits of money from the public, repayable on demand, order or otherwise and withdrawable by cheques, draft, order or otherwise".

Even this definition does not indicate the subsidiary services rendered by the bankers. By now, it is quite evident that no definition of the term 'banker' will be complete one.

CUSTOMER

The term 'customer' has not yet been statutorily defined. In common parlance the term customer means a person who has an account with the bank. Old banking experts used to lay emphasis on the duration for which a person maintained an account with the bank. For example, according to John Paget, "to constitute a customer there must be some recognisable course or habit of dealing in the nature of regular banking business…… It is difficult to reconcile the idea of single transaction with that of a customer".

Thus, according to the view, a person does not become a customer simply by opening an account with bank. He should be in the habit of dealing with the bank i.e., there should be some measure of continuity in his dealing with the bank.

The above viewpoint, popularly known as, "duration theory" has now been rejected. In the case of Commissioner of Taxation Vs. English Scottish and Australian Bank, Lord Dunedin Observed.

"The word customer signifies a relationship in which duration is not of essence……. A person whose money has been accepted by the bank on the footing that the bank undertakes to honour cheques upto the amount standing to his credit, is a customer of the bank irrespective of whether his connection is of long or short standing".

The Kerala High Court in the case of Central Bank of India Ltd., Bombay Vs. Gopinathan Nair and other also confirmed the above view. Their Lordship observed: "Broadly speaking, a customer is a person who has the habit of resorting to the same place or person to do business. So far as the banking transactions are concerned he is a person whose money has been accepted on the footing that the banker will honour his cheques up to the amount standing to his credit, irrespective of his connection being of short or long standing".

Thus, a person who has a bank account in his name and for whom the banker undertakes to provide the facilities as a banker is considered to be a customer. It is not essential that the account must have been operated upon for some time. Even a single deposit in the account will be sufficient to designate a person as customer of the banker. Though emphasis is not being laid on the habit of dealing with the banker in the past but such habit may be expected to be developed and continued in future. In other words, a customer is expected to have regular dealings with his banker in future.

An important consideration, which determines a person's status as a customer, is the nature of his dealings with the banker. It is evident from the above that his dealings with the banker must be relating to the business of banking.

A banker performs a number of agency functions and renders various public utility services besides performing essential functions as a banker.

A person who does not deal with the banker in regard to the essential functions of the banker, i.e., accepting of deposits and lending of money, but avails of any of the services rendered by the banker is not called a customer of the banker.

For example, any person without a bank account in his name may remit money through a bank draft, encash a cheque received by him from others or deposit his valuables in the safe deposit vaults in the bank or deposit cash in the bank to be credited to the account of the Life Insurance Corporation or any joint stock company issuing new shares. But he will not be called a customer of the banker, as his dealings with the banker are not in regard to the essential functions of the banker. Such dealings are considered as casual dealings and are not in the nature of banking business.

Thus in order to constitute a person as a customer, he must satisfy the following conditions:

- A bank account – savings, current or fixed deposit, must be opened in his name by making necessary deposit of money.
- The transaction between the banker and the customer should be of banking nature, i.e., a person who approaches the banker for operating safe deposit locker or purchasing travellers cheques is not a customer of the bank since such transactions do not come under the orbit of banking transactions.
- Frequency of transactions is not quite necessary though anticipated.

A customer of a banker need not necessarily be a person. A firm, Joint Stock Company, a society or any separate legal entity may be a customer. Explanation to Section 45-Z of the Banking Regulation Act, 1949 clarifies that in that section "customer" includes a Government department and a corporation incorporated by or under any law.

CUSTOMER SATISFACTION

Customer satisfaction refers to how far the expectations of the customers are met. It is an individualistic and dynamic concept and varies from time to time and person-to-person and within a person over a period of time.

Customer service means satisfying the needs of customers at the right time in the right manner. The customer service include broadly, giving expeditious assistance, explaining various policies and systems answering every and any query, giving due respect and (normally) not loosing one's balance and patience.

Customer satisfaction is a function of perceived performance and expectation. Feelings of satisfaction arise when customers compare their perceptions of the performance of a product or service to their desires and expectations. If the perceived performance equals or exceeds a customer's expectations, then the customer is satisfied. But if perceived performance falls short of his or her expectations, then the customer is dissatisfied.

With the growth of public awareness, expectation of the public has been constantly increasing and dissatisfaction over the service has assumed growing expression banks are business organisations selling bank services. The banks have continuously assess and reassess how customers perceive bank services, find out the new and emerging customer expectations and frame ways and means to meet these new expectations on an ongoing basis.

The challenge before the banking industry in India today is, to generate and sustain a high degree of customer satisfaction. Therefore, it is felt necessary to focus the study on the extent to which customers are satisfied.

CUSTOMER ORIENTATION

Banks cannot exist without customers. In service sector like bank, customer service should not only a critical function, but a way of life also. Banks can be said as being customer oriented if its various organizational activities like organisational restructuring, staffing, co-ordination are geared to fulfil customers' needs. So, total customer satisfaction should be the focal point. That alone serves the banks' objective of maximization of profit. It is obvious that a bank cannot think of making profit without customers. Now banks have two jobs to perform:

- Retaining the old customers
- Attracting new customers.

STATEMENT OF THE PROBLEM

Now days a common bank customer is not fully satisfied by the services it has rendered to him. The good customer service does not merely mean treating customer politely and handling the customer transaction with expediency and expectations. It basically implies, ascertaining and assessing the customers requirements and expectations and then initiating a management process to fulfill and integrate the organisational goals and objectives. The present study on customer satisfaction by Indian Bank makes an attempt to study the extent to which customers are satisfied. This helps the bank to make changes in their products and improvements in their services in order to satisfy the customers and compete with other banks.

OBJECTIVES OF THE STUDY

The following are the objectives of the study.

- to study the organization and management of the Indian Bank, Mayiladuthurai Branch
- to identify the services that are offered by the Indian Bank, Mayiladuthurai Branch
- to analyse the extent of satisfaction of the customers regarding services offered by the Indian Bank, Mayiladuthurai Branch
- to make suggestions for the improvement in services offered by the Indian Bank, Mayiladuthurai Branch

METHODOLOGY

In order to study the views of customers and the extent of their satisfaction, sample of 100 customers were identified and stratified sampling method have been adopted. The total customers of the Indian Bank in Mayiladuthurai area are stratified into five categories namely professionals, employees, businessmen, students and others. As this study was mainly based on primary data, so for conducting it customer's responses were collected through pre-determined set of questions in the form of well-designed questionnaire. A questionnaire was handed over to those who were coming out just after the completion of their transaction in the bank and the secondary data has been collected from journals, magazines, books and website of the bank. Data has been analysed using percentages and interpreted for meaningful inferences.

LIMITATION OF THE STUDY

The present study deals with only limited area. The findings and suggestions of the study may be applicable only in the study area. Due to time and cost factor only 100 customers were surveyed. Informations are collected directly from the customers who were coming out just after the completion of their transaction in the bank, at the time of study; customers may have in depressive mood. So, the level of perfection of information may be reduced.

ANALYSIS

DEMOGRAPHIC CHARACTERISTICS OF CUSTOMERS

Characteristics	Factors	No. of Customers	Percentage
Age	Less than 30 years	90	45
	31 to 40 years	72	36
	41 to 50 years	20	10
	51 years and above	18	9
Sex	Male	68	68
	Female	32	32
Educational Qualification	Illiterates	4	4
	Primary	10	10
	HSC	23	23
	Degree	22	22
	PG	26	26
	Professional Degree	15	25
Occupation	Salaried Class	37	37
	Professional	17	17
	Business	25	25
	Agriculture	13	13
	Student	8	8
Monthly Income	Below Rs.5000	48	48
	Rs5001 to Rs10000	38	38
	Rs10001 to Rs 20000	10	10
	Rs20001 and above	4	4

Source: Primary Data

It is clearly understood from the above table that the major sample respondents of Indian Bank are young customers, male customers are more in number, major portion of the customers are highly educated, the salaried class and business people constitute more than 50 per cent and majority of the Indian Bank customers earn less than Rs.5000 per month.

KNOWLEDGE ABOUT THE BANK BY THE CUSTOMERS

Source	No. of Customers	Percentage
Directly	78	78
Bank Employees	7	7
Other Customers	15	15
Total	100	100

Source: Primary Data

TYPE OF ACCOUNTS HOLD BY THE CUSTOMERS

Types of Account	**No. of Customers**	Percentage
Savings Account	74	74
Current Account	26	26
Total	100	100

Source: Primary Data

CUSTOMERS OPINION ABOUT THE WAITING TIME FOR RECEIVING VARIOUS SERVICES FROM THE BANK

S.No	Services	Highly Satisfied		Satisfied		Dissatisfied		Total	
		No. of Customers	%	No. of Customers	%	No. of Customers	%	No. of Customers	%
1	With Drawal of Cash	7	7.00	88	88.00	5	5.00	100	100
2	To obtained a draft	8	10.13	58	73.42	13	16.45	79	100
3	Collection of a draft	4	5.19	63	81.82	10	12.99	77	100
4	Collection of local cheques	8	10.67	60	80.00	7	9.33	75	100
5	Collection of outstation cheques	5	5.95	55	65.48	24	28.57	84	100
6	ATM Services	10	21.28	28	59.57	9	19.15	47	100
7	Tele banking facility	14	20.90	40	59.70	13	19.40	67	100
8	Locker facility	9	16.98	34	64.15	10	18.87	53	100

Source: Primary Data

PROBLEMS FACED BY THE CUSTOMERS WHILE OPENING AN ACCOUNT

Whether Faced Problem	No. of Customers	Percentage
Yes	16	16
No	84	84
Total	100	100

Source: Primary Data

SATISFACTION REGARDING THE APPROACH OF THE EMPLOYEES

Level of Satisfaction	No. of Customers	Percentage
Polite and Friendly	72	72
Impersonal but Helpful	22	22
Impersonal and Indifferently	6	6
Total	100	100

Source: Primary Data

SATISFACTION REGARDING AMENITIES

S.No	Amenities	Highly Satisfied		Satisfied		Dissatisfied		Total	
		No. of Customers	%	No. of Customers	%	No. of Customers	%	No. of Customers	%
1	Seating arrangements	50	50	49	49	1	1	100	100
2	Writing arrangements	22	22	66	66	12	12	100	100
3	Fans	24	24	71	71	5	5	100	100
4	Drinking water	6	6	63	63	31	31	100	100
5	Parking space	6	6	47	47	47	47	100	100

Source: Primary Data

SATISFACTION REGARDING RECORDING OF TRANSACTION

Whether recording the transactions accurately	No. of Customers	Percentage
Yes	100	100
No	-	-
Total	100	100

Source: Primary Data

BORROWINGS BY THE CUSTOMERS FROM THE BANK

Whether Loan Taken	No. of Customers	Percentage
Yes	53	53
No	47	47
Total	100	100

Source: Primary Data

TYPES OF LOAN AVAILED BY CUSTOMERS

Types of Loan	No. of Customers	Percentage
Loan for Salaried Class	16	30.20
Loan against Securities	3	5.66
Home Loan	2	3.77
Vehicle Loan	5	9.43
Jewel Loan	9	16.98
Educational Loan	3	5.66
Agricultural Loan	4	7.55
Pensioners Loan Scheme	2	3.77
Loan to Self-help group	4	7.55
Others	5	9.43
Total	53	100

Source: Primary Data

SATISFACTION REGARDING MODERNISATION OF BANK

Level of Satisfaction	No. of Customers	Percentage
Highly Satisfied	15	15
Satisfied	84	84
Dissatisfied	1	1
Total	100	100

Source: Primary Data

DISCRIMINATION OF BANK STAFFS ON CUSTOMERS

Discriminate by the bank staffs	No. of Customers	Percentage
Yes	24	24
No	76	76
Total	100	100

Source: Primary Data

DISPUTATION BETWEEN CUSTOMER AND BANKER

Disputation between Customer and Banker	No. of Customers	Percentage
Yes	7	7
No	93	93
Total	100	100

Source: Primary Data

PARTICIPATION OF CUSTOMERS IN CUSTOMER MEET

Participation in Customer meeting	No. of Customers	Percentage
Yes	31	31
No	69	69
Total	100	100

Source: Primary Data

FINDINGS

The following findings are extracted from the study at Indian Bank, Mayiladuthurai branch.

- Majority of the customers are in the age group of less than 30 years.
- The enrolment of male customers is very high.
- Majority of the customers are highly educated.
- Most of the customers are salaried person.
- Majority of the customers belongs to the income group of below Rs. 5,000 per month.
- Major portions of the customers are direct customers. They become the customers of the bank without anybody's influence. The main reason is the reputation and goodwill of the bank.
- Most of the customers keep their money in savings account.
- Majority of the customers are satisfied with the waiting time for availing different services such as withdrawl of cash, issue of drafts, collection of a draft, collection of local and outstation cheques, ATM services, locker facility from the bank.
- Majority of the customers do not face any problem while opening an account.
- Majority of the customers are not operating their account through cheques. They are using only withdrawl slips.
- Nearly 80 per cent of the customers have only one account.
- More than 70 per cent of the respondents were not availed the traveller's cheque facility though the bank has provided.
- Only 32 per cent of the respondents have enjoyed the gift cheque facility.
- Nearly half of the respondents utilising the locker facility.
- Only 8.11 per cent of the customers are dissatisfied with the savings bank interest rate. The remaining 91.89 per cent is either highly satisfied or satisfied.
- Most of the customers are satisfied with the ATM charges.
- 91 per cent of customers are satisfied with the charges of the bank.
- Majority of the customers are of the opinion that the approaches of the employees are more friendly, polite and helpful.
- All sample customers are satisfied with the seating arrangements provided by the bank.
- Most of the customers are satisfied with the writing arrangements.
- Almost one third (31%) of the customers were dissatisfied with the drinking water facility.
- Nearly fifty per cent of the customers were dissatisfied with parking space provided.
- All the customers are of the opinion that bank officials are accurately recording the transactions.
- Nearly 53 per cent of the customers borrow from the bank.
- Loan to salaried class, jewel loan, vehicle loan and educational loan constitute more that 60 per cent of the total loan sanctioned by the bank.
- Most of the respondents are opined that there are difficulties in getting loans.
- The vague procedures followed by the banker at the time of sanctioning the loan make the customer dissatisfied.
- Majority of the current account holders are having overdraft arrangement with the Indian Bank.
- Majority of the customers are satisfied during withdrawl of money.
- News papers and the efforts of the bank officials play equally important role in advertising the schemes.
- Majority of the customers reported that the bank slips or pamphlets available with their bank are adequate and they satisfied.
- Majority of the customers felt that the bank equipments in the Indian Bank is modern and are up to their satisfaction.
- Majority of the customers reported that the behaviour of the bank staffs is good and they are satisfied.
- Majority of the customers said that the employees of the Indian Bank give equal importance to all the customers.
- Majority of the customers stated that they don't have any dispute or problem with their banker.
- Only a very few customers attend the customers meet conducted by the Indian Bank, Mayiladuthurai branch.

SUGGESTIONS

In order to improve the satisfaction of customers the following suggestions have been offered.

1. Incompetent and demoralised staff cannot render a good service. Hence, the training programme may be conducted to improve attitude, morale and interpersonal skills of the employees.
2. Delegation of appropriate authority to the employees who deal with customers may enable them to take on the spot decision.
3. The bank should orgaanise the customers meet regularly and viewpoints of the customers should be viewed properly.
4. The bank should setup a customer service cells to handle complaints, grievances, etc.,
5. The bank should introduce additional computers to support customer service. It will add value to the organisation and also improve the efficiency, productivity and the quality of services.
6. Keeping an eye on the competitors and how they handle their customers and their problems may help the bank to shape the strategy.
7. If the bank made any change in scheme, it should be communicated to the customers on regular basis.
8. The bank should ensure customer satisfaction through prompt and courteous service and also quick and sympathetic response to the complaints received.
9. The bank should take necessary steps for providing adequate parking space facility to its customers.
10. The bank should take necessary steps for improving the drinking water facility.
11. The bank should open additional counters in busy hours for the purpose of reducing the waiting time.
12. When new customers approach the bank officials for opening an account, more convincing approach and hospitality is needed. To attract more number of customers this kind of cordial approach is inevitable.
13. Ensure a neat and presentable look of the customer areas in the office.

CONCLUSION

The bank must continuously assess its performance and to satisfy the new and emerging customers' expectations. Speedy, timely and courteous service to customer is the essence of banking business. The improvements in customer services are necessary for progressive growth of the banking industry.

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CUSTOMER GAP ANALYSIS IN ORGANISED RETAILING – AN EMPIRICAL STUDY

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ABSTRACT
Retailing is the most active and attractive sector of last decade. While the retailing industry itself has been present since ages in our country, it is only the recent past that it has witnessed so much dynamism. The emergence of retailing in India has more to do with the increased purchasing power of buyers, especially post-liberalization, increase in product variety, and increase in economies of scale, with the aid of modern supply and distributions solution. The study was made randomly on the customers who carried trolley with them to shop goods as they are believed to be the true customers of retail outlet. It is aimed at studying the Gap between customers' expectation and their perception with regard to retail sector. It covers factors such as product quality, price, internal environment, staff, awareness, location and transparency in transaction. Seventy respondents were interviewed with the questionnaire to collect primary data required for the research. The duration was limited for 45 days. Initially questionnaire was tested for reliability by using alpha test. There were fifteen statements to be responded by the respondent for expected and actual perception of organized retailing. Statements like, retailers are conveniently located, organised retailers are well known store in Mangalore, product display is very attractive, there is error free sale, and there is transparency in the transaction did not show any significant difference in mean scoring pattern of perceived and actual. But other ten statements revealed significant difference in mean scoring pattern. Major finding: perception towards product quality, fair price, variety of products, ambience and convenience at retail outlet (selection of product to bill counter) is high than actually obtained.

KEYWORDS
customer gap analysis, organised retailing.

INTRODUCTION
Indian retailing today is at an interesting crossroads. The retail sales are at the highest point in history and new technologies are improving retail productivity. Though there are many opportunities to start a new retail business, retailers are facing numerous challenges.

Retail in India is still at a very early stage. Most retail firms are companies from other industries that are now entering the retail sector on account of its amazing potential. There are only a handful of companies with a retail background. One such company is Nilgiri's from Bangalore that started as a dairy and incorporated other areas in its business with great success. Their achievement has led to the arrival of numerous other players, most with the backing of large groups, but usually not with a retail background. Most new entrants to the India retail scene are real estate groups who see their access to and knowledge of land, location and construction as prime factors for entering the market.

New retail stores have traditionally started operations in cities like Mumbai and Delhi where there has been an existing base of metropolitan consumers with ready cash and global tastes. The new perspective to this trend is that new entrants to the retail scenario should first enter smaller cities rather than focusing entirely on the metro's. Spending power in India is not concentrated any more in just the 4 metros (Delhi, Mumbai, Chennai, and Kolkata). Smaller but upcoming cities like Chandigarh, Coimbatore, Pune , Ahmedabad, Baroda, Trivandrum, Cochin, Ludhiana, Simla etc will fast be catching up to the metro's in their spending capacity.

Cities in south India have taken to the supermarket style of shopping very eagerly and so far the maximum number of organized grocery and department stores are in Chennai, Bangalore and Hyderabad. The north has a long way to go to come up to par. International stores now prefer to gauge the reaction of the public in these cities before investing heavily in a nation-wide expansion. Milou, the Swiss children's wear retailer, recently opened up its first store in Chennai, bypassing Delhi and Mumbai.

In the past decade, international companies entering India (Levi's, Pepe, Tommy Hilfiger, Marks and Spencer, Mango) have generally offered moderately priced to expensive items. They have aimed for the upper-middle and rich classes of Indian society. These are consumers who travel abroad often and can buy these items overseas quite easily. Instead, international companies should be focusing on the lower and lower-middle classes of India. This is where the real potential is, the aspirational class of consumers who want to lead a better lives and believe in education, hard work and absorb knowledge from every possible angle. The phenomenal success of Big Bazaar, Pantaloons version of Wal-Mart, is proof that there is enormous potential in providing products and services to this class of consumers.

MAJOR RETAILERS IN INDIA
- Pantaloon
- Trent, Westside, Star India Bazaar, World of Titan Show Rooms, Tanishq, Chroma and landmark – Tata Groups.
- RPG Group
- Reliance
- Aditya Birla Group
- Vivek Limited Retail Formats

- Pyramid Retail-Formats
- Nilgiris' supermarket chain
- Lifestyle International
- Subhiksha supermarket
- Trinethra- Formats
- Vishal Retail Group

RETAIL FORMATS IN INDIA

Mom-and-pop stores: they are family owned business catering to small sections; they are individually handled retail outlets and have a personal touch.
Departmental stores: are general retail merchandisers offering quality products and services.
Convenience stores: are located in residential areas with slightly higher prices goods due to the convenience offered.
Shopping malls: the biggest form of retail in India, malls offers customers a mix of all types of products and services including entertainment and food under a single roof.
Hypermarkets/supermarkets: large self-servicing outlets offering products from a variety of categories.
E-trailers: are retailers providing online buying and selling of products and services.
Discount stores: these are factory outlets that give discount on the MRP.
Vending: it is a relatively new entry, in the retail sector. Here beverages, snacks and other small items can be bought via vending machine.
Category killers: small specialty stores that offer a variety of categories. They are known as category killers as they focus on specific categories, such as electronics and sporting goods. This is also known as Multi Brand Outlets or MBO's.
Specialty stores: are retail chains dealing in specific categories and provide deep assortment. Mumbai's Crossword Book Store and RPG's Music World is a couple of examples.

REVIEW OF LITERATURE

The sale of goods or commodities in small quantities directly to consumers. Retail is the sale of goods to end users, not for resale, but for use and consumption by the purchaser. The retail transaction is at the end of the supply chain. Manufacturers sell large quantities of products to retailers, and retailers sell small quantities of those products to consumers. The retail industry is divided into organised and unorganised sectors. Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedishops, convenience stores, hand cart and pavement vendors, etc(Mohan., et. al.)
According to the 8th Annual Global Retail Development Index (GRDI) of AT Kearney, India retail industry is the most promising emerging market for investment. In 2007, the retail trade in India had a share of 8-10% in the GDP (Gross Domestic Product) of the country. In 2009, it rose to 12%. It is also expected to reach 22% by 2010.
According to a report by Northbride Capita, the India retail industry is expected to grow to US$ 700 billion by 2010. By the same time, the organized sector will be 20% of the total market share. It can be mentioned here that, the share of organized sector in 2007 was 7.5% of the total retail market.
According to the Icrier report, the retail business in India is estimated to grow at 13% from $322 billion in 2006-07 to $590 billion in 2011-12. The unorganized retail sector is expected to grow at about 10% per annum with sales expected to rise from $ 309 billion in 2006-07 to $ 496 billion in 2011-12.
Customer gap is the gap between the expected level of service or product to that of perceived service or product. These problems in service sectors generally arise because deficiency of human resource, non - availability of the expect products or service, lack of trained employees, inappropriate customer mix, difficulty in controlling quality and consistency and other such issues.

SCOPE OF THE STUDY

Organised retailers sometimes do not make much of profit as they fail to understand its customers. Knowing the customers better enables the retailers to develop and execute plans which mutually benefit the company and the customer. Providing goods and services with customer as focus ensures higher customer satisfaction level with repeat visits and purchases.
The study is undertaken to analyze the customer gap and if found to bridge the gap with the suggestions. The study was made randomly on the customers who carried trolley with them to shop goods as they are believed to be the true customers. It is aimed at studying the Gap between customers' expectation and their perception with regard to organized retailing. It covers factors such as product quality, price, internal environment, staff, awareness, location and transparency in transaction. Seventy respondents were interviewed with the questionnaire to collect primary data required for the research. The duration was limited for 45 days.

STATEMENT OF THE PROBLEM

"Customer Gap Analysis in Organised Retailing – A Empirical Study" is undertaken to know the variations between the customer expectations and customer perceptions (actual). The study relates to overall products and services rendered by organized retail outlets at Mangalore city, Karnataka. The study is to identify if any gap exists between customers' expectations and their perceptions. The findings of the study will suggest measures to increase its efficiency and effectiveness by bridging the gap (if any) with strategies aligned with customers' expectations.

OBJECTIVES

- "To analyse the gap between the customer expectations and customer perception in organised retail sector in Mangalore city, Karnataka.
- To analyze the customers view points and expectation from organised retailers.
- To understand the current satisfaction level with the organised retailers products and related services

RESEARCH METHODOLOGY

RESEARCH DESIGN

The survey is related with fact finding study which requires expert and imaginative planning, careful analysis and rational interpretation of the findings, so the design for the study is Descriptive Study.

DATA COLLECTION

Both primary and secondary data are used to study. In this study, primary data are gathered from face to face interaction with the respondents through questionnaire. For the study, main sources of secondary data are company website and related articles. Both internal and external sources are used for the study.

AREA OF STUDY

The study conducted at organized retail outlets in Mangalore city, Karnataka.

SAMPLE SIZE

Total of 70 respondents were selected for the study. These persons were personally interviewed and questionnaire was given to them. Random sampling method was used for the study.

SAMPLING UNIT

A decision regarding sampling unit is to be taken before selecting samples for the study. Here, the sampling unit is a person in Spar, purchasing bulk items as he/she carries trolley with him/her.

TOOLS FOR ANALYSIS

Primary data collected for the purpose of analysis was checked, classified, and tabulated by following the statistical procedures such as Cronbach's Alpha for the reliability of the tool, descriptive statistical methods like mean, & standard deviation, inferential statistical method like paired sample T-test. The Paired-Samples T- Test procedure compares the means of two variables that represent the same group at different times (e.g. before and after an event).Appropriate statistical analysis was carried on the data collected with Statistical Package for Social Sciences Research (SPSS Version 17.0)

LIMITATIONS

- The personal bias of the individual plays dominant role while responding.
- Time frame and depth of analysis for topic under consideration is a major limitation.
- It will difficult to say that the response of consumer is related to specific statements asked.
- The sampling is based on those who carry trolleys with them.
- Only 70 units of mass population were studied, it may affect the reliability of the study
- It is also seen that certain questionnaires were filled by customers in a hurry.

RESULTS & DISCUSSION

The data collected in its raw form could not help the investigator in his analysis work and further process .In order to convert this information into meaningful data; the collected information must be coded and tabulated in some general formats. These coding and tabulation helps the analysis to understand easily the relationship between different variables and easily identify the dependent and independent variables. After collection, coding and tabulation, the real task of analyst is the analysis of data. Analysis means finding out the relationship between each variable under study in order to get the result and interpretation.

The statistical tool used here is the SPSS 17.0 version software, thus it shows the statistical difference or no difference between the expected and perceived response. Theoretically (statistically) for certain statements gap may be seen but in practice the gap is found to be negligible. But this negligible gap plays a very vital role in determining customer satisfaction.

TABLE 1: RELIABILITY TEST FOR QUESTIONNAIRE.

RELIABILITY ANALYSIS - SCALE (ALPHA)	
Reliability Coefficients	
Number of cases	70.0
Number of Items	30
Alpha Value	.8970

Reliability analysis allows studying the properties of measurement scales and the items that make them up. The Reliability Analysis procedure calculates a number of commonly used measures of scale reliability and also provides information about the relationships between individual items in the scale. The Cronbach's Alpha value obtained was .8970 which is said to be reliable. Nunnaly (1978) has indicated 0.7 to be an acceptable reliability coefficient but lower thresholds are sometimes used in the literature. Cronbach's alpha reliability coefficient normally ranges between 0 and 1. However, there is actually no lower limit to the coefficient. The closer Cronbach's alpha coefficient is to1.0 the greater the internal consistency of the items in the scale. George and Mallery (2003) provide the following rules of thumb:"> .9 – Excellent, > .8 – Good, > .7 – Acceptable, > .6 – Questionable, > .5 – Poor, and < .5 – Unacceptable"

TABLE 2: FREQUENCY AND PERCENTAGE OF DEMOGRAPHIC VARIABLES IN THE STUDY

Demographic Variables		Frequency	Percentage (%)
Gender	Male	36	51.4
	Female	34	48.6
Age	18-25	1	1.4
	26 – 30	9	12.9
	31 – 40	39	55.7
	41-50	20	28.6
	Above 50	1	1.4
Occupation	Professional	26	37.1
	Business	9	12.9
	Government service	6	8.6
	Private service	13	18.6
	Retired	1	1.4
	House wife	15	21.4

INTERPRETATION

Gender wise distribution sample shows 51.0% of them were male respondents and 48.6% of them were female respondents. In age wise distribution, majority of sample were between age group of 31-40 years (55.7%), followed by 28.6% from 41-50 years, 12.9% from 26-30 years, 1.4% each from 18-25 and above 50 years age group. Occupation wise distribution of sample revealed that 37.1% of them were professionals, 21.4% of them were house wives, 18.6% were from private sector, 12.9% were indulged in business, 8.6% from government sector and only 1.4% were retired.

TABLE 3: MEAN AND S.D OF EXPECTED AND ACTUAL PERCEPTION OF RESPONDENTS TOWARDS ALL STATEMENTS WITH RESULTS OF PAIRED SAMPLE T TEST VALUES

Sl. No	Statement	Expected		Actual		Difference	't' value	'P' Value
		Mean	S.D	Mean	S.D			
1	Products sold are of highest quality	4.66	0.56	4.27	0.76	0.3857	4.558	0.000
2	Price paid is worth	4.64	0.57	4.17	0.95	0.4714	4.659	0.000
3	Varieties of models are available	4.74	0.61	4.41	0.73	0.3286	3.547	0.001
4	Retailers are conveniently located	4.86	0.43	4.77	0.52	0.0857	1.934	0.057
5	Organised retailers are well known store in Mangalore	4.76	0.52	4.71	0.59	0.0429	1.000	0.321
6	Product display is very attractive	4.79	0.45	4.70	0.55	0.0857	1.622	0.109
7	Ambience is attractive	4.83	0.38	4.73	0.45	0.1000	2.165	0.034
8	Arrangement of billing counters is very convenient	4.81	0.46	3.86	1.18	0.9571	6.759	0.000
9	The outlet is spacious	4.90	0.30	4.67	0.72	0.2286	3.095	0.001
10	You always get the product you wanted	4.89	0.36	4.03	0.98	0.8571	6.993	0.000
11	There is error free sale.	4.93	0.26	4.80	0.63	0.1286	1.693	0.220
12	Staffs members at organised retailers have the knowledge to answer your queries	4.84	0.37	4.53	0.68	0.3143	4.197	0.000
13	There is transparency in the transaction	4.91	0.28	4.86	0.43	0.0571	1.425	0.287
14	There is good customer service	4.87	0.38	4.77	0.54	0.1000	1.982	0.056
15	Latest versions of products are available	4.76	0.55	4.40	0.84	0.3571	4.023	0.000

ANALYSIS AND INTERPRETATION

For all the fifteen statement paired sample t test was applied, six statement (retailers are conveniently located, organised retailers are well known store in Mangalore, product display is very attractive, there is error free sale, there is transparency in the transaction and there is good customer service) had no significant difference in mean scoring pattern between expected and actual perception, all other statement had difference in mean scores.

There was a significant difference in the expected and actual perception of respondents towards the statement 'Products sold are of highest quality' with t value of 4.558 and P value of .000, the expected quality of product is higher than actually perceived. The expected mean score was higher for Products sold at organised retailers are of highest quality than actual (4.66 and 4.27 respectively). This signifies that, the respondents were had a feeling that the products available at organised retailers are very qualitative but when reached the stores there was decline in their perception towards quality of products available.

For 'Price paid is worth' (t=4.659; P=.000), significant difference was observed. The mean scores were more for expected perception of respondents towards this statement than actual perception (4.64 and 4.17 respectively). This implies, respondents feel that products and services are charged high when they visit the organised retailers.

For statement 'Varieties of models are available', difference in mean scoring pattern was observed between expected and actual perception with t value of 3.547 significant at .001. The expected mean score was high (4.74) than actual (4.41). The expected varieties of products available at organised retailers are more than the actual.

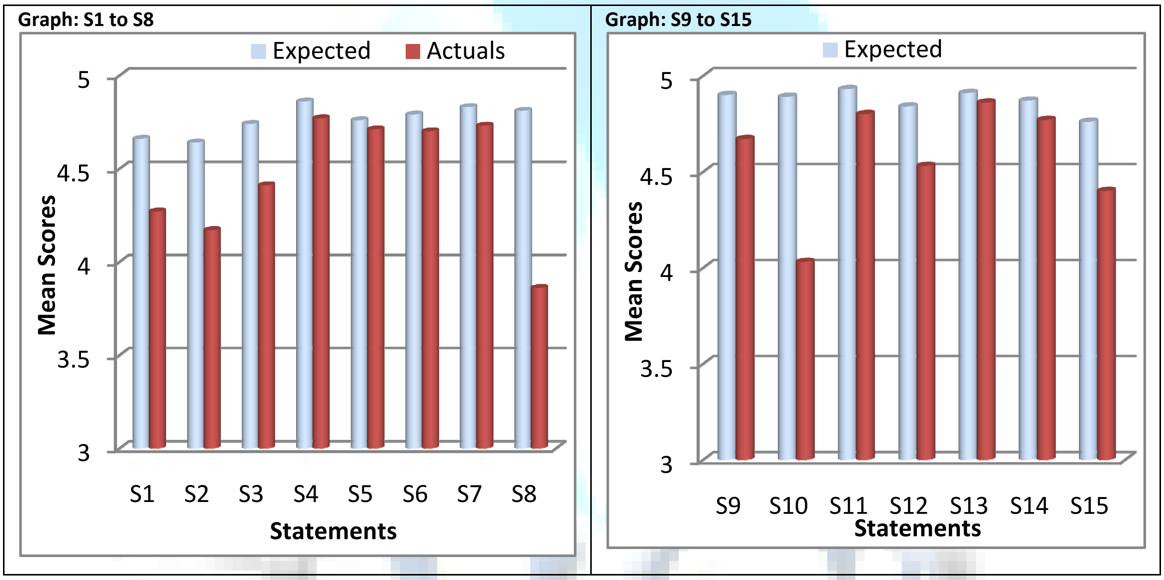
The expectation relating to attractiveness of ambience in organised retailing showed significant difference in mean scoring pattern (t=2.165; P=.034). The mean scores were high for expected perception than actual (4.83 and 4.73 respectively).

For 'Arrangement of billing counters is very convenient' significant difference was observed with T value of 4.81 and P value .000. The mean score for expected was higher with 4.81 than actual (3.86). This implies that billing counter are not very convenient, may be the customers are made to wait for long duration or some counter are closed.

For 'The outlet is spacious' significant difference was noticed in mean scoring pattern with t value of 3.095 and P value of .001. The expected mean scores are higher than actual or perceived (4.90 and 4.67 respectively). 'You always get the product you wanted' also exhibited significant difference in mean scores (t=6.993; P=.000). For statement 'staffs members at organised retailers have the knowledge to answer your queries' demonstrated difference in mean scoring (t=4.197; P=.000). the expected mean scores were higher than actual (4.84 and 4.53 respectively). For 'latest versions of products are available' statement significant difference was observed in mean scoring of expected (4.76) and actual (4.40) with t value of 4.023 and P value of .000.

For 'retailers are conveniently located' no difference was observed in mean scoring between actual and perceived (4.86 and 4.77 respectively) with t value of 1.934 and P value of 0.057. Statement 'organised retailers are well known stores in Mangalore' revealed no significant difference in mean scoring pattern with t value of 1.000 and P value of 0.321. 'Product display is very attractive' also revealed no significant difference in mean scoring pattern (t=1.622 and P=.109). 'There is error free sales' showed no difference in mean scoring with t value of 1.693 and P value of .220. 'There is transparency in the transaction' also signified no difference in mean scoring with t value of 1.425 and P value of .287. 'There is good customers service' also revealed no significant difference in mean scoring pattern with t value of 1.982 and P value of 0.056. The statement where no significant difference is observed mean the expected products and services matches with the actual received by the customers.

FIGURE 1: MEAN OF EXPECTED AND ACTUAL PERCEPTION OF RESPONDENTS TOWARDS ALL STATEMENTS



FINDINGS

The customers before coming to organised retail outlet expect that product sold are of highest quality but in reality they are not totally satisfied with product quality. The customers expect that price paid for purchasing product or service at organised retailers is worth (may be due to aesthetics they enjoyed like music, air conditioner, individual attention, parking facility etc.) but, actually after visiting the shop the perception differs. There is a decline in perception level.

As the name organised retailers, the customers expects that variety of model will be present. But actual encounter at retail outlet changed (towards negative side) their perception. Generally at the organised retail outlet the ambience is good and attractive but respondents differ in their opinion after visiting the outlet. Arrangement at bill counter are not very convenient - may be due to long queue, waiting time, space is congested to move the trolley, etc.

The types and variety of product sought is not always found in retail outlets as expected. The staff members at organised retail outlet are not equipped with the necessary knowledge as expected by the customers. This may be due to many organised retailers coming up in the market which reduces the pool of the candidates; lack of training may also be one of reasons. The customer expect latest version of the products to be available at the organised retail outlets but generally they do not find them in the shelves.

CONCLUSION

The main objective was to analyse the gap between the customer expectations and customer perception at organised retailing. The article has helped us to understand the future expectation levels and the understanding the current satisfaction level with the retail products and related services. The objectives set for the study was completely accomplished.

To conclude, it is understood from the research that the performance and overall functioning of retail sector is aligned to give the customer the best of services, coupled with value for their money, and make their weekly shopping an experience to look forward to. The findings given above are to get the business to perfection. Besides the urban market, India's rural market has just started to be seen as a viable option and companies who understand what the rural consumer wants will grow to incredible heights. The bulk of India's population still live in rural areas and to be able to cater specifically to them will mean generating tremendous amounts of business.

Business, specifically retail business must focus on the most important factor in the Indian mind-set: Value for Money. Indian consumers are ready to pay almost any amount of money for a product or service as long as they feel they are getting good Value for Money. This is often misconstrued as being tight fisted or interested in lower priced and/or lower quality products.

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PERFORMANCE OF SHGs CREDIT LINKAGE PROGRAMMES: A COMPARATIVE ANALYSIS

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ABSTRACT

India is a diversified country, at one side rich becoming rich and poorer still struggling for their livelihood. SHGs linked credit programme is a unique one which caters the minimum financial requirement of poorer people particularly in rural India. The present study made an attempt to analyze the performance of SHGs linked credit programme in India in comparison with Karnataka. The present study uses secondary time series data from 1992-93 to 2009-10. There are two dimensions in this paper the first dimension deals with the performance of SHGs credit linkage programme in India. The second dimension deals with comparative role of India and Karnataka. It has found from the study that number of SHGs financed, loan given to SHGs, number of families benefited have significantly increased in India. However the growth of SHGs was higher than the growth of benefit to SHGs and families. Therefore, loan facilities to SHGs should be increased according to the needs of SHGs and families. At the same time there are no differences between India and Karnataka in terms of growth of SHGs, growth of loan to SHGs per SHG loan and others.

KEYWORDS

SHG's, credit linkage programmes.

INTRODUCTION

Microfinance is being practiced as a tool to attack poverty the world over. The term "Microfinance" could be defined as *"provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi urban or urban areas, for enabling them to raise their income levels and improve living standards"* (NABARD 99). Microfinance Institutions (MFIs) are those, which provide thrift, credit and other financial services and products of very small amounts mainly to the poor in rural, semi-urban or urban areas for enabling them to raise their income level and improve living standards. Lately, the potential of MFIs as promising institutions to meet the consumption and micro-enterprise demands of the poor has been realized.

In the pursuit of economic development and planning, microfinance programs1 were engineered by a few well thinking planners2 to generate income and employment and alleviate poverty especially in the developing countries. The approach is accepted by the World Bank and other financial institutions as an important tool for poverty eradication and enhancement of living standards, particularly those of women. Moreover, microfinance has come to be regarded as a supplementary development tool that widens the financial service delivery system by linking a large rural population with formal financial institutions through self-help groups (SHGs).

The SHG - Bank Linkage Programme is a major plank of the strategy for delivering financial services to the poor in a sustainable manner. The search for such alternatives started with internal introspection regarding the innovations which the poor had been traditionally making, to meet their financial services needs. It was observed that the poor tended to come together in a variety of informal ways for pooling their savings and dispensing small and unsecured loans at varying costs to group members on the basis of need.

A review of the genesis and development of the SHGs in India reveals that the existing formal financial institutions have failed to provide finances to landless marginalized and disadvantaged groups. The origin of the SHGs could be traced to mutual aid in Indian village community. The Co–operatives are formal bodies whereas the SHGs are informal. The SHGs encourage savings and promote income-generating activities through small loans. The SHGs have reliability, stimulate savings and in the process help borrowers to come out of vicious circle of poverty. In India, the financial institutions have not been able to reach the poor households particularly women in the sector. Structural rigidities and overheads led to high cost in advancing small loans.

REVIEW OF LITERATURE

Copestake, et. Al., [2001] studied on the income impact of micro-credit on the clients drawn from poverty line have indicated that most households are better off with micro-credit, but income impacts vary in magnitude and durability and a sizeable proportion of clients find that their post credit incomes stagnate or fall.

Soundarapandian [2006] made an attempt to analyze the growth of SHGs and the role of micro finance in developing the rural entrepreneurship. The study suggests that though there is a positive growth rate of SHGs in state but in terms of the growth of SHGs there is a wide variation among states. Linkages of banks with SHGs are found impossible for this variation.

Loganathan and Asokan [2006] analyzed the inter regional performance of SHGs in terms of their total number, level of credit and per capital credit per SHG. The study revealed that SHGs had provided access to credit to their members, promoted savings, reduced dependence on money lenders and above all empowered rural women.

Namerta [1998] studied the eight micro finance programmes in India. He concluded that less than half of the sample women borrowers were economically empowered or benefited from improved household decision-making due to micro-finance services. And more than half of the sample lost control of the loans and incomes from the enterprises, as they were taken over by male family members.

Rajasekhar [2000b] explored the issues by examining micro-finance programmes promoted by 15 NGOs in the states of Andhra Pradesh and Kerala. He made an attempt to study the impact of micro-finance programmes on poverty and gender equality, and the extent to which the characteristics of the groups contributed to achieving these results. After examining group formation, savings systems, conditions of credit delivery, poverty reach and loan repayments in three different types of NGO programmes, he concluded that overemphasis on short-term financial sustainability can actually create conditions that make financial sustainability unlikely, and that lack of explicit attention to developing mechanisms for participation and institutional sustainability will hinder progress toward poverty reduction and empowerment.

Manimekalai and Rajeswari [2002] felt that there was no support from the members' family. The NGOs concerned might educate the men to co-operate with women for the betterment of the community and the economy as a whole. To conclude, SHG was the best experiment found successful in many parts of the country and must be encouraged and spread to all the areas where poverty persisted and this would bring women to the mainstream in the society.

Anitha and Ashok [2007] observed that the success of these self-help Groups not only improved the economic status of the women concerned, but there was also a drastic change in their social status. SHGs developed human dignity among the poor and women. Women were nobody earlier but somebody now. In the process of rural development SHGs certainly have a future role to play.

Rajashekar [2000a] and Mayoux [1998] argue those micro finance programs were expected to make a significant contribution to poverty alleviation and empower the members in economic, social and political spheres. Hashemi et. al. [1996], Puhazhendi and Badatya [2002] argue that micro finance had very beneficial social and economic impact, whereas the studies by Montgomery et al., [1996]; Goetz and Sen Gupta [1996]; Buckley [1997]; Rogaly [1996]; Mayoux [1998]; and Kropp and Suran [2002] argue that micro finance had not any beneficial, social and economic impact.

Hulme and Mosley [1996] argue that micro finance did not assist the poorest. They questioned the ability of the programs in targeting the poor; the sustainability of services provided the ability of the programs to reduce the poverty. They also observed that there were only limited data on the impact of NGO programs on poverty and these NGOs comparative advantage over other service agencies needs to be investigated rather than assumed.

CREDIT DEMAND OF THE POOR

It is estimated that in India there exist approximately 7.5 crores poor households, out of which 6 crores are rural and 1.5 crores urban households. One estimate assumes that the total annual requirement of credit for the rural poor families would be at least Rs.15, 000 crores on the basis of a maximum need of Rs.2000/- per family. Another estimate for requirement of credit (excluding housing) is Rs.50,000 crores assuming that annual average credit usage are Rs.6000/- per rural household, and Rs.9000/- for poor urban household. An additional Rs.1000 crore is estimated to be required for housing per year. Apart from micro-credit, they require savings and insurance also. Meanwhile, bank advances to weaker section aggregated Rs.9700 crore during 1997-98. MFIs and SHGs are estimated to have provided about 137 crore (cumulative up to September 1998). The above scenario, suggests a vast unmet gap in the provision of financial services to the poor. Moreover, 36% of the rural households are found to be outside the fold of institutional credit.

This study attempts to review the spread of credit linkages between self-help groups (SHGs) and banks across credit delivery models adapted by the Reserve Bank of India (RBI) and the National Bank for Agriculture and Rural Development (NABARD). It further examines the spread of credit linkages in India.

METHODOLOGY

The present study uses secondary time series data from 1992-93 to 2009-10. There are two dimensions in this paper. The first dimension deals with the performance of the SHG credit linkage programme in India. For the analysis of this dimension the growth rate (AGR and AAGR) ratio and graphical methods are used. The second dimension deals with comparison of performance of SHGs between India and Karnataka. For the analysis of this dimension the comparative methods are used with the help of t-test and F test.

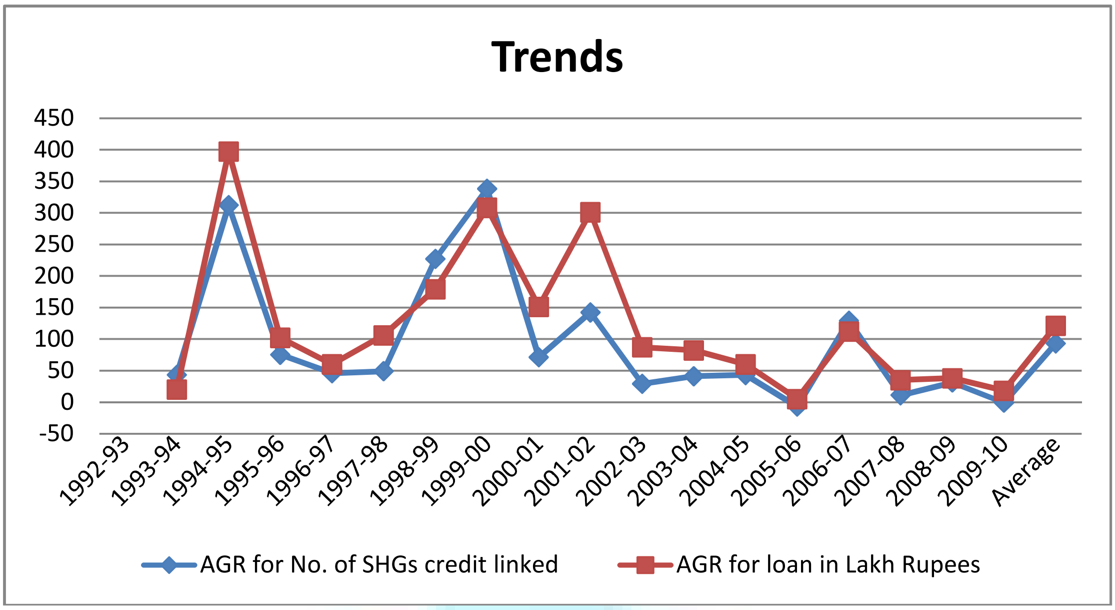
SHG BANK LINKAGE PROGRAMME IN INDIA

In the following section the performance of SHG bank linkage programme in India has evaluated by using the variables like number of SHGs credit linked, loan given, number of families benefited and others.

TABLE 1: SHGs CREDIT LINKED AND LOAN GIVEN TO SHGS IN INDIA

Sl. N o.	Year	No of SHGs credit linked	AGR	loan in Lakh Rupees	AGR
1	1992-93	255		30	
2	1993-94	365	43	36	20
3	1994-95	1502	312	179	397
4	1995-96	2635	75	361	102
5	1996-97	3841	46	578	60
6	1997-98	5719	49	1192	106
7	1998-99	18678	227	3330	179
8	1999-00	81780	338	13590	308
9	2000-01	139717	71	34072	151
10	2001-02	197653	142	54554	301
11	2002-03	255882	29	102231	87
12	2003-04	361731	41	185550	82
13	2004-05	518173	43	296180	60
14	2005-06	482598	-7	309613	5
15	2006-07	1105749	129	657039	112
16	2007-08	1227770	11	884926	35
17	2008-09	1609586	31	1225351	38
18	2009-10	1587000	-1	1445330	18
19	Average	422257	93	289675	121

The above table presents information about growth of SHGs and growth of credit given to SHGs. It is found that both SHGs and Loan to SHGs have increased significantly over the period of time. The SHGs have grown at the rate of 93 percent and loans to SHGs have increased at the rate of 121 percent. Therefore, loan to SHGs have increased higher than the rate of growth of SHGs. Hence the ratio between SHGs and loan has increased significantly during the period. During 1992-93 there were only 255 SHGs were linked to credit and during 2009-10 the numbers of SHGs linked to credit were 1587000. In the same way during 1992-93 loan to SHGs was rupees 30 lakh and it was increased to 1445530 lakh rupees. As a matter of fact the average loan to SHGs in each year was 289675 lakh rupees. The following chart shows the trends in growth of SHGs credit linked and loan to SHGs.



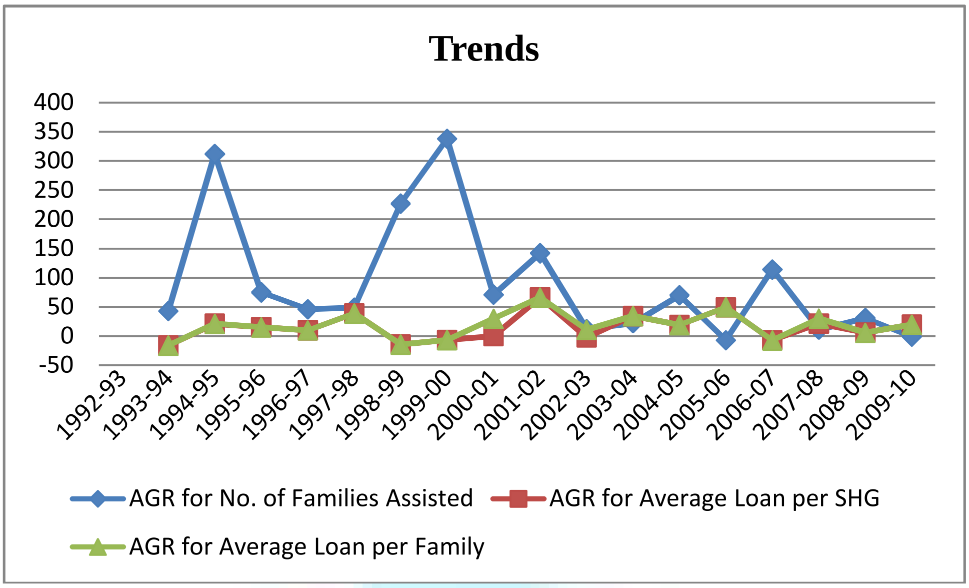
SHG AND FAMILY LEVEL BENEFITS

The SHGs linked credit programme has helped society at two levels; at the SHG level and at the family level. In the following section how many SHGs and families have benefited in terms of loan has been analyzed.

TABLE 2: SHG AND FAMILY LEVEL BENEFITS

Sl. No.	Year	No. of Families Assisted	AGR	Average Loan per SHG (Rs.)	AGR	Average Loan per family (Rs.)	AGR
1	1992-93	4335		11765		692	
2	1993-94	6205	43	9863	-16.167	580	-16.18
3	1994-95	25534	312	11917	20.825	701	20.86
4	1995-96	44795	75	13700	14.962	806	14.97
5	1996-97	65297	46	15048	9.8394	885	9.80
6	1997-98	97223	49	20843	38.51	1226	38.53
7	1998-99	317526	227	17828	-14.465	1049	-14.43
8	1999-00	1390260	338	16618	-6.7871	978	-6.76
9	2000-01	2375181	71	22110	29.65	1301	29.64
10	2001-02	3360101	142	27601	66.091	1624	66.05
11	2002-03	3754874	12	26985	-2.2318	1799	10.77
12	2003-04	4586000	22	36180	34.074	2412	34.07
13	2004-05	7774000	70	42971	18.77	2864	18.73
14	2005-06	7238970	-7	64155	49.298	4277	49.33
15	2006-07	15480486	114	59420	-7.3806	3961	-7.38
16	2007-08	17188780	11	72076	21.299	5148	29.96
17	2008-09	22534204	31	76108	5.5941	5436	5.59
18	2009-10	22218000	-1	91073	19.663	6505	19.66
19	Average	6025654	91	36127	16	2408	17

The above table presents information about number of families' benefited, average loan per family and average loan per SHG and their growth rates. It is found that number of families' benefited, average loan per family and average loan per SHG have increased significantly over the period of time. It is also found that average growth of number of families' benefited is higher than the average loan to family and SHGs. Therefore it can be identified that growth of loan was not commensurate with the growth of SHGs. If it could have been according to the needs of the SHGs and Beneficiaries, then the achievement could have been much more than what is today. However, it cannot be denied the increased support of government to SHGs in the form of loan. Because, during 1992-93 the loan to each SHG and family was rupees 11765 and 692 respectively, it increased to rupees 91073 and 6505 respectively during the year 2009-2010. Therefore, the performance of SHGs credit linked programme immensely helped the vulnerable sections of the people particularly in rural areas. In the following section an attempt has made compare the performance of SHGs credit linked programme of Karnataka with India. The following chart shows the trends in growth behavior of above variables.



COMPARATIVE ANALYSIS

In this section an attempt has made to analyze the performance of SHGs credit linked programme of Karnataka with India. For the comparative analysis the variables like growth rate (AGR) of number of SHGs credit linked, growth rate (AGR) of loan to SHGs, growth rate (AGR) of loan per SHG and loan per SHG (absolute value) are considered.

TABLE 3: COMPARISON OF GROWTH RATE (AGR) OF SHGS BETWEEN INDIA AND KARNATAKA

Mean Comparison				
	Group	N	Mean	Std. Deviation
Growth	Karnataka	17	88.5000	202.79277
	India	17	92.8824	104.82001

INDEPENDENT SAMPLES TEST						
Assumption	Levene's Test for Equality of Variances		t-test for Equality of Means			
	F	Sig.	T	df	Sig. (2-tailed)	Mean Difference
Equal variances assumed	.290	.594	-.079	32	.937	-4.38230
Equal variances not assumed			-.079	23.980	.938	-4.38230

Not significant.

The above tables present comparative information about growth rate (AGR) of SHGs between India and Karnataka. It is found from means comparison that Average growth rate (AAGR) of SHGs in India was 92.88 percent and it was 88.50 percent in Karnataka during seventeen years period, that's from 1992-93 to 2009-10. It is found from the F test that the variance in growth rate between India and Karnataka are statistically not significant. Hence, equal variances assumed. The difference in Average growth of SHGs between India and Karnataka is 4.38 percent. The t-test reveals that the difference between the two means is statistically not significant. Hence, there are no differences in growth of SHGs in India and Karnataka.

TABLE 4: COMPARISON OF GROWTH RATE (AGR) OF LOAN TO SHGS BETWEEN INDIA AND KARNATAKA

Mean Comparison				
	Group	N	Mean	Std. Deviation
Growth	Karnataka	17	137.41	305.35821
	India	17	121.24	113.78298

INDEPENDENT SAMPLES TEST						
Assumptions	Levene's Test for Equality of Variances		t-test for Equality of Means			
	F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference
Equal variances assumed	.652	.426	.205	32	.839	16.17
Equal variances not assumed			.205	20.359	.840	16.17

Not significant.

The above tables present comparative information about growth rate (AGR) of loan SHGs between India and Karnataka. It is found from means comparison that Average growth rate (AAGR) of loan to SHGs in India was 121.24 percent and it was 137.41 percent in Karnataka during seventeen years period, that's from 1992-93 to 2009-10. It is found from the F test that the variance in growth rate between India and Karnataka are statistically not significant. Hence, equal variances assumed. The difference in Average growth of loan to SHGs between India and Karnataka is 16.17 percent. The t-test reveals that the difference between the two means is statistically not significant. Hence, there are no significant differences in growth of loan to SHGs in India and Karnataka.

TABLE 5: COMPARISON OF GROWTH RATE (AGR) OF LOAN PER SHG BETWEEN INDIA AND KARNATAKA

Mean Comparison				
	Group	N	Mean	Std. Deviation
Growth	Karnataka	17	28.94	36.09
	India	17	16.56	22.66

INDEPENDENT SAMPLES TEST						
Assumptions	Levene's Test for Equality of Variances		t-test for Equality of Means			
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
Equal variances assumed	3.860	.058	1.198	32	.240	12.38
Equal variances not assumed			1.198	26.914	.241	12.38

Not significant.

The above tables present comparative information about growth rate (AGR) of loan per SHGs between India and Karnataka. It is found from means comparison that Average growth rate (AAGR) of loan per SHGs in India was 28.94 percent and it was 16.56 percent in Karnataka during seventeen years period, that's from 1992-93 to 2009-10. It is found from the F test that the variance in growth rate between India and Karnataka are statistically not significant. Hence, equal variances assumed. The difference in Average growth of loan per SHGs between India and Karnataka is 12.38 percent. The t-test reveals that the difference between the two means is statistically not significant. Hence, there are no significant differences in growth of loan per SHGs in India and Karnataka.

TABLE 6: COMPARISON OF LOAN PER SHG BETWEEN INDIA AND KARNATAKA

MEANS COMPARISON

Group		N	Mean	Std. Deviation
Rupees	Karnataka	18	53090.33	62294.67
	India	18	35347.83	25887.13

INDEPENDENT SAMPLES TEST						
	Levene's Test for Equality of Variances		t-test for Equality of Means			
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
Equal variances assumed	5.890	.021**	1.116	34	.272	17742.5
Equal variances not assumed			1.116	22.701	.276	17742.5

** Significant.

The above tables present comparative information about loan per SHG between India and Karnataka in absolute values. It is found from means comparison that Average loan per SHG in India was 35347.83 53090.33 rupees and it was 53090.33 rupees in Karnataka during eighteen years period, that's from 1992-93 to 2009-10. It is found from the F test that the variance between India and Karnataka are statistically significant. Hence, equal variances not assumed. The difference in Average loan per SHG between India and Karnataka is 17742.5 rupees. The t-test reveals that the difference between the two means is statistically not significant. Hence, there are no significant differences in loan per SHG in India and Karnataka.

CONCLUSION

In the present study an attempt has been made to analyze the performance of SHGs linkage credit programmes in India. An attempt has also made to comparatively analyze the performance SHGs between India and Karnataka. It has found from the study that number of SHGs financed, loan given to SHGs, number of families benefited have significantly increased in India. However the growth of SHGs was higher than the growth of benefit to SHGs and families. Therefore, loan facilities to SHGs should be increased according to the needs of SHGs and families. At the same time there are no differences between India and Karnataka in terms of growth of SHGs, growth of loan to SHGs per SHG loan and others.

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MUTUAL FUND PERFORMANCE: AN ANALYSIS OF INDEX FUNDS

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ABSTRACT

The objective of this paper is to evaluate the long run performance of the selected index fund schemes and to make comparative analysis of the performance of the funds on the basis of the risk-return framework during the period January, 2005 to December, 2011. The performance measures used are standard deviation, Beta, Alpha, R-Squared, Sharpe measure, Jensen measure, Treynor measure and Sharpe differential return measure. The results indicate that out of the schemes considered in the study, the ICICI Prudential Index Fund , Tata Index Fund and Franklin India Index Fund are better performers in case of Growth option of Index Fund. While on the other hand, in case of Dividend option the Franklin India has shown better performance. Franklin India Mutual Fund has been able to capture market very well in both growth as well as dividend options by showing the lowest of tracking error.

KEYWORDS
Beta, Index Funds, Risk Adjusted Measures, Raw return, Tracking Error.

1. INTRODUCTION

Mutual funds are financial intermediaries which mobilise the savings of those people who have surplus income and channelise their savings into those avenues where there is demand for funds. The main objective of these institutions is to employ their resources in such a manner so as to provide their investors the combined benefits of steady return, high liquidity, low risk and capital appreciation through diversification and expert management. In India mutual fund industry began with the establishment of Unit Trust of India in the year 1964. Later on in the year 1987 government allowed public sector banks and financial institutions to operate in the mutual fund industry. The industry has shown significant growth from the year 2003 onwards after the sector was opened for private sector and foreign players. There are large number of schemes which cater to the needs of different investors like gilt funds, sector-specific funds, income funds, growth funds, index funds. The present study analyse the performance of index funds.

The first Index fund was launched in India in June 1999.An Index fund is a fund in which investment is done in only those shares which comprises the market index (BSE Sensex or NSE Nifty). These funds follow a passive investment stategy as fund manager makes no attempt to identify stocks for investment or disinvestment, as the portfolio is built with the same stocks in the same weights as the market index. The performance of the fund is directly related to the performance of the index, except the tracking error. The tracking error occurs when there is deviation between returns of an index fund as compared to returns on the index. The deviation is due to transaction costs for buying and selling of stocks and payment of asset management fees. Tracking error is one of the good measure to compare the performance among funds as lower the tracking error better the fund. Index funds are suitable for those investors who want to make money on the stock market but they do not have time to track individuals stocks for trading by themselves.

2. LITERATURE REVIEW

Rao (2003) analysed the performace of Indian mutual funds in a bear market by using performance index, risk-return analysis, Treynor's ratio, Sharp's ratio, Sharp's measure, Jensen's measure, and Fama's measure . The study is conducted for the period September 98-April 02, on a sample of 269 open ended schemes. His study concluded that most of the mutual fund schemes in the sample were able to satisfy investor's expectations by giving excess returns over expected returns based on both premium for systematic risk and total risk.Dhume and Ramesh (2011) conducted a study to analyse the performance of the sector (Banking, FMCG, Infrastructure, Pharma and Technology) mutual funds using different approaches of performance measures. Findings of study revealed that all the sector funds have outperformed the market except infrastructure funds. Bawa and Brar (2011) conducted the study to evaluate the performance of a few selected Growth mutual funds schemes of India during the period 1st April 2000 to 31st March 2010. The paper also compared the results of public sector sponsored schemes with that of private sector schemes. Findings of study revealed that public sector growth schemes are more unstable and unsystematic as compared to private sector growth schemes in terms of their returns. The authors concluded that in terms of protecting investor's money from the market fluctuations public sector growth schemes have advantages over the private sector growth schemes. Jayadev (1996) conducted a study to evaluate the performance of two growth oriented mutual funds using Jenson, Treynor and Sharpe ratio. Findings of study revealed that both the growth oriented funds failed to perform better in terms of total risk and both the funds failed to offer advantages of diversification and professionalism to the investors.

3. OBJECTIVES OF THE STUDY

The main objectives of the study are to judge whether the index funds are actually a long term less risky form of investment and are able to perform as the market has done. The analysis also tries to explore the answer to the question whether the index funds are better off or worse off then the market index. The specfic objectives are:

To evaluate the long run performance of the selected schemes on the basis of the raw returns, considering quarterly buy and hold periods.

To examine the tracking error and components of total risk of the funds.

To make comparative analysis of the performance of the funds on the basis of the risk-return adjustment models suggested by Sharpe, Jensen and Treynor.

4. RESEARCH METHODOLOGY

DATA SOURCES

The Index funds based on S&P CNX Nifty have been considered for the study. Only those Index funds which were launched prior to 2005 have been focused upon for the comparative performance evaluation. Table 1 presents the funds selected for the analysis. For the purpose of study, analysis is done for the period of seven years i.e. from 2005 to 2011. The Benchmark Index for the study is the S&P CNX Nifty Index. The study is based on secondary data. For evaluating the performance NAV data have been collected from various websites like www.mutualfundsindia.com, www.amfiindia.com and www.moneycontrol.com. The risk free rate is the rate of return of the 91-days Treasury Bills obtained from Reserve Bank of India website.

TOOLS

The study considers the Raw Returns calculated on quaterly basis. For this, the closing values of the NAV on the first working day of the quarter of each year are considered. Raw returns are the buy and hold returns for each period i.e. quarter considered.

Raw Return= NAVt- NAV t-1/ NAV t-1

The performance of selected mutual fund schemes has been evaluated by using standard deviation, Beta, Alpha, R-Squared, Sharpe measure, Jensen measure, Treynor measure and Sharpe differential return measure.

3. RESULTS OF PERFORMANCE EVALUATION

3.1. RISK RETURN ANALYSIS

The Table 2 shows the Average Raw Return, Maximum and Minimum Raw Returns of the selected schemes along with that of the benchmark index. Considering the Table 2, it can be found that the average return of the growth schemes of the index funds is satisfying as the schemes are capable of following market index return. Raw Returns are the Buy and Hold returns an investor would have earned while investing in the respective schemes on quarterly basis for the considered time period.

Only Franklin India Index Fund, ICICI Prudential Index Fund and Tata Index funds outperform the market. In case of Dividend Schemes of the considered index funds, Table 3, none outperforms the market return in terms of capital appreciation. Only Franklin India Index fund has been able to generate raw returns to the extent of market

For analysing the performance of funds raw returns should not be considered in isolation, the picture tends to complete itself when total risk and systematic risk estimates are also considered. Total risk i.e. standard deviation of schemes is almost equal to market risk as shown in Table 4 & 5. Higher value of R Squared explains the confidence in Beta values. As depicted in Table 4,Considering R- squared values with beta estimates, the results for growth schemes show that the index funds follow the lines of market movements. The values of R squared are approximating towards one which shows that the index funds have almost exact correlation with the underlying index fund.

The Beta values (Table 5) calculated for the dividend schemes, represent a market equivalent systematic risk. But the R- Squared showed comparatively lesser confidence except for the Franklin India Index Fund and Principal Index Fund.

3.2. RISK ADJUSTED MEASURES ANALYSIS

Sharpe's Ratio is the ratio which represents the reward to variability. It is the excess of return earned over and above the risk free return for each unit of volatility involved. The positive and higher value of the ratio is considered better from the small investor's point of view who hope or the excess returns and seeking diversification through mutual funds. As it is evident from the Table 6 that none of the Index fund Growth schemes have provided a positive value and thus, none of the index fund has shown the excess return earned over risk free return. Similar scenario is seen in case of dividend schemes (Table 7).

Treynor's Ratio provides the excess return over the risk free return per unit of systematic risk. It estimates the performance of well diversified portfolio. Out of the considered schemes, ICICI Prudential Index Fund has been able to perform better in comparison with other schemes (Table 6). In case of dividend schemes Franklin India Index Fund has outperformed market as well as the rest of the dividend schemes(Table 7).

Jensen's alpha is based on CAPM. It reflects the performance of fund manager by providing an estimate of the better and timely stock selection and outperformance of funds given the level of systematic risk. As per the Jensen's alpha (Table 6) the ICICI Prudential Index Fund, Tata Index Fund and Franklin India Index fund are better performers than the rest of the index funds. In case of dividend schemes (Table 7), Franklin India Index Fund has been able to perform better in tough times of market while on the other hand; LIC MF has turned out to be the lowest performer in all the risk adjusted measures.

Sharpe's Differential Return measures the capability of the fund manager to earn the differential return i.e. the difference between the expected return and actual return. Almost all the index mutual funds have been able to earn differential returns as per the index differential return (Table 6). Out of the given schemes, the LIC MF Index fund has outperformed the rest of the schemes. In case of dividend schemes (Table 7), ING Large Cap Equity scheme outperforms market as well as rest of the schemes and is followed by Franklin India and Principal Index Mutual Fund.

3.3. TRACKING ERROR

Table 8 & 9 shows the tracking error of the index fund schemes. Tracking Error as explained earlier tries to estimate how well the fund manager has been able to capture the composition of portfolio of the benchmark index in its fund. From the Table 8 , it becomes clear that Franklin India Index Fund, Principal Index Fund and ICICI Prudential Index Fund have the least tracking error over the long period considered, emphasizing the active actions in tracing the index or market. The highest tracking error of dividend schemes (Table 9) is of LIC Mutual Fund while the lowest is of Franklin India Index Fund and Principal Index Mutual Fund.

4. CONCLUSION

On the basis of evaluation of the performance of index mutual funds it can be concluded that though Index funds are a great avenue for investment but they are just the follower of market. They undoubtly try to capture market sentiment, good as well as bad, thus the performance always flow along the market trend.

Taking into account all the parameters of evaluation in consideration it can be said that out of the schemes considered in the study, the ICICI Prudential Index Fund , Tata Index Fund and Franklin India Index Fund are better performers in case of Growth option of Index Fund. While on the other hand, in case of Dividend option the Franklin India has shown better performance. Franklin India Mutual Fund has been able to capture market very well in both growth as well as dividend options by showing the lowest of tracking error.

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6. TABLES

TABLE 1: LIST OF MUTUAL FUND SCHEMES CONSIDERED FOR THE STUDY

Sr. No.	Index Fund	Launched	Issuer
1	**Principal Index Fund**	Jul-99	Principal PNB AMC Pvt. Ltd
2	**UTI Nifty Index Fund**	Mar-00	UTI AMC Pvt. Ltd.
3	**Franklin India Index Fund**	Jun-00	Franklin Templeton AMC (India) Pvt. Ltd.
4	**SBI Magnum Index Fund**	Dec-01	SBI Funds Management Ltd.
5	**ICICI Prudential Index Fund**	Feb-02	ICICI Prudential AMC Ltd.
6	**HDFC Index Fund – Nifty Plan**	Jul-02	HDFC AMC Ltd.
7	**Birla Sun Life Index Fund**	Sep-02	Birla Sun Life AMC Ltd.
8	**LICMF Index Fund – Nifty Plan**	Nov-02	LIC Mutual Fund AMC Ltd
9	**Tata Index Fund-Nifty Plan**	Feb-03	Tata AMC Pvt. Ltd
10	**ING Large Cap Equity Fund**	Jan-04	ING Investment Management (I) Ltd.
11	**Canara Robeco Nifty Index Fund**	Sep-04	Canara Robeco AMC Ltd.

TABLE 2: RETURN ESTIMATES OF INDEX FUNDS- GROWTH SCHEMES

Name of the Scheme	Average Return	Maximum Return	Minimum Return
Principal Index Fund	3.81276	-23.503	40.3928
UTI Nifty Index Fund	3.61604	-23.26	40.9531
Franklin India Index Fund	4.24682	-23.617	41.5144
SBI Magnum Index Fund	3.90862	-23.216	41.781
ICICI Prudential Index Fund	4.58413	-22.609	41.9554
HDFC Index Fund – Nifty Plan	3.67853	-26.051	38.9757
Birla Sun Life Index Fund	4.05791	-23.774	41.2066
LICMF Index Fund – Nifty Plan	3.45783	-24.015	39.9195
Tata Index Fund-Nifty Plan	4.3214	-23.386	41.0159
ING Large Cap Equity Fund	3.96292	-22.707	40.9091
Canara Robeco Nifty Index Fund	4.03623	-23.357	41.0791
S&P CNX Nifty(Benchmark)	4.2069	-23.218	41.8433

TABLE 3: RETURN ESTIMATES OF INDEX FUNDS- DIVIDEND SCHEMES

Name of the Scheme	Average Return	Maximum Return	Minimum Return
Principal Index Fund	3.17399	40.3685	-42.032
UTI Nifty Index	2.75529	40.9551	-60.857
Franklin India Index	4.25364	41.5144	-23.617
SBI Magnum Index Fund	2.26992	41.7277	-27.086
Birla Sunlife Index fund	3.10977	41.2057	-38.372
LIC Mutual Fund	0.96355	39.9199	-36.833
Ing LargeCap Equity Fund	2.45421	41.1707	-22.769
Canara Robeco Nifty Index Fund	2.68284	40.6077	-29.171
S&P CNX Nifty(Benchmark)	4.2069	-23.218	41.8433

TABLE 4: STANDARD DEVIATION, BETA AND R-SQUARED OF INDEX FUNDS – GROWTH SCHEMES

Name of the Scheme	Standard Deviation	Beta	R Squared
Principal Index Fund	15.0641	0.94953	0.99887
UTI Nifty Index Fund	15.4407	0.98167	0.95001
Franklin India Index Fund	15.2338	0.96044	0.99932
SBI Magnum Index Fund	15.0697	0.94844	0.99584
ICICI Prudential Index Fund	15.2755	0.96242	0.99797
HDFC Index Fund – Nifty Plan	14.9676	0.94157	0.99491
Birla Sun Life Index Fund	15.2807	0.95437	0.98069
LICMF Index Fund – Nifty Plan	14.3903	0.88648	0.95405
Tata Index Fund-Nifty Plan	15.2277	0.95318	0.98506
ING Large Cap Equity Fund	14.6985	0.92518	0.99606
Canara Robeco Nifty Index Fund	14.9553	0.93052	0.97329
Market	15.2686		

TABLE 5: STANDARD DEVIATION, BETA AND R-SQUARED OF INDEX FUNDS – DIVIDEND SCHEMES

Name of the Scheme	Standard Deviation	Beta	R Squared
Principal Index Fund	16.6871	1.02989	0.95762
UTI Nifty Index	19.0348	1.11935	0.86939
Franklin India Index	15.2811	0.96256	0.99753
SBI Magnum Index Fund	15.6348	0.90349	0.83954
Birla Sunlife Index fund	17.2399	0.99616	0.8394
LIC Mutual Fund	18.0403	0.98585	0.75078
Ing LargeCap Equity Fund	14.8521	0.80867	0.74532
Canara Robeco Nifty Index Fund	16.0701	0.88093	0.75548
Market	15.2686		

TABLE 6: RISK ADJUSTED MEASURES OF INDEX FUNDS- GROWTH SCHEMES

Name of the Scheme	Sharpe's Measure	Treynor's Measure	Jensen's Alpha	Sharpe's Differential Return
Principal Index Fund	-0.1568	-2.4868	-8.598	4.23325
UTI Nifty Index Fund	-0.1657	-2.6058	-9.1989	4.18473
Franklin India Index Fund	-0.1265	-2.0066	-7.8187	4.21139
SBI Magnum Index Fund	-0.1503	-2.3886	-8.4041	4.23253
ICICI Prudential Index Fund	-0.1041	-1.652	-7.1689	4.20602
HDFC Index Fund – Nifty Plan	-0.1667	-2.6504	-8.8064	4.24568
Birla Sun Life Index Fund	-0.1385	-2.2173	-8.1507	4.20535
LICMF Index Fund – Nifty Plan	-0.1888	-3.0641	-8.8535	4.32006
Tata Index Fund-Nifty Plan	-0.1217	-1.9437	-7.6285	4.21218
ING Large Cap Equity Fund	-0.1504	-2.39	-8.149	4.28036
Canara Robeco Nifty Index Fund	-0.1429	-2.2975	-8.0418	4.24727
S&P CNX Nifty	-0.1288	-2.0428	-7.9126	4.2069

TABLE 7: RISK ADJUSTED MEASURES OF INDEX FUNDS- DIVIDEND SCHEMES

Name of the Scheme	Sharpe's Measure	Treynor's Measure	Jensen's Alpha	Sharpe's Differential Return
Principal Index Fund	-0.1798	-2.913	-10.422	4.02414
UTI Nifty Index	-0.1796	-3.0542	-11.955	3.72168
Franklin India Index	-0.1257	-1.9951	-7.8183	4.2053
SBI Magnum Index Fund	-0.2497	-4.3212	-11.232	4.15972
Birla Sunlife Index fund	-0.1777	-3.0761	-10.308	3.95292
LIC Mutual Fund	-0.2888	-5.2853	-14.495	3.8498
Ing LargeCap Equity Fund	-0.2505	-4.6	-10.13	4.26056
Canara Robeco Nifty Index Fund	-0.2172	-3.9631	-10.273	4.10364
S&P CNX Nifty	-0.1288	-2.0428	-7.9126	4.2069

TABLE 8: TRACKING ERROR OF INDEX FUNDS- GROWTH SCHEMES

Name of the Scheme	Tracking error
Principal Index Fund	0.54877
UTI Nifty Index Fund	3.54797
Franklin India Index Fund	0.4
SBI Magnum Index Fund	0.99943
ICICI Prudential Index Fund	0.6887
HDFC Index Fund – Nifty Plan	1.12076
Birla Sun Life Index Fund	2.12784
LICMF Index Fund – Nifty Plan	3.31441
Tata Index Fund-Nifty Plan	1.86746
ING Large Cap Equity Fund	1.09992
Canara Robeco Nifty Index Fund	2.4976

TABLE 9: TRACKING ERROR OF INDEX FUNDS- DIVIDEND SCHEMES

Name of the Scheme	Tracking error
Principal Index Fund	3.59537
UTI Nifty Index	7.31235
Franklin India Index	0.75989
SBI Magnum Index Fund	6.33351
Birla Sunlife Index fund	6.92892
LIC Mutual Fund	9.01347
Ing LargeCap Equity Fund	7.88433
Canara Robeco Nifty Index Fund	8.05224

BUYING BEHAVIOUR AND PERCEPTION OF RETAIL INVESTORS TOWARDS MUTUAL FUND SCHEMES

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ABSTRACT
It is always a complex process to make a good investment. There are sorts of investment avenues where investors can use their savings and get reimbursement as per their earning. Several investors' purchase mutual fund because it invites the prospective investors to join the fund by offering various schemes according to their requirement. The purpose of this research paper is to find out the importance of those factors which influencing the investment decision of retail investors during mutual fund schemes. In order to obtain the objectives of this study we use both primary and secondary data. The primary data has been collected by questionnaire filled by 200 mutual fund investors. The results of the present study revealed that quality of fund/scheme is the highly important factor considered by the selected mutual fund investors. This study also discovered that Investors related services are least important factor for the selected sampled investors. Findings of the study will have some useful managerial implications for the AMCs in their product designing, marketing and management of the fund and may also help in making cost effective strategic decisions and hence would be of interest to both existing and new mutual fund managers and individual investors.

KEYWORDS
Retail investors, Mutual Fund, Investment.

INTRODUCTION
In financial markets, "expectations" of the investors play a vital role. These 'expectations' of the investors are influenced by their "perception" and humans generally relate perception to action. Mutual fund is a professionally managed firm of collective investments that collect money from investors and invest it in stock, bond and short term money market instrument. By the definition of AMFI "Mutual fund in India is a kind of collective investment that is managed professionally. In Mutual fund in India, the money is collected from a large number of investors and then it is invested in bonds, stocks, and various other securities. The fund manager of Mutual fund in India collects the interest income which is then distributed among the individual investors on the basis of the number of units that they hold". Mutual fund industry is regulated by the Securities Exchange Board of India. In India there are various companies which are dealing in mutual fund such as Reliance Mutual Funds, HDFC , ABN Amro, AIG, Bank of Baroda, Canara Bank, Birla Sun Life, DSP Merrill Lynch, DBS Chola Mandalam AMC, Escorts Mutual, Deutsche Bank, ING, HSBC, UTI , ICICI Prudential and LIC. In order to find out the best performing mutual fund in market, one can use its net assets value (NAV). In current scenario most popular mutual funds are Reliance Growth Fund, HDFC Top 200 Fund, HDFC Equity Fund, ICICI Pru Infrastructure, Reliance Natural Resources, Reliance Vision Fund, DSP-BR India T.I.G.E.R , SBI Magnum Contra Fund, Fidelity Equity Fund, Franklin India Bluechip, UTI Infra-Advantage – Sr 1, DSP-BR Top 100 Equity and Tata Infrastructure Fund etc. The purpose of this study is to find out those factors, investing characteristics, decision making process which influences the behavior of selected mutual fund investors.

REVIEW OF LITERATURE
This paragraph gives a brief review of literature regarding various studied conducted on investor perception, preferences and behavior. Fitzsimons et al. (1994) conducted a study on approximately 300 affluent investors to understand mutual fund investor's decision making process and the factors they consider while taking a purchase decision about mutual fund. This survey exposed that investors invest in mutual fund due to less risk associate with mutual fund investment. A study related the manner in which investors make their investment decision is conducted by Capon et al. (1996) and carried a study to investigate the manner in which consumers make investment decision for mutual funds. They reported that investors considered many non-performance related factors. A study was carried by Sikidar and Singh (1996) conducted a study to understand the behavioral aspects of the investors of the North Eastern region towards equity and mutual funds investment portfolio. The survey concluded that major investment in mutual fund is by salaried and self employed people due to tax concessions.

Khaneman and Riepe (1998) carried out various aspects of investors psychology and it was concluded that the client should be aware of the uncertainty which is attached with the investment and Broker should communicate realistic odd success to the client before making an investment decision consider the possibility that the trace is based on random factors through historical volatilities and covariance. A study has been done by Rajeswari (1998) to know the factors influencing fund/scheme selection behaviour of retail investors. The main objective of the survey is to understand the saving preference among mutual fund investors, scheme preference of investors and information source. It was revealed that most preferred investment vehicle is bank deposit and mutual fund is not preferred at that time. Chakarabarti and Rungta (2000) carried out a survey of mutual fund investors. The study concluded that the brand image factor is basically influencing the investors for investing in mutual fund schemes. This brand image cannot be easily captured by computable performance measures. It influences the investor's perception and hence his fund/scheme selection behaviour.

Ranganathan (2006) examined the related aspects of the fund selection behaviour of individual investors towards mutual fund in Mumbai city. The major objective behind this study was to assess the saving objectives and identify the preferred saving avenue among individual investors. It was concluded that pension and provident funds is the most popular saving instrument. Bergstresser et al. (2009) conducted a survey to quantify the benefits that investors enjoy in exchange for the costs of these services. It was resulted that broker-sold and direct-sold funds from 1996 to 2004 and fail to find that brokers deliver substantial tangible benefits. It was concluded that brokers deliver substantial intangible benefits that do not observe and there are material conflicts of interest between brokers and their clients. Laibson et al. (2009) studied, why individuals investors invest in high-fee index mutual funds and revealed that investors buy high-fee index funds because of bundled non portfolio services. Fees paid decrease with financial literacy. Interestingly, investors who choose high-fee funds sense they are making a mistake.

Khalid et al. (2010) carried out a research to evaluate the performance of close end mutual funds using two new ratios concluded that the close end mutual are not performing well due changes in the capital market. The managers need to be more efficient to earn good returns and use such strategies which can ensure better returns. Hartzalli et al. (2010) who conducted a research to evaluate the performance of real estate mutual funds concluded that funds which are actively managed by the managers due aggressive and timing market strategy are more likely to generate the higher return for the investors. Moreover, funds whose tendency is not to invest in single segment, for them, other benchmark is selected based on the preferred horizon of investment. Moreover, fund can earn superior return on the basis of information available to the fund manager because the manager can use this information to come up with the best diversified portfolio to earn more return.

Sai kishore (2011) conducted a study on mutual funds in India. This study shows that mainly there are two types of funds equity and debt funds. Diversified equity has done very well while sartorial categories have fared poorly in Indian market. Index Funds have delivered much less compared to actively managed Funds. Gilt and Income Funds have performed very well during the last three years. They perform best in a falling interest environment. Since interest rates are now much lower, short term Funds are preferable. Diversified equity – Zurich Equity, Franklin India Bluechip, Sundaram Growth. These Funds show good resilience giving positive results. Gilt Funds – DSP Merrill Lynch, Tata GSF, and HDFC Gilt have done well. Income Fund – HDFC, Alliance, Escorts and Zurich are top performers Short Term Funds – Pru ICICI, Franklin Templeton is recommended.

OBJECTIVES OF THE STUDY

The overall aim is to conduct a study on mutual fund selection behaviour of retail investors. It can be further divided in to the following sub-objectives:

1. To understand the investment avenue preference among mutual fund investors.
2. To know the preference of mutual fund investors regarding investment objectives and mutual fund schemes.
3. To identify the importance of those factors which influencing the investment decision of retail investors**.**

RESEARCH METHODOLOGY

Data has been collected from both primary and secondary sources. The primary data has been collected by a structured questionnaire filled by two hundred MF investors. The secondary data has been collected from various websites, journal, books and Newspapers etc. A sample of two hundred mutual fund investors belonging to Hisar city has been selected based on convenience. Statistical techniques have been used to analyze the data, such as mean, ranking and chi square test. Mean and ranking have been used to calculate the preference for investment avenues, objective of mutual fund investment, type of mutual fund scheme preference and category of mutual fund etc. Chi square test has been used to check the importance given by mutual fund investors for the various factors such as quality of fund/scheme, Fund sponsor qualities and investors related services. Further these three factors have divided into various sub-factors.

RESULTS AND DISCUSSION

Mutual funds have emerged as an important investment avenue for retail investors. Objective of this study is to understand the buying behavior and perception of mutual fund investors. The respondents were given a list of nine investment avenues in which they would prefer to invest. They were asked to rank 1 for most preferred and 9 for least preferred Investment Avenue. From the responses recorded, mean values were calculated. The analysis of the Table 1 reveals that Bank Deposit and Cash secures the first and second rank respectively among all the investment avenues. Share/Bonds and UTI & Mutual fund both have been carried the same mean rank of 4.63 and taken the same position among preference for investment avenues (3.5).This reconfirms the preference of investors for Bank Deposit, Cash, Share/Bonds and mutual fund schemes because of safety of investment, liquidity available and regular or reasonable return associated with these avenues. Next comes Insurance Scheme (4.76), Gold (5.46), Real Estate (5.50), Postal Scheme (5.59). Pension & PF (5.86) has been least preferred because of less benefit associated with these schemes. To sum up, it can be said that mutual fund preferred at 3.5 ranks by mutual fund investors in all nine investment avenues.

In Table 2 it is observed that majority of the investors prefer ‘Growth’ scheme as these schemes has feature of capital appreciation boon with Investment Avenue. Balanced schemes stand at second rank because it has the feature of both appreciations in stock as well as regular return in the shape of interest and dividend. A large number of mutual funds have come up with schemes which ensure tax benefits to the subscribers besides some income and small appreciation in value of units so, tax saving schemes gets third rank. Money market schemes catch forth rank. Income scheme has been carried the fifth rank. These funds aim at providing maximum current return/income to the investors. Index fund and fixed maturity plans are least preferred. Thus, the findings from Table No. 2 and 3 reconfirms each other that good return/ capital appreciation, safety and tax benefit are the most important objective of mutual fund investment and that is why growth, balanced and tax saving schemes are most preferred by sample respondents.

The respondents were given a list of 5 objectives of mutual fund investment. The objectives of mutual funds have been ranked on five point scale from most preferred to least preferred. From the responses recorded in Table 3, mean values were calculated. On the basis of these mean ranks the investors give most preference to ‘Good return/Capital appreciation’ than ‘Safety’ and tax benefits with mean rank of 1.70, 3.12 and 3.60 respectively That’s why they prefer the ‘Bank Deposit’ and ‘Cash’ as an investment avenues due to safest avenues and then ‘Mutual funds’ and ‘Share/Bonds’ investment avenues because they get reasonable return along with safety and tax benefits. After that, they prefer the liquidity and diversification respectively.

Table 4, presented that quality of the fund/scheme is considered as main factor while investors invest in mutual fund. The quality of fund/scheme consist ten sub factors such as fund performance record, fund reputation/brand, scheme’s expenses ratio, scheme’s portfolio of investment, reputation of fund manager, withdrawal facilities, favorable credit rating, innovativeness of scheme, product with tax benefit and entry and exit load. After that, they give importance to fund sponsor quality. Fund sponsor quality include a number of variable such as reputation of sponsor, sponsor has a well developed network, sponsor’s expertise in managing money, sponsor has a well developed research wing and sponsor’s past performance in term of risk and return. Less importance is given to investor related services like disclosure of investment objective in the advertisement; disclosure of method and periodicity in documents, disclosure of NAV on every trading day, mutual fund’s investor’s grievance redresses machinery and fringe benefits. Further, the investor’s preference for these sub-factors has been measured. Investor’s decision to invest in a particular mutual fund is most affected by a number of sub factor comprising qualities of fund/scheme.

Five point likert scale of highly important, important, somewhat important, not very important and not at all important were the respondents’ choices. The result of table 5 showed that the investors give more preference to fund performance record, fund reputation/brand and scheme's portfolio of investment with mean rank 4.47, 4.30 and 4.22 respectively. Scheme’s expenses, favorable credit rating and innovativeness of the scheme are least preferred by sample respondents. Here we made a hypothesis to identify the significant difference for the various factors of quality of mutual fund/scheme and used Chi-square test for testing this hypothesis.

HYPOTHESIS 1:- QUALITIES OF FUND/SCHEME DOES NOT AFFECT THE MUTUAL FUND INVESTMENT DECISION OF RETAIL INVESTORS.

The statistical analysis of the first hypothesis is presented in table 6. The results discovered that at five percent level of significance with the degree of freedom 4, the value of chi-square are 121.85, 178, 156.05 and 179.15 for the factor $F_{1,3}$, $F_{1,5}$, $F_{1,6}$ and $F_{1,7}$ respectively and at the degree of freedom 3 the values are 225.48, 165.72, 99.08, 85.92, 115 and 83.36 for the factor $F_{1,1}$, $F_{1,2}$, $F_{1,4}$, $F_{1,8}$, $F_{1,9}$ and $F_{1,10}$ respectively which is higher than the tabulated value of 9.4 at degree of freedom 4 and 7.82 at degree of freedom 3. The results presented the opinion of the respondents that our hypothesis is rejected. So we concluded that various factors of qualities of Fund/Scheme affect the mutual fund investment decision of retail investors.

Table 6 showed that sponsor’s past performance in term of risk and return and reputation of sponsor is most preferred by investors. Next factor they considered is sponsor’s expertise in managing money and sponsor has a well-developed network. Least preference is given to sponsor has a well-developed research wing. Here we made a hypothesis to test whether fund sponsor qualities has impact on purchase decision of mutual fund investors or not. To test it we used Chi-square test.

HYPOTHESIS 2:- FUND SPONSORS QUALITY DOES NOT AFFECT THE MUTUAL FUND INVESTMENT DECISION OF RETAIL INVESTORS.

At the degree of freedom 3 and level of significance 0.05, the chi-square statistical figures are 105.32, 115.68 and 106.32 for the factor $F_{2,1}$, $F_{2,2}$ and $F_{2,3}$ respectively at the degree of freedom 4, and the values are 164.2 and 164.6 for the factor $F_{2,4}$ and $F_{2,5}$ respectively at degree of freedom 3 which is higher than the tabulated value of 7.82 at degree of freedom 3 and 9.4 at degree of freedom 4. It means investors give importance to the factors of fund sponsor quality and null hypothesis will be rejected.

From the table 7, it can be seen that investors give first preference to disclosure of NAV on every trading day. Disclosure of investment objective in the advertisement and disclosure of method and periodicity of in documents gets second and third rank respectively. MF's investor's grievance redresses machinery and fringe benefits i.e., free insurance, tax benefits, etc are least preferred. Similarly we use a hypothesis to know the impact of investor's related services on the mutual fund investors' decisions. To test this hypothesis we used Chi-square test.

HYPOTHESIS 3:- INVESTOR'S RELATED SERVICES DOES NOT AFFECT THE MUTUAL FUND INVESTMENT DECISION OF RETAIL INVESTORS.

At the level of significance of 0.05 with the degree of freedom 3, the computed shows statistical figures are 81.96, 132, 138.64 and 77 for the factors $F_{3,1}$, $F_{3,2}$, $F_{3,3}$ and $F_{3,4}$ respectively at the degree of freedom 4 and the value is 153.95 for $F_{3,5}$ at degree of freedom 3 which is higher than the tabulated value of 7.82 at degree of freedom 3 and 9.4 at degree of freedom 4. Result showed that the factors of investor's related services affect the mutual fund investment decision of retail investors.

CONCLUSION

Mutual funds are meant for small investors and their success depends on the knowledge of complex stock market. This study has focused on how investment behavior of fund investors varies in terms of preference and selection of MF schemes. It can be concluded that investors invest their money in mutual fund with the objective of good return, safety and tax benefit. In all nine investment avenues, the most preferred investment vehicle is bank deposit. Investors give equal importance to mutual fund and share/bond. Growth schemes and balanced schemes are most preferred in comparison to other schemes. Fixed maturity schemes are least preferred by mutual fund investors. According to this study it can be said that most important factor considered by mutual fund investors is quality of fund/scheme. It is further revealed that the investors are influenced by the sponsor's past performance of risk and return, the reputation enjoyed by the sponsor and their expertise in managing money when they invest their money in mutual fund scheme. It is hoped that findings of this study can help to AMFI/SEBI to design, marketing and management of their funds. The results of this study will also help to AMC in product designing to meet the investors' need and be alert to capture the changing market moods and innovative. Hence this is helpful for both existing and new mutual funds; funds manager and individual investors.

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APPENDIX

TABLE 1: INVESTMENT AVENUE PREFERRED BY SAMPLE RESPONDENTS

Investment Avenue	Mean Rank (Overall Rank)
Cash	4.11 (2)
Insurance Schemes	4.76 (5)
Share	4.63 (3.5)
Postal Schemes	5.59 (8)
Real Estate	5.50 (7)
Bank Deposit	3.72 (1)
Pension & Provident fund	5.86 (9)
Mutual Fund	4.63 (3.5)
Gold	5.46 (6)

TABLE 2: MUTUAL FUND SCHEMES PREFERRED BY SAMPLE RESPONDENTS

Type of Scheme	Mean Rank (Overall Rank)
Growth	2.37 (1)
Balanced	2.90 (2)
Income	4.28 (5)
Money Market	4.27 (4)
Tax Saving	3.85 (3)
Index	5.64 (7)
Fixed Maturity	4.69 (6)

TABLE 3: OBJECTIVES OF MUTUAL FUND INVESTMENT OF SAMPLE RESPONDENTS

Objective of MF	Mean Rank (Overall Rank)
Safety	3.12 (2)
Good Return	1.70 (1)
Tax Benefit	3.60 (3)
Liquidity	4.00 (4)
Diversification	4.78 (5)

TABLE 4: IMPORTANCE OF FACTOR AFFECTING THE MUTUAL FUND SELECTION BY SAMPLE RESPONDENTS

Factors (Factor Code)	Mean Rank (Overall Rank)
Quality of Fund/Scheme (F_1)	1.46 (1)
Fund Sponsor Quality (F_2)	2.10 (2)
Investor's Related Services (F_3)	2.48 (3)

TABLE 5: STATISTICAL ANALYSIS OF SUB-FACTORS RELATED TO QUALITY OF FUND/SCHEME

Quality of Fund/Scheme (Sub-Factor Code)	Mean Rank (Overall (Rank)	Chi Square	Degree of freedom (df)	Asymp. Sig.
Fund Performance Record ($F_{1,1}$)	4.47 (1)	225.48	3	.000
Fund Reputation/Brand ($F_{1,2}$)	4.30 (2)	165.72	3	.000
Scheme's Expenses Ratio ($F_{1,3}$)	4.02 (8)	121.85	4	.000
Scheme's Portfolio of Investment ($F_{1,4}$)	4.22 (3)	99.08	3	.000
Reputation of Fund Manager ($F_{1,5}$)	4.21 (4)	178	4	.000
Withdrawal Facilities ($F_{1,6}$)	4.06 (7)	156.05	4	.000
Favorable Credit Rating ($F_{1,7}$)	3.99 (9)	179.15	4	.000
Innovativeness of Scheme ($F_{1,8}$)	1.8 (10)	85.92	3	.000
Product with Tax Benefit ($F_{1,9}$)	4.19 (5)	115	3	.000
Entry and Exit Load ($F_{1,10}$)	4.10 (6)	83.36	3	.000

TABLE 6: STATISTICAL ANALYSIS OF SUB-FACTORS RELATED TO FUND SPONSOR QUALITIES

Fund Sponsor Qualities (Sub-Factor code)	Mean Rank (Overall Rank	Chi Square	Degree of freedom (df)	Asymp. Sig.
Reputation of Sponsor ($F_{2,1}$)	4.18 (2)	105.32	3	.000
Sponsor has a well Developed Network ($F_{2,2}$)	4.12 (4)	115.68	3	.000
Sponsor's Expertise in Managing Money ($F_{2,3}$)	4.17 (3)	106.32	3	.000
Sponsor has a well Developed Research Wing ($F_{2,4}$)	4.10 (5)	164.2	4	.000
Sponsor's Past Performance of Risk and Return ($F_{2,5}$)	4.19 (1)	164.6	4	.000

TABLE 7: STATISTICAL ANALYSIS OF SUB-FACTORS RELATED TO INVESTOR'S RELATED SERVICES

Investor's Related Services (Sub-Factor code)	Mean Rank (Overall Rank	Chi Square	Degree of freedom (df)	Asymp. Sig.
Disclosure of Investment Objective in the Advertisement ($F_{3,1}$)	4.08 (2.5)	81.96	3	.000
Disclosure of Method and Periodicity of in Documents ($F_{3,2}$)	4.08 (2.5)	132	3	.000
Disclosure of NAV on Every Trading Day ($F_{3,3}$)	4.33 (1)	138.64	3	.000
MF Investors' Grievance Redresses Machinery ($F_{3,4}$)	4.06 (4)	77	3	.000
Fringe Benefits , Free Insurance, Tax Benefits, etc ($F_{3,5}$)	4.05 (5)	153.95	4	.000

THE IMPACT OF PERSON-ORGANIZATION VALUE CONGRUENCE ON ORGANIZATIONAL COMMITMENT IN A PUBLIC SECTOR ORGANIZATION

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ABSTRACT

The purpose of the study was to examine the extent to which person – organization value congruence (fit), individual's perception of their personal values and their employing organization's values explain individual's affective, continuance and normative organizational commitment. The research question explored in this study was, "Which of the following best explains affective, continuance and normative organizational commitment: personal values, organizational values or P-O fit?" The value taxonomy developed by McDonald and Gandz was used to measure the independent variables, personal values, organizational values and person – organization value congruence, and Meyer and Allen's affective, continuance and normative organizational commitment scale was used to measure the dependent variables, affective commitment, continuance commitment and normative commitment. The study was conducted on a public sector organization of Delhi NCR. The sample and sample size constituted 32 employees with at least one year of experience in the current organization. The data analysis was done by using descriptive statistics, correlation and linear regression analysis. The findings revealed that organizational values were the best predictor of affective commitment, person – organization value congruence (fit) was the best predictor of normative commitment. The question of which variables best explains continuance organizational commitment remains unanswered.

KEYWORDS

Affective commitment, continuance commitment, normative commitment, organizational commitment, person-organization value congruence.

INTRODUCTION

Over the past two decades, organizations are facing complex challenges. The rapid pace of technological change, deepened globalization, internationalization of business, and drive for quality and shifting social and demographic trends have challenged organizations. The complexity of today's organization demands for various strategic responses. Research indicates that creating a successful workplace requires an organization to concentrate its energies on strengthening employee commitment. In the past, employees joined an organization and stayed until their retirement. But this is not the case today. In fact the organizational environment has created a sense of uncertainty for many employees. The current environment in which organizations function dictates the growing importance of organizational commitment. In response organizations are recognising the benefits that can be gained from attracting, developing and retaining employees whose characteristics match with the characteristics of the organization. Thus more recently, the researchers have shifted their attention towards examining the congruence between characteristics of the individual and characteristics of the organization that have an impact on employees' attitudes and behaviour. (e.g. Chatman, 1989; Meglino, Ravlin & Adkins, 1992).

One fundamental characteristic that both individuals and organizations have in common is 'values'. James Kouzes and Barry Posner (2002) in a study stated that "values make a significant difference in behavior at work" (p. 49). They found that those persons with the greatest degree of clarity of personal values, along with the greatest degree of clarity of organizational values, had the greatest level of commitment to the organization. It is quite easy to generate examples to show that individuals would be more comfortable in an environment that is more consistent with their personal values. For example, imagine an individual who values honesty and integrity in work and whose organization views 'getting the job done at any cost' as the priority, is likely to be less devoted to the organization and possibly less productive. On the other hand an individual who values responsibility and whose organization has accountability as a value is likely to have opportunities to take responsibility, thus achieving one of his/her own values, while also meeting one of the organization's values. Thus aligning individuals' and organizations' values can help to create person – organization fit and increase organizational commitment.

The relationships between person-organization value congruence (P-O fit) and employee attitudes have been extensively studied (Meglino & Ravlin, 1998; Chatman, 1991; McDonald and Gandz, 1991, 1992; Finegan, 2000). However in the Indian Scenario the studies have been limited. Thus this research is an attempt to study the relationship between person-organization value congruence (P-O fit) and organizational commitment among Indian managers.

VALUES

Values are considered a primary component of an organization's culture. Rokeach (1973) defined values as "an enduring belief that a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or end – state of existence". They have been a part of sociological study since the 1920s, but the management researchers have begun to recognise the importance of individual or personal values as a medium for understanding human behaviour only in the last 35 years. Values have a major impact on organizations. They are at the core of personal behaviour, influence the choice we make, the people we trust, the appeals we respond to, and how we invest in our time and resources (England, 1967; Munson & Posner, 1980). Many of the most important decision an organization makes involve personal values of the members (Posner, Randolph, & Schmidt, 1987). Values are believed to have a substantial influence on the affective and behavioural responses of individuals (Locke, 1976; Rokeach, 1973) and at the organizational level are viewed as a major component of organizational culture (O'Reilly & Chatman, 1996; Schein, 1991). The individual uses values to decide what course of action to follow. The management of an organization uses values to decide courses of action within the organization.

INDIVIDUAL VALUES

Personal values define what individuals consider intrinsically desirable, and they guide their actions and judgments to these ends. They are aimed at supporting the individual's well-being rather than that of the group or the society. Rokeach (1973) defined individual values as "enduring beliefs through which a specific mode of conduct behaviour or end-state (outcome) is personally preferable to its opposite" (p. 5). *Instrumental* values relate to behaviour151 such as honesty, creativity, and decisiveness. *Terminal* values refer to outcomes a person strives to achieve, like a comfortable life, happiness, and wisdom.

Personal values have long been considered by social scientists to be important determinants of attitudes and behaviour. The relationships between the personal values and attitude have been extensively studied (Meglino & Ravlin, 1998). Personal values are statements of the ideal (Kluckhohn, 1951) and represent beliefs that particular modes of conduct or end-states of existence are preferable to others (Rokeach 1973). Dawis and Lofquist (1984), and Ronen (1978) viewed values as an integral part of an individual's personality structure, and argued that one's personal value system is a relatively stable and fundamental component of the individual's psychological makeup which influences attitudes and 152ehaviour.

Personal values have a major impact on the organizations. They are the core of personal 152ehaviour; influence the choices we make, the people we trust, the appeals we respond to, and how we spend our time and resources (England, 1967). Many of the most important decisions of the organization are dependent on personal values of the employees (Posner, Randolph, & Schmidt, 1987).

ORGANIZATIONAL VALUES

Values are also a key element of an organisation's culture and its ethics (Brown , 1995; Dickson et al. , 2001; Hofstede , 1984; Schein, 1992).At the organisational level there is general agreement that organisational culture involves a set of cognitions that are shared by members; that these cognitions are acquired through social learning and socialisation processes; and that they include values, common understandings, and patterns of beliefs and expectations. Organisational values are the standards to which reference is made for judging acceptable behaviour of relevance to the company, both the behaviour acceptable for the organisation as it interacts with its external environment, and the norms of behaviour for individuals within the organisation. Values are inherent in a firm's mission and goals; its strategies and structure; allocation of resources; codes of practice, policies and procedures; and its actions.

Making business decisions depends on more than just a person's individual value system, but is also shaped and reinforced by the values and behaviours of the organisational culture and climate in which they are made (Hofstede, 1984). McDonald and Gandz (1991) suggested that a company's values impact a wide range of issues within the organization's environment, to include strategic decision-making, corporate ethics, operational decision-making, interpersonal conflict, quality of working relationships, career choice and progressions, and employee motivation and commitment.

PERSON -ORGANIZATION VALUE CONGRUENCE (P-O FIT)

The notion of shared values or person-organisational values fit (P-O fit) has been investigated widely over the past two decades (Cable and Judge 1997; Chatman 1991; Kristof 1996; Meglino et al. 1992; Westerman and Vanka 2005). Rokeach (1973) suggested that the correlation between one's "own values and the perceived values of other persons or groups is a measure of perceived similarity, or of positive or negative identification with (or alienation from) others". Value Congruency or alignment of value systems is said to exist to the degree to which the preferred values of the member for the group or organization, align or correspond with the shared values the member, perceived as constituting the existing shared values system" (Byrtek, 2000). Value congruence as measured in the work environment is "defined as the degree to which an individual employee's personal values (preferences) are congruent with his or her work organization's values (conception of the desirable) as manifested within its culture or subcultures" (McDonald, 1993). Kristof (1996) defined P-O fit as "the compatibility between individuals and organizations and further stated that compatibility between people and organizations can occur when: (a) one provides what the other needs, or (b) similar fundamental characteristics are shared, or (c) both".

Literature shows that there has been a positive relationship between value congruence or person-organization fit and the following: a) organizational commitment (Posner & Schmidt, 1993; Meyer & Allen, 1997; Kalliath, et al., 1999; Suar & Khuntia, 2000; Finegan, 2000; Abbot, et al., 2006; Tyagi & Gupta, 2005); b) organizational effectiveness (Posner & Schmidt, 1993); c) job satisfaction (Herrbach & Mignonac, 2007; Ostroff, et al., 2005; Amos & Weathington, 2008; Kalliath, et al., 1999; Kemelgor, 1982); d) organizational decision making (Liedtka, 1989); and e) intrinsic motivation (Ren, 2010). Researches also show that a negative relationship exists between congruence and employee turnover (Meglino & Ravlin, 1998; McCulloch & Turban, 2007).

ORGANIZATIONAL COMMITMENT AND VALUE CONGRUENCE

The concept of organisational commitment (OC) has occupied a prominent place in organisational behaviour research for many decades and continues to be of interest to researchers and organisations alike. The last 28 years has seen great interest of researchers in studying the concept of OC. The desires of organization leaders to attract and retain a competent, engaged, and loyal workforce have led to these studies.

Mowday et al. (1979) posited that organizational commitment holds greater significance as a variable than job satisfaction because it is a more dependable indication of an employee's identification with and involvement in an organization over the long term. Individuals who are committed to the organization are less likely to leave their jobs than those who are not committed. Individuals who are committed to the organization tend to perform at a higher level and also tend to stay with the organization leading to decrease in turnover and increased organizational effectiveness. (Porter et al., 1974). Thus like personal and organizational values, the concept of organizational commitment have occupied a prominent place in organizational behaviour research and are of great interests to various researchers and organizations.

According to Porter, Steers, Mowday, and Boulian (1974), OC generally could be characterised by three aspects of one dimension. These are (a) a strong belief in, and acceptance of, the organisation's goals and values, (b) a willingness to exert considerable effort on behalf of the organisation, and (c) a strong desire to remain with the organisation and to work hard toward its goals. More recent research has postulated that organisational commitment is a multi-dimensional construct (Allen and Meyer 1990; Allen and Meyer 1996) consisting of affective, continuance and normative commitment and that these constructs develop from different antecedents. Affective commitment refers to an employee's emotional attachment to, identification with, and involvement in a particular organisation. Continuance commitment refers to commitment based on the costs that the employee associates with leaving the organisation. Normative commitment refers to the employee's feelings of obligation to stay with the organisation. Given that values play such an important role in the definition of commitment, it stands to reason that a person whose personal values matches the operating values of the organization would be more committed to the organization than a person whose personal values differed from the organizations.

Researchers suggested that organizations that develop cultures where values are shared are able to deepen the level of employee organization integration and improved employee commitment (McDonald & Gandz, 1992). There is a growing body of literature on relations between P-O fit or value congruence and organizational commitment. Meglino et al. (1989) found increased organizational commitment among employees when there was higher value congruence between the employee and the supervisor. Also, Boxx et al. (1991) found a positive relation between congruence and commitment among transportation department executives. Posner et al. (1985) found that perceived measures of person-organization value congruence were positively associated with organizational commitment. Posner's (1992) results showed that there was a significant positive relation between value congruence and organizational commitment (type of organizational commitment measured was not identified). Ugboro (1993) examined the relation between value congruence and affective commitment and found that they were significantly and positively related. Finnegan (2000) concluded that a person whose values were better matched to those of the organization would have a greater level of organizational commitment.

Despite good reasons that the relationships between person-organization value congruence and organizational commitment have been extensively studied, most of the existing studies have been limited in that the researches: (a) focused mostly on areas outside India (Allen & Meyer, 1996; Wright, 2000) whereas it has been explored that people react differently to values in different cultures ; (b) have studied effect of value congruence on academic environment and selective industries such as nursing, sales, manufacturing, accountants;. And (c) Most of the studies reviewed has included only one measure of commitment. Consequently, this study will look at the impact of value congruence on all the three measures of organizational commitment (affective, continuance and normative) in Indian scenario with special focus on low to middle level managers of industrial organizations.

THE PRESENT STUDY

The purpose of this study is to ascertain if there is an impact of perceived person – organization value congruence on organizational commitment in Indian public sector organization. When an employee' values match those of an organization – the values are said to be congruent.

As the literature review above points out that, the congruence between personal values and organizational values has been associated with organizational commitment (O'Reilly & Chatman, 1986; Chatman, 1989; Meglino et al., 1989). The focus of this study is to understand the relationship between person – organization value congruence as multidimensional independent variable and organizational commitment as multidimensional dependent variable in a public sector organization. These relationships have been explored on employees with at least one year experience in that organization. There is a fundamental research question that this study seeks to answer:

"Which of the following best explains the affective, continuance and normative commitment: personal values, organizational values, person – organization value congruence or a combination of these?"

Several hypotheses were evolved from these questions:

H1: When personal values, organizational values and person-organization fit are simultaneously modeled as predictors of affective organizational commitment, P-O fit will be the most significant predictor among these.

H2: When personal values, organizational values and person-organization fit are simultaneously modeled as predictors of continuance organizational commitment, P-O fit will be the most significant predictor among these.

H3: When personal values, organizational values and person-organization fit are simultaneously modeled as predictors of normative organizational commitment, P-O fit will be the most significant predictor among these.

A. RESPONDENTS

The population of the study was a public sector organization of Delhi region. The sample consisted of 32 employees form the organization that had at least one year of experience in that organization. The respondents had more number of males (19%) and less females (13%). The sample employees were maximum in the age group of 25 and below years (12) followed by 26 – 35 age group (7%) and 6% of the respondents were of age group 36 – 45 years. More than half of the respondents were married (20%), while 12% were unmarried respondents. The respondents had an equal balance of Postgraduates (16%) and Graduates (16%). This implies that the respondents had high literacy levels.

B. MEASURES

The variables in the study were all measured at the individual level of analysis. The dependent variables in this study were affective organizational commitment, normative organizational commitment, and continuance organizational commitment. The independent (predictor) variables in this study were personal values, organizational values and person-organization value congruence.

Individual and Organizational Values

Each value of McDonald and Gandz's (1991, 1992) taxonomy of values was rated on a 7-point scale. The 24-item McDonald and Gandz taxonomy of values is a revised version of Rokeach's (1973) list of values, designed for use in the business context (McDonald & Gandz, 1991). McDonald and Gandz's research among human resource professionals confirmed the validity of their list of values in the business community. The rank order instrument has a test-retest reliability of .76, with an inter-rater reliability of .77. Details of the convergent and discriminant validity are available in McDonald (1993).

Organizational Commitment

This research study used the Three Component Model of Employee Commitment Survey, originally developed by Meyer and Allen (1991, 1997) to measure affective, continuance and normative commitment. The original version of the instrument included a total of 24 items, with 8 items in each scale. The revised version (Meyer, Allen & Smith, 1993) contained 18 items, six for each scale, and will be used in this research. The instrument uses a 7-point Likert-type scale, with responses ranging from "strongly disagree" (1) to "strongly agree" (7). The scale has been widely used in the field and has median reliabilities across many studies of .85 for affective commitment, .73 for normative commitment and .79 for continuance commitment (Allen & Meyer, 1996). A detailed discussion of the construct validity of this scale is found in Allen and Meyer (1996).

C. PROCEDURE

Questionnaires were distributed and collected personally by the researcher from first to middle level managers of the organizations. Respondents were assured that their responses were completely confidential and anonymous, and that no individual responses would be shown to any member of the organization.

For the respondents to understand the meaning of values, their definitions were provided to the participants. Participants were asked to rate the value taxonomy twice, first with respect to how important a given value is to the respondent himself or herself, and second, in terms he or she perceives value's importance to their respective organization. Values were rated on a seven point Likert scale with categories ranging from 'not very important' (1) to 'very important' (7). Participants also completed Meyer and Allen's commitment scale.

DATA ANALYSIS

Descriptive Statistics were calculated on personal values, organizational values, overall value base of the organization, person organization value congruence (fit) and affective, continuance and normative commitment of the employees.

TABLE 1: DESCRIPTIVE STATISTICS

	Mean	Std. Deviation	N
PV	5.5625	.50022	32
OV	5.0313	1.11808	32
ACS	4.9297	1.19388	32
CCS	4.2461	.95803	32
NCS	3.9219	.78786	32
TOTAL VALUE BASE	5.2969	.73737	32
P-OFIT	.1671	.34803	32

Through the mean value it can be concluded that personal values and organizational values are high in organizations which together counts for higher overall base of the organization. Also it is seen that affective commitment scale is highest in organization followed by continuance commitment and normative commitment.

A. CORRELATION

A correlation matrix was generated for all the variables. Significant correlations were expected to exist between the dependent variables, the three forms of commitment, but they were treated separately in subsequent analysis to be consistent with the precedent. Several of the independent variables were examined for the correlation, which was found.

TABLE: 2 CORRELATIONS

		PV	OV	ACS	CCS	NCS	POFIT
Spearman's rho	PV	1.000					
		.					
	OV	.658(**)	1.000				
		.000	.				
	ACS	.389(*)	.711(**)	1.000			
		.028	.000	.			
	CCS	-.178	-.215	-.243	1.000		
		.329	.237	.180	.		
	NCS	.083	.402(*)	.287	-.251	1.000	
		.653	.022	.111	.167	.	
	POFIT	.268	.656(**)	.598(**)	-.134	.357(*)	1.000
		.138	.000	.000	.465	.045	.

**Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

Person-organization fit was measured indirectly as the correlation between individual's perception of their own values and individual's perception of their employing organization's values.

Through the correlation analysis it can be concluded that there is high degree of correlation between personal values and organizational values which means that increase in positive personal values count for positive increase in organization values. Therefore, high fit between personal values and organizational values.

B. REGRESSION ANALYSIS

Primary hypothesis testing employed regression analysis. To find out the best predictor of affective commitment among personal values, organizational values and P-O fit a linear regression analysis was calculated.

TABLE: 3 SUMMARY OF LINEAR REGRESSION MODEL PREDICTING AFFECTIVE ORGANIZATIONAL COMMITMENT

Variables	R- Square	df	Beta Coefficients	Significance
PV	.216	31	.465	.007
OV	.676	31	.822	.000
P-O FIT	.359	31	.599	.000

This table depicts that organizational values best predicts the affective organizational commitment followed by P-O fit and personal values as R-Square value and beta coefficients are highest for organizational values. Thus this analysis does not support hypothesis one which says that P-O fit will be the best predictor of affective organizational commitment.

Since there is no correlation between continuance commitment and any of the values as well as person organization value congruence, therefore regression analysis cannot be conducted for continuance organization commitment. Hence hypothesis two which says that P-O fit will be the best predictor of continuance commitment stands invalid.

Similarly to find out the best predictor of normative commitment among personal values, organizational values and P-O fit a linear regression analysis was calculated.

TABLE 4: SUMMARY OF LINEAR REGRESSION MODEL PREDICTING NORMATIVE ORGANIZATIONAL COMMITMENT

Variables	R- Square	df	Beta Coefficients	Significance
PV	.003	31	.053	.774
OV	.081	31	.285	.114
P-O FIT	.150	31	.387	.029

This table depicts that P-O fit best predicts the normative organizational commitment followed by organizational values and personal values as R-Square value and beta coefficients are highest for P-O fit. Thus this analysis supports hypothesis three which says that P-O fit will be the best predictor of normative organizational commitment.

DISCUSSION

Unlike much of the previous work looking at person-organization fit and organizational commitment, the present research was able to examine the relationship between person – organization value congruence as multidimensional independent variable and organizational commitment as multidimensional dependent variable. This study has provided some insight into the personal values of public sector employees, and their perception of their organization's values, the levels of P-O value congruence and the relationship between these individual and organizational values and organizational commitment. The correlation analysis depicted high degree of correlation between personal values and perception of organizational values which means that increase in positive personal values count for positive increase in organization values. Therefore, high fit between personal values and organizational values.

It was proposed that P-O fit will be the best predictor of affective organizational commitment among personal values, organizational values and person-organization fit. The results showed that organizational values best predicted the affective organizational commitment followed by P-O fit and personal values. It was also proposed that P-O fit will be the best predictor of normative organizational commitment among personal values, organizational values and person-organization fit. This hypothesis was supported as P-O fit best predicted the normative organizational commitment followed by organizational values and personal values.

The data for continuance commitment suggest a very different pattern from either normative or affective commitment. Surprisingly there was no correlation between continuance commitment and any of the values as well as person organization value congruence. Therefore, the findings in this study should not be generalised without validation on a much larger and broader sample.

LIMITATIONS

This study was designed specifically to address the stated research hypothesis and therefore has some inherent limitations with regard to the generalizability of its findings. By its methodology and design, there are inherent limitations in the present study. The present study was limited to managers of one public sector organization, thus the findings of the study cannot be generalized. Moreover, none of the primary independent variables explained statistically significant amount of variance in continuance organizational commitment. However, this does not mean that it can be concluded that no relationships exist between P-O fit, personal values, organizational values and continuance commitment. The effects of these relationships, if they do exist, may be too small in size to have been detected with the sample size of this study.

IMPLICATIONS FOR THE FUTURE RESEARCH

This study has revealed several implications for the future research related both to incremental and empirical contribution of this study. First of all, the replication of this study with a larger, more diverse, random sample, longitudinal approach would alleviate the major limitations of this study. Going beyond the incremental contribution, future research should explore whether or not additional components of organizational commitment exists, and if so, how they relate to important organizational behavior outcomes.

CONCLUSION
In sum, while there are limitations in the present study, they do not undercut the main findings with respect to person – organization fit. The findings of the study indicate that when personal values and organizational values are congruent normative component of organizational commitment is higher and when organizational values are higher than affective component of organizational commitment is higher. In totatility the findings suggest that organizational values are the best predictors of affective commitment, person – organization value congruence (fit) was the best predictor of normative commitment.

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CARBON CREDITS ACCOUNTING REFLEXION IN THE BALANCE SHEET – AN ACCOUNTANT'S PERSPECTIVE

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ABSTRACT

As part of the Kyoto Protocol, a global policy was drafted at limiting green house gas emissions and steady steps are being taken to implement limits on carbon emission on the macroeconomic scale. Markets are being formulated so that companies can barter carbon allowances. Turning the environment, into a public product and into private property presents multiple economic challenges. This paper explores the allusions of the policy direction established in the Kyoto accord. Several alterations to corporate accounting policy are asserted. The perceived benefit is that socially responsible professionals will tabulate their corporation's cost and financial accounting procedures to encourage success as carbon emissions develops and more regulated.

KEYWORDS
Kyoto protocol, environmental science, social cause, balance sheet preparation.

1. INTRODUCTION

Financial reporting is a social form. The present form of accounting reports and the standards applied to prepare them represent our business values. Over time accounting reports along with their content have changed and will continue to be dynamic as we move into the future. Regard for the environment has attained the point of real proposals for implementation in the political arena. Environmental awareness amongst the management community is represented in frequent coverage of sustainability and environmental accountability in management oriented journals and annals. These social developments produce a need for financial information. If the trend towards hiked corporate responsibility for environmental impacts persists then accounting practice need to ultimately reflect this.

The purpose of this research work is to explore the impact of global warming on accounting procedure. As a first step in this exploration it becomes mandatory to understand the environment from an economic perspective. It is difficult to turn a public reserve into a private product. Market driven solutions regarded through the lens of economic theory are cumbersome to be adopted. The pace of politically motivated normalization regarding the environment is amplifying. It is also very elementary in light of what the scientific literature shares as a necessary. As environmental impacts are privatized a whole new class of assets and liabilities will emerge. The specific purpose of this paper is to examine how these items fit into the current financial reporting framework. Accounting policy that does this will ensure the relevance of accounting when it comes to evaluating corporate performance.

Change always constructs an opportunity for success. Corporations that strategize for the new world order of intense regulation of environmental impacts could become relatively extra competitive. Adopting a green strategy too early is fool-hardy from a stockholder's paradigm. It is equally hazardous to do nothing and ideate to invest in a green strategy after regulation is enacted and expertise is priced in a skimming pattern. Robust leadership teams could make prudent efforts to power the nature of future regulation for a normative advantage and make investments to ensure readiness for the business options such regulation could create. Until quarterly financial Management Information Systems (MIS) contain environmental assets and liabilities as a segment of the investment, the common man would continue to treat the environment as a public relations issue. This research proposes methods that accountants and accounting systems could be amended to contribute to corporate preparedness.

2. ECONOMIC FORMULATIONS FOR THE ENVIRONMENT

The air and water elements that the world relies upon have special economic characteristics. It becomes pertinent to review those economic variables for insight into why mankind collectively tolerates environmental degradation. There exists a rational explanation for the declining situation. Humans have taken their physical environment for granted because it has been an abundant public commodity. Public goods and services serve all sections of the society. Since no individual owns the resource a private cost cannot be established. Decisions about public commodities are therefore political since there is no existence of a private market structure to regulate them. From another perspective, there is no obvious method to block individuals from benefiting from these commodities. Another common example of a public commodity is national defense. All of these attributes mean that humans cannot easily create a private market for a public commodity. Political processes are the means via which members negotiate the quantum and quality of a public good that would be available and how it could be paid for.

Individuals who propose market solutions as the best method to respond to environmental degradation need to keep in mind that our physical environment is a public commodity. Those that have a deep faith in private markets need to be especially careful. The current environmental situation renders a rationale for ongoing economic education. The environment is a political challenge because the quantum of carbon emissions is not a private commodity. Controversy and conflict over how to proceed are an integral component of the political process. Those ideating a market solution to environmental degradation at its peak may be revealing a deficiency of economic understanding.

In 1968, Garrett Hardin (1968) published a research manuscript that assisted an entire genre of economic students contemplate the challenge of public commodities entitled "The Tragedy of the Commons." Garrett argued that citizens are imagined as a common pasture shared by many shepherds. Each has a private incentive to improve the quantum of their flock whenever they can. Whenever a shepherd achieves this, they get the full benefit of the extra animal. All the shepherds expend is a small price arising from the stress the additional animal adds to the pasture. Obviously this process could proceed until the pasture befalls in its ability to support the herds. An immediate individual enticement leads to a tragedy that could only be avoided if there was a collective method to communicate to each shepherd the complete cost of the decision to add an animal to their herd.

Economists relate this cost from the strain on the pasture born by others, but triggered by an individual increase in use of the pasture, as an "externality." The sole shepherd may not be discerned of, or even equipped to compute, the costs of his verdict to the whole community. It is tough and expensive to get this pattern of information. The environment could be thought of as a global commons. Human activity induces a stress on the environment and arguably has no efficient way of understanding the total price of an additional jaunt to the store or the pursuit of an unnaturally opulent manicured garden. In reality, the personal price remains near zero until the environment begins to crumble.

Mankind is aware of the growing number of nations and individuals becoming sensitive to the high price associated with global warning. This would be the parallel of some shepherds identifying that the quality of the pasture is waning. Some may seek to recompense the situation before the commons disintegrate and there is much less for participants. That will only instigate frustration as individual incentives do not scaffold their diligence. In this context carbon credits are a cogent way to convert a public commodity into a private property. Everyone does not need to understand global warming for the apparatus to work. The external prices of individual actions are incorporated into personalized decisions regardless of political membership or private beliefs. Unless there is some other unpredicted development that diminishes the need to generate more carbon than the planet can engage. The carbon market has a high probability of cultivating into an important economic reality.

There is an international dimension to this challenge since air and water move liberally around the planet. Purely domestic actions can be futile because some sectors could face overriding international mechanisms. Consider the case of the International Civil Aviation Organization (ICAO). At their recent Montreal conference, the ICAO deliberated environmental actions (Wall, 2007). The ICAO has significant power with respect to regulating international flights. In conjunction with this, the European Parliament will compel an emissions trading scheme on all carriers in the near future. In addition, they will apply pan-national directives on aircraft entering the US or Europe that require set emission quantum per passenger to be reached and unbearably heavy taxes to drive out unacceptable equipment. These regulations could cause airlines to dump functional but polluting aircraft into unfettered domestic markets akin to the Indian Scenario.

Understanding the economic dynamics could assist business professionals advocate for better public policy responses. Accountants have the advantage of economic education as well as practical exposure concerning the operation of market and other regulatory paradigms. Accounting professionals may find discussions about public goods cumbersome. They believe in private markets. Most economic pursuits fit into this category; however the environment, national defense, and public infrastructure do not. There is no way, except through legislation and taxation, to ensure this commodity is provided to a level that maximizes societies benefit. A different discussion is needed for public commodities.

Many business chiefs angst over the political considerations devoted to environmental regulation. Arguably the government is the apt body for this discourse. Accounting professionals could reduce the aforesaid business angst by making statements about the environment within the context of public commodities. The societal risk is way too steep to simply wait for the environmental corresponding of a stock market crash to address the demand for regulation. Forward thinking professionals need not allow free riding citizens, companies, or nations to drag the world into a crisis. The “drop-in-the-bucket” stigma needs to be replaced with a more enlightened position. Public action could cause the environmental price of carbon emissions to be internalized by everyone. The free rider benefit has to be taken away. Accountants can assist business leaders make a contribution to policy development by converting their energy into creating effective markets and practical revelation emanations.

3. MARKET SOLUTIONS

A deeper understanding of economics improves the possibility of a less dogmatic discussion of market mechanisms. Too many business chiefs make dangerously simplistic assertions that market mechanisms could address environmental concerns. Comments about the kind of market forces which could be effective would provide meaningful leadership. There are four distinctly separate market models under deliberation. All four could create an improved environment. Almost none of us function in a perfectly competitive market and so it is foolish to profess that they do when commenting on market structures. Accountants can add to this argument by ensuring that the business fraternity is informed about how a specific model could reflect in business systems and financial reports. Until these considerations are deliberated, businesses would not be able to estimate where their opportunities lie. Each alternative utilizes a separate economic methodology.

Each of the market mechanisms affect the route a country or corporation takes to an environmentally responsible equilibrium. The first model incorporates of a flat fee on polluting inputs. Corporations do this now with fees on low efficiency Sports Utility Vehicles and taxes added to the cost of automotive gasoline. By making the input pricier the society can shift demand to the available alternatives. In addition, the input costs are then applied to subsidize alternative, underdeveloped technologies to further ameliorate the effect. The Robin-hood effect can be witnessed in choices around automobiles; there has been increased attention to bio-fuels and longer term investments in power cells have increased. In this model, carbon generating activities continue for by corporations most willing to shell-out the price or where no alternatives are readily available.

The second model involves a system of quotas. Countries could use this approach in multiple industries to provide limited protection for competition. In the energy dominion corporations already have a structure of quota in place in lieu of the near ban on new refinery capacity. This induces prices to mount and customers to seek substitutes as prices climb. Quotas could form the basis of a carbon credit market. Based on current uses, consumers and corporations are awarded a quota. Those that want more capacity would then have to bid credits against from others. Those with the easiest opportunities for carbon emission reduction would benefit in this case. They can sell their savings to corporations with less opportunity. Corporations with the easiest opportunities to reduce carbon emissions would profit by responding to the opportunity to sell the carbon savings they create.

A third market model delves at output efficiencies rather than monitoring inputs. This model establishes a baseline of carbon use per unit of production. Permits for a quantity of **CO_2** emissions are granted for a period of time that reflects a specific carbon allowance in relation to actual output. These permits are typically granted for periods of 4-6 years. Once the permit period has elapsed, fresh standards would be imposed for the new permit. This model could facilitate growth and permits an enlightened regulator to motivate improvements in the context of new technology or market conditions. This system would be similar to an extension of our business licensing system which, for example, regulates the number of taxis on the road. Progressive reduction of the carbon allowance for electric production would accelerate the demise of high polluting plants and therefore create incentives for new factory construction.

A fourth model, that is very reputed with celebrities, is the market for carbon offsets. It is socially popular to record that you made a trip “carbon neutral” by planting the quantum of trees needed to absorb that carbon generated by a trip. At an industry level a corporation would be required to invest in activities that reduce their carbon “footprint.” This model will require carefully drafted policy to ensure legitimate and verifiable measurement of carbon applications and carbon offsets. As an example some agricultural projects can reduce the amount of carbon in the atmosphere. Investment in those projects could renew or form new carbon credits for firms. Obviously a market structure to trade the created carbon offset allowance would be an incentive to launch such projects. There is a real risk that such an allowance will eliminate the need for real change as market players find ways to bring existing (as opposed to new) activities into the market as offsets.

An additional paradigm is carbon shifting. If India raises its costs by reducing carbon emissions the nation could hurt the economy by shifting jobs to countries that do not. So discussion about the carbon market has emanated an international macro-economic discussion about green accounting. Green accounting concerns governmental economic accounts and not the financial books of companies and government entities. Green accounting refers to national accounts which would include environmental price to public accounts. In this system, countries like India would suddenly show huge trade deficits associated with their high carbon outputs. Ferreira and Vincent (2005) have summarized latest developments in green accounting. Governments have been actively engaging on green accounting in the Doha round of trade talks. It is foreseeable that the United Nations would create an international carbon market that would see India paying huge sums to other nations in order to sustain its disproportionate use of global emissions capacity. As policy developments continue in that direction, several economic sectors need to be prepared for India to increase protectionism and become isolated from portions of global trade. There will be domestic winners and losers as this circumstance develops.

In conclusion it is important to mention what market mechanism is under consideration. It is best for everyone if dramatic change can be averted. The collapse of the bill to establish new nuclear powered power plants provides a recent example of the cost associated with deferred action. Slow incremental adjustments to power generation quotas would have been less costly in retrospect. The easiest and therefore most predictable method to creating a market mechanism to limit carbon emissions is to look at what is already in place. Staying abreast of the regional approaches to carbon trading is hence a way to gain insight as to what is likely to occur as the situation becomes more profound.

4. WHAT IS INDIA PREPARING FOR?

Political agenda of countries around the world represent the broad base of concern regarding global environmental degradation. The Kyoto Protocol of 1996 is a huge step towards worldwide regulation of the environment. Many countries have ratified the protocol and have undertaken limited steps to achieve their share of commitments. India did not ratify the agreement because the current administration determined it could not achieve the targets. That was either a self fulfilling prophecy or realistic. The resulting patchwork of political, industrial, and individual hard-work to become more environmentally neutral is moreover very significant. This leaves strategic mangers in an awkward position. Corporations know that environmental degradation is not going to end on its own. It is cumbersome for managers to understand what strategies can be effective when the public policy responses are unknown. Without clear direction the incentives will appear to favor those teams that do not adopt green strategies that are priced high.

The headline change in response to environmental degradation is emissions reduction. The leading ideology with regard to reducing emissions is to place a limit on carbon gas production. By making **CO_2** inputs more expensive, creativity will be encouraged and the market will shift to other alternatives. This concept was imbedded within the Kyoto protocol. The development of a serious carbon trading business in the USA and Europe can give Indian businesses insight into how they should prepare. Ramachandra and Norton (2006) reported on the intense investment activity of investment banks in the European Carbon Market. For example, JP Morgan (JPMC) invested US $ 4.29 billion dollars to quietly beef up its market position. While attention is lost in the press in lieu of the sub-prime mortgage crisis the initiative has not stopped. The JPMC indicates that there are market makers who can help corporations prepare to either buy or create sellable carbon credits now.

Regulatory proposals to manage **CO_2** emissions are more than social or political indulgences. There is a section of the educated society who under-estimate the issue by adopting that mindset. When there are substantial segments of the population prepared to work for a neutral carbon foot print, the day next is almost here. Folks are prepared to expend considerable sums on products, offered at web-pages like climatefriendly.com, myclimate.org and terrapass.com. The Indian government is already imposing high energy costs on businesses by declining almost any expansion of refinery capacity. As a result, businesses that have embraced energy efficient practices already understand the competitive opportunity environmental regulation brought-forth. Our government will adopt more legal, environmental requirements and corporations that are ready can excel rather than make a vain effort to cope.

A whole world of positive opportunity could be identified if India accepts that capping **CO_2** emissions by governments is necessary and inevitable. This position leads to effective drafting rather than rootless denial. Understanding the primary intent and workings of the Kyoto Protocol is essential. This is the context framework which nations are designing cap-and-trade markets. There is also much to be assimilated by studying the experiences of industries in countries that are further along the path to Kyoto compliance. This is a time for lateral thinking. Accountants work with managerial decision-making processes which impact investments everyday so they can offer ideas about how to comprehensively get firms and industries to internalize the costs of carbon emissions. As an offshoot accountants that become informed are in a unique position to comment on the implementation issues synergized with each of the models under consideration.

The Chicago Climate Exchange (CCX, 2007) has facilitated limited green house gases emissions trading since late 2003. Costs are quoted per **CO_2** eq. unit with a contract consisting of 100 **CO_2** eq. Participating corporations voluntarily join one of three segments. Members enter a legal commitment to limit emissions according to a set schedule. Exchange allowances are permitted to members as per this schedule. They may obtain additional units via electrical power conservation or carbon sequestration activities. Exchange offsets are rendered by participating members to those that over their quotas (Office of Air, 2009). These units are created via qualifying mitigation activities such as the purchase of electrical power from renewable energy sources, annihilation of methane from landfills or livestock operations, or adoption of environmentally friendly agricultural practices.

5. CORPORATE ACCOUNTING AND THE ENVIRONMENT

Accounting plays a primary role in determining what matters. Until it is measured and reported on in financial statements an economic enhancements will rarely receive much attention. Consider how different Mumbai would be today if the full cost of health commitments made in the 1960s for retired workers had been fully booked as health insurance premiums rose over the last 20 years. Consider how different Delhi would look if the documented need for civic engineering maintenance had been recorded 15 years ago. Whether public or private, the common Indian citizen can document numerous cases where there were known liabilities but there is no accounting regulation to reflect them on the balance sheet. It takes a disaster for the rules to amend. In multiple cases, the large cost of responding up front was limited, when compared to the price of the resulting disaster.

Accountants take a great deal of pride in the principles that are the building blocks of a profession that is at best understood as a social science. The profession has a well developed sense of social responsibility. A responsible profession does not need a debacle to generate change. Why then, is the accounting process complicit in the opinion to not record important environmental costs? The answer is rooted in basic accounting principles and points to an opportunity for a fresh interpretation of them. Accounting appraises processes by a hierarchy of principles that set out highly valued, qualitative attributes of accounting information. These characteristics require fresh attention in light of the environmental challenges society is facing. It is useful to widen the definition of important information so that the accounting process internalizes more environmental price details.

Reliability is one of the primary attributes of useful information. Accountants view reliability in terms of specific components. One such component is that data must be verifiable. This places a great strain on the market mechanism especially for carbon credits. If the Indian government proceeds with the output-licensing model, there will be a large quantum of difficulties with verification of carbon credit reductions. The implementation of the proposed market especially in view of this component merits deep consideration.

This research argues that there are two necessary steps for carbon emissions and reductions to be certified. Certification is needed so that the yielding credits are recognized and may be legitimately traded. India has to know what a legitimate credit is and there has to be a method for accreditation by an independent body or council. Certification is mandatory since a carbon credit is not a deliverable good. The value of this intangible asset is pertinent because of trust that buyers place in the market system. The success and survival of the system is thus predicated on the credit-worthiness of carbon reductions. At the current time, the profession has gone a lengthy way towards denying the existence of intangible assets and would have a great deal of hassle recognizing corporations that are creating them.

Objectivity is another component that is applied to assimilate the reliability of information. The most evident outcome of this concept is the historic cost principle. One application of this principle has been the separation of asset write-ups. Under no circumstances can professional judgment be exercised and an unrealized advantage on long term assets be realized. Unrealized gains on long term payables do not get recorded until they are realized. Managerial yield that creates carbon savings or reduces future environmental costs are not registered until they are realized. Corporations that are proactive about generating carbon assets would find that their associated assets and liabilities, as shown in their financial records, would understate their real situation. The effect is to dull our attention to environmental action and perhaps reward inaction in the short term. Items that are in the management formats have less impact when they do not specifically tie into specific entries on the income statement.

The second primary quality of important information is the attribute "relevance". Relevance is interpreted in terms of specific information segments. Information is relevant when it has predictive value, is timely, and provides feedback to the stakeholders. Unfortunately relevance is interpreted in the narrow sense of management leadership of the funds entrusted to it by stakeholders and creditors. In that context, the societal concern for the Indian environmental commons is just that, context. Relevance is hence the poor cousin to reliability when it comes to determining what useful information is. If the accounting profession is to be supportive of public concern about the environment, this interpretation needs to be amended. If accountants could see the stakeholder as an investor and as a member of the society facing a mounting environmental cost, then this situation can be amended. Regulation is most likely to inculcate future environmental costs relevant but the profession can initiate this new paradigm on its own.

6. PROFIT FROM ACCOUNTING POLICY INITIATIVES

This research has deliberated on how unreasonable and irresponsible it is for business chiefs to accept a simple statement advocating a market elucidation to address environmental degradation. Society needs responsible discourse that takes into account robust economic solutions. Accountants who have a deeper understanding of the economic and political scenario can contribute to their employers and society more efficiently. India stands to gain if the environmental agenda includes the concerned voice of accountants. As a profession, there is a great deal to be considered and studied that is missed with simplistic records that market solutions are best. The language of business can inculcate the societies need to elevate environmental issues, now that India has reached the practical capacity of this public good. It is time for this to be treated as a profound professional accountability.

The Kyoto accord left the allied countries a great deal of flexibility with respect to the mechanisms they would apply to comply with treaty obligations. Even though there is litheness, the discussion has focused on trading carbon credits grounded on quota's and productivity scales (Jepma & Van der Gasst, 1998). These public policy responses could be very difficult to incorporate into accounting legislation. The accounting profession needs to react with more than a recommendation to added base sustainability as a key measure in the balanced scorecard. India can hence advocate for three additional categories of responses by professional accountants: inclusion of carbon gas emission markets in the capital budgeting activity, reporting environmental impacts on financial reports, and advocating for effective regulatory approach for each sector of the economy. Accountants who respond in these routes could contribute to the competitive advantage of their corporations and society. The first step could be to consider future costs in capital budgeting models. A carbon credit market established on output allowances is pricey to implement. Many businesses can estimate that the cost of this will be higher than an input tax such as the one India has on Petrol as of now. Since India cannot assure a change in policy direction, it is prudent to make investments with the output structure in mind. Retrofitting existing systems and processes to record emissions is costly and non-productive at best. Revered accountants will need to look for and emphasize these preparatory investments when they are evaluating capital budget proposals and in the participation in setting budgetary priorities.

The second opportunity is to report environmental assets and liabilities on the balance sheet right-away. There is a long learning curve requirement to incorporate carbon credits into the reporting procedure. Firms can develop experience with carbon assets by the preparation of policies for determining market values and disclosing unrealized profits or losses on a pro-forma basis. They can also implement procedures to collect and disclose carbon emissions much like those India has for disclosing future lease and debt payments. This disclosure could increase awareness of future prices and create stockholder confidence in corporations that can give a clear accounting. Reporting on carbon offset activities, as India now reports on research and development pipelines, form a third opportunity.

7. CONCLUSION

This research has examined how the perception referencing carbon credits can be misleading. Deeper understanding of the issue and the deep-rooted problems associated with societal decision-making regarding public commodities are needed. Accountants can heighten corporate discussions through broadening their corporation's capital budgeting variables, developing relevant, future oriented looking financial systems, and advocating for economically effective regulation. There is no need for accountants to passively respond to the growing problem of environmental degradation. This research has researched the method accountants can add value to their firms by fulfilling their professional role within the Indian Diaspora.

There is a moral hazard for accounting professionals. An accountant can identify their effort as little and inconsequential when paralleled to the political and scientific influences within the environmental paradigm. That thought could be used as the prime criteria for not taking action. Taking comfort in that rationale does not comprehensively reflect the pervasive impact of accounting policy has as does the language of corporate profit making. Accountants do play a vital role in shaping responsible public procedures as members of the business community. Their employers and clients would benefit from being able to mitigate a crisis caused by lack of preparation if the accounting fraternity takes action. India has to examine the passive role of the accounting fraternity in setting conditions that permitted the sub-prime crisis to occur. The financial impacts of environmental degradation are far more substantial. Attention to accounting procedures regarding carbon credits can be the accountant's positive contribution to the societal discourse about environmental dilapidation.

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A LEGAL PERSPECTIVE OF BANK GUARANTEE SYSTEM IN INDIA

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ABSTRACT
The study examines the nature and scope of bank guarantee system in India. The present study is concerned with the law relating to the bank guarantees particularly embodied in the Indian Contract Act 1872. The present paper also puts light on the economic functions and benefits of the bank guarantees. Besides that, this study also explains the various types of guarantees issued by the banks in India. This study is a doctrinal study. For this research, relevant statutory material has been examined. The decisions of the Supreme Court regarding bank guarantees had been consulted. The purpose of this study is to make systematic evaluation of law and judicial approach relating to bank guarantee system in India.

KEYWORDS
Nature and scope of Bank guarantee, Payment under bank guarantee, Safeguards taken by banks.

INTRODUCTION
A guarantee is a promise to answer for the payment of some debt, or the performance of some duty, in case of the failure of another party, who is in the first instance, liable to such payment or performance. A guarantee is an accessory contract by which the promisor undertakes to be answerable to the promisee for the debt, default or miscarriage of another person, whose primary liability to the promise must exist or be contemplated.[1] Guarantee, is an undertaking to be collaterally responsible for the debt default or miscarriage of another. In a banking context it is an undertaking given by the guarantor to the banker accepting responsibility for the debt of the principal debtor if he defaults, the guarantor may or may not be a customer. A contract of guarantee is thus a secondary contract, the principal contract being between the creditor and the principal debtor themselves. If the promise or liability in the principal contract is not fulfilled or discharged only then the liability of the surety arises.

OBJECTIVES
The objectives of this study are
- to make systematic evaluation of law relating to bank guarantee system in India
- to make systematic evaluation of judicial approach relating to bank guarantee system in India
- to make systematic evaluation of policies relating to bank guarantee system in India

METHODOLOGY
The present study is a doctrinal study. In this study, relevant statutory material has been examined. The decisions of the Supreme Court regarding bank guarantee system published in various journals have been consulted. The various reporters, digests and manuals have also been consulted. The statutory material and the various decisions of the courts related to bank guarantee system from various reference and text books have been analysed.

DEFINITION
Section 126 of Indian Contract Act, 1872 defines a contract of guarantee as a contract to perform the promise, or discharge the liability, of a third person in case of his default. The section further provides that the person who gives the guarantee is called the "Surety", the person in respect of whose default the guarantee is given is called the "principal debtor", and the person to whom the guarantee is given is called "Creditor". A guarantee may either be oral or written. For example, A takes a loan from a bank. A promises to bank saying that if a does not repay the loan "then I will pay". In this case A is the principal debtor, who undertakes to repay the loan; B is the surety, whose liability is secondary because he promises to perform the same duty in case there is default on the part of A. The bank, in whose favour the promise has been made, is the Creditor. The object of a contract of guarantee is to provide additional security to the creditor in the form of a promise by the surety to fulfill a certain obligation, in case the principal debtor fails to do that. [4]

In every contract of guarantee, there are three parties, the creditor, the principal debtor, and the surety. There are three parties in a contract of guarantee. Firstly, the principal debtor himself makes a promise in favour of the creditor to perform a promise, etc. Secondly, the surety undertakes to be liable toward the creditor if the principal debtor makes a default. Thirdly, an implied promise by the principal debtor in favour of the surety that in case the surety has to discharge the liability on default of the principal debtor, the principal debtor shall indemnify the surety for the same.[2]

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[1] *Halsbury's Laws of England*, "Guarantee and Indemnity", 4th edn, reissue, vol.20, para 101

[2] Nagpur N.S. Bank V. Union of India *A.I.R.* 1981 A.P. 153 at 158

[3] Suresh Narain V. Akhauri *A.I.R.* 1957 Pat. 256

[4] According to section 140 of Indian Contract Act, 1872 after the Surety has made the payment or performed the duty on default of the principal debtor, he is conferred with the same rights which the creditor had against the principal debtor

[5] According to section 141 of Indian Contract Act, 1872 'A surety is entitled to the benefit of every security which creditor has against the principal debtor at the time when the contract of surety ship is entered into, whether the surety knows of existence of such surety or not.

[6] According to section 145 of Indian Contract Act, 1872 after making the payment to the creditor by the surety, he can recover the same from the principal debtor. Such a claim can be made by the surety only in respect of the sums he has rightfully paid under the Guarantee, but no sums which he has paid wrongfully.

The contract of guarantee is no doubt tripartite in nature but it is not necessary or essential that the principal debtor must expressly be a party to that document.[3] In a contract of guarantee, the principal debtor may be a party to the contract of implication. Thus there is a possibility that a person may become a surety without the knowledge and consent of the principal debtor. In such a case, the rights of the surety are given in sections 140, 141 and 145 of Indian Contract Act, 1872 viz, the right of subrogation, [4] right to securities with the creditor [5] and the right of indemnity against the principal debtor[6], respectively.
In English Law a guarantee is defined as "a promise to answer for the debt, default or miscarriage of another".[7] It is a collateral engagement to be liable for the debt of another in case of his default. "Guarantees are usually taken to provide a second pocket to pay if the first should be empty.[8]
According to section 126 of Indian Contract Act, 1872 a Guarantee may be either oral or written. On this point the position in India is different from the England. According to English Law, for a valid contract of Guarantee, it is necessary that it should be in writing and signed by the party to be charged therewith.

ESSENTIAL FEATURES OF GUARANTEE

The essential features or elements of a valid contract of Guarantee are [9]

1. There must be a debt existing, which should be recoverable.
2. There must be three parties' i.e. principal debtor, creditor and surety.
3. The contract of Guarantee may be either oral or written.
4. There must be a distinct promise, oral or written, by the surety to pay the debt. In case of default, committed by the principal debtor.
5. There should be no misrepresentation or concealment of any material facts concerning the transaction.
6. Sometimes a contract of Guarantee is implied also from the Special Circumstances. For example the endorser of a bill of exchange is liable to pay the amount of the bill to the payee in case of the acceptor of the bill defaults to fulfill his promise.
7. The principal debtor must be primarily liable. Surety's Liability arises only in case of default of the principal debtor.
8. There should be some consideration. Benefit to the principal debtor is sufficient consideration.
9. The liability under Guarantee must be legally enforceable.
10. The Contract of Guarantee must have all the essentials of a valid contract.

In England there is no statutory law governing bank guarantees. Therefore, English courts are content by stating that the banks should be left free to perform their obligations under the agreements of bank guarantees, however in India Courts necessarily have to keep in view the provisions of the Indian Contract Act, 1872, applicable to the bank guarantees [5]those provisions have to be read into each contract of Bank Guarantee.[10]
By virtue of Section 126 of Indian Contract Act, 1872, every bank guarantee is a tripartite contract between banker, the beneficiary and the person at whose instance the bank issues the guarantee. Bank Guarantees are guarantee given by Suppliers/Contractor's Bank in favour of the Buyer/Principal:

(i) towards earnest money deposit;
(ii) as security against performance of the contract ;
(iii) as security against initial and stage payment made by the Buyer to the Supplier;
(iv) towards liquidated damages in exceptional cases of large value contracts;
(v) towards guaranteeing specified operational parameters of the equipments;
(vi) towards meeting warranty claims in respect of equipment ; or
(vii) towards performance of maintenance during a specified period (usually one year) in respect of Civil Works Contracts.

Bank guarantees lead to invoking the payment only if there is default by the Supplier/Contractor. Bank Guarantees figure therefore as a contingent liability in the accounts of a bank which has furnished it and the Supplier / Contractor on whose behalf it has been furnished.
Bank Guarantees should be unconditional guarantees by the Bank to the beneficiary (Buyer/Principal) undertaking to pay the sum specified in the guarantee on demand and without demur. It is well established law that when a bank guarantee is given by a bank to the beneficiary, a contract comes into being between the bank and the beneficiary, independent of the main contract between the Buyer /Principal and the Supplier / Contractor. Thus, two contracts and three parties come into existence when a contract is entered into which provides for bank guarantees being furnished. A bank has to honour its undertaking when the guarantee is invoked, without reference to the party on whose behalf it has been issued, notwithstanding any disputes or disagreements that might have arisen in the mean time between the Buyer / Principal and the Supplier /Contractor.
The right of the beneficiary under a bank guarantee is governed by the bank guarantee itself and not by the terms and conditions of the original contract. The bank guarantee is a contract separate from the original contract. The bank guarantee is not a party to the original contract. The party at whose instance the bank guarantee is furnished pursuant to the original contract is not a party to the guarantee.
Whether it is a financial guarantee, a performance guarantee or a letter of credit established by a bank, it is a contract under section 126 of Contract Act 1872 to perform the promise or discharge the liability of a third person on that third person's default. In the case of non-performance or short performance of obligations by its constituents, the bank will be called upon to make good the monetary loss arising out of non-fulfillment of the guarantee obligations to the extent stipulated in the guarantee, to the beneficiary.
The operative clause in bank guarantees is reproduced below:
We, ….. Bank, hereby agree and undertake that, if in your opinion, any default is made by (constituent) in performing any of the terms and conditions of order or if in your opinion, they have committed any breach of the contract or there is any demand by you against….(Constituent), then on notice by you, we shall, on demand and without demur and without reference to …………(Constituent). Immediately pay in any manner in which you may direct a sum of Rs………….or such portion thereof as may be demanded by you not exceeding the said sum and as you may from time to time require. Our liability to pay is not dependent or conditional on your proceedings against ……..and we shall be liable to pay the aforesaid amount as and when demanded by you merely on a claim being raised by you and even before any legal proceedings are taken against the constituent. Unless extended, this guarantee shall expire on ………. Notwithstanding anything continued herein above our liability shall be limited to Rs………
This clause gives unfitted rights to the beneficiary of the guarantee, and the bank has no option but to make the payment of eh same on its being invoked. The courts have observed in numerous cases that the liability of the bank under the guarantee is absolute and they would not generally interfere with the contractual obligations of the banker by issuing any injunction against the payment when the guarantee is validity invoked. In enunciating the general principle of non-intervention by the courts in respect of the guarantees and letter of credit the courts intend that trade and commerce should function smoothly without interference from the judiciary. At the sometime, the courts expect businesses to honour their respective commitments and maintain business honesty.
In bank guarantee the bank binds itself to pay, unconditionally and unequivocally without protest or demur or performance by principal debtor. The bank that has issued the guarantee is not concerned with the relationship between the seller and the customer, nor with the question whether the seller performed its contractual obligation or not. The bank must be allowed to honour its commitments in a bank guarantee, otherwise, trust in international commerce will be irreparably damaged respectability and reliability of the assured made of payment through bank guarantees is necessary for the growth and promotion of trade.
In Basant Rlymers Alwar Vs State Chemical and Pharmaceuticals Corporation of India[11]; it was held that banking system is the backbone of the economy and it is necessary that there should be confidence in the banking system itself. If the bank guarantees are not encashable just like a credit note or there is an impediment in encashing the bank guarantee then the whole foundation of the banking system will collapse and the people will lose faith in it. Bank guarantees

[7] S.4 Statute of Frauds 1677, 29 Car, II, C3
[8] Wood, *Law and Practice of International*, Finance, (1980) at 295
[9] Section 126 of Indian Contract Act, 1872
[10] Nangia Construction India Pvt. Ltd. V. National Building Construction Corporation Ltd. II (1990) B.C. 51:4 (1990) DLT 359

for purposes, should be taken to be a credit – note issued, and it should be encashable just like a credit not ordinarily, unless the intention of the parties is otherwise.

NO INJUNCITON OF RESTRIAN PAYMENT UNDER A BANK GUARANTEE

Where a bank gives a guarantee to pay on 'first demand' and 'without contestation and 'without reference to such party' or notwithstanding any disputes between the parties …..the guarantee bank is obliged to pay according to the contractual obligation, and the court will not give an injunction restraining the bank for payment.[12] Where the guarantee was enforceable on the importer's failure to take delivery of goods, but it was also provided that the decision of the beneficiary as to whether the importer failed to carry out their obligation shall be final and binding on the bank, was held that the bank could not be restrained from making payment under the guarantee on the Importer's plea that the goods contracted for were not offered for delivery.[13] The fact that the guarantee issued by the bank is wider in terms, than that agreed between the bank and the debtor is also no reason to grant injunction restraining payment.[24] Where however, there is no unconditional or irrevocable promise to pay in the guarantee in which it was only undertaken to indemnify the company from any loss or damage that was caused to it or was suffered by it by the act of the contractor, it was held that temporary injunction could be granted, restraining the company from realizing the bank guarantee, since the guarantee sought to be enforced amounted to a contract of indemnity and the beneficiary had to show the loss or damage caused to it. [15]

It is settled law that a contract of guarantee is a complete and separate contract by itself. The law regarding enforcement of an on demand bank guarantee is very clear. If the enforcement is in terms of the guarantee, then courts must not interfere with the enforcement of bank guarantee. The court can only interfere if the innovation of on demand guarantee in accordance with its terms by looking at terms of the underlying contract. [16]

[6]EXCEPTIONS

Payment under a bank guarantee may be refused of restrained:

1. Where the bank knows that the documents presented by the beneficiary for seeking enforcement are forged or fraudulent. [17]
2. Where a fraud by one of the parties to the underlying contract has been established and the bank has notice of the fraud.[18]
3. Where a case of apprehension of Irretrievable Injustice is made out.
4. Where the guarantee is conditional and the condition has not been complied with.[19]
5. Where the conditions necessary for invoking a conditional bank guarantee have not arisen.[20]
6. Where the purpose for which a conditional guarantee was given has been accomplished.[21]
7. Where the period stipulated for innovation of the guarantee has expired. [22]

In BSES Ltd. (Now Reliance Energy Ltd) Vs Fanner India Ltd.[23]; it was held that as a general rule that a bank guarantee must be honoured in accordance with its terms there are however, two exceptions:

The first is when there is clear fraud of which the bank has notice and a fraud of the beneficiary from which it seeks the benefit. The fraud must be of an egregious nature as to vitiate the entire underlying transaction. [7]

The second exception to the general rule of non-intervention is when there are special equities in favour of injunction, such as when irretrievable injury or irretrievable injustice would occur if such an injection were not granted.

LIMITATION PERIOD FOR CLAIMING AMOUNT UNDER BANK GUARANTEE

Under the Indian Limitation Act, 1963, the period for invoking the bank guarantee is 30 years if the beneficiary is government Department or Municipal Corporation and 3 years in all other cases.

Prior to the amendment made by the contract (Amendment) Act, 1996 in Section 28 of the Indian Contract Act, 1872, the bank guarantees used to have a clause that unless the claim under this bank guarantee is made within six months from the expiry of the bank guarantees, the liability of the bank will be extinguished under the guarantee. After the amendment, if a beneficiary of a bank guarantee invokes the bank guarantee with the claim period, for a default committed by the debtor during the validity period, then the bank will not make payment, the beneficiary may file suit against the bank within the period mentioned in the Limitation Act, 1963 and any clause restricting the bank's liability will be illegal and void ab initio. Therefore the bank should obtain the bank guarantee duly cancelled by the beneficiary or a certificate from the beneficiary that there is no claim under the guarantee. If the guarantee, duly cancelled or certificate is not obtained from the beneficiary, the bank should retain the security of the debtor and cash margin till the expiry of the limitation period under the Limitation Act, 1963.

SAFE GUARDS TAKEN BY BANKS

To reduce the risks to which the banks are exposed while furnishing bank guarantees on behalf of their clients, banks resort to the following to safeguard their interest.

(a) **Limits**

Banks lay down maximum monetary limits upto which they would furnish guarantees and open letters of credit at any point of time. The limits are fixed on the basis of the financial standing, extent to which the account has been maintained by customers satisfactorily, the volume of transactions, past track record of the client in-respect of such guarantees etc. The limits are reviewed are refixed periodically along with monetary limits for overdrafts, cash credits etc.

(b) **Margins**

Banks lay down maximum monetary limits upto which they would furnish guarantees and open letters of credit at any point of time. The limits are expired on the basis of the financial standing, extent of which the account has been maintained by the customers satisfactorily, the volume of transactions, past track record of the client in respect of such guarantee etc. The limits are reviewed and refixed periodically along with monetary limits for overdrafts, cash credits etc.

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[11] *AIR* 1986 Raj. 1: 1985 Raj LW 231

[12] Taxmaco Ltd. V. State Bank of India *AIR* 1979 Cal. 44 ; approved in Uttar Pradesh Co-op. Federation Ltd. V. Singh Consultants and Engrs Pvt. Ltd. (1988) 1 SCC 174 ' Tarapore & Co. V. V/o Tractoro Export Moscow (1969) 2 SCR 960, *AIR* 1970SC 1981, RD Harbottle (Mercantile) Ltd. V. National Westminster Bank Ltd. (1977) 2 All ER 862, (1997) 3 WLR 752) Edward Owen Engg Ltd. V. Barclays Bank Intl. Ltd. (1978) 1 *All ER* 976, P 983 (1977) 3 WLR 764, p-773 (a bank must pay on demand), Dena Bank V Fertilizer Corpn. of India Ltd. *AIR* 1990 Pat 221, p-223.

[13] Allied Resins and Chemicals Ltd. V. Minerals and Metals Trading Corpn. of India Ltd. *AIR* 1986 Cal. 346

[14] Hindustan Steel Workers Const. Ltd. V. GS Atwal & Co.(Enggs)Pvt. Ltd. *AIR* 1996 SC131(1995) 6SCC 76.

[15] Kudremukh Iron Oke Co. Ltd. V. Korula Rubber Co. Pvt. Ltd. *AIR* 1987 Kant 139, p-154.

[16] National Highway Authority or India V Ganga Enterprise *AIR* 2003 SC 3823.

[17] (1984) 1 *All ER* 351, United City Merchants (Investments) Ltd. V. Royal Bank of Canada (1982) 2 *All ER* 720, p-728 (for a discussion) ; Federal Bank Ltd. v. VM.

[18] Bolivinter Oil SA v chase Manhattan Bank (1984) 1 *All ER* 351, P-352, (1984) 1 WLR 392

[19] Banwari Lal Radhe Mohan v. Punjab State Co-op Supply and Marketing Federation Ltd. *AIR* 1982 Del 357 Banerjee and Banerjee v Hindustan Steel Works Consm Ltd *AIR* 1986 Cal 374

[20] Basic Tele Services Ltd. v. Union of India *AIR* 2000 Del 1 (bank Guarantee given to cover withdrawal of bid by a bidden during period of validity of bid could not be invoked where the bidder never withdraw the bid Kirloskar Pnlumatic Co. Ltd. v. National Thermal Power Corpn Ltd. *AIR* 1987 Bom. 308

[21] Larsen and Toubro Ltd. v. Muharasthra State Electricity Board *AIR* 1996 *SC*, 334 (1995) 6 *SCC* 68.

[22] Makharia Bros v. State of Nagaland *AIR* 1999 SC, 3466 (2000) 10 *SCC* 503.

[23] *A.I.R.* 2006 SC 1148; (2006) 130 Comp Cas 8 (SC).

The percentage of margin money could range from ten to fifty percent of the value of the guarantees. The margin money will be released once the bank guarantee has expired and is returned to the bank duly discharged.

(c) **Counter Guarantee**

In addition to fixing limits and taking 'margin money' as security, banks invariably obtain counter guarantees from the client's for equal value before furnishing bank guarantees on their behalf. This document provides the basis for the bank to debit the clients' accounts when it has to honour a bank guarantee invoked by the beneficiary, and to proceed legally against the client, if it is unable to fully reimburse itself of the amount from the client.

BANK GUARANTEE AND ARBITRATION CLAUSE

The enforcement of a bank guarantee cannot be made the subject-matter of arbitration proceeding[24] but where a bank found that there was a pending arbitration under which the liability of all the parties had to be ascertained. The Karnataka High Court upheld the decision of the bank to withhold payment.[25]

ECONOMIC FUNCTION OF GUARANTEE

The function of a Contract of Guarantee is to enable a person to get a loan, or goods on credit or an employment. Some person comes forward and tells the lender, or the supplier or the employer that he (the person in need) may be trusted and in case of any default, "I undertake to be responsible".

BENEFITS OF BANK GUARANTEE

FOR GOVERNMENTS:

1. Increases the rate of private financing for key sectors such as infrastructure.
2. Provides access to capital markets as well as commercial banks.
3. Reduces cost of private financing to affordable levels.
4. Reduces government risk explore by passing commercial risk to the private sector.[8]

FOR PRIVATE SECTOR

1. Reduces risk of private transactions in emerging countries.
2. Mitigates risks that the private sector does not control.
3. Opens new markets.
4. Improves project sustainability.

DIFFENCE BETWEEN A BANK GUARANTEE AND A USUAL GUARANTEE

Following are some points of difference between a bank guarantee and a usual guarantee

1. A usual guarantee is governed by section 126 of the Indian Contract Act, 1872. A bank guarantee is not directly governed by section 126 of the Indian Contract Act, 1872.
2. An ordinary guarantee is a tri-partite (3 parties) agreement involving the surety, the debtor and the creditor. But a bank guarantee is a contract involving two parties i.e. the bank and the beneficiary.
3. In an ordinary guarantee, the contract between the surety and the creditor arises as a subsidiary to the contract between the creditor and the principal debtor. The bank guarantee is independent of the main contract.
4. In an ordinary guarantee, the inter se disputes between the debtor and the creditor have a material effect upon the surety's liability. However, the bank guarantee is independent of the disputes, arising out of the contract.
5. An ordinary guarantee does not have any time limit before which the debt has to be claimed. Bank guarantees generally have a specific time within which they are functional.

CONCLUSION

Guarantee is an undertaking to be collaterally responsible for the debt, default or miscarriage of another. In banking context it is an undertaking given by the guarantor to the banker accepting responsibility for the debt of the principal debtor if he defaults. Bank guarantees should be unconditional guarantees by the bank to beneficiary undertaking to pay the sum specified in the guarantee on demand and without demur. In bank guarantee the bank binds itself to pay unconditionally and unequivocally without protest or demur or performance of the principal debtor. A bank guarantee is an independent and distinct contract between bank and the beneficiary, and is not qualified by the underline transaction and the primary contract between the people at whose instance the bank guarantee is given. When bank gives absolute and unconditional guarantee then the courts cannot issue an injection restraining the bank for the payment. The main difference between the ordinary guarantee and the bank guarantee is that in ordinary guarantee the contract between the surety and the creditor arise as a subsidiary to the contract between the creditor and the principal debtor but the bank guarantee is an independent contract from the principal contract.

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[25] Kudremukh Iron Ore. Co. V. Karola Rubber Co. Ltd., *AIR* 1987 Kant 139.

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