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   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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CONTRIBUTIONS TO BOOKS

- 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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IMPACT OF INVENTORY MANAGEMENT ON THE PROFITABILITY OF SMES IN TANZANIA

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ABSTRACT

A well-designed and implemented Inventory management is expected to contribute positively to the SMEs profitability. The purpose of this paper is to examine the relationship between inventory conversion period and SMEs profitability and determine the impact of inventory management on SMEs profitability. The dependent variable, gross operating profit is used as a measure of profitability and the relation between inventory management and SMEs profitability is investigated for a sample of 26 Tanzanian SMEs, using annual financial statements data analysis for the period 2006 –2011. This study employs Regression analysis to determine the impact of inventory conversion period over gross operating profit taking current ratio, size of the firm, financial debt ratio as control variables. The results indicate that there is a significant negative linear relationship between inventory conversion period and profitability. The relationship between two control variables viz; current ratio, financial debt ratio and gross operating profit indicate the expected negative relationship whereas the firm size indicate unexpected positive relationship. This may be due to managerial failure.

KEYWORDS

Inventory conversion period, Inventory management, SMEs Profitability.

1.0 INTRODUCTION

Small businesses are viewed as an essential element of a healthy and vibrant economy in developing countries. They are seen as vital to the promotion of an enterprise culture and to the creation of jobs within the economy (Bolton Report, 1971). Small Medium-Sized Enterprises (SMEs) are believed to provide a momentum to the economic progress of developing countries and its importance is gaining widespread recognition. In Mauritius the SMEs occupy a central place in the economy, accounting for 90% of business stock (those employing up to 50 employees) and employing approximately 25% of private sector employees (Wignaraja and O'Neil, 1999). Working capital management plays a pivotal role in the efficient functioning of SMEs. Most of the SMEs for their working capital funds depend on short term financing like bank loans over drafts etc. However, given their reliance on short-term funds, it has long been recognized that the efficient management of working capital is crucial for the survival and growth of small firms (Grablowsky, 1984; Pike and Pass, 1987). The one most important component of working capital is the inventory management. Efficient Inventory management facilitates to invest minimum funds in inventory maintaining continuity in business activity, increases the size of the business activities by increasing total sales consequently increasing recycling of funds and generating higher profitability. As against this, if management proves inefficient in inventory management, it results into higher inventory conversion period, high costs of inventory, leading to reduced recycling of funds, ultimately effecting profitability and liquidity of the enterprises. A large number of business failures have been attributed to inability of business managers to plan and control properly the inventory conversion period and inventory levels of their respective firms based on their business strategies. In Tanzania very little have been done concerning inventory management practices in SMEs. Keeping this in view and wider recognition of the potential contribution of SME sector to the economy of Tanzania, it motivates to attempt a study on inventory management in Tanzania.

The paper deals with presentation of an overview of Tanzania, role of SMEs sector in Tanzania, review of the empirical literature, Objective of the study, Methodology in terms of sample size, data source, variables used measurement of variables and estimation techniques. It also presents analysis and results of the study, conclusion and suggestion for improvement and scope for future research.

1.1 AN OVERVIEW OF TANZANIA AND THE ROLE OF SMEs

Tanzania is located in the eastern part of Africa, in the east it is bordered by the Indian Ocean and to the west it's bordered by Rwanda, Burundi, and Democratic Republic of Congo. Kenya and Uganda are its northern neighbors, while the southern neighbour is Mozambique. To the southwest there is Zambia and Malawi. The country encircles an area of 947300 square kilometres with a coastline of 1424 kilometres and is a home to some of the largest landmarks The Kilimanjaro which is the highest mountain in Africa standing at 5895 metres above sea level, lake Victoria – the world's second largest freshwater lake and lake Tanganyika – world's second deepest lake. Tanzania is known for its wildlife varieties with over fifteen national parks and game reserves around the country. The country has also abundant supplies of natural resources which include diamonds, coal natural gas, gold and a variety of gemstones. The population of Tanzania is around 41.05 million among which 21.23 million (2009 est) are considered to be labour force. All this makes Tanzania one of the world's wealthiest nations from a biological point of view. (CIA World fact book)

Despite this wealth, the country is ranked as one of the world's poorest countries as its population below poverty line recorded at 36% (2002 est), the estimated GDP per capita in 2009 was USD 1400 which is absolutely insignificant compared to that of other member country South Africa which recorded at USD 10,100 in the same year (CIA Fact book)

1.2 ROLE OF SMEs IN TANZANIA

SMEs in Tanzania contribute significantly to employment creation, income generation and stimulation of growth in both urban and rural areas, in-turn contributing to the development of the country as a whole economically, socially and even politically. It is estimated that about a third of the GDP originates from the SME sector. According to the informal sector survey of 1991, micro enterprises operating in the informal sector engaging 1.7 million small businesses consisted of about 20% of the labor force (3 million people then). Since SMEs tend to be labor intensive, they create employment at relatively low level of investment per job created. Most of unemployed people opt for entrepreneurship which falls in the SME sector utilizing local resources effectively with affordable technology adding value to the resources to the larger extent. SMEs facilitates distribution of economic activities within the economy thus promoting equitable distribution of resources better satisfying limited demands brought about by localized and small markets due to their low fixed and overhead costs. They complement large industries requirement in terms of supplements of raw material and other factors of production.

2.0 LITERATURE REVIEW

This study provides clear meaning of terms and concepts and also reviews the findings of the previous researchers. This helps to clearly identify the gap and therefore justify the need of doing the study on the impact of working capital management on SMEs profitability in Tanzania.

2.1 CONCEPTUAL REVIEWS

Concept of SMEs: According to the ministry of industry and trade in Tanzania, small businesses are collectively defined under nomenclature SMEs. SME is used to mean micro, small and medium enterprises. It is sometimes referred to as micro, small and medium enterprises (MSMEs). In Tanzanian context micro enterprises are those engaging up to four people in most cases family members or with an investment not exceeding 5 million TSHs, the majority of which fall under the informal sector. Small enterprises are mostly formalized undertakings engaging 5 to 49 employees or with capital investment of TSHs 5 million to TSHs 200 million. Medium enterprises employ about 50 to 99 employees and capital investment from about 200 to 800 million TSHs (Tanzania SMEs policy 2002). This definition was used in this work keeping in mind that the population of interest was Tanzania SMEs.

Inventory management: is primarily about specifying the shape and percentage of stocked goods. It is required at different locations within a facility or within many locations of a supply network to proceed the regular and planned course of production,trading and stock of materials.

Inventory conversion period: is the average amount of time that a business holds its inventory (Shin and Soenen 1998). It is the time required to obtain materials for a product, manufacture it and sell it. The inventory conversion period is essentially the time period during which a business must invest cash while it converts materials into a sale.

2.2 EMPIRICAL LITERATURE REVIEW

Management of inventory conversion period (ICP) was found to have a significant impact on profitability in studies from different countries.

Raheman and Nasr (2007) studied the effects of inventory turnover in days and current ratio on the net operating profitability of Pakistani firms. They selected a sample of 94 Pakistani firms listed on Karachi Stock Exchange for a period of six years from 1999 – 2004 and found a strong negative relationship between ICP and profitability of the firms. They found that as the ICP increases, it leads to decreasing profitability of the firm and managers can create a positive value for the shareholders by reducing the ICP to a minimum point.

Deloof (2003) studied the relationship between inventory conversion period (ICP) and corporate profitability. He used a sample of 1,009 large Belgian non financial firms for a period of 1992 – 1996. by using correlation and regression tests, he found significant negative relationship between gross operating income and inventory turnover days of Belgian firms. Based on the study results, he suggested that managers can increase corporate profitability by reducing the inventory turnover days.

Garcia – Teruel and Martinez – Solano (2007) collected a panel of 8,872 small to medium sized enterprises (SMEs) from Spain covering a period 1996 – 2002. they tested the effect of inventory conversion period (ICP) on SMEs profitability using the panel data methodology. The results which were robust to the presence of endogeneity, demonstrated that managers could create value by reducing their inventories.

Falope and Ajilore (2009) used a sample of 50 Nigerian quoted non financial firms for the period 1996 – 2005. Their study utilized panel data econometrics in a pooled regression, where time series and cross sectional observations were combined and estimated. They found a significant negative relationship between net operating profit and the inventory turnover in days for a sample of fifty Nigerian firms listed on the Nigerian Stock Exchange. The studies on the impact of inventory management on the profitability are almost peripheral.

3.0 OBJECTIVES OF THE STUDY

The purpose of this study is to provide an econometric impact of inventory conversion period on gross operating profits of SMEs in Tanzania.

4.0 METHODOLOGY

In this section, the sample size and data source, Key research variables, variable measurements, estimation techniques used for this study are presented.

4.1 SAMPLE SIZE AND DATA SOURCE

The study sample included twenty six (26) SMEs from two prime regions of Tanzania. It includes 10 SMEs from Morogoro region and 16 SMEs from Dar es Salaam region. Data was obtained from the financial statements of the selected SMEs for a period of five years from 31st March 2006 to March 2011. Apart from annual reports, required relevant data is sourced from websites.

4.2 KEY RESEARCH VARIABLES

The key variables used in identifying the impact of inventory management on profitability of SMEs of Tanzania include Inventory conversion period, gross operating profit, current ratio, firm size and financial debt ratio. The independent variable is Inventory conversion period and dependent variable is gross operating profit. The remaining are control variables. The type, expected coefficient sign and rationale or relationship between dependent and independent and control variables are shown in the following table followed by explanation of relationships.

TABLE 4.1: KEY VARIABLES AND THE EXPECTED IMPACT ON GROSS OPERATING PROFIT (GOP)

Variable	Type	Expected coefficient sign	Rationale
Inventory conversion period (ICP)	Independent variable	Negative	ICP↑⇒GOP↓
The current ratio (CR)	Control variable	Positive	CR ↑⇒ GOP ↑
Firm size (FS)	Control variable	Positive	FS ↑⇒ GOP ↑
Financial Debt Ratio (FDR)	Control variable	Positive	FDR↑⇒GOP ↑

INDEPENDENT VARIABLE

An independent variable is the variable which the researcher has control over, what he/she can choose and manipulate. It is usually what the researcher think will affect the dependent variable. In some cases, the researcher may not be able to manipulate the independent variable. It may be something that is already there and is fixed, something he/she would like to evaluate with respect to how it affects something else, the dependent variable. In this study the independent variable is the Inventory conversion period (ICP)

DEPENDENT VARIABLE

A dependent variable is what the researcher measures in the experiment and what is affected during the experiment. The dependent variable responds to the independent variable. It is dependent because it "depends" on the variations in independent variable. In this study the gross operating profit ratio (GOP) is used as the measure of Profitability of the firm and therefore it is the dependent variable in the study. The reason for using this variable is because the study aimed to associate the company's operating 'success' or 'failure' with an operating ratio and relate this variable with other operating variables .

CONTROL VARIABLES

A control variable is the variable that is held constant in order to assess or clarify the relationship between two variables. A control variable is not the independent variable in an experiment but it may affect the outcome of an experiment. It refers to the variable that is fixed or eliminated in order clearly identify the relationship between an independent variable and a dependent variable. In this study the following variables were controlled in order to come up with valid data.

The current ratio (CR) is a financial ratio that measures whether or not a firm has enough resources to pay its debts over the accounting period. It compares a firm's current assets to its current liabilities. If current liabilities exceed current assets (the current ratio is below 1), then the company may have problems meeting its short term obligations. If the current ratio is too high, then the company may not be efficiently using its current assets or its short term financing facilities. This may also have impact on firm's profitability, and therefore it must be controlled to avoid it from impairing the study. Financial debt ratio (FDR) is a financial ratio that indicates the percentage of a company's assets that are provided via debt (Deloof, 2003). Firm size in this study referred to amount of sales of the firm, and it was represented by the natural logarithm of sales.

4.3 VARIABLE MEASUREMENTS

The following below are the measures pertaining Inventory management and SMEs profitability:

No. of Days Inventory = (average Inventory/Cost of Goods Sold) x 365
Firm Size = Natural Logarithm of Sales
Financial Debt Ratio = (Short-Term Loans + Long-Term Loans)/Total Assets)
Current Ratio = Current Assets/Current liabilities
GOP = (Sales - Cost of Goods Sold) / (Total Assets - Financial Assets)

4.4 ESTIMATION TECHNIQUE (REGRESSION ANALYSIS)

Regression model is used to predict one variable (dependent variable) from one or more other variables (independent variables). In this part the researcher presented the empirical findings on the relationship between Inventory conversion period and profitability of the Tanzanian SMEs. To investigate the impact of Inventory conversion period on profitability, the model used for the regressions analysis is expressed generally as

GOP = ƒ (ICP, CR, FS, FDR,)

In the above general equation the GOP is the dependent variable and it is influenced by the independent variables i.e. ICP, CR, FS and FDR.

REGRESSION MODEL

ICP – Inventory conversion period influences the GOP in a negative way i.e. as the number of days increases, the GOP decreases and the vice versa is true. In this model the coefficient was negative (-ve)

$GOP = \alpha_0 + \alpha_1 CR_{it} + \alpha_2 FS_{it} + \alpha_3 FDR_{it} + \alpha_4 ICP_{it}$

Where

$\alpha_{0,}\ \alpha_{1,}\ \alpha_{2,}\ \alpha_{3,}\ \alpha_{4,}\ \alpha_5$ and α_6 are regression parameters which stand for the coefficients of the independent variables

CR is the current ratio

FS is the firm size

FDR is the financial debt ratio

The subscript "i" denotes number of observations and the subscript "t" denotes the number of years i.e. 5 years.

5.0 PRESENTATION OF FINDINGS

The variables were calculated using balance sheet (book) values. The book value was used because the firms did not provide any market value related to the variables that were used in this study. In addition, the measurement of profitability could only be based on income statement values, not on so called market values. The explanatory variables are all firm specific quantities and there is no way to measure these variables in terms of their market value. And also when market values are considered in such studies, the knowledge of the date for which the market value refers becomes unsolvable challenge. This is rather subjective; hence book values were put into the use. The findings are enumerated from two points of view a) descriptive analysis in terms of mean, standard deviation and correlations and b) applying multiple regressions (OLS).

5.1 DESCRIPTIVE ANALYSIS

Descriptive analysis shows the mean and standard deviation of the different variables of interest in the study. It also presents the minimum and maximum values of the variables that help in getting a picture about the maximum and minimum values a variable can achieve.

TABLE 5.1: DESCRIPTIVE STATISTICS OF VARIABLES (2006-2011)

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
GOP	26	1.38	0.07	1.45	0.7023	0.33082	0.109
ICP	26	334.62	2.67	337.29	134.6273	88.32051	7800.513
CR	26	16.81	0.06	16.87	3.9635	5.17067	26.736
FDR	26	2.14	0.00	2.14	0.6846	0.52827	0.279
SIZE	26	6.09	15.97	22.06	19.1658	1.54921	2.400

Source: *compiled from the information of annual reports run on SPSS*

The following observations can be made from the table which was prepared on the basis five year data from 2006-2011 for 26 SMEs.

- The GOP of 26 SMEs ranges between 0.07 and 1.45 with mean of 0.7023 and standard deviation of 0.33082 indicating high variance.
- ICP ranges between 2.67 and 337.29 days with an average of 134.6273 and standard deviation of 88.32501 signifying very high variability across 26 SMEs.
- The CR ranges between 0.06 and 16.87 with an average of 3.9635 and standard deviation of 5.17067 showing very higher variability in short term obligations repayment ability.
- The FDR ranges between nil and 2.14 with an average of 0.6846 and standard deviation of 0.52827. it signifies high variance in the financing pattern of the studied SMEs.
- The average size of SMEs recorded the logarithm of sales at 19.17 with a range of 15.97 and 22.06 , standard deviation of 1.5492. it also shows significant variance but not like other variables.

The above analysis concludes that all the 26 SMEs, though size wise comparatively not with high variance, the other selected variables are varying significantly as their standard deviations, ranges are significantly higher. The high variance is normally related with managerial decisions and efficiency in execution of their policies.

5.2 CORRELATION BETWEEN VARIABLES

An attempt is made here to find the relationship between ICP and GOP used in the model given in the methodology so as to know the direction of the impact of ICP on the profitability of the SMEs. For the purpose, Pearson's Coefficient of correlation analysis is applied to find the relationship between the inventory conversion period and gross operating profit (SMEs' profitability). As stated in review of literature, if inventory conversion period comparatively decreases over a period of time it enables higher turnover in sales and increase in GOP. Hence the expected relationship should be negative. In addition the relationship between GOP and control variables as well as ICP and control variables is also calculated. This is because change in ICP impacts control variables like CR.FDR.SIZE. The calculated relationship between these two variables along with control variables is presented in the following table.

TABLE 5.2: CORRELATION BETWEEN ICP, CONTROL VARIABLES AND GOP

	GOP	CR	FDR	SIZE	ICP
GOP	1.000	-0.304	0.418	-0.125	-0.464
CR		1.000	-0.498	0.000	0.281
FDR			1.000	-0.104	-0.188
SIZE				1.000	-0.174
ICP					1.000

Source: *compiled from the information of annual reports and run on SPSS*

From the analysis of the above table the following observations can be made:

1. The correlation between ICP and GOP is -0.464. It shows that decrease in ICP is resulting into increase in GOP and vice versa. This is as per the expected relationship.

2. The correlation between ICP and CR is 0.281, indicating decrease in ICP is resulting into decrease in CR and vice versa. This is as per the expected relationship.
3. The correlation between ICP and FDR is -0.188.it signifies that when ICP decreases, the FDR increases and vice versa. This is unexpected relationship, but it might be implying that the managers have failed to use effectively the resources generated due to decreased ICP in reducing debts.
4. The correlation between ICP and SIZE is -0.174, which indicates that decrease in ICP is resulting into increase in SIZE and vice versa. This is as per the expected relationship.

5.3 MULTIPLE REGRESSIONS ANALYSIS

In this section, the empirical findings on the relationship between inventory conversion period and profitability of the Tanzanian SMEs were presented. As the other reviewed researchers' findings stated, if inventory conversion period comparatively decreases over a period of time the GOP would increase. Therefore the expected relationship should be negative. The relationship between GOP and control variables as well as ICP and control variables was calculated using multiple regressions. The calculated relationship between these two variables along with control variables is presented in the following table.

TABLE 5.3: OLS REGRESSION ESTIMATES ON IMPACT OF ICP ON GOP

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.480	0.782		1.894	0.072		
CR	0.002	0.013	-0.032	-0.154	0.879	0.715	1.398
FDR	0.191	0.128	0.304	1.492	0.151	0.736	1.358
SIZE	-0.04	0.038	-0.167	-0.932	0.362	0.950	1.053
ICP	-0.002	0.001	-0.427	-2.293	0.032	0.885	1.130

Source: *compiled from the information of annual reports and run by SPSS*

The following observations can be made from the table:
1. The coefficient of ICP was negative (= -0.002). This implied that when the ICP decreases by 1 day then the profitability increases by 0.2%
2. The regression coefficient of CR was 0.002, which implies that an increase in CR by 1 is associated with an increase in profitability by 0.2% and vice versa. However the influence of CR on GOP (profitability) is low
3. The coefficient of FDR in the regression was 0.191 which implies that an increase in FDR by 1 is associated with an increase in profitability by 19.1%. In other way round, when the FDR decreases by 1 then the profitability decreases by 19.1%
4. The regression coefficient of SIZE was -0.04, which implies that an increase in SIZE by 1 is associated with a decrease in profitability by 4% and vice versa. However this is unexpected relationship which may be due to the inefficiency of SMEs resources management.
5. The VIF ranged from 1.053 to 1.398, starting from SIZE = 1.053, ICP = 1.130, CR = 1.358 to FDR = 1.398. This implied that each variable had some correlations with other independent variables. The tolerance range from 0.715 to 0.950, where CR = 0.715, FDR = 0.736, ICP = 0.885 and SIZE = 0.950. This implies that there was no problem of Multicollinearity. It should be kept in mind that Multicollinearity problem is observed when the tolerance is less than 0.1
6. The regression equation is:

GOP = 1.480 - 0.04LnS + 0.191 FDR + 0.002CR– 0.002 ICP

In this multiple regressions other tests were used; the R square test (R^2) and the F-test. The R^2 found to be = 0.356, which implies that the impact of ICP and the control variables included in the model was only 35.6%, the rest 64.4% of the impact on GOP was due to other factors out of the model

The t – test statistic was 2.903 which indicate that the linear relationship between ICP and GOP in the regression model exists as it falls under rejection area. The t statistics of between control variables and GOP is in rejection region.

6.0 CONCLUSIONS AND SUGGESTIONS

Previous researches predicted negative relationship between ICP and SMEs profitability. The results of this research are in line with the previous findings. The findings indicate that Inventory conversion period has an inverse relationship with SMEs profitability i.e. when the ICP days increase the profitability of firms decreases and vice versa. These results complied with those from studies by Raheman and Nasr (2007), Deloof (2003), Garcia-Teruel and Martinez-Solano (2007) and Falope and Ajilore (2009) who found negative relationship between ICP and profitability of firms. The relationship in this study is significant because for every one day decrease of ICP the increase in profit was 0.02 percent.

Finally the firm size, current ratio and financial debt ratio are the variables which appear in the regression model as control variables. In the regression model it was found that, the firms' profitability as measured by GOP has a positive relationship with financial debt ratio. This implied that profitability increases with increase in financial debt ratio. Furthermore in this study the relationship between the firm size and GOP was negative which was deviating from the expected relationship. The relationship between current ratio and the GOP was positive.

These results motivate the SMEs in reducing the present ICP of more than 4 months to enable them to improve their profitability. Consequently it effects control ratios and causes further impact on profitability. The decrease in ICP increases CR and liquidity position consequently positively affects FDR by liquidating the debts finally contributing to increase in profits. Similarly the efficiency in managing the above variables helps in increasing the size and also profitability of the SMEs.

SUGGESTIONS FOR IMPROVEMENT

The lack of knowledge in financial management is the persistent problem facing owner managers of SMEs, which was endorsed by many studies, is yet to be addressed by the government. On the other hand, owner managers must ensure that they utilise adequate inventory management tools like turnover ratios and ICP. The variance in ICP indicate higher varibiality in locking up of resources inp in Inventories, consequently resulting into variability in suppliers and other related commitments. Proper financial management education and training facility initiated by government and financing bodies may help them to address the problem of inventory management. The managements should concentrate on reducing the present ICP of more than 4 months so as to improve the financial performance.

7.0 SCOPE FOR FURTHER RESEARCH

Since this study is confined for only one variable of the working capital; ICP and its impact on profitability, it may be extended to all the variables of working capital and profitability of SMEs covering sample from all the regions of Tanzania. Future research may be extended to investigate generalization of the findings of all regions of the Tanzanian SMEs and also beyond Tanzanian SMEs covering entire Africa. The scope of further research may be extended to other working capital components including receivables, marketable securities and Cash conversion cycle management and to the different sectors such as Manufacturing, trading, service and agriculture. Further more the scope should be extended to industries like food processing, milling, poultry and even farming just to mention some of them

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CORPORATE GOVERNANCE AND AUDIT QUALITY IN NIGERIAN BANKS

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ABSTRACT

This study, focused on the relationship between corporate governance and audit quality in the Nigerian Banking sector. Data for the study were gathered from both the primary and the secondary sources. In analysing the data gathered the Z- test, a parametric test, was used. The result revealed that corporate governance has significantly influence on the quality of audit work and that corporate governance significant influences the rapid growth and development of the Nigeria Banking sector. Premised on the above, the paper recommended that the relevance of corporate governance should be strongly re-emphasized among banks alongside its associated benefits; that the Institute of Chartered Accountant and other professional bodies play a significant role in enlightening their members of the need for quality audit, Banks executives and board member should adhere strictly to the Code of Corporate governance to enhance transparency in banking practices and members of Audit Committee should also play a significant role in enhancing quality audit work and the free flow of the principle of corporate governance.

KEYWORDS

Corporate Governance, Auditors Independence, Audit Quality and Nigerian Banks.

INTRODUCTION

Audits are carried out to ascertain the validity and reliability of financial statement and other corporate information to the public. The goal of an audit is to express a professional opinion on the financial statements being examined, based on work done on a test basis. Evans and Parker (2008), describe auditing as one of the most powerful safety monitoring technologies and effective way to avoid complacency and highlight slowly deteriorating conditions especially when the auditing focuses not just on compliance but also effectiveness of the system.

Audit quality deals with the influence of the audit on financial statement and ability of the auditors to control the quality of information produced through the assured Generally Accepted Accounting Principle (GAAP) and relevant supporting legislations. Therefore, the Auditor's expertise which consists of both the ability to discover misappropriations and form an opinion is very important in financial reporting. These abilities are useful to internal and external users of financial statements for example the shareholders, managers, employers, investors, banks and government among others.

In the banking industry, a study carried out by Macey and Hara (2003), argue that the Commercial Bank pose unique corporate governance problems for managers and regulators as well as for claimants on the Banks cash flow, such as investors and depositors. The Nigerian banking industry has passed from crisis to a period of restructuring, characterized by Bank failures, distress and mergers. The continual distress of Banks has led to several questions being asked such as "who is responsible for the effectiveness of corporate governance and implementation?" However, sound corporate governance can be attributed to a collaborative working relationship between the management and Bank supervisor.

The objective of this paper was to examine the impact of corporate governance on audit quality in the Nigerian Banks and the role of corporate governance in ensuring the efficiency and growth of the Nigerian Banks. In achieving this, the paper was divided into five sections. Closely following this is the review of related literatures; section three is on the research methods, four on empirical result and five on conclusion and recommendations

LITERATURE REVIEW

OVERVIEW OF CORPORATE GOVERNANCE

In this section, extant literature was review on corporate governance and audit quality. corporate governance has succeeded in attracting a good deal of public interest because of its apparent importance for the economic health of corporation and the society in general. However, the concept of corporate governance has been defined by various person from wide range of perspectives. Some of the definitions that have cropped up include the following:

Organization of Economic Cooperation and Development(OECD's) (1999) definition is in line with the one presented by Cadbury (1992) which defines corporate governance as the system by which business corporation are directed and controlled. Governance structure specifies the distribution of rights and responsibilities among different participant in the corporation such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs, by doing this, it provides the structure through which the means of attaining these objectives and monitoring performance are achieved.

In another paper by OECD (2004), corporate governance was defined as the framework which should promote transparency and efficient market, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.

Kwakwa and Nzekwu (2003), see corporate governance as the manner in which the power of a corporation is exercised in accounting for corporation's total portfolio of assets and resources with the objective of maintaining and increasing shareholder value and the satisfaction of other stakeholders while attaining the corporate mission.

In the view of Yahaya (1998), corporate governance is concerned with the process by which corporate entities; particularly limited liability companies are governed. He traced it as the exercise of power over the enterprise direction, supervision and control of executive actions, the concern for the effects of the enterprise on the parties (social responsibility) acceptance of a duty to be accountable and self-regulation of a corporation within the status and jurisdiction of the Federal Republic of Nigeria.

Smith (2002:42), sees corporate governance as a "Culture that has a common understanding of the roles of management and the board" to him, corporate governance is a culture of mutual respect that both parties have for each other's role. It is a culture of continuous open dialogue and communication. In rounding up his views on corporate governance, From the above definitions, two critical areas can be outlined which includes, accountability and transparency. Accountability in a corporate context is based on a system of checks and balance and sound auditing practices while transparency in the corporate world refers to the process of disclosing information on a company's performance over a certain period of time.

The practical implication of the above definitions cannot be overemphasized. While some writers recognized corporate governance as a legal process, other views is simply as a managerial function. This just shows that corporate governance goes beyond law and legal process, a conglomerate of activities encompassing legal, cultural and institutional arrangement geared towards re-engineering the mindset of corporate participant to ensure efficiency in corporate performance. Before now, all these issues did not really mean much, but the new wave of awareness, defense of right, aggressive union activities has awaken the consciousness of the need of good governance.

EXTERNAL AUDITORS AND AUDIT QUALITY

Audit quality is of significant value to present investors and potential investors because these investors often use audited financial statements by external auditors as the basis for investment decisions because auditors are as both insurance providers and informational intermediary that provide independent verification of directors prepared financial statements, audit quality contributes to the credibility of financial statements. On the premise of the above, de Angelo (1981), refer to audit quality as the probability that auditors will both discover and truthfully report material errors, misrepresentations or omissions in accounting system of clients. In addition Walkins, Hilson and Morcroft (2004), states that the components of audit quality consist of "monitoring strength and reputation." The monitoring strength gives the auditors ability to increase the quality of financial statement information which reflects true economic circumstances of clients. Also, reputation represents the auditors' ability to enhance the credibility of financial statement information.

In the opinion of Razaee (2005), management of company is primary responsible for designing and maintaining adequate and effective internal controls, but external auditors should ensure that internal controls are adequate and effective in preventing, detecting and correcting financial statement misstatement. While the work of Gambling, Maletta, Scneider and Church (2004), shows that the most extensive area of internal auditing literature on the role of an internal Audit function (IAF) within corporate governance focuses on the relationship between the external auditors and the IAF. Many studies provide evidence on the various factors/criteria affecting the external auditor reliance decision. These factors include the IAF's independence (reporting responsibilities) competence and work performance of internal auditor, audit materiality levels, client risk factors and prior experiences with the particular IAF (Al-Twayry, Brierley and Gwilliam, 2004, Haron, Chambers, Ramsi, and Ismail, 2004).

Still on the above issue, the Big 4 firms as external auditors participating in an organizations governance can significantly influence audit quality. Beasley, Clune and Harmanson (2005), explain that most studies classify the largest international accounting firms, the Big 4firms, as high quality auditors. Rezaee (2005), further supported the notion by saying that Big 4 Accounting firms are more likely to detect financial statement misstatement than non-Big 4 accounting firms because they have a greater ability to withstand client pressure, greater concern for their reputation, greater resources (in terms of both competent personnel and advanced technology) and more developed audit strategies and processes. In the work of Felix, Gramling and Maletta (2005), it was revealed that if a company is shunned by a Big 4 accounting firm, this may indicate potential internal control problems. The same approach was followed by Zhang, Zhou and Zhou (2007), in their American study on audit committee quality.

THE ROLE OF EXTERNAL AUDITORS IN CORPORATE GOVERNANCE

Auditing and governance are two separate functions, but they are not mutually exclusive, neither are they independent nor dependent, rather one reinforces the other.

Auditing is defined as obtaining and evaluating evidence regarding assertion about economic actions and events to ascertain the extent to which they correspond with the established criteria, and to communicate the result to the interested users. Thus, it encompasses investigation process, pertaining to economic action and events.

International audit standards maintain that an auditor's mandate may require him to take cognizance and report matters that come to his knowledge in performing his audit duties which relate to compliance with legislative or regulatory compliance or adequacy of accounting and control system, viability of economic activities programs and projects.

Lately, a view that has emerged is that auditors should play a more vital and direct role in establishing good governance. This means that auditors should be made to feel more conscientious, more dutiful and therefore to be more effective.

Internal Auditing Standards (IAS) also recognized that there are matters that may be broader than those that form the subject matter of IAS, which is directly related to the audit of financial statement. Thus, it is established that auditors are not required to traverse their area of operation, whatever they are expected to contribute towards good governance shall therefore be formed within their range of sphere of activity. In other word, it is the quality of their performance, which needs to be ameliorated to match the requisites of good governance.

BENEFITS OF CORPORATE GOVERNANCE ON AUDIT QUALITY

In achieving the objective of quality audit, the significant of corporate governance cannot be overemphasized. Quality audit work embrace to varying degrees, the dimensions of competence and independence of audit firms (Chen, Yen, Fu and Chang, 2007), they went further to state that a high quality audit firm should have independence (relationship based), enough expertise (technique based), and good integrity (honesty and forthrightness). In a broad sense, audit independence includes expertise and integrity. However, most empirical audit quality research see audit quality in relation to audit risk which is the risk that an auditor may fail to modify the opinion on financial statements that are materially misstated (NCPA, 1994, SAS No. 47). Premised to the above, De Angelo (1981), stated that the quality of audit work is a function of the firm size. The larger the audit firms are, the better the position to carry out quality audit than smaller firms.

However, in relation to corporate governance, quality audit work can influence the following:

- The probability that audit results will be relied on and recommended, improvements will be seriously considered and implemented;
- The reputation of the organization is enhance through quality audit work, and
- Quality audit work is basis for strong decision making a focal point for strategy formulation among others.

HYPOTHESES

Ho: corporate governance has no significant influence on audit quality in Nigerian Banks.

Ho: Corporate governance has no significant influence on the rapid growth and development of the Nigeria banking sector.

METHODOLOGY

This study relied on both the primary and the secondary data. For primary source data collection was based on the information obtained through questionnaire administered to internal auditors of some banks and audit seniors and partners of some selected audit firms in Benin City.

A total of 80 questionnaires were administered to these respondents and a total of seventy (70) questionnaires were successfully retrieved from the respondents in the study being reviewed. Thereafter, the binomial test (Z test) statistics which test the association between two variables was used to analyze the data generated.

EMPIRICAL RESULTS

The section of the study provides the relevant data for validating or rejecting the null hypothesis:

HYPOTHESIS ONE

Ho; corporate governance in Nigerian banks has no significant influence on the quality of audit work

TABLE 1: RESPONSE TO QUESTION SIX (GOOD CORPORATE GOVERNANCE PRACTICE INFLUENCES THE QUALITY OF AUDIT SERVICE RENDERED IN THE BANKING SECTOR)

RESPONSES	NUMBER	PERCENTAGE (%)
Strongly Agree	26	37
Agree	34	49
Undecided	6	8
Disagree	4	6
Strongly Disagree	-	-
Total	70	100

Source: Field Survey, 2011

The table revealed that eighty six (86) percent of the respondents believe that audit quality is influence by corporate governance, while eight (8) percent are undecided and six (6) percent do not agree to the question

Using Binomial P, the null hypothesis (Ho) in respect of the above table is tested using one tail test as follows:

Ho: $P \leq 0.5$

HA: $P \geq 0.5$

Z cal is computed using:

$$Z = \frac{x - npo}{\sqrt{Npo\,(1 - po)}} = Z \quad \frac{60 - (70 \times 0.5)}{\sqrt{70 \times 0.5\,(1 - 0.5)}}$$

$$Z = \frac{60 - (70 \times 0.5)}{\sqrt{70 \times 0.5\,(1 - 0.5)}}$$

$$= \frac{60 - 35}{\sqrt{17.5}} \qquad Z = \frac{15}{3.5} \qquad Z = 5.89$$

$Z_{0.05} = 1.645$

Since Z cal is 5.98 and is greater than the critical value of Z value at 5% which is 1.645, we accept the alternative hypothesis which states that corporate governance in Nigerian banks has significant influence on the quality of audit work and reject the null hypothesis.

HYPOTHESIS TWO

Ho: Corporate governance has no significant influence the rapid growth and development of the Nigeria Banking Sector

TABLE 2: RESPONSE TO Q. 10 (GROWTH AND DEVELOPMENT OF THE NIGERIA BANKING SECTOR HAS BEEN INFLUENCED BY THE APPLICATION OF CORPORATE GOVERNANCE)

RESPONSES	NUMBER	PERCENTAGE (%)
Strongly Agree	25	36
Agree	27	40
Undecided	11	15
Disagree	6	8
Strongly Disagree	1	1
Total	70	100

Source: Field Survey (2011)

From the above table, it reveals that 76 percent of the respondents agree that corporate governance has significant influence on the growth and development of the banking sector, while 15 percent of the respondents are undecided and 9 percent disagreed.

Using the Binomial p to test the null hypothesis in respect of the above table, computation is show below;

Ho: $P \leq 0.5$

HA: $P \geq 0.5$

$$Zcal = \frac{52\text{-}70(0.5)}{\sqrt{70 \times 0.5(1\text{-}0.5)}} \qquad Z = \frac{52\text{-}35}{\sqrt{17.5}} \qquad = \frac{17}{4.18}$$

Therefore Zcal = 4.07 and $Z_{0.05}$ = 1.645

DECISION

Since Z cal is 4.07 is greater than critical value of Z value at 5% which is 1.645, we accept the alternative hypothesis which state that corporate governance has significant influence on the rapid growth and development of the Nigeria Banking Sector

CONCLUSION

The purpose of this research was to consider the impact of corporate governance on audit quality in the Nigeria banks. Most studies in this area have use proxy for corporate governance in determining its influence on audit quality like board size, CEO duality, board independence, audit committee independence amongst others, but in this work corporate governance as concept was used to evaluate audit quality in the Nigeria banking sector through the use of questionnaires duly administered. In order to achieve the objective of the study, relevant data needed were gathered from various sources these data were further analyzed using the binomial Z -test statistic.

On the analyses; hypothesis one revealed that corporate governance in the Nigerian banks has significant influence on the quality of audit work and this was base on 5 percent level significant. While for hypothesis two; it was concluded that corporate governance has significant influence on the rapid growth and development of the Nigeria Banking Sector

RECOMMENDATIONS

Every system has its shortcomings and if noticed, they have to be corrected to enhance the effectiveness and efficient of the system. Based on this, the researcher's recommend as follows:

1. The relevance of corporate governance should be strongly re-emphasized among banks,
2. The Institute of Chartered Accountant and other professional bodies should play an important role in enlightening its members of the need for quality audit.
3. Banks board member, management and staff should adhere strictly to the Code of Corporate governance to enhance transparency in banking practices.
4. Member of Audit Committee should also play a significant role in enhancing quality audit work and the free flow of the principle of corporate governance.
5. Auditors should be encouraged to adhere to the principle of auditors independence in the course of their audit work and abide by all ethical issue as it relate to their profession.

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THE RELATIONSHIP BETWEEN TENURE WITH COST STICKY AND COST OF GOODS SOLD IN TEHRAN STOCK EXCHANGE

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ABSTRACT
According to one of the primary assumptions of management accounting, cost variations are proportional with the increase or decrease of effort level. This assumption however, has been recently challenged by introducing the concept of cost stickiness by Anderson et al. This concept states that the increase rate of cost due to the increase of effort level is greater than the decrease rate of cost due to the decrease of effort level. The main purpose of this study is to evaluate cost stickiness in TSE. And administrative, sale and general costs as well as total costs and Costs of Goods Sold (COGS) indices were investigated as samples by this research. More accurately, the main purpose of this research is to answer the following questions: 1) are administrative, general, sale, total and COGS costs sticky? 2) If so, how much is the intensity of the stickiness between costs and COGS? The results of this study which are based on the data of the companies listed in TSE in a 6-year period from 2005 to 2011 indicate that there is a direct relationship between the term of office for the chairman of the board and the stickiness of administrative, general, sale, financial costs as well as the stickiness of COGS costs. The same results have been presented for 117 active companies of TSE and various industries.

KEYWORDS
Cost Behavior, General Costs, Sale Costs, Stickiness of Administrative, Stickiness of Financial Costs, , Sticky Behavior of Costs.

INTRODUCTION
In this study, we will examine the relationship between CEO tenure and The Behavior of Administrative, General and Sales Expenses and Financial Costs and cost of goods sold stickiness.

Since CEO tenure is used as a part of corporate governance topics for controlling of company operations and today the company's management stability is considered as a part of the above topic, so its effect on the company performance is the subject of this research.

Accountants operating in the field of management accounting have traditionally looked to cost behavior as an important dimension of a cost-benefit analysis to be used by managers. Also, financial analysts calculate the future costs of economic units based on a process of forecasting future revenues. So, cost behavior forecast is an important part of earnings forecast. Profit forecast is very important because it is considered as an effective variable on judgments and decisions of users and an important factor in the capital market efficiency.

Of course, the predictive value of accounting information does not mean that the information itself is a forecast but it means the use of this information in the forecast process analysis for managers. Studying cost behavior and cost of goods sold behavior is important not only for academic researchers but also for those whose jobs are directly associated with corporate activities. In the common model of cost behavior that has generally been accepted in the accounting literature, costs are considered as fixed and variable in terms of changes in the activity level. In this model, variable costs fluctuate relative to changes in the activity driver (Ballack Ryshan et al, 2008), assuming that the change level only depends on changes in the activity level not on the change direction. But some writers, such as Norn and Sewderesturm (1998) believe that costs increase with the increasing activity volume more than their decrease due to activity volume reduction. This type of cost behavior became known as "sticky costs" by Anderson et al (2003). According to Anderson and others, costs are sticky when the increase in costs associated with the increased volume is greater than the costs associated with the same amount of reduced volume. Also, if the activity volume decreases, companies with sticky costs have greater reduction in their income compared to firms without sticky costs. Findings of Chen and Benker (2006) show that cost behavior play an effective role in profits forecast in the models used by financial analysts. These findings are also useful for investors who use the relationship between CEO for valuing businesses because the research shows that sticky costs will lead to higher income and its distribution and diversity in the future. Having knowledge about cost behavior and cost of goods sold behavior is a very important aspect of profit.

In fact, it seems that cost behavior and cost of goods sold behavior are two determinant, effective factors in predicting future profitability, so considering all the above, the present study attempts to answer this question that whether cost stickiness and cost of goods sold stickiness are associated with CEO tenure or not? And whether CEO tenure as one of the most powerful persons in the company decisions is considered as the main factor influencing the decision-making process of the company on the process of cost behavior, and cost of goods sold behavior or not?

Prior studies have predominantly explained cost stickiness with economic factors such as asset intensity and uncertainty of future demand, and have largely ignored the impact of managerial incentives on cost behavior. Although Anderson et al. (2003) conjecture that part of SG&A cost asymmetry may be attributable to agency costs, there is no large-scale empirical evidence on their conjecture. Drawing on the empire building and the downsizing literatures, we fill the gap in the cost stickiness literature by examining the following two research questions: Is SG&A cost asymmetry positively associated with the agency problem, after controlling for known economic determinants of this cost asymmetry? Does strong corporate governance mitigate any positive association between the agency problem and SG&A cost asymmetry?

REVIEW OF LITERATURE
During the last years, scientific research on empirical description of behavior of accounting earnings has been developed in order to take advantage of observed patterns of past to predict future earnings.

In his study entitled the earning power in the forecast of cash flows and earnings, Finger (1994) has tested earnings and cash flows of operations in prediction of the future benefits of investments. Based on findings of this study, earnings are a significant variable in the earning forecast for 88 percent of the surveyed companies. In addition, earnings alone with cash flows are a significant variable to forecast cash flows in 90 percent of the sample companies.

In their study entitled the effect of reporting earnings components on the increase of earning forecast power, Fairfield *et al*. (1996) tried to examine and test the effect of reporting earnings components on the forecast. The results showed that the additional information of the earnings components is not limited to unexpected items and discontinued operations. In addition, separation of specific items from continuous operating earnings and separation of non-operating earnings from operating earnings, will improve earnings forecast. Also, by dividing earnings into operating earnings, non-operating earnings, income tax, special items, unexpected items and discontinued operations, earnings forecast power will increase.

In their research entitled earning forecast, Chen and Banker (2006) designed and tested a model to forecast earnings using the model based on cost variability and cost stickiness and considering the sticky properties of costs. In this model, sale is considered as the main driver of change in the earnings and variable costs. This study mainly aims to evaluate the efficiency of this earning forecast model to other earning forecast models. Statistical

Population of this study consists of 4348 companies during the period of 1992 to 2002. The results obtained from this study showed that involvement of the asymmetric behavior of costs in earnings forecast has increased accuracy of earnings forecast more than the other forecast models.

Anderson *et al*. (2007) investigated the issue of whether capital market recognizes the stickiness of sales costs, and administrative and general costs as well as the possibility of acquiring additional efficiency using the sticky model. This study is based on the assumption that cost behavior is severely dependent on the intensity and direction of changes in the activity driver; as Anderson *et al*. (2003) were committed to this point in their study and considered the costs sticky. Now, the question this study seeks to answer is whether involving this type of cost behavior in earning forecast model increases forecast accuracy? Anderson *et al*. (2003) have tested and confirmed the hypothesis suggesting that the costs are sticky. Determining a model with the cost of SG&A as a function of sales revenue, they realized that the average cost will increase by 0.55% in response to 1% increase in net sales revenue. However, only 0.35% will decrease in exchange for 1 percent decrease of earnings. Due to the lack of general data on the costs and related incentives, the data of SG&A costs and net sales revenue were used to analyze cost stickiness. SG&A cost behavior can be analyzed according to net sales revenue, because sales volume stimulates many parts of SG&A.

In a research entitled Cost Behavior and Analysts' Earnings Forecasts, Dan Weiss (2010) initially reviews forecast accuracy and precision in generally agreed earnings by analysts and shows that the companies with more sticky cost behavior have less earning forecast of analysts. In other words, the findings show that high costs affect business priorities of analysts and investors apparently care more about the sticky cost behavior in the value of the companies.

HYPOTHESES

1. There is a significant relationship between CEO tenure and stickiness of administrative, general and sales costs.
2. There is a significant relationship between CEO tenure and price stickiness.
3. There is a significant relationship between CEO tenure and Financial Costs stickiness.

RESEARCH METHODOLOGY

This research has an Applicable study methodology. The method of hypothesis testing is Solidarity and regression model stated in the research will be used hypotheses testing. Before each test on research hypotheses, data normality will be evaluated by Kolmogorov - Smirnov test. Then, Durbin - Watson Test will be used to investigate that there is no Autocorrelation between the data. Finally, significance of relationships between research variables and relation type will be evaluated by regression and t and f statistics.

RESEARCH VARIABLES

The dependent variables are General, administrative, sales, Cost stickness; Cost of goods sold stickness and Independent variable is CEO Tenure.

CEO Tenure = CEO Tenure

ε = Standard error of estimate

Sales = Sales of the company i in the tenure t

The following regression model will be used to review the second hypotheses:

(1)

$$\log\left(\frac{SG\&A_{i,t}}{SG\&A_{i,t-1}}\right) = \beta_0 + \beta_1 \log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + \beta_2 DecDummy.\log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + \sum_{m-3}^{6} \beta_m\, DecDummy.\log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right).Agency\ Var_{m,i,t} + \varepsilon_{i,t}$$

Where:

SG&A = Total administrative, general and sales costs of the company i in the tenure t

Sales = Sales of the company i in the tenure t

DecDummy = If sales in the current year is less than last year, it is 1 and otherwise it is 0 To examine the relationship between cost of goods sold stickiness and CEO Tenure, the following regression model will be used

DecDummy = If sales in the current year is less than last year, it is 1 and otherwise it is(zero)`f

Cost sticky$_{it}$ =β_0+β_1COGS-STICKY$_{it}$+β_2MV$_{it}$+β_3LOSS$_{it}$+β_4DOWN$_{it}$+β_5VSALE$_{it}$ +β_6DISP$_{it}$+β_7OPLEV$_{it}$ +β_8SEASON$_{it}$ +$\beta_9 CEOTenure_{i,t} + \varepsilon_{i,t}$

Where:

Cost sticky it: Cost stickiness of sold goods of company i in the 3-month tenure t

In addition, variables of the mentioned independent variable are calculated as follows.

Stickiness:

STICKYi,t= log $\left(\frac{\Delta cost}{\Delta sale}\right)$it- log $\left(\frac{\Delta cost}{\Delta sale}\right)$i,t

T, Tϵ {t,.., t-3}

Where:

T: The latest tenure t where the company i has been faced with sales decrease.

T: The latest tenure t where the company i has been faced with sales increase.

STICKY i, t: The Cost stickiness of the company i in tenure t.

$\Delta cost$: Cost changes which are calculated through the following formula

$\Delta cost$ i,t= (SALEit – EARNINGSit)- (SALEi,t-1 EARNINGSi,t-1)

Where:

SALE it: Sales of the company i in the tenure t

EARNINGS it: Operating profits of the company i in the tenure t

$\Delta sale$: Changes in sales which are calculated through the following formula:

$\Delta sale$it = SALEit - SALEi,t-1

Market value of equity:

mv it: Logarithm of market value of equity of company i in the tenure t

Actual loss:

Loss it: It is the indicator variable which is equal to 1 for companies which reported loss in the tenure t and is equal to zero for other states.

Prediction of loss (Down):

It equals 1 for companies which have predicted loss in the tenure t and is equal to zero for other states.

Percentage of variations of sales (VSALE):

Percentage of variations of sales in the tenure t to the tenure t-1
Standard deviation of predicted reported profits (DISP):
Standard deviation of the predicted reported profits for the company i and the tenure t
Gross profit to sales ratio (OPLEV):
Gross profit divided by sales of the company
Changes of profit to the previous tenure (SEASON):
A qualitative variable which would be equal to 1 if changes of profit to the similar tenure in the previous year were positive and equal to zero for the other states

ANALYSIS OF RESEARCH HYPOTHESES

The documentations and literatures discussed in chapter 2 as well as the summary of the research framework presented in chapter 1 indicate that in most conducted studies the studied variables have been annually calculated and have been used as general arguments and interpretations. In this stage, following the determination and calculation of the dependant and independent variables, researcher examines and analyzes research hypotheses. First of all, the correlation between dependant and independent variables was examined and then regression method was used to determine the mathematical relationship between the variables. Regression analysis actually helps to find the linear relationship between variables, if there is such a relationship. Finally, correlation index was used to determine the relationship level between the dependent and independent variables of the research. Fortunately, SPSS calculates and Presentes P-Value (significance level). This helps to avoid use of corresponding data in t table which could be used for accepting or rejecting null hypothesis. The findings of each hypothesis are summarized as follows:
Assessing the Normality of Variables:
Since the normality of dependent variable results in the normality of model's residuals, before fitting the model its normality should be checked.
The null and alternative hypotheses of normality test are as follows:
H_0: distribution of data is normal
H_1: distribution of data is not normal
Kolmogorov-Smirnov test was used to examine the above hypothesis. In this examination, when significance level is below 5%, the null hypothesis is rejected at a confidence level of 95% (tabel 1).

TABLE 1- KOLMOGOROV-SMIRNOV (K-S) TEST

Symbol	logSGA	logSGI	Coststicky
Number of Data	765	788	789
Mean	-9.0868E+04	-1.2031E+05	-1.4281E+06
Standard deviation	355090.85133	580795.14905	6.31994E+06
Absolute Magnitude of the Maximum Deviations	.399	.418	.407
Maximum Positive Deviation	.399	.418	.407
Maximum Negative Deviation	-.362	-.409	-.378
Value of Z	11.036	11.732	11.427
Significance Level	.000	.000	.000

According to the table 1 since the significance level of the dependent variable is below 0.05, the hypothesis H_0 is rejected and the hypothesis H_1 is accepted. This means that data does not follow a normal distribution. To normalize the variables, mathematical conversion (square logarithm) is used. The following test examines that whether the converted data are normal.

TABEL 2- KOLMOGOROV-SMIRNOV TEST (k-S) (CONVERTED VALUES)

Symbol	Ln logSGA	Ln logSGi	Ln CostStiky
Number of Data	757	756	762
Mean	20.3234	19.5849	25.4005
Standard deviation	2.57567	3.41738	2.82475
Absolute Magnitude of the Maximum Deviations	.089	.055	.063
Maximum Positive Deviation	.089	.055	.063
Maximum Negative Deviation	-.041	-.049	-.048
Value of Z	2.452	1.507	1.743
Significance Level	.202	.121	.075

According to the Table 2 the significance level of variables is more than 0.05. Thus, the hypothesis H_0 is accepted and the hypothesis H_1 is rejected. In other words, data has been distributed normally. So, the hypothesis, indicating the normality of data, is accepted.

RESULT

Hypothesis One**:** There is a significant relationship between term of office for the chairman of the board and the stickiness of administrative, general and sale costs.
Sometimes two or more variables significantly affect the dependent variable. In this case, multiple regression method is used to predict the dependent variable. The assumption indicating that the relationship between variables is linear is true in the multiple regressions as well. So, the multiple regression equation with four variables is formed as follows:
$y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$
Null and alternative hypotheses are defined as follows:
H_0= there is no significant relationship between the term of office for the chairman of the board and the stickiness of administrative, general and sale costs.
H_1= there is a significant relationship between the term of office for the chairman of the board and the stickiness of administrative, general and sale costs.

$$\begin{cases} H_0 : \rho_1 + \rho_2 + \rho_3 + \rho_4 = 0 \\ H_1 : \rho_1 + \rho_2 + \rho_3 + \rho_4 \neq 0 \end{cases}$$

To examine the main hypothesis of the research, indicating that there is a significant relationship between the term of office for the chairman of the board and the stickiness of administrative, general and sale costs, a multivariate regression model is used as follows:
(2)

$$\log\left(\frac{SG\&A_{i,t}}{SG\&A_{i,t-1}}\right) = \beta_0 + \beta_1 \log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + \beta_2 DecDummy, \log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + \sum_{m-3}^{6} \beta_m \, DecDummy, \log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right), CEO\ Tenure_{m,i,t} + \sum_{s=7}^{10} CEO\ Tenure_{s,i,t} + \varepsilon_{i,t}$$

The tabel 3, which shows the independent input variables, deleted variables and the approach used in the definition of the regression.

TABEL 3 - INDEPENDENT INPUT VARIABLES/DELETED VARIABLES

model	Variable entered	Variable not inclued	metod
1	CEOTenure, DecDummylogSAles, LogSales, DecDummylogCEOTenure[a]	.	Enter

Enter method is an approach for variable selection purposes in which all the variables inserted in one stage, are used in regression definition.

TABEL 4 - CORRELATION COEFFICIENT

model	The correlation coefficient	Adjusted coefficient	Adjusted coefficient of determination	Standard error estimates	Value Watson ststistic
1	.835[a]	.697	.695	1.41836	1.934

The Tabel 4 shows respectively correlation coefficient between the term of office for the chairman of board, as the independent variable, and the stickiness of administrative, general and sale costs, as dependant variable, which equals to 0.835, the coefficient of determination i.e. changeability of the dependent variable which could be explained by regression, the adjusted coefficient of determination and the standard error of the estimate.

Durbin-Watson statistic is 1.934 which lies between 1.5 and 2.5. The hypothesis of the self-correlation of errors is not rejected. So, regression method could be used.

The Tabel 4 contains regression variance analysis which is used to evaluate the certainty of a linear relationship between variables.

The statistical hypotheses of the significance test of whole the regression model are as follows:

H_0: there is no linear relationship between two variables

H_1: there is a linear relationship between two variables.

In the following, significance level is below 5%. Therefore, the linearity of the relationship between the variables is confirmed.

TABEL 5 - ANALYSIS OF REGRESSION VARIANCE

model		Sum - square	Degree of Freedom	Mean-square	Statistics -f	Significance level
1	Regression	3472.203	4	868.051	431.494	.000[a]
	remaining	1508.800	750	2.012		
	Total	4981.003	754			

The tabel 5 contains regression variance analysis which is used to evaluate the certainty of a linear relationship between variables. According to this output, F=431.494 andalso, the significance level is 0.000 which is below 0.05. Thus, it could be concluded that at a significance level of α=0.05 there is a significant relationship between the dependent variable i.e. the stickiness of administrative, general and sale costs and the independent variable i.e. the term of office for the chairman of the board.

The F-statistic is derived by dividing the regression mean squares by the residual mean squares. In the tabel 5, F=431.494 implying the significance of the regression at a confidence level of 95%. The obtained P-Value is a proof of this claim. Therefore, H_o is rejected and it is confirmed that there is a significant relationship between the term of office for the chairman of the board and the stickiness of administrative, general and sale costs.

TABEL 6 - REGRESSION COEFFICIENTS OF THE DEPENDENT AND INDEPENDENT VARIABLES

model	symbol	Standardized coefficients sre not		Standardized coefficients	Statistics t	Significance Level	Collinearity Statistics	
		B	Column Coefficient Standard Error	Beta			telorans	Variance inflation factor
1	(Constant)	1.384	.493		2.807	.005		
	LogSales	.719	.019	.819	37.619	.000	.852	1.173
	DecDummylogSAles	.000	.000	.040	1.862	.063	.866	1.155
	DecDummylog CEOTenure	.038	.026	.032	1.459	.145	.815	1.227
	CEOTenure	.056	.028	.044	2.021	.044	.860	1.163

The examinations related to the each regression coefficient of one of the real examinations of hypotheses about model parameters are used for appropriate measuring of the regression model. The t-statistic was used to assess the significance of the independent variables coefficients.

According to the table 6, the t-statistic of the variable of the term of office of chairman of the board implies that the coefficient of this variable is significant at α= 5%, despite control variables.

In the column of Variance Inflation Factor (VIF), all values are below 5 indicating nomulticollinearity of the independent and control variables. Coefficients column (β) represents constants and coefficients of the dependent variables in the regression equation, respectively.

The regression equation is derived as follows:

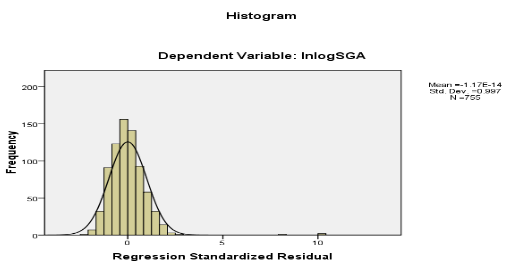
(3)

$$\log\left(\frac{SG\&A_{i,t}}{SG\&A_{i,t-1}}\right) = 1.384 + .719\log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + .056\, CEOTenure_{s,i,t}$$

Interpretation of the Impact of the Dependent variable on the Independent variable:

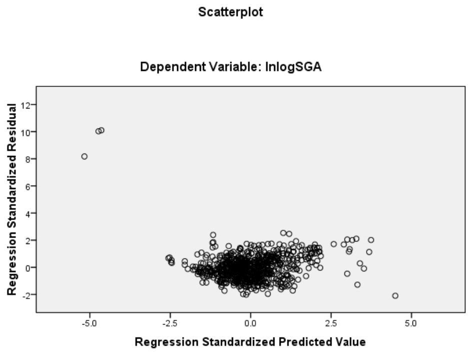
- The obtained value of the t-statistic of the term of office for the chairman of the board indicates that the coefficient of this variable is significant at α= 5% and the obtained significance level, is a proof of this claim. The obtained value for the t-statistic is 2.021 indicating its direct relationship with the dependent variable. This means that as the term of office for the chairman of the board increases (decreases) the stickiness of administrative, general and sale costs increases (decreases).

FIGURE 1- HISTOGRAM DIAGRAM OF STANDARDIZED REGRESSION RESIDUALS VERSUS THE STICKINESS OF THE ADMINISTRATIVE, GENERAL & SALE COSTS VARIABLE (ITS SYMBOL IS LOG SGA)



According to the diagram, the average presenred at the right side is very small (approaches to zero) and standard deviation approaches to one. Thus, the standardized residuals are normal.

FIGURE - 2 SCATTER PLOTS OF THE STANDARDIZED VALUES



Hypothesis Two: There is a significant relationship between term of office for the chairman of the board and the stickiness of financial costs.

Sometimes two or more variables significantly affect the dependent variable. In this case, multiple regression method is used to predict the dependent variable. The assumption indicating that the relationship between variables is linear is true in the multiple regressions as well. So, the multiple regression equation with four variables is formed as follows:

$y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$

Null and alternative hypotheses are defined as follows:

H_0= there is no significant relationship between the term of office for the chairman of the board and the stickiness of financial costs.

H_1= there is a significant relationship between the term of office for the chairman of the board and the stickiness of financial costs.

$$\begin{cases} H_0 : \rho_1 + \rho_2 + \rho_3 + \rho_4 = 0 \\ H_1 : \rho_1 + \rho_2 + \rho_3 + \rho_4 \neq 0 \end{cases}$$

To examine the main hypothesis of the research indicating that there is a significant relationship between the term of office for the chairman of the board and the stickiness of financial costs, a multivariate regression model is used as follows:

(4)

$$\log\left(\frac{SG\&I_{i,t}}{SG\&I_{i,t-1}}\right) = \beta_0 + \beta_1 \log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + \beta_2 DecDummy.\log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + \sum_{m-3}^{6} \beta_3\, DecDummy.\log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + \beta_4 \sum_{s=7}^{10} CEO\, Tenure_{s,i,t} + \varepsilon_{i,t}$$

The table 7 which shows the independent input variables, the deleted variables and the approach used in the definition of the regression.

TABEL 7 - INDEPENDENT INPUT VARIABLES/DELETED VARIABLES

model	Variable entered	Variable not inclued	metod
1	CEOTenure, DecDummylogSAles, LogSales, DecDummylogCEOTenure[a]	.	Enter

Enter method is an approach for variable selection purposes in which all the variables inserted in one stage, are used in regression definition.

TABEL 8 - CORRELATION COEFFICIENT

model	Sum - square	Degree of Freedom	Mean-square	Statistics -f	Significance level
1	.747[a]	.557	.555	2.31029	1.971

The table 8 shows respectively correlation coefficient between the term of office for the chairman of the board, as the independent variable, and the stickiness of financial costs, as the dependent variable, which equals to 0.747, the coefficient of determination i.e. changeability of the dependent variable which could be explained by regression, the adjusted coefficient of determination and the standard error of the estimate.

Durbin-Watson statistic is 1.971 which lies between 1.5 and 2.5. The hypothesis of no autocorrelation of the errors is not rejected. So, regression method could be used.

The table 8 contains regression variance analysis which is used to evaluate the certainty of a linear relationship between variables.

The statistical hypotheses of the significance test of whole the regression model are as follows:

H_0: there is no linear relationship between two variables

H_1: there is a linear relationship between two variables.

In the following, significance level is below 5%. Therefore, the linearity of the relationship between the variables is confirmed.

TABEL 9 - ANALYSIS OF REGRESSION VARIANCE

Model		Sum - square	Degree of Freedom	Mean-square	Statistics -f	Significance level
1	Rehression	4864.966	4	1216.242	227.870	.000[a]
	remaining	3864.296	724	5.337		
	Total	8729.262	728			

Which is used to evaluate the certainty of a linear relationship between variables. According to this output, F=227.870. Also, the significance level is 0.000 which is below 0.05. Thus, it could be concluded that at a significance level of α=0.05 there is a significant relationship between the dependent variable i.e. the stickiness of financial costs and the independent variable i.e. the term of office for the chairman of the board.

F statistics is derived by dividing the regression mean squares by the residual mean squares. In the tabel 9, F=227.870 implying the significance of the regression at a confidence level of 95%. The obtained P-Value is a proof of this claim. Therefore, H_o is rejected and it is confirmed that there is a significant relationship between the term of office for the chairman of the board and the stickiness of financial costs.

TABEL 10 - REGRESSION COEFFICIENTS OF THE DEPENDENT AND INDEPENDENT VARIABLES

model	symbol	Standardized coefficients are not		Standardized coefficients	Statistics t	Significance Level	Collinearity Statistics	
		B	Column Coefficient Standard Error	Beta				
1	(Constant)	-2.941	.814		-3.615	.000		
	LogSales	.835	.032	.710	26.465	.000	.850	1.177
	DecDummy logSAles	.0001	.000	.058	2.172	.030	.865	1.156
	DecDummy Log CEOTenure	.062	.043	.040	1.461	.144	.816	1.226
	CEOTenure	.180	.046	.104	3.904	.000	.861	1.161

The examinations related to the each regression coefficient of one of the real examinations of hypotheses about model parameters are used for appropriate measuring of the regression model. The t-statistic was used to assess the significance of the independent variables coefficients.

According to the tabel 10, the t-statistic of the variable of the term of office for the chairman of the board implies that the coefficient of this variable is significant at α= 5%, despite control variables

In the column of Variance Inflation Factor (VIF), all values are below 5 indicating no multicollinearity of independent and control variables. Coefficients column (β), represents constants and coefficients of the dependent variables in the introduced regression equation, respectively.

The regression equation is derived as follows:

(5)

$$\log\left(\frac{SG\&I_{i,t}}{SG\&I_{i,t-1}}\right) = -2.941 + .835 \log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + .0001\ DecDummy.\log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + .180\ CEO\ Tenure_{s,i,t} + \varepsilon_{i,t}$$

Interpretation of the impact of the Dependent variable on the Independent variable:

-The obtained value for the t-statistic of the term of office for the chairman of the board indicates that the coefficient of this variable is significant at α= 5% and the obtained significance level, is a proof of this claim. The obtained value for the t-statistic is 3.904 indicating its direct relationship with the dependent variable. This means that as the term of office for the chairman of the board increases (decrease) the stickiness of financial costs increases (decrease).

FIGURE 3: HISTOGRAM DIAGRAM OF STANDARDIZED REGRESSION RESIDUALS VERSUS THE STICKINESS OF THE FINANCIAL COSTS VARIABLE (ITS SYMBOL IS LOGSGI)

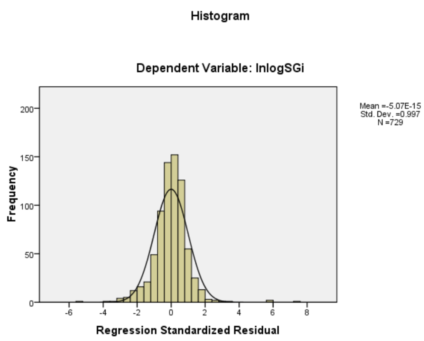
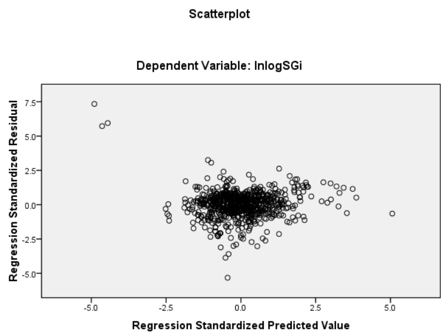


FIGure 3: Derived mean is very small at the right side, (approaches to zero), and standard deviation approaches to one. Therefore, the standardized residuals are normal.

FIGURE 4 SCATTER PLOT OF THE STANDARDIZED VALUES



Hypothesis Three: There is a significant relationship between the term of office for the chairman of the board and the stickiness ofcost.

Sometimes two or more variables significantly affect the dependent variable. In this case, multiple regression method is used to predict the dependent variable. The assumption indicating that the relationship between variables is linear is true in the multiple regression as well. So, the multiple regression equation with nine variables is formed as follows:

$y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9$

Null and alternative hypotheses are defined as follows:

H_0= there is no significant relationship between the term of office for the chairman of the board and the stickiness of cost.

H_1= there is a significant relationship between the term of office for the chairman of the board and the stickiness of cost.

$H_0 :\ \rho_1 + \rho_2 + \rho_3 + \rho_4 + \rho_5 + \rho_6 + \rho_7 + \rho_8 + \rho_9 = 0$

$H_1 :\ \rho_1 + \rho_2 + \rho_3 + \rho_4 + \rho_5 + \rho_6 + \rho_7 + \rho_8 + \rho_9 \neq 0$

To examine the main hypothesis of the research indicating that there is a significant relationship between the term of office for the chairman of the board and the stickiness of cost, a multivariate regression model is used as follows:

$Oststicky_{it}=\beta_0+\beta_1 COGS\text{-}STICKY_{it}+\beta_2 MV_{it}+\beta_3 LOSS_{it}+\beta_4 DOWN_{it}+\beta_5 VSALE_{it}+\beta_6 DISP_{it}+\beta_7 OPLEV_{it}+\beta_8 SEASON_{it}+\beta_9 CEOTenure_{i,t}+\varepsilon_{i,t}$

The tabel 11 shows the independent input variables, the deleted variables and the approach used in the definition of the regression.

TABEL 11 - INDEPENDENT INPUT VARIABLES/DELETED VARIABLES

model	Variable entered	Variable not inclued	metod
1	CEOTenure, VSALE, DISP, OPLEV, COGSSTICKY, SEASON, DOWN, MV, LOSS[a]	.	Enter

Enter method is an approach for variable selection purposes in which all the variables inserted in one stage, are used in regression definition again.

TABEL 12 - CORRELATION COEFFICIENT

model	The correlation coefficient	Adjusted coefficient	Adjusted coefficient of determination	Standard error estimates	Value Watson ststistic
1	.636[a]	.405	.397	2.23040	2.369

The tabel 12 shows respectively correlation coefficient between the term of office for the chairman of board, as the independent variable, and the stickiness of cost, as the dependent variable, which equals to 0.636, the coefficient of determination i.e. changeability of the dependent variable which could be explained by regression, adjusted coefficient of determination and the standard error of the estimate.

Durbin-Watson statistic is 2.369, which lies between 1.5 and 2.5. The hypothesis of the autocorrelation of errors is not rejected. So, regression method could be used.

The Tabel 12 contains regression variance analysis which is used to evaluate the certainty of a linear relationship between variables.
The statistical hypotheses of the significance test of whole the regression model are as follows:
H_0: there is no linear relationship between two variables
H_1: there is a linear relationship between two variables.
In the following, significance level is below 5%. Therefore, the linearity of the relationship between variables is confirmed.

TABEL 13 - ANALYSIS OF REGRESSION VARIANCE

model		Sum - square	Degree of Freedom	Mean-square	Statistics -f	Significance level
1	Regression	2429.737	9	269.971	54.269	.000[a]
	remaining	3576.786	719	4.975		
	total	6006.523	728			

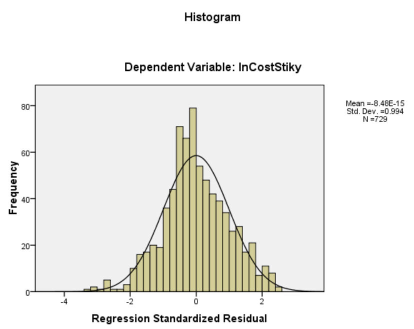
The tabel 13 contains regression variance analysis which is used to evaluate the certainty of a linear relationship between variables. According to this output, F=54.269. Also, the significance level is 0.000 which is below 0.05. Thus, it could be concluded that at a significance level of α=0.05 there is a significant relationship between the dependent variable i.e. the stickiness of cost and the independent variable i.e. the term of office for the chairman of the board.
The F-statistic is derived by dividing the regression mean squares by the residual mean squares. In the tabel 13, F=54.269 implying the significance of the regression at a confidence level of 95%. The obtained P-Value is a proof of this claim. Therefore, H_o is rejected and it is confirmed that there is a significant relationship between the term of office for the chairman of the board and the stickiness of cost.

TABEL 14 - REGRESSION COEFFICIENTS OF THE DEPENDENT AND INDEPENDENT VARIABLES

model	symbol	Standardized coefficients sre not		Standardized coefficients	Statistics t	Significance Level	Collinearity Statistics	
		B	Column Coefficient Standard Error	Beta			telorans	
1	(Constant)	23.778	.224		106.301	.000		
	COGSSTICKY	.0001	.000	-.411	-12.331	.000	.747	1.338
	MV	.000	.000	.282	8.429	.000	.737	1.356
	LOSS	-.655	.373	-.063	-1.756	.080	.640	1.561
	DOWN	-.513	.537	-.033	-.956	.339	.689	1.452
	VSALE	.000	.001	-.011	-.374	.708	.997	1.003
	OPLEV	-.016	.014	-.032	-1.101	.271	.995	1.005
	SEASON	-.056	.173	-.010	-.322	.747	.921	1.085
	CEOTenure	.270	.043	.187	6.272	.000	.935	1.069

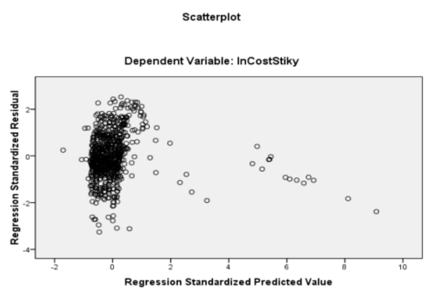
The examinations related to the each regression coefficient of one of the real examinations of hypotheses about model parameters are used for appropriate measuring of the regression model. The t-statistic was used to assess the significance of the independent variables coefficients.
According to the tabel 14, the t-statistic of the variable of the term of office for the chairman of the board implies that the coefficient of this variable is significant at α= 5%, despite control variables.
In the column of Variance Inflation Factor (VIF), all values are below 5 indicating no multicollinearity of the independent and control variables. Coefficients column (β) represents constants and coefficients of the dependent variables in the introduced regression equation, respectively.
The regression equation is derived as follows:
(6)
Cost sticky$_{it}$ =23.778+ $.0001$COGS-STICKY$_{it}$ +$.270\ CEOTenure_{i,t}$
Interpretation of the impact of the Dependent variable on the Independent variable:
-The obtained value of the t-statistic of the term of office for the chairman of the board indicates that the coefficient of this variable is significant at α= 5% and the obtained significance level, is a proof of this claim evidence. The obtained value for the t-statistic is 6.27 indicating its direct relationship with the dependent variable. This means that as the term of office for the chairman of the board increases (decreases) the stickiness of cost increases (decreases).

FIGURE 5 - HISTOGRAM DIAGRAM OF STANDARDIZED REGRESSION RESIDUALS VERSUS THE STICKINESS OF THE ADMINISTRATIVE, GENERAL AND SALE COSTS VARIABLE (ITS SYMBOL IS COST STICKY)



According to the diagram, the derived average is very small (approaches to zero) at the right side and standard deviation approaches to one. Thus, the standardized residuals are normal.

FIGURE 6 - SCATTER PLOT OF THE STANDARDIZED VALUES



CONCOLUTION & DISCUSSION

According to the regression and correlation examinations as well as the analysis carried out and according to the tabel 3, there is a positive correlation coefficient between the dependent and control variables and the stickiness of administrative, general and sale costs of the companies listed in Iran Investment Market with a value of 0.835. In the tabel 4, the value of the F-statistic is 431.494 and we have sig=0 indicating the significance of the multiple regression at a confidence level of 95%. Therefore, H_0 hypothesis is rejected and the relationship between the term of office for the chairman of the board and the stickiness of administrative, general and sale costs is confirmed. The obtained value for the t-statistic of the stickiness of the administrative, general and sale costs variable indicates the significance of the variable's coefficient at a significance level of α=0.05, despite control variables. The t-statistic value is 2.021 indicating a direct relationship between the term of office for the chairman of the board and the stickiness of administrative, general and sale costs. According to the results, as the term of office for the chairman of the board increases the stickiness of administrative, general and sale costs increases and vice-versa.

So according to the regression and correlation examinations as well as the analysis carried out and according to the tabel 8, there is a positive correlation coefficient between the dependent and control variables and the stickiness of financial costs of the companies listed in Iran Investment Market with a value of 0.747. In the tabel 9, the value of the F-statistic is 227.870 and we have sig=0 indicating the significance of the multiple regression at a confidence level of 95%. Therefore, H_0 hypothesis is rejected and the relationship between the term of office for the chairman of the board and the stickiness of financial costs is confirmed. The obtained value for the t-statistic of the stickiness of financial costs variable indicates the significance of the variable's coefficient at a significance level of α=0.05 despite control variables. The t-statistic value is 3.904 indicating a direct relationship between the term of office for the chairman of the board and the stickiness of financial costs. According to the results, as the term of office for the chairman of the board increases, the stickiness of financial costs increases and vice-versa.

So according to the regression and correlation examinations as well as the analysis carried out and according to the tabel 12, there is a positive correlation coefficient between the dependent & control variables and the stickiness of cost of the companies listed in Iran Investment Market with a value of 0.636 In the tabel 13, the value of the F-statistic is 54.269 and we have sig=0 indicating the significance of the multiple regression at a confidence level of 95%. Therefore, H_0 hypothesis is rejected and the relationship between the term of office for the chairman of the board and the stickiness of cost is confirmed. The obtained value for the t-statistic of the stickiness of the cost variable indicates the significance of the variable's coefficient at a significance level of α=0.05 despite control variables. The t-statistic value is 6.272 indicating a direct relationship between the term of office for the chairman of the board and the stickiness of cost. According to the results, as the term of office for the chairman of the board increases the stickiness of cost increases and vice-versa.

The experimental evidences of this research indicate the sticky behavior of administrative, general and sale costs in TSE which agree with the studies of Anderson and Modirus. The observed difference in the stickiness intensity between different industries is attributed to the nature of their future practical fix assets. The more the possibility of the reduction and moderation of operational assets during income reduction periods, the more stickiness.The results of this research contains important information about the quality of cost behavior which could be used by different users especially accountants, managers, finance analyzers and auditors in their evaluations and decisions.

The vast majority of writings and discussion of management accounting books which deal with the quality of cost behavior have presented methods, for example regression analysis method, to estimate the mean ofchanges of costs in response to a change in cost driver.

If such methods are used without considering the sticky behavior of costs, cost variation will be calculated less than its real value during the period of increasing effort level. In contrast, it will be calculated greater than its real value during the period of reducing effort level. The principle of flexible budgeting is generally based on the hypothesis that cost variations are proportional with effort level variations. Such budgeting methods in which the sticky behavior of cost is not taken into account will likely experience more deviations.

Calculating and comparing the ratio of administrative, general and sale cost to net sale of the companies of an industry or a company in different periods of time is a typical way of analyzing financial statements. Financial analyzers believe that the non-proportional increase of administrative, general and sale costs is a negative sign of the financial performance of management. They think so as they believe that such non- proportionality is likely generated from non-appropriate cost control policies of managers or their futile efforts in selling goods. Such analysis could be misleading because they primarily assume that cost variations are proportional with sale level while according to the results of this research, such assumption is not true in a set of data containing increased and decreased sale periods. On the other hand, in their analytical investigations, auditors accept and use the assumption that cost variations are proportional with the variations of effort level. The better understanding of the quality of the variations of administrative, general and sale costs to sale changes could help auditors to better perform their analytical investigations.

SUGGESTIONS

Managers could recognize and control the stickiness of companies' costs. By making appropriate contracts of renting operating assets and employee recruitment, for example making short term contracts, they could however, reduce adjustments required for decreasing their operational assets level as well as intensity of cost stickiness, during the period of decreasing demand and sale.

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AN ASSESSMENT OF THE CHALLENGES AND OPPORTUNITIES OF COOPERATIVE BANK OF OROMIYA, ARSI NEGELLE TOWN, ETHIOPIA, EAST AFRICA

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ABSTRACT
Cooperative bank is a mutual society formed, composed and governed by working people themselves for encouraging regular saving, lending small loan and provides others services such as local money transfer, Demand deposit and international banking services. This study is to assess the Challenges and opportunities of Cooperative Bank of Oromia such as loan recovery, mobilization of savings from members, impart valuable cooperative education and enrolment of members. Some employees have no knowledge about the cooperative and have not enough office equipment. Data was gathered from Cooperative Bank of Oromia in Arsi Negelle Branch and service of cooperative bank was analyzed and prepared. The data was analyzed using simple statistical tools such as percentage, averages, tables and research problem drawing, conclusion and recommendation.

KEYWORDS
Savings- Small Loan- Money Transfer- Deposit and Loan Recovery.

INTRODUCTION
BACKGROUND OF THE STUDY
Ethiopia is one of the countries which are endowed with immense natural resource and yet one of the least developed nation in the world. The Oromia Cooperative Bank is a business organization that was engaged in various business activities to maximize its wealth. Cooperative Bank of Oromia is established to provide all banking services to the people and it was registered on 29th October 2004 in accordance with Article 304 of the Commercial code of Ethiopia and was licensed by National Bank of Ethiopia as per proclamation No. 84/1994 E.C that provides for licensing and supervision of banking businesses. We aspire to be the competent and reputable bank in Africa that can play a paramount role in the socio-economic transformation of Oromia. The mission of Cooperative Bank of Oromia is to provide full-fledged and customer banking services for cooperative societies in Oromia, other entities and individual with special emphasis to agricultural and agro-based business financing. One of the initiatives to establish Cooperative Bank of Oromia (s.c) is originated from the demand supply gap observed in the financial market among cooperative business operators. The high need to finance for agricultural inputs and other cooperative business like purchase of farm implements, financing agro- processing, output marketing and the need for banking services greatly initiated in cooperatives to pioneer their own bank.

The project office of CBO instituted in June 2002 and begun its duties slightly after two months i.e. August 2002. The office executed sales of shares and finalized the operational policies and legal procedures required to register CBO (s.c). The apex body of CBO is the General body of share holders / owners of the bank who have the basic right to decide the objectives and the banks existence and operations. They elected their representatives, the BOD (Board of Director) to whom all the powers to run the bank are best owned upon. BOD hired the General Manager of the bank who is entrusted to perform the functions relating to the policy matters, implementation and supervision. Functional department of head office level and branches are in charges of the implementation of decision. The authorized capital of CBO is 3 million shares worth of 300 million Birr over 120,000 shares valued 120 million Birr are subscribed by the founders out of which nearly 110 million Birr is currently paid up capital share holders of CBO are cooperatives, development organizations, individuals and private limited companies. Cooperatives hold a share of (75.8%) and development organizations hold (17.7%) and individuals and private Ltd. Shares (6.5%) of the total paid up capital of the bank. As can be seen cooperatives are owners of the company by investing significant amount of capital. For all above and other related aspects CBO was established and play a significant role in create access to loan and advances and similar banking services for broad portions of population, as well as for socio-economic development of the woreda's.

Even if the accumulation of funds by cooperative banks differs from other banking institutions as they are smaller in size their overhead charges are minimized and the customers are sharing the low-cost services, Even if the cooperative bank of Oromia have been dominant for a long period of time in Ethiopia. Since the due to geographical limitation they are unable to provide all modern banking facilities as well as do not attract talented people, due to poor resources and limited promotional opportunities. Therefore, the study has made an attempt to access the challenges and opportunities of cooperative Bank of oromia, Arsi Negelle Town, Ethiopia.

REVIEW OF LITERATURE
CONCEPTUAL FRAME WORK
According to Prof. Horance beshaw, the aim of cooperative credit is to promote thrift among the members in order to increase the supply of fund to draw on source from out side societies, to promote the effective use of loan and reduce risk in lending loan by keeping and continuous supervision in order to reduce risk to lender and to credit cooperative by adequate security (T.N hajela 1994).

DEFINITION OF COOPERATIVES BANK
The cooperative bank is a mutual societies formed, composed and governed by working people themselves for encouraging regular saving and lending small loan and easy term of interest and repayment and also to provides other services such as local money transfer, deposit services of varying natures, attractive interest rate, and loan provision and international banking services (T.N hojela, 1994). The cooperative banks are formed by members for the purpose of accumulation of their collective funds and the saving of their individual members it managers the financial interest and lending credit to them (Terry Thomas 1992).

The cooperative bank has been defines as "an agency which in position to deal with the small man on his own term accepting the security he has without drawing on the protection of the rich (Devine philospher-1992).

Cooperative Bank promotes economic activities and provides banking facilities and services to the societies. It means cooperative bank organized voluntary by members who should save their money with the bank. The primary motive of cooperative bank is to encourage savings among the members and promote the habit of "thrift and self help" is the motto of cooperative (T.N hajale-1994).

THE DIFFERENCE BETWEEN COOPERATIVE BANK AND COMMERCIAL BANK
The Primary Objective of Cooperative Bank and Commercial Banks are the same but to serve the people, they have difference with respect to the following points.

ORGANIZATION
Both Cooperative Bank and Commercial Bank organized with the approval of country's concerned authority. National bank and others banks are mainly organized in villages and to serve the rural people especially agriculturalist but commercial banks are established mainly for urban population and industry. The commercial banks have been organized on unitary basis. The managements is centralized in the head office and operate through branches spread over the

country where as cooperative bank have federal set up ,each unit in federal type is autonomous and each unity has its own independent management authority (T.N hajale-1994).

MANAGEMENT

Commercial Banks are operated by Board of directors, appointed by government or board of directors representing owners. The commercial bank is followed as principles of "one share one vote". But in cooperative banks are managed by the depositors and borrowers and followed as principles of Democratic control, i.e "one man one vote" and Board of Directors are elected by the members of the concerned organization (T.N hajela-1994).

IMPORTANCE OF COOPERATIVE BANK

In third world countries the formal sectors are not effectively serve the poor due to the failure of financial intermediaries to maintain and expand basic functions such as production, credit to finance for income generating activities, consumption credit to maintain and expand human productive capacity and risk bearing capacity of rural household (cooperative Banking in India). Therefore, the poor sections of the community used an informal channel to obtain credit. One way of reaching the needs of the poor sections by delivering cooperative bank schemes that target at poor who are exclude from formal /institution/ formal financial markets. In this regard the following are some of the roles that cooperative bank could play.

Access to financial service: Accessing credit enables the poor to accumulate asset which could be used either for productive activities or reduce the owner vulnerability to stock such as illness, crop failures. (H.R.Machiraju -1995). More over the improvement in accessing credit may improve the quality of lived through better education and medical facilities.

Reducing Unemployment: Cooperative Bank helps in reducing unemployment problem or creating job opportunities through providing working capital for those people and ready to engage income generating activities.

Women Empowerment: Women consists the largest segment of the poor they have lower economic opportunities, poor economic standard, and to become entrepreneurs (Tsehay and Mengistu 2002). Therefore, the delivery of credit is expected to improve the status of women through empowering them economically as well as socially. In addition to this, women are considered as credit worthy because they demonstrated high repayment and saving rate (Nakkira s.1984).

Mobilization of Savings: Savings is considered as an important mechanism by which individuals can meat their future need but it could be possible only when something is left surplus. According to cooperative bank (2002) any institution which mobilize saving as well as lending are more likely to be viable than intermediaries that only hand. Thus cooperative bank is expected to promote saving culture among the poor.

STATEMENT OF THE PROBLEM

Cooperative bank have great contribution in the national socio-economic development of the country as well as for encouraging regular saving and landing small loans on easy terms of interest. With regards to Cooperative Bank of Oromia (CBO) in Arsi Negelle in a mutual society formed, composed and governed by working people themselves, but has not able to fulfill requirements of people who have associated with bank if is not enough to provide sufficient services. Because of some sort of problems that hinder its activities. Some of these problems are shortage of efficient managerial skill, Narrow basis of operation, Bureaucracy of Managers, shortage of credit facilities, utilization of cash receipts and payment for specific period of time, Inadequate financial resource to stimulate the socio economic development, Shortage of interpret and analysis on financial aspects, Lack of strict collateral like commercial bank, and Lack of qualified people due to poor resources and limited promotional opportunities.

The CBO is also hinders from its activities by social, cultural, organizational, political and financial problems. The development of CBO in Arsi Negelle can be measured by using different parameters such as Service coverage, Number of employee employed, Income earned per year, Food security and poverty reduction, By its performance of managing funds, To operate in backward areas and expansion of resources from rural areas (Agricultural and lower class communities).

Keep in view all the above facts the researcher was initiated to investigate the role of CBO in Arsi Negelle in encouraging regular saving and lending small loans on easy terms of interest repayment in particular. Therefore, the researcher has made an attempt to conduct this study towards for identification of all possible factors that leads to improving their standard of living of members' society, relating to certain variables (i.e Level of education, loans and level of income). On the other hand the study will expected to provide clear and brief explanation and inferences about the existing problems related to the CBO, Ethiopia.

OBJECTIVES OF THE STUDY

GENERAL OBJECTIVE

The General objective of this study is to examine the challenges and opportunities of cooperative Bank of Oromia, Ethiopia.

SPECIFIC OBJECTIVES

1. To identify the Challenges and Opportunities of Cooperative Bank.
2. To assess the performance of Cooperative Bank in the study area.
3. To evaluate the impact of training on the performance of employees in CBO.
4. To offer recommendation and solution for the problems and challenges faced by Cooperative Bank.

SIGNIFICANCE OF THE STUDY

The purpose of this study is to assess the challenges and opportunities of cooperative bank of oromia in Arsi negelle branch. The out come of the study is expected to help cooperative bank institution forward appropriate awareness creation with regard to credit and saving system and to strengthen the performance and financial position of the customer. Encourage the beneficiaries in other to achieve the profit maximization through credit in general. It was designed to help cooperative bank of oromia by providing possible solutions and recommendation achieving the predetermined objectives.

LIMITATION OF THE STUDY

The study entails certain limitations encountered in the present research work. One of the important limitations is that though there are large number of cooperative banks operated in Ethiopia, due to shortage of resources, data and time as well as financial constraints, this study have been confined to only one branch of CBO in Arsi Negelle, Oromia region, Ethiopia.

DELIMITATION OF THE STUDY

Similar to some other studies undertaken in our country, this study have been delimited due to number of reasons. Some of the problems under the study are there is no financial statement analysis, income, participation in economic activities and socio-economic barriers. These and the other related problems were expected to enforce the researcher to delimit the scope of the study.

METHODOLOGY

DESCRIPTION OF THE STUDY AREA

Arsi Negelle is one among the 180 woredas in oromia region, Ethiopia. It is named after its administrative center, Arsi negelle is part of Misraq (East) shewa zone in the great rift-valley, Arsi Negelle is bordered on the south by shashamenen, on the south west by lake shala, on the west from SNNP, on the North by

Adami Tulu, and Jindo Kombolcha. This Town is far from Addis Ababa about 250km and about 50km from Hawassa and it ranges from 1500-2300M above sea level with Geographical location of $7^0$41'O" North, 39^0, 15', o" E.

According to CSA of 2005 the population of the area is estimated to 198,307 of which 100,626 are Male and 97,681 are female. The population density of the area is about 141.6/sq. are kilometer. This woreda is known by its beef farming, production of "Local areke" production of cash crops as well as by running business activities like cooperative bank of Oromia. It was established in April 2003 E.C with main objective is to stimulate the economic and social development of Oromia by mobilizing financial resources for cooperatives investment, private business and public institutions. In addition to mobilization of deposit and also cultivate the habit of saving where by guarantees the supply of fund. (Documentary sources of the CBO).

SOURCE OF DATA

The study was depending on both primary and secondary data sources. The primary data was collected by distribution of questionnaires to the workers of Cooperative Bank of Oromia in Arsi Negelle banch and customer by used interview to the Manager of Arsi Negelle branch. The secondary data was obtained from different books, Internet and from pamphlet prepared by the bank.

SAMPLING TECHNIQUE

In this study the researcher has used as random sampling techniques such as simple random and systematic sampling was employed. The data was collected from CBO randomly and systematically which was help to provide a chance for every employer in an appropriate ratio so that the reliability of the results of the study was maximized.

SAMPLE SIZE

For collecting reliable primary data from the employees, the present study has adopted purposive sample method and sample techniques. The study was selected 2 manager and 8 workers from the cooperative bank and 5 customers was selected as respondent purposive sample method. Respondents were selected representing both the gender categories. The main source of primary data gathered from concerned cooperative bank employees such as managers and workers.

METHODS OF DATA COLLECTION

The researcher has used as questionnaire for collecting the primary data from the workers of concerned cooperative bank and also interviewed the manager for gathering necessary information with regard to problem faced by them.

METHODS OF DATA ANALYSIS

The collected data was analyzed with the help of simple statistical tools such as percentage, averages, tables and graphs focus on the research problem, drawing, conclusion and recommendations. In short tables, graphs and illustrations methods of data analyzed are clearly and economically used.

DATA ANALYSIS AND DISCUSSIONS

Generally, Cooperative Bank is a democratic organization with the aim of rendering valuable service to the weaker sections of the society and lending credit for the purpose of Agricultural and allied activities for improving their socio-economic conditions of people. With a view to assess the challenges and opportunities of the concerned cooperative bank on savings, recovery of loan, and training in the study area, a structured questionnaire was prepared and relevant information was collected from the employees of cooperative bank. The researcher has concentrated all the employees' i.e 15 respondents presently working in the bank.

TABLE 4.1: AGE WISE CLASSIFICATION OF EMPLOYEES

S. No	Age	No of Employees	Percentage
1	25-30	5	33.33
2	31-35	3	20.00
3	36-40	2	13.33
4	41-45	3	20.00
5	46-60	2	13.33
Total		**15**	**100**

Source: *primary Data-2012*

Table 4.1 shows that age wise classification of employees obtained from the selected CBO, as majority of the employees 5(33.33%) are between the age group of 25-30 years; 20 percent (3 no) of the employees belong to the age group between 31-35 and 41-45 respectively. Only 13 per cent of the respondents belong to the age group of 36-40 and 46-60 respectively. Therefore, the table reveals that high percentage of employees is working between the ages of 25-30 in the selected cooperative bank. This is mainly attributed to render effective service to the public compared to other age group.

TABLE 4.2: GENDER WISE CLASSIFICATION OF RESPONDENTS

S. No	Sex	No of employees	Percentage
1	Male	11	73.33%
2	Female	4	26.67%
	Total	**15**	**100%**

Source: *primary Data-2012*

Table 4.2 reveals that the gender wise classification of respondents obtained from the selected cooperative bank, as majority (73.33%) of the respondents belong to male and the remaining (26.67%) of them belong to female. It indicates that male members have more access for getting employment position compared to female. Therefore, the government should take necessary steps in order to increase female strength as par with male members.

TABLE 4.3: EDUCATIONAL LEVEL OF RESPONDENTS

S. No	Level of Education	No of Employees	Percentage
1	Certificate	5	33.33%
2	Diploma	4	26.67%
3	Degree	6	40%
Total		**15**	**100%**

Source: *primary Data-2012*

As above table 4.3 states that educational level of respondents received from the selected cooperative bank, as majority of the employees have completed (6 members) their Degree standard of education, 40 percent of the employees have qualified with certificate level and only 33.33 percent of them have completed education of Diploma level.. The study reveals that highly qualified people are worked and recruited by the government which would be enabling to deliver the effective service.

TABLE 4.4: MARITAL STATUSES OF RESPONDENTS

S.No	Marital status	No of employees	Percentage
1	Single	2	13.33%
2	Married	7	46.67%
3	Windowed	1	6.66%
4	Divorced	3	20%
5	Separated	2	13.33%
Total		**15**	**100%**

Source: *primary Data-2012*

Marital status of the respondents, as it can be seen in the table 4.4 shows that majority of the respondents (46.67 percent) are married and 20 percent of them are divorced and 13.33 percent of the respondents are single and separated respectively. It was understood that majority of the respondents employed in cooperative bank of Oromia are married.

TABLE 4.5: EXPERIENCE OF EMPLOYEES

S. No	Years experience	No of employees	Percentage
1	1-5	8	53.34
2	6.10	4	26.66
3	11-15	3	20
Total		**15**	**100**

Source: *primary Data-2012*

As show from the above table 4.5, majority 8(53.34 per cent) of the employees have experienced between 1-5 years, 4 (26.66 per cent) of the employees have experienced with 6-10 years and only 3(20 per cent) of employees with the experience of 11-15 years. Hence the employees of concerned cooperative bank have adequate skill, knowledge pertaining to modusoperandi that would be helpful to carryout the management system efficiently.

The position of respondents in the cooperative bank shows that there are 2(20 per cent) of employees has been working as manager and auditors and nearly 30 percent of them occupied as accountant and taller respectively. Therefore, the above diagram indicates that employees of concerned bank delivering money transfer service in speedy manner.

TABLE 4.6: OPINION OF THE RESPONDENTS ABOUT MONEY TRANSFER SERVICES

S. No	No of respondents	No of employees	Percentage
1	Fast	9	90
2	Slow	1	10
Total		**10**	**100**
3	One hours	2	20
4	One week	1	10
5	Less than week	7	70
Total		**10**	**100**

Source: *primary Data-2012*

The above table 4.6 reveals that 90 percent of the respondents opined, regarding money transfer service provided by cooperative bank as fastly, while 10 percent of them opined as slow. The bank takes minimum one week and maximum of two week depending upon the distance between the banks.

TABLE 4.7: CHALLENGES FACED BY BANK

S. No	Challenges of bank	No of employees	Percentage
1	Loan recovery	4	26.66%
2	Mobilization of deposit	1	6.67%
3	Collection of members	7	46.67%
4	Impart cooperative education	3	20%
	Total	**15**	**100%**

Source: *primary Data-2012*

The Cooperative Bank of Oromia has faced many challenges such as loan recovery, mobilization of savings from members; impart valuable cooperative education and enrolment of members. Table 4.7 indicates that majority of employees (46.67 percent) opined that members enrolment as the main challenge faced by the bank, 26.66 percent of them expressed their view on recovery of loan from the client as the major challenge and the remaining 20 percent of the employees said that imparting cooperative education to the public as the problem of cooperative bank.

TABLE 4.8: MANAGEMENT PROBLEM

S. No	Opinion	No of Employees	Percentage
1	Yes	1	6.67
2	No	14	93.33
Total		**15**	**100**

Source *primary Data-2012*

As show from the above table 4.8 reveals that majority of the respondents (99.99 per cent) opined that there is no management problem. It indicates that concerned authorities having leadership qualities and also building a strong interpersonal relationship among the employees.

SERVICES RENDERED BY BANK

SAVING DEPOSIT

Saving accounts are maintained by cooperative bank for the purpose of encouraging the habit of saving among the customer but concerned bank are not freely allowed as in the case of current account. There are some restrictions on the amount to withdrawn of time and also on the number of withdrawals made during a period. Cooperative bank of Oromia Arsi Negelle branch provide a rate of interest on the saving account deposits as prescribed by the central bank. One of the basic functions of cooperative bank is mobilization of saving from the rural farmers to inculcate the habit of saving thrift. CBO prescribed a minimum amount of saving deposit of 50 birr to open this account and paid interest to the customer at the rate of 14 percent.

FIXED TIME DEPOSIT

CBO is also mobilized a fixed time deposit from the customer and would pay an attractive interest for long period. The customer should not allow withdrawing this deposit before the maturity period. If special request given by the customer, bank will pay the above mentioned deposit amount before the expiry date.

CORE VALUES AND PRINCIPLES

1. Respect to socio-cultural attributes of the people
2. Integrity
3. Honestly and Loyalty

4. CBO workers towards profitability and growth
5. Transparency
6. Accountability and social responsibility
7. Professionalism

TYPE OF COLLATERAL IS ACCEPTED DURING MONEY BORROWING

The CBO in Arsi Negelle branch has accepted movable and immovable property as collateral security for borrowing the money.

RATE OF INTEREST

The CBO is not responsible to fix the rate of interest but it was charged according to the guidelines prescribed by national bank of Ethiopia.

CHALLENGES OF COOPERATIVE BANK OF OROMIA

The challenges faced by Cooperative Bank of Oromia are listed below:

1. The person who borrow fund from the bank, they will not come forward to return due to face number of problem while pursuing the business activity.
2. Most of the activities in the bank are not computerized due to various reasons. Therefore, the business operation is not fast in the bank.
3. The bank has not possible to execute their own rules and regulations to fix the interest rate of borrowing fund and deposit. But it is controlled by the National bank of Ethiopia.

SOLUTION

1. If the borrower gets risk they are not able to pay the amount of money, therefore, the bank decide the tangible collateral security before lending money.
2. Qualified employees should recruited by cooperative bank in order to accomplish the goals in a stipulated period.
3. The bank should recruit the skilled personnel to enable business activity with the help of advanced system.
4. Therefore, in order to reduce or eliminate on employee turnover, the bank must revised and enhanced the salary structure of the workers/employees.
5. The cooperative bank must adopt their own rule to increase and decrease the interest rate of borrowing and deposit money.

PRESENTATION AND ANALYSIS OF SECONDARY DATA CBO EXCHANGE FOREIGN MONEY

The CBO import and export letter of credit facilities (CLF), foreign exchange services of international banking department and branches namely, Qarsa main branches, Diredawa branches, Finfine branches (Addis Abeba), Sheger branches, Adama Branches, Burayu branches and Gulele branches. These seven branch have good continent with major of America, Europe and Asia countries CBO provides buy and selling services for currencies like up Dollar (USD) Euro (EUr) pound and etc.

TABLE 4.10: RESPONDENT'S OPINION ABOUT BAD DEBT

S. No	Opinion	No of employees	Percentage
1	Yes	13	86.67
2	No	2	13.33
Total		**15**	**100**

Source: *primary Data-2012*

Bad debt is the indication of poor performance of concerned cooperative bank. The above table 4.10 shows that majority of the respondents (86.67 percent) clearly said that concerned bank having huge amount of bad debts where as 13.33 percent of the respondents opined that there is no bad debt problem in the CBO. The study also observed that most of the respondents opined that the beneficiaries are not paid their dues properly due to wrong selection of trade; there is no adequate profit from the selected business and so on.

TABLE 4.11: RESPONSES ON TRAINING PROGRAMME

S. No	Responses	No of employees	Percentage
1	Yes	15	100
2	No	-	-
Total		**15**	**100**

Source: *primary Data-2012*

Training is an essential component in human resource development through which employees could obtain necessary information on capacity building, time management, improving their skills, attitude towards for achieving the desired results. The above Table 4.11 indicates that all the respondents have received adequate training programme arranged by concerned cooperative bank between one to two month duration. Therefore, it could be able to carry out the banking activities effectively.

TABLE 4.12: RESPONDENT'S OPINION ABOUT THE TRAINING PROGRAMME

S. No	Opinion	No of employees	Percentage
1	Least	3	20%
2	Good	9	60%
3	very good	2	13.33%
4	Excellent	1	6.67%
Total		**15**	**100%**

Source: *primary Data-2012*

Table 4.12 reveals that respondents opinion regarding the training programme imparted by the bank for the employees in Arsi Negelle branch. It was noted that nearly 60 percent of the respondents have accepted that it was good towards for achieving the objectives of the bank.

TABLE 4.13: RESPONSES ABOUT TASK ACHIEVED AFTER TRAINING

S. No	Responses	No of employees	Percentage
1	Least	4	26.67
2	Good	7	46.67
3	very good	3	20
4	Excellent	1	6.66
Total		**15**	**100**

Source: *primary Data-2012*

Training programme arranged by cooperative bank of Oromia is mainly for fulfilling employee's expectation which leads to improve the overall performance. Table 4.13 shows that 46.67 percent of the respondents felt that, the content as well as the method of presentation was good; only 26.67 percent of them stated as not good. Hence, the study reveals that it is an opportunity for gaining skills which helps to achieve the task with team efforts.

TABLE 4.14: TRAINING PROGRAMME ARRANGED BY CBO

S. No	Duration	No of employees	Percentage
1	1 Year	5	33.33
2	2 Years	7	46.67
3	3 Years	2	13.33
4	4 Years	1	6.66
Total		**15**	**100**

Source: *primary Data-2012*

Training programme is essential which helps in developing managerial as well as administrative skill among the employees in the present environment. Table 4.14 shows that significant portion of the respondents (46.67%) have received the necessary training with maximum of 2 years, nearly 33.33 percent of the employees obtained one year training, and only 6.66 percent of the respondent availed four years training arranged by concerned bank. It was understood that training imparted to the beneficiaries are intended to rectify the business problems, to improve their knowledge, skill for achieving the objectives of the organization.

WHAT ARE THE FACTORS THAT CONTRIBUTES TO ACHIEVEMENT OF TRAINING

The study tried to investigate the opinion of respondents on achievement of training on the performance of employees in CBO. The study area covers improve the capacity building, team work, increase motivation and moral, better relation with other workers and sharing their experiences.

TABLE 4.16: OPINION OF RESPONDENTS ON THE FACTORS OF ACHIEVEMENT ON THE PERFORMANCE

S. N o	Opinion	No. of Respondents (Score)			Total
		2	3	4	
1.	Improve in capacity of team work	4 (26.67)	7 (46.67)	4 (26.67)	15 (100)
2.	Increase motivation and moral	2 (13.33)	8 (53.33)	5 (33.3)	15 (100)
3.	Better relation with other workers	5 (33.3)	9 (60)	1 (6.67)	15 (100)
4.	Sharing their experiences	3 (20)	6 (40)	6 (40)	15 (100)

Score 1= least, 2=good, 3= very good, 4= Excellent

Source: *primary Data-2012*

The study in table 4.16 above shows most of the respondent were positively reacted towards factors of training to increase the capacity of team work. Accordingly 46.67% of them responded that training were very good, while both good and excellent is 26.67% of them rated training. Basically training were planned to bring behavioral change and improved capacity of employees to perform well, which in turn increase the quality of service provided by the organization.

According to the study result showed in table 4.2.5 majority of respondent i.e 91 per cent of them stated that there is better relation with other workers given at different times, where as 6.67% of them were less good relation with other workers. The training has also resulted in good working relationship with others employees in the bank. Accordingly 76% of respondents replied that training contribute a lot on improvement of relation with other employees.

In addition to this training have factors on clarification of role sharing their experiences of employees. The study result shows that, majority (92%) of respondents agreed that training have sharing the experiences of employees, where as (8%) of them failed to approve sharing their factors of training. From this study it can be generalized that training has not adverse factors i.e it has sharing impact to improve performance of employees in the organization.

FACTORS THAT CONTRIBUTE TO BRING SUCCESS OF TRAINING

The study tried to investigate the opinion of respondents' factors that facilitates successful implementation and that hampers it. Even though these are many factors that contribute to the success of training, the study covers only few of them. Those factors include proper organization of training, proper facilitation of training, and relevance of training and methodology of training.

TABLE 4.18: OPINION OF RESPONDENTS ON FACTORS CONTRIBUTED TO THE SUCCESS OF TRAINING

S. N o	Opinion	No. of Respondents (Score)				Total
		1	2	3	4	
1.	Proper organization of the training	3 (20)	8 (53)	4 (27)	-	15 (100)
2.	Relevancy of training to responsibility	4 (27)	5 (33)	6 (40)	-	15 (100)
3.	Proper facilitation of training	-	3 (20)	7 (47)	5 (33)	15 (100)
4.	Method of training	-	3 (20)	5 (33)	7 (47)	15 (100)

Score, 1=least, 2= good, 3= very good, 4= Excellent

Source: *primary Data-2012*

According to Table 4.18 shown above, about 86 per cent of the respondents replied that training have been succeed as a result of proper organization of training, However 20 per cent of the respondents said that proper organization of training has little contribution for the successful implementation of training. They said that training need assessment must be conducted before planning and organizing the training.

The study also conducted to know whether training have relevancy with the responsibilities of employees. Accordingly the majority (83 per cent) of respondents agreed that training have relevancy with the role and responsibility. It includes 33.33 per cent medium and 40 per cent high scored respondents. Majority of them satisfied with the relevancy of training which contributes to successful implementation of training.

Basically proper facilitation of training is the major factor that contributes to the success of training. The proper facilitation of training could be measured by increased knowledge and skills resulted from training. The study result indicates that 20 per cent of the respondents were less facilitated and 80 per cent of them were more facilitated throughout training. They replied that proper facilitation of training has positive contribution to the success of training.

The method used for training play a decisive role in imparting skill. The design of method depends upon the back ground of the trainees. Before designing the method used for training, the level of education, experience and other background of trainees were taken into consideration. The study result revealed that 46.67 per cent of the respondents were agreed that method implemented in the training have contributed for the success of training. 33.83 per cent of them also have positive response, while 20 per cent of them replied training method have little contribution to the success of training.

In short, successful implementation of training was achieved through proper organization, facilitation and using of appropriate method for training and the relevance of training to the responsibility of trainees among others.

FINDINGS, CONCLUSION AND RECOMMENDATIONS

This chapter gives the summary of major findings of the study and suggestions for policy makers, executives of cooperative bank and also to the beneficiaries.

MAJOR FINDINGS

The following are the major findings:

1. Most of establishing the bank is to stimulate the economic and social development of Oromia through mobilizing financial resource from cooperative, private business and public institution financial, specifically cooperative bank of oromia has mobilize deposit and promote the habit of saving.
2. There is lack of good habit banking at Arsi Negelle community.
3. There is lack of experienced applicant and cooperative sector is dislike new graduate. This is because of absence of experts familiar in cooperative management research that can change the bad attitudes in individual toward cooperative.
4. The cooperative face employees' turnover As compared to other organization having same status. The scale and payment of some position are less. So employees see other job opportunities and whenever they get other jobs especially in NGO's they leave the sectors and immediately join to others.
5. Generally, the organization lacks proper organization of training. The study result also clearly shows that there is no proper facilitation to manage the training to achieve the desired outcome. It also looks proper evaluation system to whether or not the training has brought impact on the performance of the organization.
6. Conducting training head assessment before conducting training is considered as usual activity and precondition for the organization.

RECOMMENDATION

When go through the bank document I have discussed and rise many issues and identify alert of problem or try to understand the problem that hinder the proper cooperative bank of Oromia as follows.

1. Since, Cooperative Bank of Oromia has mobilize deposit and promote cultural saving that encourage the supply of funds, create access to loan advances and other banking services rapid socio-economic development of country.
2. Most of the community not accepted interest rate depend on religion especially Islamic community.
3. Since cooperative are dislike by new graduates the organizing should assign experts who are familiar in cooperative management and able to conduct research and prepare workshop on the management system of the bank in order to change the attitudes of individuals, to attract experienced employees and to prepared perfective plan for further management system.
4. The scales and payments of the bank must be proportional to positional and talents of the individuals working in the bank. It should not follow rigid payment scale policy that is it must and undertake other situational factors to reduce employees' turnover.
5. The lead of the bank has little understanding on contribution of training on employee's performance. Therefore, awareness creation workshop is needed to explain the need for training and essential role that the heads plays in the process of training.
6. The OCB, have no separate body who can plan, implement and follow up training. So that it's better if the organization have its own body to plan, organize and implement training conditions of time in accordance with organizational objectives.
7. Performance improvement efforts cannot just end when the course ends there must be continuing efforts to motivate, upgrade, support and monitor performance on the job.

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INVESTIGATING THE RELATIONSHIP BETWEEN OVERVALUATION OF STOCKS AND STOCKHOLDERS' EQUITY AND PROFIT-SMOOTHING IN TSE CEMENT AND AUTOMOBILE INDUSTRIES

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ABSTRACT

The main purpose of Accounting and preparation of financial statementsis to make useful information available so that business decisions can be made. Information plays a key rolein different aspects of decision-making.Decisions that aren't primarily based on useful information fall short in meeting the demands of decision makers. The information should contain good-quality features in order toprovide correct basis for decision making. One of the important factors that affect the reliability of the information in financial markets is the profit-smoothing. Profit-smoothing occurs when managers use judgment in financial reports and prepare business transactions in a way that misleads differentstakeholders or that influences the results of contracts based on accounting numbers (Haley and Wallen, 1999, page368).This study tries to assess the relationship between the overvaluation of stocks with profit-smoothing and value of the firm. Overvaluation of stocks and value of the firm are set to be our two independent variables and profit-smoothingasthe dependent variable.The sample usedin this study was chosen from the companies listed inTSEcement and automobile industries. By testing our research hypotheses, we find that there is a positive correlation between overvaluation of stocks andprofit-smoothing. This meansit is likely that there is a chance that companies whose stocks are overvalued are likely to commitprofit-smoothing to justify the company's performance and stock prices. However, no correlation and significantrelationship could be found between the value of the firm and stockholders' equity with profit-smoothing.

KEYWORDS
overvaluation of stocks, profit-smoothing, agency theory, representing financial information reliability.

INTRODUCTION
Information plays a key role in different aspects of decision making. Decisions that aren't primarily based on useful information fall short in meeting the demands of decision makers. The information should contain good-quality features in order to provide correct basis for decisionmaking. Vekry (1958) defines qualitative characteristics ofinformation as "characteristicsofinformationthat makesit useful".According to the conceptual framework, reliability is one of the most important qualitative characteristics ofinformation. In the absence of the qualitative characteristics, any decision-making based on the information will be combined with high risk. Being reliable means to be free of any bias and to show reality as it is,not as the presenter wants it to be. Profit-smoothing is one of the factors that effectsthe reliability ofinformation in financial markets. Profit-smoothing occurs when managers use judgment in financial reports and prepare business transactions in a way that misleads different stakeholders or influences the results of contract based on accounting numbers (Haley and Wallen, 1999, page368). Many texts about profit-smoothing have been trying to justify this phenomenon by using agency theory. Based on the Positive Economics principles everyone is looking for his personal gain.So, management, using its position, tries to show the financial information in a way that meets its interests. When market value of stocks is more than intrinsic value, management has two solutions.First, warning the market about overvaluation to adjust the company's stock price, and second,showing the corporate performance in a way that can justify the company's stock price in the market. This research attempts to assess the relationship between overvaluationof stocks and stockholders' equity using profit-smoothing.

RESEARCH PROBLEM
In the literature on finance, there is a lot of research about influence of management behavior and company's actions on the firms' value in financial markets. Accordingto the agency theory in the early twentieth century, role of managers as representatives of the owners has a significant impact on the company's control method. Separation of ownership from management lead to a well-known organizational problem called the agency problem. Jenson and Macling (1976) introduced principles of agency theory and defined the company's managers as brokers and the shareholders as owners. In their analysis,managers confront shareholders. One of the main assumptions in the agency theory is that the owners and brokers have a conflict of interests.Overvaluationofstocks can be considered a new form of agency costs. Now,regarding what has been talked about so far, we are looking for scientific answers to these questions:
1) Whetherovervaluation of stocks makes management prone toprofit-smoothing
2) Whether there is any significant relationship between profit-smoothingand firm value and wealth of shareholders

IMPORTANCEOF THE RESEARCH
Nowadays, financial markets are one of the most important ways to invest small and large savings. Financial markets determine the market value of stocks according to the company'sexpected profit and the information in support of these expectations. This valuation is based on net present value of future cash flows and if any new information in this regard is released, the market will try to adjust expectations about the share in question thus the market share price will be adjusted. The periodic management reports are main sources of market intelligence. This information impacts on market value and confirms or adjusts market expectations. Managers are informed about the value surplus of stocks in the market, which is based on unreal expectations, and can control this value surplus and correct the stock market price by providing reports on the adjustment of market expectations. Although this action isin line with benefit of the market and prevents growth of a possible price bubble, it would endanger managers' positions and rewards. Therefore, managers will seek to swell the profit and confirm market expectations to prevent a reduction in their management time and rewards. One of the most important ways to swell the profit is profit management (profit-smoothing).Managers, in order to achieve their benefits, use profit-smoothingto control transmitted information.Review of information provided to the market and assessment ofthe role of profit-smoothing in overvaluation of stocks in financial markets are necessary.Overvaluation of stocks can

be a potential factor for destruction of shareholders' wealth in long term and a cause of waste of investors' confidence in stock prices in market and ultimately a reduction in investments in the stock markets.

BACKGROUND RESEARCH
Overall, the research conducted about profit-smoothing can be divided in two main research categories, theoretical and empirical research.
Glavr and Sandra (2004) have challenged the disclosure principles. Their argument was based on game theory. According to this theory, if one game party (management) possesses information that the other side (external users) are unaware of, he will try to keep it covered. Therefore, according to this argument, profit-smoothing is the management's efforts to keep the market unaware of the true information which he is aware of.
Effective stimuli acting on profit-smoothing and profit management. (BahariMogadam 2006) In this study, the researcher intends to assess the seven affecting stimuli acting on smoothing and profit management and also to evaluate each of their roles. These motives include financial structure (financial leverage), the ownership structure, major stock market, reward plans, independent auditors, the company's growth rate, and the company's size. Ultimately, the researcher finds that there is a positive and significant relationship between financial structure (financial leverage), ownership structure, reward plans, independent auditors and company's size and smoothing and profit management but there isn't a significant relationship between the major provision of stocks and the company's growth with smoothing and profit management.Profit-smoothing by manipulating the classification of income statement items (Bakhtaki, 2007).
In this study, smoothing through applying changes in the classification of income statement items has been studied. The researcher assumes that since use of accruals and transferring company's costs to future years and also identifying future periods' earnings causes future periods' benefit to be affected strongly, therefore managers are interested to get smoothing applying changes in the classification of income statement items. But the research findings show that most of the companies in Iran's capital market are interested to use accruals for profit-smoothing. In general, research in Iran's capital market has been done in five specific areas.
1-Researches that sought to examine the relationship between profit-smoothing and price and stock returns.
2-Researches that examined the factors affecting profit-smoothing.
3-Researches that sought to examine profit-smoothing incentives.
4-Researches that examined profit quality and the accruals role in this field.
5-Researches that has evaluated profit-smoothing from a cultural perspective and standard.
Marcio and Vrma (2008)Re-providing financial information is one of the key factors leading to uncertainty about the correctness of information presented. According to this idea, this study tries to assess the relationship between overvaluation of stocks and re-presentation of profits. Researchers assume that there is a relationship between profit manipulation due to overvaluation and the re-presentation of profits that shows a reduction in profits. Evidence obtained show that there is a relationship between overvaluation and re-presentation of profits showing a reduction.

RESEARCH PURPOSES
In general, the objectives of this research can be classified into two theoretical and practical categories.
Theoretical objectives of this research are:
1. Literature review about the research topic.
2. Making studies in the field of profit-smoothing More complete.
3. Providing a new basis for other studies.

Practical purposes of this research for use by players in capital market are:
1. Managers' paying more attention to profit-smoothing effect on the shareholders' wealth.
2. Market attention to the overvaluation of stocks and its effects.
3. Market attention to the profit-smoothing and its effect on stock pricing.
4. Warning the market about results of overvaluation of stocksdone byprofit-smoothing.
5. Providing a method for evaluating overvaluationof stocksdone byprofit-smoothing.
6. Urging for thetimely evaluation of profit-smoothing.

RESEARCH QUESTIONS AND HYPOTHESES
In this study, to answer the main research questions, identify and explain the relationship between overvaluation of stocks and profit-smoothing and shareholders' wealth,twohypotheses are put forward as following:
1- There is a significant relationship between the overvaluation of stocksandprofit-smoothing.
2- There is a significant relationship between firm value and profit-smoothing.

RESEARCH VARIABLES
A variable is a conceptthat is attributed more than two or more values or numbers. In other words, a variable refers to a feature that can be observed or measured and replaced by two or more values or numbers. The number or value assigned to the variable represents a change from one person to another or from one state to another.Variables are the conditions or featuresthat the researcher wishes to control, manipulate or see. Variables are divided into two categories based on their roles in a study.
1- Independent variables
2- Dependent variables

In this study,overvaluation of stocks and firm value are the independent variables and profit-smoothing is the dependent variable.

DEFINITION OF VARIABLES
A-PROFIT-SMOOTHING
Represents an attempt by companies' management to reduce abnormal changes of the profit in generally accepted accounting principles framework.In other words,managers of some business units use tools such as accounting methods for smoothing profits in different accounting periods and so manipulate and distort the real profit. Profit-smoothing refers to certain types of profit management in which a manager temporarily reduces profit fluctuations to make it appear more stable.In other words,implementation of management's opinion in the recorded costs and revenues to change their succession or transfer them to the next years using theflexibility of common methods and accounting principles insuch away that the company's profit trendswon't show major changes over several consecutive years is called profit-smoothing.
B-OVERVALUATION OFSTOCKS
Overvaluation of stocks occurs when a company'smarket priceishigher than its original value (Yuns, 2005).This means that these companies are unable to save themselves against severe declining prices in future unless their performance can justify stock prices by chance. Intrinsic value is one of the most prevalent assessment measures for market value.
C-FIRM VALUE
Firm valuerepresents the product of a company's stockprice and thenumber of its issued shares. A company's average value is calculated as follows:

$$\overline{MVE}_i = \frac{\sum_{t=1}^{n} Pit * Nit}{n}$$

Pit shows the company's stock price at the end of year T and Nit is the number of company's issued shares at the end of the same year.

STATISTICAL POPULATION AND ITS NUMBER

Companies, which are listed in Teheran Securities Exchange and fall under cement and automobiles categoriesform the statistical population.

ESTIMATION OF SAMPLE SIZE AND SAMPLING METHODS

Considering the study'sgeographical scope,all companies listed in TSE cement and automobiles groups form the statistical population. Statistical sample is chosen using the elimination method and with regard to the following conditions, considering the time and geographical scopes of this study:

1- The company's financial year ends on the last day of March each year.
2- The company has been listed in TSE by the beginningof 2005.
3- The company's financial statements for all years between 2005 and 2011, inclusive, are available.
4- The company'sstock tradingin TSEhas beenon-going and hasn't been halted for more than one monthduring the specified period.
5- The company's stock pricesareknown at the end of the year.

RESEARCH METHOD

Our research method is based on inductive and deductive reasoning approaches. This study,like all research-based deductive approaches, begins with detailed goal description and somehypothesesand key definitions are put forward after setting goals. But because the investigation is based on observation, inference and generalization of observations,itfollows an inductive approach.

The method used is examination of correlation to explore the correlation between the stability ofprofit-smoothing and overvaluation of stocks. The correlation coefficient calculatedin this study is the x2 correlation coefficient. Because the data used is of the real and historical type, it can be considered a post hoc analysis.

DATA COLLECTION METHODS

The internet sites such as www.irburse.com and www.parsportfolio.comare used to extract companies' information listed in the TSE.Also financial statement information was extracted using the financial databases of companiesaccepted in TSE (2005 to 2011) and also Tadbirpardaz and Rahavardnovinsoftware. In case the databases lack information, the archive of financial statements in the TSE library is used.

DATA ANALYSIS METHOD

The relationship between variablesin this study will be studied systematically.The studied variables are non-experimental and are not controlled by the researcher and to explore and explain the relationship between the variables, statistical sampledata are analyzed. With regard to the research goal, the study is classified as an applied study, andthe obtained results can be used by groups, individuals, securitiesand exchange organizations or other legislative bodies, commercial banks, credit rating agencies, actual and potential investors, all teachers and students of accounting,corporate and organizational executives and chief financialofficers.Regarding the research method,the research uses correlation examination and is a post-hoc research.

Correlation method has two aims:

1- Discovering the correlation between variables
2- Predicting or explaining a variable through one or more other variables (Delavary, Ali, 1995)

PROFIT-SMOOTHING DEFINITIONS

In recent years and decades, different definitionsofprofit-smoothinghave been presented, some of which are:

Hey Verc in 1953 definesprofit-smoothing as:

Profit-smoothing is a rational and logical operation that managers use, byspecific accounting tools,tosmoothen their profits.Verci defines profit-smoothing as an action that can provide incorrect information so that the investors will not get useful information about their return on investment and risk.Balkoyi definesprofit-smoothingas a deliberate attempt by management to show a normal profit to achieve a desired and expected level.

THE DUAL ROLE OF ACCOUNTING

The traditional accounting approach about accounting information value indicates that information has dual roles includingdispersing awareness and stewardshiprole. The role of awareness comes from investors' information demand, so they can predict future cash flows and assess their risk through this information. Accounting stewardship role comes from separation of ownership and management in public companies that puts management in shareholders' steward position.

THE PLAYERS INPROFIT-SMOOTHING

The provided classification of the players in profit-smoothingis based on the main characters in financial accounting area that they can be classified in three groups: **managers**, **users and regulators**. Managers' report profits, and users can use it to decide and regulators show the validity and value of the reported profitinformation to other users.

PROFIT-SMOOTHING AND INFORMATION ASYMMETRY

Basically,profit-smoothing is possible when, first, there is information asymmetry, and second, there isn't any technique to eliminate this information asymmetry. Overall, this is a known phenomenon that in commercial transactions some parties may havemore information than others.When such a situation exists, it is said that the economy is characterized by information asymmetry.

PROFIT-SMOOTHING INCENTIVES

Maintaining the company'scredibility is one of the primary purposes of profit-smoothing.This credit makes the company look efficient and dynamic. The main motivation behind profit-smoothing the belief that companies that have good profit trends and whose profits will not suffer major changes are more valuable than similar companies.

1- Bonus-related incentives behind profit-smoothing.
2- Contractual incentives behind profit-smoothing.
1- Politically motivated profit-smoothing.
2- Tax-related incentives.
3- Changes in top management.
4- Initial public offering (IPO).

5- Information transfer to investors.

AGENCY COSTS AND OVERVALUATION OF STOCKS

Yuns (2005) believes that overvaluation is a form of agency costswhich will provide management with benefitsin short term butdestroy companyvalue in long run. Simply put,overvaluation can be considered as the market errorin assessing the particular share and expectation from it.ValuationError isn't an important and influential factor in financial markets by itself because soon the market will quickly adjust its expectations and decrease the price to the actual price level when the company puts forward new information. But if the information flow is disrupted or manipulated, then the market will not be able to adjust its expectations about the firm's future cash flows based on incorrect information and in long term, theincorrect price and overvaluation of stocks will destroy the company.

WHAT IS OVERVALUATION?

Overvaluationoccurs when a company's stock prices in the market is significantly more than its true value(Yencen 2005). This definition means that these companies are unable to save themselves from price drastic reductions in future unless theirperformance can justify the stock prices by chance.

AGENCY THEORY

According to this theory, an agency relationship occurs when one or more people (as company owners and shareholders) hire one or more other persons (as agents and managers) to represent the former people in doing things. However, agents cannot always do things in the best.

SOLUTION TO FIGHT OVERVALUATION

The solution forovervaluation problem is to stop it (Jyanzyn 2008). This is a trait in any human being not to be willing toobtain long-term benefits by enduring pain and suffering in the short–term and managers,because of the same trait and also their uncertainly about the future of their position in the long term, aren't willing to do an effective action to stop overvaluation. Warren Buffett is one of the few managers whowarned the shareholders and the market when the company he was the director at (Berkshy corporate) wasovervalued by market.

THE OVERALL RESULTS FROM THE TEST OF RESEARCH HYPOTHESES

The relationship between the dependent and independent variables was investigated using hypothesis testing. According to the findings from the first hypothesis, there is a positive correlation between overvaluation of stocksandprofit-smoothing variable. This means it is likely that there is a chance that companies whose stocks are overvalued are likely to commit profit-smoothing to justify the company's performance and stock prices. But based on the second finding,no correlation and significant relationship could be found between the value of the firm and stockholders' equity with profit-smoothing. As a result, firms of different values in Tehran Security Exchange attempt to profit-smoothing.

RESEARCH FINDINGS

1- Shortage of attention to the corporate governance structure and lack of appropriate legal mechanisms to require companies to establish a proper internal control structure.
2- Lack of a legal mechanism for complainingabout and prosecuting the directors.
3- Lackof sufficient attention from users to the re-presentations of financial statements gives the management the opportunity to easily commit profit smoothing.
4- When a company facesovervaluation of stocks and managers smooth profits to justify the stock market value, thisleads to long-term decrease in the company value.

RECOMMENDATIONSFROM RESEARCH FINDINGS

1- Legislation to improve corporate governance structure.
2- Requiring company managers to disclose important weaknesses.
3- Review of reports on internal controlsby independent auditors, making a report on this.
4- As long as accounting and auditing standards and the main structure of financial statements are not developed to be comprehensive and accurate, financial reporting process will face ambiguity.
5- Developing a separate regulation charter concerning disclosure practices in re-presentation of the financial statements.
6- Careful monitoring of the corporate and independent auditors by the capital market authorities.

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THE INFLUENCE OF MANAGEMENT ON SCHOOL CULTURE AND ITS EFFECTS ON ACADEMIC PERFORMANCE: A CASE OF ST. PATRICK'S HIGH SCHOOL ITEN

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ABSTRACT

School culture is the composite of stakeholders' employees, parents and students perceptions of their environment. It is these perceptions and associated stakeholder behaviors that shape the dynamic culture of all school. School success is heavily dependent on a positive, supportive school culture. This study sought to establish the influence of management on school culture and its effects on academic performance. The study specific objectives were, to find out to what extent has management united teachers, students and non-teaching staff, to find out how school management influenced school culture and its role on academic performance. The study was done at St. Patrick's High School Iten, and the targeted population was 596 respondents comprising of management, teachers, patrician brothers, non-teaching staff and former students. Thus the targeted sample was 239 respondents. GLOBE approach is used to develop an empirically based theory to describe, understand, and predict the effect of cultural variables on management and organizational processes and the effectiveness of these processes. The study used both primary and secondary data. Primary data was collected through questionnaires, interview schedule and observation. Secondary data was document analysis of school past academic records and other performance related documents in school and District Education Officer office. The tables and figures in chapter four of this document were based on the authors' data for the year 2010. The study findings revealed that indeed there has been culture change from when the school was managed by patrician brothers to today being managed by government. This has seen change that has also affected the school performance. The t-test carried out revealed that there is direct association between school culture and performance. The study recommends that students' culture, teachers and non-teaching staff unity culture and management related cultures should be clearly defined and evaluated so that the school performance will be improved. The study is of great benefit to school management, community members and the entire ministry of education in reviving the "sleeping academic giants" to their rightful place.

KEYWORDS
Culture, school performance, culture change, management.

INTRODUCTION

The trend toward the global economic village is clear, and the 21st century may very well become known as the century of the "global world" (McFarland et al, 1993). Since effective organizational leadership is critical to the success of international operations, this globalization of industrial organizations presents numerous organizational and leadership challenges. While the evidence of a leadership–performance link is largely sketchy, considerably more research has empirically examined organizational culture–performance relationship. Indeed, on examination of literature one is likely to conclude that organizational culture is one of the most popular concepts in the fields of management and organizational theory. One reflection of the popularity of the culture concept is the increasing number of theoretical perspectives and organizational disciplines which utilize the concept (Aluko, 2003).

Culture is linked to organizational performance are clear in their claims, an illustration of this is derived from the works of the so-called 'excellence writers' who argue that successful organizations are distinguished by their ability to promote cultural values which are consistent with their chosen strategies (Peters and Waterman, 2002). In schools that were performing well like St. Patrick's Iten there has been change in school education system over the years, first it was 7-4-2-3 system and now 8-4-4 system (A-Level to O-level) this means that there has been change in school culture. Also the system of school enrollment has changed significantly before for some schools it used to admit students from all over the country but after introduction of policies that required them to admit 85% from its region meant that the school system also was altered. Political influence has also been viewed has one of the factors causing change in school cultures since some leaders are using schools for their political gain. Finally change of curriculum and school policies has influenced school culture and performance.

Maehr and Fyans (1989), describing culture building in organizations in general, characterize it as a fluid process: Groups tend to work out ways of getting along among themselves. They arrive at certain shared understandings regarding how, when, and where activities are to occur. The goals can ultimately become important enough to take on a life of their own, to become invested with meaning that reflects the basic purpose of the school and its reason for being. They can become part of the value system in which each participant in the school willingly and enthusiastically participates.

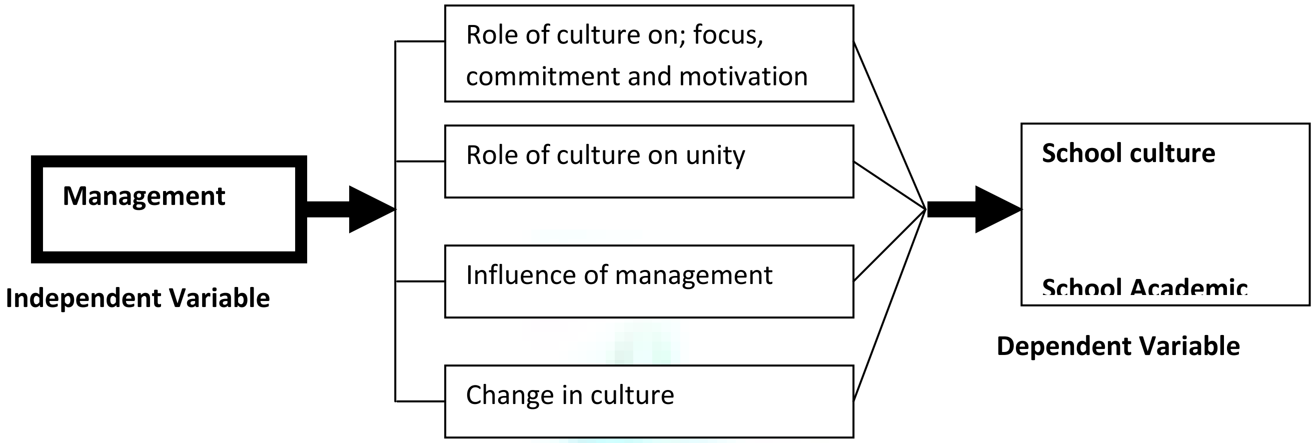
STATEMENT OF THE PROBLEM

The process of education begins in an institution of general education and its efficiency largely contributes to the success in the learner's further periods of life. There have been myriads of problems facing secondary school currently, among them are poor remuneration of teachers, too much work load and exam oriented system that rate students equally in the national examinations regardless of the geographical location and facilities available in the school, (Tohver, 2004; Kivine, 2004). Culture is the learned assumptions on which people base their daily behaviour, "...the way we do things around here." Culture drives the organization, its actions and results. Schein in (Macmillan, Tempoe 2000) define organizational culture as "pattern of basic assumptions invented discovered or developed by a group of people as it learns to cope with its problems of external adoption and internal integrations - that has worked well enough to be considered valid and correct way to perceive, think and feel in relation to those in problems. This study sought to establish the role of culture on the school performance. Most of the studies done have concentrated on effects of organizational culture on performance in commercial sector and little as been done on how the same influence academic performance in school set up. This study examines extent that organizational culture affects academic performance in St. Patrick's secondary school, Iten in Rift Valley province Kenya. The author chose this school because of the current dismal performance in the national exams yet it used to be regarded as "academic giant" (high academic performer) in the past, another factor is that this school has undergone change in management from Europeans to Africans and from 7.4.2.3 to 8.4.4 systems of education. These changes must have necessitated change in organizational culture in the school. The objective was to establish the role of organizational culture on academic performance of St. Patrick's High school, Iten. Also it determines how school management influenced school culture and its effects on academic performance and establish the effect of change in organizational culture on student academic performance.

CONCEPTUAL FRAMEWORK

The conceptual framework guiding this study will be adopted from Ouchi style of management "Theory Z" (1981) who identified a set of management practices which he calls a "Theory Z" style of management, the most significant distinguishing feature of this style of management is its holistic emphasis on people and environment, in which they work, employees are treated as integrals and central elements in the organization and are given an active role in decision making and self governance. The study main variables were summarized and presented in figure 1.1. The diagrammatic representation of conceptual framework shows how the variables are related.

FIGURE 1: MANAGEMENT AND PERFORMANCE CONCEPTUAL FRAMEWORK



LITERATURE REVIEW

Organization Culture is considered to be an important factor that influences the performance of an organization, and the relationships between the performance and OC have often been analyzed in the past decades, (Desphande, Farley, 2004). Many researches have shown that OC has an effect on job satisfaction, job efficiency, employee commitment and cooperation, decision-making etc. (Langan-Fox, Tan, 1997; O'Reilly, Chatman, Caldwell, 1991). The literature on school culture makes it clear those effective schools, that is, schools that demonstrate high standards of achievement in academics, have a culture characterized by a well-defined set of goals that all members of the school administration, faculty, and students value and promote. If a principal can establish and clearly communicate goals that define the expectations of the school with regard to academic achievement, and if the principal can rally a constituency of teachers and students to support those goals, then the motivation to achieve the goals is likely to follow.

Most reviews of the effective school literature point to the consensus that school culture and climate are central to academic success (Mackenzie 1983). Typical of the findings is the summary of Purkey, Smith (1983), who in their review of the literature on effective schools found a close correlation between positive school culture and academic quality: The literature indicates that a student's chance for success in learning cognitive skills is heavily influenced by the climate of the school. A school-level culture press in the direction of academic achievement helps shape the environment (and climate) in which the student learns. An academically effective school would be likely to have clear goals related to student achievement, teachers and parents with high expectations, and a structure designed to maximize opportunities for students to learn. A press for academic success is more likely to realize that goal than would a climate that emphasizes affective growth or social development. (p. 440). In the study the school environment influences its culture especially the management and past school reputation.

RESEARCH DESIGN AND METHODOLOGY

The study employed a case study research design. St. Patrick's High Iten was selected purposively for its past performance trends. This approach seeks to collect data without manipulating the research variables or the respondents in an attempt to find out the effect of culture on school academic performance. The researcher choose this research design since inferences about relations among variables are made, without direct intervention from connected variation of independent and dependent variables (Paton, 2000). In this study, variables were investigated without any manipulation or alteration and descriptive methodologies were used.

The target main groups for this study were students, school management, teachers, patrician brothers and former school students. The study target sample population was 592. The sampling procedure involved the use of purposive sampling technique in which the researcher chose St. Patrick's High school because of its past and current performance, change in management from Europeans to Africans and change in education system from 7.4.2.3 to 8.4.4 system. This was followed by Cluster and simple random sampling technique to identify the individual elements for the teachers and non teaching staff, students, former students and Patrician brother, number was spread according to forms and streams. The population was clustered into; students, teachers, non teaching staff, former students, Patrician brothers and Board of management. The elements in each cluster were assigned numbers, this numbers were then mixed together in a basket and the required sample drawn without replacement. A sample of 200 students, 22 teachers, 5 former students, 8 non-teaching staff, 1 brother and 2 board of management, yielding sample size 0f 238 respondents.

Data used was from both primary and secondary sources. The main research instruments used were the questionnaires, interviews to obtain information from the insiders who know more about the school and observations. The study used interview schedules to solicit more information from school management. Further, the researcher observed behaviors related to culture. As such, the data collection instruments for this study were questionnaires, interview and observation schedules. Data was analyzed both quantitatively and qualitatively. Descriptive methods were employed and data presented in the form of frequency distribution tables and pie charts that facilitated description and explanation of the study findings. Quantitative data was tested by use of inferential statistics. The tests helped in identifying the significance of data and relationship between the variables like the level to which culture influence the school performance.

RESULTS

THE ROLE OF CULTURE ON STUDENT ACADEMIC PERFORMANCE

The culture of any learning institution has a great effect on how the students attend classes and the attention that they give while in class. It is with this in mind that the researcher sought to find out the effects of culture on students class attention in relation to their academic performance. The study tried to find out whether the respondents had a class room culture and most of the respondents 107(82.9%) stated that they had, this was in line with the results obtained from the observations which showed that the school had rules which are well framed.

THE CLASS CULTURES AVAILABLE IN SCHOOL

The study also tried to find out the class cultures that were available in the school and from the findings most of the students 105(81.4%) agreed that the main culture of their class was that silence should be maintained in the classes. 90(69.8%) stated that their class culture was that students should respect the teachers, 88(68.2%) agreed that their class culture was that students should study alone during class time and 84(65.1%) agreed that the class culture was that students should ask questions during lessons. From the observation schedule it was noted that the school rules were pined in the notice board. The school rules as observed underpins the school culture since students follow the rules for example in assembly everyone stands on his number which is easy to monitor who is present and during meals students sit in a specific table two students from each form as summarized in table 1.

TABLE 1: CLASS CULTURE PRACTICED IN THE SCHOOL

The class culture	Agree		Disagree		Undecided	
	F	%	F	%	F	%
Students should be in class before the bell rings	71	55.0	48	37.2	10	7.8
Students should study in groups	71	55.0	46	35.7	12	9.3
Students should study alone during class time	88	68.2	29	22.5	12	9.3
Silence should be maintained in class	105	81.4	14	10.9	10	7.8
Students should ask questions during lessons	84	65.1			11	8.5
Everyone should answer at least one question per lesson	44	34.1	69	53.5	16	12.4
Students should respect the teachers	90	69.8	29	22.5	10	7.8
Teachers should address students with respect	75	58.1	44	34.1	10	7.8
Teachers should be friendly	66	51.2	51	39.5	12	9.3
Students should not steal form others	1	.8	107	82.9	21	16.3
Praying together every day after preps	5	3.9	81	62.8	43	33.3
Presence of subject leaders to help those who are not doing well in the subjects	3	2.3	78	60.5	48	37.2
Students should consult teachers during learning	1	.8	78	60.5	50	38.8
Teachers should assist the students in any area of difficulty	4	3.1	74	57.4	51	39.5
To create competition among the classes	1	.8	68	52.7	60	46.5
Students should be attending preps	2	1.6	63	48.8	64	49.6
Students should be well dressed for school	2	1.6	43	33.3	84	65.1

Source: Authors' source

The results obtained were interpreted to mean that the classes had classroom culture and the most practiced culture was the maintenance of silence in the classes.

HOW CULTURE AFFECTS THE STUDENTS' PERFORMANCE

The study went further and tried to find out on the various ways that the schools culture affected the students performance and from the findings most of the students agreed that they can access textbooks 88(68.2%), they respect each other as brothers 87(97.4%), they can change to participate in learning process and work together as brothers 79(61.2%), they can approach anyone with their problem and get help 78(60.5%), they can ask questions without fear 76(58.9%), their teachers can repeat hard topics 73(56.6%) and that they can get help from other students 72(55.8%) as shown in table 2.

TABLE 2: EFFECTS OF CULTURE ON PERFORMANCE

How culture affects performance	Agree		Disagree		Undecided	
	F	%	F	%	F	%
You work together as a group	56	43.4	61	47.3	12	9.3
You can get help from students	72	55.8	44	34.1	13	10.1
You can ask questions without fear	76	58.9	42	32.6	11	8.5
You respect each other as brothers	87	67.4	31	24.0	11	8.5
You can access text books	88	68.2	30	23.3	11	8.5
You can change to participate in learning process	79	61.2	40	31.0	10	7.8
You can approach anyone with your problem and get help	78	60.5	41	31.8	10	7.8
You work together as brothers	79	61.2	40	31.0	10	7.8
Your teachers can repeat hard topics	73	56.6	44	34.1	12	9.3
You do a lot of revisions	57	44.2	60	46.5	12	9.3
You clear the syllabus early	56	43.4	59	45.7	14	10.9
You do not do a lot of revision	3	2.3	95	73.6	31	24.0
You are able to consult the teachers in areas where you don't understand	1	.8	24	18.6	104	80.6

Source: Authors' source

The results obtained from the study were interpreted to imply that culture can affect the student's performance in various ways.

ESTABLISH THE ROLE OF MANAGEMENT IN UNITING TEACHERS, NON-TEACHING STAFF AND STUDENTS AND ITS EFFECT ON SCHOOL ACADEMIC PERFORMANCE

The culture of a school can play a major role in uniting the teachers, non-teaching staff and the students and also it can influence the schools academic performance. The researcher therefore tried to find out the Role of Management in Uniting Teachers, Non-Teaching Staff and Students and its Effect on School Academic Performance.

HOW CULTURE INFLUENCES STUDENT'S HARD WORK IN ACADEMICS

The study tried to find out how culture influences students hard work in academics and from the findings most of the student respondents 79(61.2%) agreed that it makes everything to be planned and scheduled and that the school management ensures that they do the right thing, 77(59.7%) stated that it makes everyone busy with his/her duties and 71(55.0%) stated that it makes the environment to be for hard working people as shown in table 3.

TABLE 3: HOW CULTURE INFLUENCES STUDENT'S HARD WORK IN ACADEMICS

How culture influences student's hard work in academics	Agree		Disagree		Undecided	
	F	%	F	%	F	%
The environment is of hard working people	71	55.0	37	28.7	21	16.3
Every one is busy with his/her duties	77	59.7	31	24.0	21	16.3
Everything is planned and scheduled	79	61.2	29	22.5	21	16.3
The schools management ensures you do the right thing	79	61.2	29	22.5	21	16.3
The school tradition does not allow idling	67	51.9	41	31.8	21	16.3
Are able to associate with teachers and ask the for assistance in areas that you do not understand	1	.8	90	69.8	38	29.5
It helps us know our target	17	13.2	11	8.5	101	78.3
it creates a conducive environment for learning	17	13.2	10	7.8	102	79.1
It enables smooth running of the school	6	4.7	21	16.3	102	79.1
It creates motivation/inspiration to the learners	10	7.8	17	13.2	102	79.1
Are able to get enough assistance from the teachers as you supposed to	2	1.6	23	17.8	104	80.6

Source: Authors' source

The results obtained from the study were interpreted to mean that the availability of culture enables the students to have a good environment for learning which is in line with the results obtained from the observations which stated that the school has a good learning environment.

HOW CULTURE AFFECTS ACADEMIC PERFORMANCE

The teachers were requested to state how culture affects the academic performance most of them 6(50.0%) strongly agreed that the management structure is clear and that all channels of communication are clear as shown in table 4. Others agreed that self -improvement is encouraged 6(50.0%), in consultation the head teacher sets the agenda 9(75.0%), there is little point in further training 6(50.0%), teams often change 6(50.0%), they are given help to improve their work 9(75.0%), and that decisions are informed by staff consensus 9(75.0%). The teachers strongly disagreed that it is unclear to whom they are responsible 6(50.0%) and that they often don't know what is going on 9(75.0%) others disagreed that decisions are implemented efficiently 6(50.0%), they expect advancement to be difficult 6(50.0%) and that often decisions are implemented 9(75.0%). The teachers were undecided whether all management areas are integrated 6(50.0%). An equal number of respondents disagreed and agreed that information is freely available 6(50.0%), strongly agreed and agreed that they can talk to someone when problems arise 6(50.0%), strongly disagreed, disagreed, undecided and strongly agreed that the school policy is arrived at democratically 3(25.0%) and others strongly disagreed, disagreed, agreed and strongly agreed that 3(25.0%). The findings concur with Follet (1968) in Okumba (1998) who believe that a fundamental problem in all organizations was in developing and maintaining dynamic and harmonious relationship between its members. This has a bearing on how the members of school environment relate to each other and its influences on the academic performance of the students. Isaac (1984) supports Follet view by saying that the school as a learning environment is a powerful arena in view of academic performance.

TABLE 4: HOW CULTURE AFFECTS ACADEMIC PERFORMANCE

	Strongly disagree		Disagree		Undecided		Agree		Strongly agree	
	F	%	F	%	F	%	F	%	F	%
Self -improvement is encouraged	0	0.0	3	25.0	0	0.0	6	50.0	3	25.0
I have the opportunity for advancement	3	25.0	3	25.0	0	0.0	3	25.0	3	25.0
Decisions are implemented efficiently	0	0.0	6	50.0	3	25.0	0	0.0	3	25.0
The management structure is clear	3	25.0	0	0.0	0	0.0	3	25.0	6	50.0
All channels of communication are good	3	25.0	0	0.0	3	25.0	0	0.0	6	50.0
In consultation the head teacher sets the agenda	0	0.0	0	0.0	0	0.0	9	75.0	3	25.0
I can talk to someone when problems arise	0	0.0	0	0.0	0	0.0	6	50.0	6	50.0
There is little point in further training			3	25.0	3	25.0	6	50.0	0	0.0
I expect advancement to be difficult	3	25.0	6	50.0	0	0.0	0	0.0	0	0.0
Often decisions are implemented	0	0.0	9	75.0	0	0.0	3	25.0	0	0.0
It is unclear who is responsible to whom	6	50.0	3	25.0	0	0.0	3	25.0	0	0.0
I often don't know what is going on	9	75.0	0	0.0	3	25.0	0	0.0	0	0.0
School policy is arrived at democratically	3	25.0	3	25.0	3	25.0	0	0.0	3	25.0
Teams often change	3	25.0	3	25.0	0	0.0	6	50.0	0	0.0
I am given help to improve my work	0	0.0	0	0.0	3	25.0	9	75.0	0	0.0
All management areas are integrated	0	0.0	0	0.0	6	50.0	3	25.0	3	25.0
Information is freely available	0	0.0	6	50.0	0	0.0	0	0.0	6	50.0
Decisions are informed by staff consensus	0	0.0	0	0.0	0	0.0	9	75.0	3	25.0

Source: Authors' source

The results obtained implied that culture affects the academic performance in very many ways. This could mean that the school culture plays a significant role in influencing the school academic performance. Adinda (2001) also concurs with Isaac's view by saying that in academic performance, teachers and learners and low they relate to each other are vital factors. Lezzote (1989) stresses the need for a safe and orderly environment for good academic performance. In this view he occurs with Igaga it is only in an effective school, where there is an orderly purposeful business like atmosphere, free from threats and fears of any physical harm where academic performance flourish. Therefore there is need to have a condusive school environment for teaching and learning in order to facilitate excellent academic performance.

TO ESTABLISH INFLUENCE OF SCHOOL MANAGEMENT ON CULTURE CHANGE AND ITS EFFECTS ON THE SCHOOL ACADEMIC PERFORMANCE

The change of culture can also change the mode of learning and also influence the academic performance of the school. It is with this in mind that the study tried to find out the relation between the culture change and change in the school academic performance.

HOW CULTURE HAS CHANGED?

The study tried to find out whether culture and traditions of the school have changed and whether it has affected performance and from the findings, most of the student respondents 96(74.4%) agreed that the school culture has changed and 88(68.2%) agreed that it has affected the performance of the school. The results implied that the culture and the traditions of the school have changed and it has really affected the schools performance. The study find out how the culture of the school has changed and from the findings most of the respondents 67(51.9%) agreed that the school used to admit students from all over the country as shown in table 5.

TABLE 5: CULTURE HAS CHANGED

How culture has changed	Agree		Disagree		Undecided	
	F	%	F	%	F	%
The school was run by mission	39	30.2	51	39.5	39	30.2
The school was a sponsored school	40	31.0	50	38.8	39	30.2
The school used to admit students from all over the country	67	51.9	23	17.8	39	30.2
The school was headed by principal chosen by catholic diocese	50	38.8	40	31.0	39	30.2
The school was managed by catholic diocese	47	36.4	43	33.3	39	30.2

Source: Authors' source

The results implied that currently the school does not admit students from allover the country like it used to. According to study by Riddel and Brown (1991) while giving a summary of recent research findings from industrialized countries cite specific factors which make primary schools effective. The most critical of the factors cited is leadership. They report that research shows that having a head teacher who is purposeful but neither too authoritarian nor too democratic and who is able to share ownership of the school and colleagues is important. The good qualities of leadership identified include the ability to delegate to a deputy without finding threatened and involve members of staff in planning and management of schools.

THE FACTORS THAT BROUGHT ABOUT THE CHANGE IN SCHOOL CULTURE

Further, the study sought to establish the factors that brought about the change in the school culture and from the findings most of the students 55(42.6%) believed that the school performance was the main factor that brought about the change in the school culture as shown in table 6. The results implied that the performance of a school can lead to change in the schools' culture.

TABLE 6: THE FACTORS THAT BROUGHT ABOUT THE CHANGE IN SCHOOL CULTURE

The factors that brought about the change in school culture	Agree		Disagree		Undecided	
	F	%	F	%	F	%
Political influence	42	32.6	59	45.7	28	21.7
Community influence	45	34.9	56	43.4	28	21.7
The school performance	55	42.6	46	35.7	28	21.7
Students misbehavior	37	28.7	64	49.6	28	21.7
Community views	43	33.3	58	45.0	28	21.7
Change in management of the school	8	6.2	93	72.1	28	21.7

Source: Authors source

CHALLENGES FACING THE SCHOOL IN MAINTAINING ITS CULTURE

In order for any institution to be able to conserve and preserve its culture there are certain challenges that it has to with stand. With this in mind the researcher sought to find out the challenges facing the school in maintaining its culture. The students were requested to state the challenges that faced the school in maintaining its culture and from the findings most of them 73(56.6%) believed that poor leadership and 57(44.2%) poor team work are the main factors challenging the school in maintaining its culture as summarized in table 7.

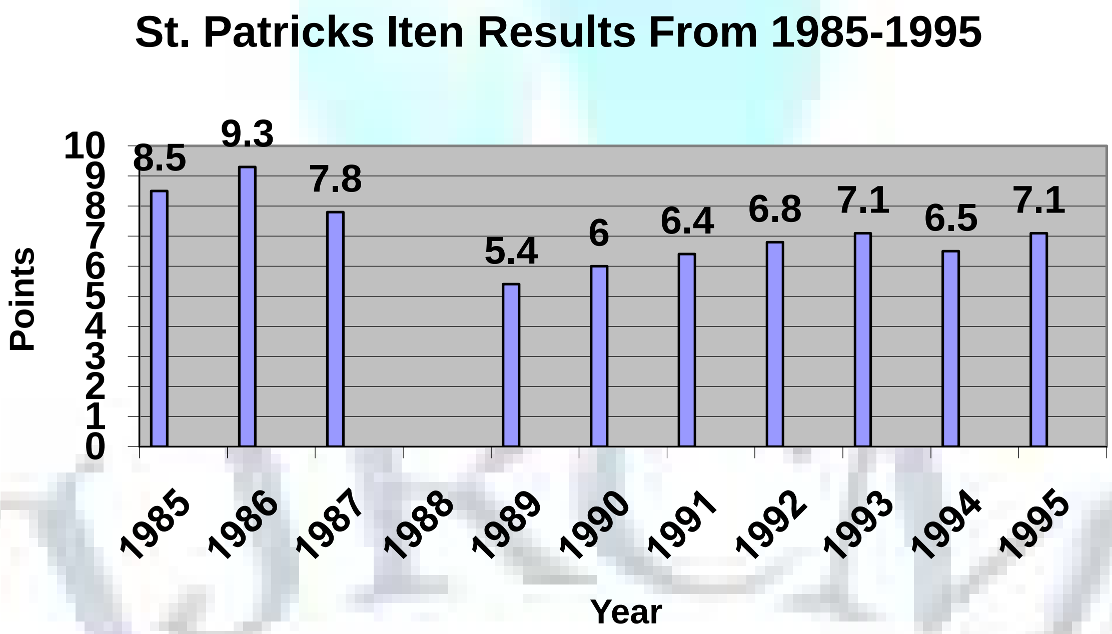
TABLE 7: CHALLENGES FACING SCHOOL IN MAINTAINING ITS CULTURE

Challenges facing school in maintaining its culture	Agree		Disagree		Undecided	
	F	%	F	%	F	%
Poor leadership	73	56.6	37	28.7	19	14.7
Lack of management cooperation	54	41.9	56	43.4	19	14.7
Poor students behavior	39	30.2	71	55.0	19	14.7
Mother tongue influence	31	24.0	79	61.2	19	14.7
Relaxed school rules	31	24.0	79	61.2	19	14.7
Poor team work	57	44.2	53	41.1	19	14.7
Application of the quota system	1	.8	109	84.5	19	14.7
Lack of resources to keep the tradition going	5	3.9	105	81.4	19	14.7
Poor maintenance of the schools facility which enables the culture to be practiced	1	.8	105	81.4	23	17.8
Poor teacher students relationship	8	6.2	90	69.8	31	24.0
Lack of commitment by the teachers to maintain the old culture	6	4.7	71	55.0	52	40.3
Lack of students commitment	3	2.3	28	21.7	98	76.0
Pressure form the community	2	1.6	25	19.4	102	79.1

Source: Authors' source

The results implied that lack of good leadership and proper teamwork are the main challenges facing the school in maintaining its culture.

FIGURE 1: SCHOOL PAST ACADEMIC PERFORMANCE



In figure 1, the findings clearly portray the change in school performance from the year 1985 to 1995. In 1988 was when the schools curriculum was changed to 8.4.4 system this could mean that change in curriculum came with changes on the school culture and way of doing things. For example it took time for the school to regain its past trend of performance which started at a very low mean grade and climbed gradually. The improvement of performance could mean that the school was adapting to the introduced culture. From the interview it shows that the drop in academic performance was due to change in culture as a result of change in management.

EFFECTS OF SCHOOL CULTURE ON PERFORMANCE

The independent sample t-test was used to establish the influence of culture and school performance. The study findings illustrated in table 8 showed that performance is significantly related to types of culture in the school at $\alpha = 0.05$ significance level where p=0.014, p=0.012, p=0.019. This could mean that school performance is affected by culture practiced in the school.

TABLE 8: PAIRED SAMPLES T-TEST TO FIND OUT RELATIONSHIP BETWEEN CULTURE AND SCHOOL PERFORMANCE

Paired Samples T-Test to find out relationship between culture and school performance		t	df	Sig. (2-tailed)
Collaborative culture	School performance	3.869	116	.000
	Collaborative culture	2.504	117	.014
Control culture	School performance	3.504	117	.000
	Control culture	2.504	117	.012
Competence culture and school performance	School performance	4.936	111	.000
	Competence culture	-2.382	110	.019

Source: Authors' Source

CONCLUSION

The schools culture affects the students' performance because they can access textbooks, they respect each other as brothers, they can participate in learning process and work together as brothers, they can approach anyone with their problem and get help, they can ask questions without fear, their teachers can repeat hard topics and they can get help from other students.

The school has an effect on student's commitment and being in the school helps the students to be committed because everyone is expected to be hard working, everyone is expected to show a good example, the students are expected to live as a family and everyone is expected to learn with minimal supervision. The students are proud of being in the school and to be identified as partisans and the main reason for this is because e the school excels in both academics and games.

Culture influences student's hard work in academics because it makes everything to be planned and scheduled and the school management ensures that they do the right thing, it makes everyone busy with his/her duties and it makes the environment to be for hard working people. Culture affects the performance of the school in many different ways. The school culture has changed and it has affected performance of the school. Poor leadership is t ha main factor challenging the maintenance of the school culture.

RECOMMENDATIONS

From the study the following recommendations were made;

i. The schools should consider giving students freedom for going out as before to stop them from sneaking out
ii. Good and strong Culture of the school should be well preserved because it enables the school to have a good learning environment
iii. The school should strive to maintain high academic performance to enable it maintain its culture
iv. The school to restore the former culture of morning devotion by students to uplift students' moral and spiritual welfare

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DETERMINANTS OF LIFE INSURANCE IN ETHIOPIA

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ABSTRACT
The insurance sector can play a critical role in financial and economic development. By reducing uncertainty and the impact of large losses, the sector can encourage new investments, innovation, and competition. As financial intermediaries with long investment horizons, insurance companies can contribute to the provision of long-term instruments to finance corporate investment and housing. There is evidence of a causal relationship between life insurance sector development and economic growth in developing country. However, there is no study examining the factors that affect the development of life insurance industry in developing country like Ethiopia. This paper contributes to the literature by examining the determinants of life insurance for a time series data for the period 1991-2010. The results show that life insurance is determined by per capita income, life expectancy, real interest rate and inflation. Life insurance is explained by this factor at 98%. It is suggested that life insurance industry in Ethiopia seriously consider these factors to bring growth in the insurance industry.

KEYWORDS
Determinants, life insurance, Ethiopia.

1.1 INTRODUCTION
Life insurance is one of the service sectors that are expected to continue to drive growth in the economy. Thus, the life insurance market continues to play an important role in supporting economic and social development (Li, Moshirian, Nguyen & Wee, 2007).
However, the life insurance sector of Ethiopian is significantly less mature compared to international life insurance markets. This can be explained by low level of life insurance penetration and density and insurance company assets to GDP (Birritu, 2010). For instance, as of 2007 and 2010 relative to 14 insurance markets, Ethiopia is ranked last as shown in table I and I.a.

TABLE I: ETHIOPIA RELATIVE INSURANCE PERFORMANCE

Country	Life insurance(2007)		Life insurance(2010)	
	penetration	density	penetration	Density
Australia	3.9	1650	3.1	1766.3
Bangladesh	.5	2.5	.7	4.4
China	1.7	41	2.5	105.5
India	4.1	29.7	4.4	55.7
Indonesia	.9	16.8	1	30.9
Malaysia	3.1	211.2	3.2	282.8
Pakistan	.3	2.6	.3	3.2
Philippines	.9	14	.7	14.3
Singapore	11.3	3788.7	4.6	2101.9
South Koea	5.9	1181.5	7	1454.3
Sri Lanka	.6	9.2	.6	13.7
Taiwan	11.7	1926.8	15.4	2756.8
Thailand	2.3	84.2	2.6	121.9
Vietnam	1	8.4	.6	8.3
Ethiopia	.00031	.706	.00026	1.296

TABLE 1.a: ETHIOPIA INSURANCE PERFORMANCE COMPARED TO THE WORLD AVERAGE INSURANCE MARKET

Region	Life insurance(2010)	
	Penetration	Density
North America	1620.9	3.4
Latin America and Caribbean	93.5	1.1
Europe	1110.6	4.5
Asia	208.1	4.5
Africa	45.8	2.7
Oceania	1109.7	2.8
World	364.3	4
Ethiopia	1.296	.00026

As of June 2010, Life insurance density is 1.296 and Life insurance penetration is 0.00026 which shows the sector's low contribution to the country's GDP. In the same year, the insurance sector contributes only 0.041% for the country's GDP (Birritu, 2010).
The possible factors responsible for such a low figure in Ethiopia are not investigated. There for this study explores the possible factors that are responsible for this situation and provide empirical evidence on some selected factors.

1.2 PROBLEM STATEMENT
The problem for this study is stated as **what are the determinants for life insurance in Ethiopia? and empirically to test which among the selected factor to become the strongest indicator?**
To address these issues, the following basic research questions were raised:
1. What is the proposed model for life insurance determinants in Ethiopia?
2. How well do the five selected variables (income, real interest rate, life expectancy for male, dependency ratio, or inflation) predict life insurance premium per capita/density/? How much variance in predict life insurance premium per capita can be explained by scores on these variables?

3. From the selected variable which is the best predictor of life insurance premium per capita?

1.3 OBJECTIVES OF THE STUDY

The general objective of this study is to develop a model for determinants of life insurance and to identify the relationship for selected determinants of life insurance in Ethiopia.

The specific objectives are:

1. To determine the sign of coefficient for selected determinants (between life insurance premium per capita and income, real interest rate, dependency ratio and life expectancy for males and inflation)
2. To identify whether there is significant of coefficient of selected determinants (Between life insurance premium per capita and income, real interest rate, dependency ratio, life for expectancy for males and inflation).
3. To develop a new model for determinants of life insurance.
4. To identify major life insurance determinants.

1.4 SCOPE OF THE STUDY

This study will focus on the factors determining the life insurance and the relationship of life insurance and on some selected independent variables (income, real interest rate, dependency ratios and life expectancy for males). This study also will analyze the change of certain explanatory variables that can affect the demand for life insurance.

The study will focus on the years observed which is from 1991 to 2010 as the data is available from those years.

1.5 SIGNIFICANT OF STUDY

The study will give benefit for the following bodies.

The Public and Private: The public / society and private sector will also get benefit through this study by gaining some information about factors that affecting life insurance consumption through this information, insurance company may also use this information to improve insurance industry performance as well as to increase confidence among consumers.

The Government: The Government will be more aware and concern on the factor that lead to the people demand on life insurance. This is because life insurance growth will contribute to GDP as well as it has fund to stabilize country's economy and improve productivity.

1.6 LIMITATIONS OF THE STUDY

Some of relevant information are confidential and need to be officially permitted. For example, during internet searching some website consisting data and journals must be entered or logged in by registered member.

1.7 ORGANIZATION OF THE STUDY

This study is organized into five main chapters. Chapter one provides the problem. Chapter two devoted to review related literatures similar with this investigation. Chapter three presents research methodology and design. Chapter four provides the presentation and analysis of the data and finally the summary, conclusion, and recommendations of the study were presented in chapter four.

2 LITERATURE REVIEWS

This chapter presents an overview of the literature that relates to the topic under investigation and research model/framework for the study.

2.1 THE CURRENT STATUS OF LIFE INSURANCE IN ETHIOPIA

Insurance business in general and life assurance in particular has not yet developed in Ethiopia. On average, only 6% of the total premium portfolio is collected from life assurance business. Moreover, the low level of development of the sector can also be explained by low level of insurance per capita, and penetration, which as of June 30, 2010 registered 1.29 and 0.00026, respectively. Currently, one state owned and 13 private insurance companies are operating in Ethiopia. The state owned insurer (Ethiopian Insurance Corporation) has the lion's share of the market due to its historical background and the opportunity and wider space it has in the market place. The rest of the actors take 48% of the share in premium production. Among these companies, seven operate life and non-life insurance (composite business), six are operating non-life insurance and one exclusively running life insurance. As of June 30, 2010, the annual gross written premium generated from non-life and life insurance reached Birr 1.83 billion and Birr 103 million, respectively. Life assurance registered an average growth of 26% the same year. Thus, the insurance penetration and density is so low and significant proportion of the total population has no access to insurance services with insurance business contributing only 0.041% for the country GDP (Birritu 111,2010).

2.2 LIFE INSURANCE PER CAPITA/DENSITY

Life insurance density (defined as per capita premium expenditure) is used to measure the consumption of life insurance in this study. It is deviated that using premium income as a proxy for life insurance consumption is inappropriate, because premiums represent total revenues which are equal to price times output (Cummins, Tennyson, and Weiss, 1999). Indeed, differences in the price of products across insurance companies may give rise to misleading inferences about life insurance expenditures across countries. Benefits paid to policyholders could have been used as an alternative to measure life insurance consumption. This study acknowledges the existence of the problem incurred using premium income to represent the quantity of life insurance demanded. However, no claims data are available. In view of an interrelationship between life insurance and the national economy, premium income is vital to channel domestic savings into long-term investment, and the life insurance industry accumulates policy reserves, generated from life insurance premiums, for investment. Moreover, premiums provide a consistent standard for life insurance consumption and have been used in several international studies, and this allows this study to be more easily compared with other associated studies (Truett and Truett, 1990; Ward and Zurbruegg, 2002). Using dollar-based premiums enables a comparison with previous studies to be drawn.

2.3 DETERMINANTS OF LIFE INSURANCE

The following discussion is organized by taking into consideration the limitation of literature on life insurance. From the literature review, the following are the economic and socio-demographic factors which determine life insurance.

1. ECONOMIC FACTORS

Income: Evidence from literature shows that the income variable has been identified to significantly affect life insurance (Neaumann, 1969; Campbell,1980; Goldsmith, 1983; Truett & Truett 1990; Gandolfi & Miners, 1996; Hwang & Gao 2003; Li, Moshirian, Nguyen & Wee, 2007; Liebenberg, Carson & Hoyt, 2010; Curak & Gaspic, 2011). As income progresses to higher levels, substitutes for individual life insurance again become available (Hammond, Houston & Melander, 1967) and as income increases, life insurance becomes relatively more affordable (Brown & Kim, 1993). Similar results are consistent with previous studies which state that when income rises insurance becomes more affordable and the demand for life insurance increases (Redzuan, Abdul Rahman & S.H.Aidid, 2009).The empirical evidence from Cyprus showed that for every C£100 million increase in GDP there would be a C£10 million increase in life insurance premiums (Savvas, 2006). However, despite a low income level in China and considerable variation in the levels of economic development among areas, the rapid economic growth as a whole over the past ten years has played an important role in encouraging people to purchase life insurance products (Hwang & Gao 2003).

Inflation: Inflation has been identified as one of the factors that influence life insurance demand. Consumers are found to be sensitive to inflation, be it expected or realized, by reduced purchasing of life insurance (Babbel, 1981). It can be summarized that the cost of life insurance protection would increase with anticipated inflation resulting in a decline in life insurance sales. However, most studies reveal that the relationship between inflation and the demand for life insurance is not significant (Neumann, 1969; Chang, 1995; Hwang & Gao 2003; Savvides, 2006; Li,Moshirian, Nguyen & Wee, 2007; Redzuan, Abdul Rahman & S.H.Aidid, 2009; Liebenberg, Carson & Hoyt,2010). Inflation is documented having an insignificant relationship because inflation itself can erode the value of life insurance, making it a less desirable good (Brown & Kim, 1993; Redzuan, Abdul Rahman & S.H.Aidid, 2009) as well as making it a less attractive product (Fortune, 1973).The negative impact of inflation also confirms that anticipated inflation depresses the value of financial assets and therefore reduces the attractiveness of life insurance products (Li, Moshirian, Nguyen & Wee, 2007). On the other hand, there is no evidence found that the life insurance impact over the periods of high inflation in Ethiopia. This is because the period of high inflation was also a period of high economic growth, and in line with that, consumers were less sensitive to the negative impact of inflation as inflation did not have a detrimental effect on people's living standard (Hwang & Gao, 2003).

Real Interest Rate: Several researchers have studied whether the interest rate variable plays a role in influencing life insurance demand. From the studies, it also helps to know whether consumers are really concerned with the market rates of interest when making decisions to purchase life insurance. The interest rate has shown different results in which some of the studies identified that there is a significant positive relationship between demand and interest rate (Chang, 1995; Beck & Webb, 2003; Haiss & Sumegi, 2008; Redzuan, Abdul Rahman & S. H. Aidid, 2009). However, other studies discovered that the interest rate is not a significant variable in determining life insurance demand and were found to be negatively correlated with the interest rate (Williams, 1986; Outreville,1996; Savvides, 2006).The demand for life insurance increased with higher interest rates in the short run situation, but was inconclusive in the long run situation (Headen & Lee, 1974). Literature supports that a short term interest rate resulted in a significant relationship with universal life insurance, whereas current interest rates have a strong positive relationship with universal life insurance because the current interest rate of universal life insurance have been kept higher than the short term bases (Chang, 1995); domestic interest rate is statistically significant but inversely related to life insurance demand by supporting that a rise in real domestic interest will divert savings from long term funds to short term funds which tends to decrease life insurance demand (Ibiwoye, Ideji, Oke, 2010). The people are not attracted by lower price to increase the purchase of life insurance, but appear to take advantage of higher real rates in order to reduce the investment in life insurance and the real rates measure the preference for immediate as opposed to deferred consumption (Li, Moshirian & Nguyen, 2007).

Financial Development: The findings from empirical study document a positive relationship between life insurance demand and the level of financial development (Ward & Zurbruegg, 2002; Savvides, 2006; Chui & Kwok, 2008). As the financial system matures as a whole, this would lead to a better supply of insurance products and thus raise the demand further (Sen, 2008). It was also shown that the financial intermediary sector is to complement insurance consumption in developed economies (Ward & Zurbruegg, 2002); the countries with well-being developed banks have higher levels of life insurance consumption as well as increased consumer confidence in other financial institutions (Beck & Webb, 2003); and as more financial assets are accumulated, the people will also purchase more life insurance (Li, Moshirian, Nguyen & Wee, 2007). Due to this, financial development was introduced as financial intermediation which can be an important source of growth in the insurance.

Savings: Saving instruments are the alternative that represents competing products of life insurance. The life insurance might be boost if savings plus life insurance products are sold (Sen, 2008). The impact of savings on life insurance demand has been studied in the past (Chang, 1995; Beck & Webb, 2003; Sen, 2008; Ibiwoye, Ideji, Oke, 2010). Evidence from literature suggests that savings has a negative impact on life insurance demand (Beck & Webb, 2003; Savvides, 2006; Redzuan, Abdul Rahman & S. H. Aidid, 2009). Consumers prefer to consider other alternatives of saving if the effective return within an insurance policy is lower compared to those offered by other saving instruments (Redzuan, Abdul Rahman & S. H. Aidid, 2009); there is a wealth-replacement effect which means that higher private savings displace life insurance and the higher the savings that an individual has, the less would be the motive to buy life insurance to supplement these financial resources in order to reach a targeted level of wealth for retirement or for bequeaths (Savvides, 2006). Other results show that saving variable has a positive relationship with life insurance demand (Sen & Madheswaran, 2007; Sen, 2008) and suggested that an increase in saving activity will enhance life insurance demand by increasing per capita insurance expenditure. Another result provided an ambiguous priority in the effect of personal savings rate on life insurance sales because an individual may have other investment alternatives besides the demand for life insurance (Chang, 1995).

Unemployment: Unemployment rate is defined as an indicator of income uncertainty and is also viewed as an uncertainty variable. A few studies have been carried out to explain the relationship between the demand for life insurance and unemployment rate (Mantis & Farmer, 1968; Savvides, 2006). Results from the studies suggest that unemployment rate has a negative impact on life insurance demand (Mantis &Farmer, 1968; Lenten & Rulli, 2006; Savvides, 2006).

Pensions: Pension is a source of financing retirement and is considered as an alternative to private provisions. The growth of pensions has contributed to the decline in labour force participation at older ages (Samwick, 1998). Having adequate old-age pensions helps to encourage workers to retire earlier (Savvides, 2006).The existence of both private pensions as well as social security appears to have a negative effect on individual savings (King &Mireaux, 1981).The estimated coefficients positive with regard to pensions variable, but in most models, they are not statistically significant (Savvides, 2006).

Price of Insurance: The relationship between price of insurance and life insurance demand has been studied in the past (Depamphills, 1975; Outreville, 1996; Hwang & Greenford, 2005; Sen & Madheswaran, 2007). However, the indicator of price of life insurance is not available in the most of the studies because it is difficult to determine the price of insurance with the various customised nature of policies (Outreville, 1996; Savvides, 2006). The findings of these studies indicates that price of insurance is positively related to life insurance demand (Mantis & Farmer, 1969; Depamphills, 1975; Ward & Zurbruegg, 2002); the price of insurance variable is positive and statistically insignificant in the fixed effects model and is found negatively and statistically insignificant in the pooled cross-sectional model (Hwang & Greenford, 2005).This is because the longer life expectancy which is used to proxy the price of insurance has a positive effect on life insurance demand by resulting in a reduction in the price of insurance which leads the people to use life insurance (Outreville, 1996); the researcher suggested that the lower the price of insurance, it is expected to encourage more life insurance demand (Hwang & Greenford, 2005).Other empirical results showed that price of insurance are negatively related to life insurance demand (Outreville, 1990; Brown & Kim, 1993); whereas another study concluded that price situation does not affect life insurance demand at all (Sen &Madheswaran, 2007).

2. SOCIO-DEMOGRAPHIC FACTORS

Life Expectancy: Life expectancy is described as the number of years the average individual in a country is expected to live (Brown & Kim, 1993). It is also described as the average time span a human has before death, calculated from the time of birth (Neterova, 2008). Life expectancy is measured by life expectancy of males at birth in the time-series estimations and measured by the age of the head of household in the cross-sectional regressions (Savvides, 2006). The relationship between life expectancy and life insurance has been studied by many researchers (Brown & Kim, 1993; Beck& Webb, 2003; Ward & Zurbruegg, 2005; Sen & Madheswaran, 2007; Sen, 2008; Hussels, Li, Moshirian, Ngyuen &Wee; 2009). Some empirical studies document a positive impact of life expectancy on life insurance demand (Outreville, 1996; Savvides, 2006; Nesterova, 2008). Life expectancy was found to have a positive relationship with life insurance demand which was contrary to their expectation (Li, Moshirian, Ngyuen & Wee, 2007). Life expectancy is found to positively related to the demand for life insurance, but it not statistically significant and has been removed from the estimation in their study (Lim & Haberman, 2004).The positive relationship between life expectancy at birth and the demand for life insurance is explained as populations with a longer life span tend to buy life insurance policies because they expect to enjoy a lower cost for insurance, a greater incentive for human capital accumulation since the cost is being spread over a longer period and the cash value is being accumulated for a longer duration (Lim & Haberman, 2004). This positive relationship is explained through the expectation that the longer the retirement span either due to earlier retirement or due to longer life expectancy, than the higher the share of income that people seek to save during their working life time to ensure adequate resources for retirement (Savvides, 2006).

It also implies that the longer life duration reduces the price for life insurance and gives stimulus to purchase more of it in order to accumulate more capital through savings, therefore, the demand for life insurance products would be increased (Sen, 2008). However, some research (Brown & Kim, 1993, Beck & Webb, 2003) has shown that life expectancy is found to negatively relate to life insurance demand.

Dependency Ratio: The dependency ratio is described as the demographic structure of the average household in terms of the number of family members dependent on the main source of income (Lenten & Rulli, 2006). Empirical studies have shown that the dependency ratio is positively related to the demand for life insurance (Brown & Kim, 1993; Curak & Gaspic, 2011); and it has been found that the dependency ratio has a positive impact on foreign life insurance participation (Ye, Li, Chen & Moshirian, 2009).The increasing number of dependents shows that the person needs to buy more life insurance (Chui & Kwok, 2011).

In line with this, findings of past studies have indicated that young dependency ratio is negatively related to life insurance demand (Beck & Webb, 2003; Sen & Madheswaran, 2007).It is expected that a young dependency ratio will increase the demand for mortality coverage and decrease the demand for savings through life insurance and annuities (Beck & Webb, 2003).Whereas, an old dependency ratio is found to be positively related to the demand for life insurance (Beck & Webb, 2003; Sen, 2008). This can be explained as the older population grows, there will be a higher demand for savings (Beck & Webb, 2003).

Education: The findings on the relationship between education and the demand for life insurance was found to have a positive effect (Hammond, Houston & Melander, 1967; Ferber & Lee, 1980; Burnett & Palmer,1984; Brown & Kim, 1993; Hau. 2000; Hwang & Gao, 2003; Baek & Devaney, 2005; Savvides, 2006; Lin & Grace, 2007; Yusuf, Gbadamosi & Hamadu, 2009; Curak & Gaspic, 2011); but in other studies, education was found to be negatively related (Duker, 1969; Anderson & Navin, 1975; Auerbach & Kotlikoff, 1989). Higher education increases life insurance demand because people can better identify the types of life insurance available as well as have a strong desire to provide protection for dependents against risks (Truet & Truet, 1990; Baek & Devaney, 2005); and increase the insurance mindedness that helps to purchase life insurance products more objectively (Hau, 2000). The educational level of the household also represents a positive attitude toward life insurance demand (Yusuf,Gbadamosi & Hamadu, 2009). This may suggest people to have a greater awareness which can lead to an increase in the understanding of the importance of life insurance (Brown & Kim, 1993; Hwang & Gao, 2003; Savvides, 2006, Lin & Grace, 2007; Nesterova, 2008; Curak & Gaspic, 2011).

However, the findings in other studies reveal that education is negatively related (Anderson & Navin, 1975; Auerbach & Kotlikoff, 1989); and an insignificant relationship has been found between education and life insurance demand (Outreville, 1996; Beck & Webb, 2003; Tan, Wong & Law, 2009). The education level was found not to have a significant factor to determine life insurance demand because the people acquired the knowledge about life insurance from respective insurance agents and not from the formal education system (Tan, Wong & Law, 2009).

Age: In some literature, the findings showed that age is positively related to life insurance demand (Truet & Truet, 1990; Yusof, Gbadamosi & Hamadu, 2009; Liebenberg, Carson & Hoyt, 2010). This is because an increase in age indicates a higher positive attitude toward insurance and people who are towards the end of an active life are more conscious of life after retirement (Yusof, Gbadamosi & Hamadu, 2009). But, it was disclosed that when people grow up they have a greater awareness on the need of life insurance but the need of life insurance will decline as the people reach beyond a certain age. Evidence supports that age was found to have negative impact on life insurance demand (Goldsmith, 1983; Chen, Wong & Lee, 2001; Savvides, 2006; Liebenberg, James & Randy, 2010). This can perhaps be explained as people are more likely to purchase life insurance for morbidity as well as for retirement purposes which vary with their affordability and not age (Chen, Wong & Lee, 2001); as the average age of people increased the cost of obtaining coverage also increased and this can reduce the desirability of purchasing life insurance (Goldsmith, 1983); and for older people they are less likely to become involved in long-range planning (Savvides, 2006).

On the other hand, there are also some studies which indicate that age was not a significant factor influencing life insurance demand (Duker, 1969; Gandolfi & Miners, 1996). One of the studies produced mixed result, for example, age becomes statistically significant in both low and middle income groups but not in the high income class (Hammond, Houston & Melander, 1967).

Urbanisation: The relationship between the urbanization and life insurance demand has been identified in the previous studies (Neumann, 1969; Hwang & Gao, 2003; Savvides, 2006; Nestrova, 2008). The findings indicate that the urbanisation is statistically significant in which thedemand for life insurance is likely to increase as there is a higher degree of urbanization (Hwang & Gao, 1969;Savvides, 2003; Sen & Madheswaran, 2007). The result of determinants for 12 Asian Economies found that the urbanisation variable is significant but it suggests that the life insurance demand decreased because of the migration of rural poor into the urban areas; whereas the result of determinants for India suggested that urbanisation has a positive coefficient because the more urban an area, the demand for life insurance would increase (Sen & Madheswaran, 2007; Sen, 2008). The urbanisation has a positive relation because the increasing urbanisation level together with the economic progress can reduced the number of children and change the traditional economy as well by which the parents have to save funds in order to meet their retirement needs (Hwang & Gao, 1969); and it is expected that the consumers who lived in an urban area also have a higher level of life insurance demand as costs related to marketing, premium collection underwriting and claim handling are reduced even though the result cannot explain the variation in life insurance penetration (Beck & Webb, 2003).

However, in the other studies the results indicated that urbanisation has a negative coefficient (Neumann, 1969); the urbanisation level is found to be insignificant because it does not have a robust link to life insurance demand (Nestrova, 2008).

Household Size/Family Size/Number of Children: The relationship between household size or number of children and life insurance demand has been studied by several researchers (Hammond, Houston & Melander, 1967; Anderson & Navin, 1975; Goldsmith, 1983; Burnett & Palmer, 1984; Gandolfi & Miners, 1996; Savvides, 2006). Empirical studies have shown that the demand for life insurance is positively related to household size or family size (Hammond, Houston & Melander, 1967; Shower & Shotick,1994; Savvides, 2006). The number of children is a positive significant variable because households with a large number of children have a greater demand for life insurance (Ferber & Lee, 1980; Burnett & Palmer, 1984). It was found that household size is a good predictor of life insurance demand (Savvides, 2006); as the household size increased by one person, the current purchasers of insurance also increase (Shower & Shotick, 1994); and as the number of children increased, the amount of insurance also increased (Burnett & Palmer, 1984).

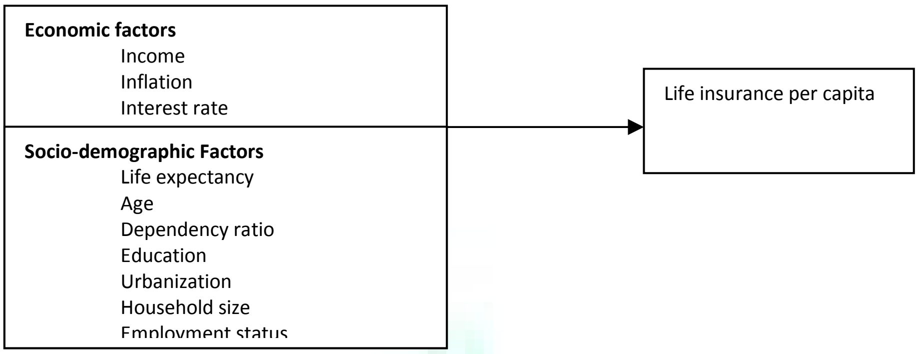
In other studies, the relationship between the household size and life insurance demand is weak (Gandolfi & Miners, 1996); the impact of household size on life insurance demand is found to be ambiguous and the larger households are less likely to purchase life insurance because the increase in household income due to an additional dependent is opposed by an increase in the cost of supporting a larger household (Goldsmith, 1983). Besides, the other findings showed that there is no significant impact between household size and the life insurance demand (Duker, 1969 ;Anderson & Navin, 1975).

Employment Status: The relationship between employment status and the life insurance demand has been studied in the past (Goldsmith, 1983; Skinner & Dubinsky, 1984; Savvides, 2006; Liebenberg, James & Randy, 2010); where the variables also include the labor force participation (Gandolfi & Miners, 1996); and the occupation as well (Hammond, Houston & Melander, 1967; Duker, 1969; Ferber & Lee,1996). Result from the studies suggest that employment status is a good predictor that influences the purchasing decision which can encourage life insurance demand (Black & Skipper, 1993; Savvides, 2006); and the employment status of an individual also influence the life insurance purchasing decision (Black & Skipper, 1993). Evidence has shown that both full and part time work has a positive impact on group life insurance ownership (Gandolfi & Miners, 1996). The purchasing of face amounts of life insurance is influenced positively by a wife's working status (Ferber & Lee, 1996); a wife's employment status is an important factor in a family decision to purchase life insurance (Skinner & Dubinsky, 1984); a household head's occupation was determined to be significant except for the middle and high income subgroups (Hammond, Houston & Melander,1967); and those who started with a new job were more likely to purchase life insurance (Liebenberg, James & Randy, 2010). The employment status is positively related to life insurance demand because the higher status of people represents the people who are future oriented, more financially sophisticated and more concerning in educating their children (Duker, 1969); which accounted for a greater awareness of the need for life insurance (Hammond, Houston & Melander, 1967).

2.4 PROPOSED FRAMEWORK

Based on the pertinent literature discussed earlier, a conceptual framework for the determinant of life insurance is developed (see Figure 1). This study suggests that several factors such as income, interest rate, financial development, pensions, stocks, price of insurance, life expectancy, dependency ratio, education, age, urbanisation, household size, employment status, inflation and savings are considered important factors that determine life insurance. The proposed framework for life insurance determinants is presented in figure 1.

FIGURE 1: PROPOSED FRAMEWORK FOR LIFE INSURANCE DETERMINANTS



From the above, the condition of life insurance suggests that:

- ✓ there are positive relationships between variables such as financial development, education, urbanization, household size and employment status with life insurance.
- ✓ there are negative relationships between variables such as price of life insurance, inflation, savings and unemployment rate with life insurance.
- ✓ there are ambiguous relationships between variables such as income, real interest rate, pensions, life expectancy, dependency ratio and age with life insurance.

Hence, this conceptual paper seeks to test the proposed framework of life insurance in the context of Ethiopia. It is worthwhile to do empirical studies to examine whether these factors are considered important and significant as mentioned in the proposed framework. However due to constraints of data, I selected five determinants to test empirically in Ethiopian context. These are income, real interest rate, dependency ratio, life expectancy for males and inflation. Except inflation all selected variables has ambiguous relationships with life insurance premium.

3. RESEARCH METHODOLY AND DESIGN

DATA COLLECTION: The study will use the secondary data that has been collected from World Bank reports, National Bank of Ethiopia annual reports, magazines and other relevant website.

SAMPLE SIZE: This study will use the sample size of 20 based on time series data that is collected and observed annually from the year 1991 to the year 2010.

DATA ANALYSIS: multiple regression analysis is used to predict the variance in the dependent variable by regressing the two or more independent variables against it.

THE THEORETICAL LINEAR REGRESSION MODEL: In the majority of empirical studies, the functional form of the demand equation is assumed to be either log linear or linear. In this study, the researcher will use linear demand Model.

INS $= \beta 0 + \beta 1GDP - \beta 2INT - \beta 3DR + \beta 4\ LIFEXP + \epsilon$

INS = life insurance premium per capita

GDP = Gross Domestic Product represented as Consumer's personal disposable income

LIFEXP = Life expectancy for males

DR = Dependency ratio

INT = Real interest rate represented as saving deposit rate

The researcher chooses this demand equation as multiple linear regressions due to the linear relation.

PROCEDURES

Coefficient of Correlation (*r*): It is used to indicate the strength and the type of relationship between the dependent and independent variables. Coefficient of correlation is used to measure the closeness of the linear relation of two variables. The value of *r* can be varied whether positive or negative and lies between negative 1 and positive 1 ($1 \leq r \geq 1$).According Field (2004) two variables with absolute value of correlation coefficient 0 to 0.29 is rated as having weak relationship, 0.30 to 0.49 is having medium relationship, 0.5 to 0.90 as having strong relationship and more than 0.90 is having very strong relationship which indicates as having high multicollinearity.

Coefficient of Determination (R^2): It is used to measure the proportion of the total variation present in the y values. The main usage of $\mathbf{R^2}$is to test how well the fitted regression line is. $\mathbf{R^2}$describes the explanation of independent variables in determining dependent variable. It ranges from 0 to 1. There is another measurement of coefficient of determination which is Adjusted R2, in which measure the goodness of fit that is adjusted for the number of explanatory variables in the model. This enables the researcher to compare two regressions that have the same dependent variable but a different number of independent variables.

T-Test:A t-test will determine if there is a significant relationship between dependent and independent variables whether it is positive or negative relationship. If the t-value is more than 2, therefore there is a significant relationship exists between the two variables.

F-test or ANOVA: It is used to test whether the independent variables as a group are significant or not in determining the dependent variable.

MULTIPLE REGRESSION MODEL ASSESSMENTS

This study will later analyze and discuss the problems that might occur in the model analysis. There are two most common problems that may arise. **These are:**

Multicollinearity: This is the problem when the explanatory variables are nearly or highly correlated. This usually happens when the researcher put two variables that nearly similar meaning in determining the dependent variable. One way of solving this problem is by eliminating or drop the variable that is considered to have multi-colinearity.

Autocorrelation: This is the problem that can be defined as correlation between members of observations ordered in time as in time series data. This will be identified through a test called Durbin Watson test, in which the d-value lie between 0 to 4 and a good model will indicate the d value around 1.5 to 2.5.

4. ANALYSIS AND INTERPRETATION OF DATA

This chapter will explain the detailed discussion about the regression that had been run. The findings consist of the interpretation of coefficients, scatter plots of the relationship between variables, the regression's problems and the solution or corrective way for the problems.

4.1 DATA ANALYSIS

MULTIPLE REGRESSION ANALYSIS ASSUMPTIONS

The standard or simultaneous multiple regression model is applied for this research in order to see and analyze the relationship between dependent and independent variables. Regression model analysis should meet all the seven Classical Assumptions such as:

i. The regression model is linear, is correctly specified, and has an additive error term.
ii. The error term has a zero population mean.
iii. All explanatory variables are uncorrelated with the error term.
iv. Observations of the error term are uncorrelated with each other (no serial correlation)/ not auto correlated.
v. The error term has a constant variance (no heteroscedasticity).
vi. No explanatory variable is a perfect linear function of any other explanatory variables(s) (no perfect multicollinearity)

vii. The error term is normally distributed

SPSS version 20 Software is used to analyze in this study. SPSS are a new version of a set of tools for manipulating time series data. SPSS provide sophisticated data analysis, regression, and forecasting tools on Windows based computers.

4.2 THE ESTIMATED LINEAR REGRESSION MODEL

In the beginning, the researcher was used multiple linear regression model for this study that contain five variables: Inflation, income, real interest rate (saving), dependency ratio and life expectancy for males. The regression equation from SPSS is as shown below:

Lifeinsper = - .003-0.0000001863 * INFLAT - 0.00000407*RINTE + 0.000005 * GDPPCAP + .000021 * LIFEXP+.000020*POPDEP

The equation shows that GDP per capita/ income (GDPPCAP), life expectancy for males(LIFEXP) and population dependence(POPDEP) has positive sign with life insurance premium per capita(Lifeinsper) whereas Inflation(INFLAT) and real interest rate (saving) has negative sign with life insurance premium per capita. Except inflation, other variables relation with life insurance is not consistent with the expected sign which was stated in the earlier of this study.

TABLE II: TABLE OF COMPARISON BETWEEN EXPECTED SIGNS AND RESULT SIGNS

Variables	**Expected Sign**	**Result Sign**	Coefficient of correlation	P value of coefficient of correlation
Inflation	-	-	0.54	0.013
Real interest rate	ambiguous	-	-0.589	0.006
GDP per capita/income	ambiguous	+	0.976	0.000
Life expectancy	ambiguous	+	0.916	0.000
Population dependency	Ambiguous	+	0.943	0.000

TABLE III: RESULT FOR REGRESSION MODEL

Variables	Coefficient of multiple regression	**Probabilistic Value of mult. Reg.**	**Significance α = 0.05**
Inflation	0.0000001	0.898	Insignificant
Real interest rate	-0.000004	0.149	Insignificant
GDP per capita/income	0.000005	0.004	Significant
Life expectancy	0.000021	0.014	Significant
Population dependency	0.000020	0.629	Insignificant
R-squared		.985	
Durbin-Watson stat		2.54	

From the table above, we can see the p-value for Inflation, real interest rate and Population dependency ratio are **insignificant** based on 5 percent level at 95 percent confidence interval. It means that these three independent variables were accepted the null hypothesis which stated no relationship with the life insurance premium per capita. Then the problem of multicollinearity and autocorrelation existed in this model based on the high R-squared value but low of ratio of Durbin Watson stats between 1 and 3(Field suggested that value between 1 or 3 are not serially correlated residuals). In order further evaluation to investigate whether this is the best model or not, the researcher will perform multicollinearity,and autocorrelation test.

PROBLEMS IN MULTIPLE REGRESSION MODEL

Multicollinearity: During running the regression using SPSS, the researcher was found a problem of muliticollinearity after analyze the significance of the variables. Multiclollinearity is a violation of the assumption that no independent variables are nearly or highly correlated. High correlation among independent variables will makes it hard to separate the effects of individual variables.

The problem can be detected by looking at the goodness of fit of the model (R^2) and t-ratio. When there is multicollinearity problem, the R^2 may be high and t-ratio will be low. High correlation coefficients (r) between independent variables is detected with the assumption if 'r' more than 0.90, there is a multicollinearity problem. Another detection of multicollinearity problem is by looking at the Variance Inflation Factors. Multicollinearity will inflate the variance of an estimator. Of the value of VIF is greater than 10 or Tollerance level less than 0.1, serious multicollinearity problem exist (Field, 2009).

TABLE IV: DETECTION MULTICOLLINEARITY

Variable	Collinearity Statistics	
	Tolerance	VIF
Inflation, consumer prices (annual %)	.208	4.799
Real interest rate (%)	.108	9.243
Income/GDP per capita (constant 2000 US$)	.056	17.890
Life expectancy at birth, male (years)	.143	7.011
Population dependency	.045	22.035

From the Table IV, we can see that income and dependency ratio has value of VIF more than 10, shows that there is serious multicollinearity exists. To solve that problem the researcher decides to drop the income or population dependency. When the variable " income" is dropped the result of multicolliniarity is as shown in Table V.

TABLE V: SOLVING MULTICOLLINEARITY PROBLEM BY DROPPING INCOME

Variable	Collinearity Statistics	
	Tolerance	VIF
Inflation, consumer prices (annual %)	.230	4.342
Real interest rate (%)	.152	6.563
Life expectancy at birth, male (years)	.204	4.895
Population dependency	.099	10.069

Still variable Population dependency has VIF greater than 10 and has the problem of multicolliniarty. Let me again drop variable population dependency. The result of the regression analysis is as follow:

TABLE VI: SOLVING MULTICOLLINEARITY PROBLEM BY DROPPING POPULATION DEPENDENCY

Variable	Collinearity Statistics	
	Tolerance	VIF
Inflation, consumer prices (annual %)	.212	4.717
Real interest rate (%)	.228	4.384
Income/GDP per capita (constant 2000 US$)	.122	8.175
Life expectancy at birth, male (years)	.144	6.953

By referring the table VI, we can see that the value of VIF is below than 10, shows that there is no more multicollinearity problem exists. This model is the best model after the researcher drop the population dependency variable and use linear regression.

Autocorrelation: Autocorrelation violates the assumption that observed errors are independent of each other. This problem is usually present in time series data. Autocorrelation can be detected by using the graphical methods in which the researcher has a plot the residual against lagged residuals.

However, there is a method that mostly used to detect the existence of autocorrelation problem which is Durbin-Watson'd' test. Durbin-Watson statistics has a range from 0 to 4, and the closer it is to 2, the less chance for autocorrelation problem exist. From the regression result that is derived from SPSS, the Durbin – Watson statistics is 2.403. Therefore, the researcher had checked the model not violated for autocorrelation.

4.3 THE BEST MODEL

After make a corrective and evaluating the model, the researcher has to rerun the regression again without two independent variable/income and population dependency ratio/ and finally one of two independent variable was being drop is population dependency. Then the best model come out by using linear regression as shown below:

$$Lifeinsper = -.001 - 0.000000277 * INFLAT - 0.000005*RINTE + 0.000006 * GDPPCAP + .000021 * LIFEXP$$

From the findings, an interpretation of the relationship can be made. It is shown the income and life expectancy has positive relationship with life insurance premium per capita while real interest rate and inflation has negative relationship with life insurance premium per capita. It means that changes in the income per capita and real interest rate will cause changes in life insurance premium per capita in the direct movement. For changes, real interest rate and inflation will cause change in life insurance premium per capita in the opposite direction.

Based on the equation, the researcher may able to interpret the coefficient of the independent variables. The interpretation of the coefficients is shown as follows:

- ✓ **β0=**-0 .001 means the average insurance premium per capita.
- ✓ **β1** = -0.00000277 means when the inflation decreases by 1%, the life insurance premium per capita increases by 0.000277%
- ✓ **β2** = - 0.000005means when the real interest rate decreases by 1%, the life insurance premium per capita will decreases by .0005%.
- ✓ **β3=** +0.000006 means when the income increases by 1%, the life insurance premium per capita will increases by .0006%.
- ✓ **β4=**+ .000021 means when life expectancy increases by 1%, the life insurance premium per capita will decreases by .0021%.

4.3.1 INTERPRETATION OF COEFFICIENTS

Correlation of Coefficient (r): Correlation coefficient is used to indicate the strength and the direction of linear relationship between variables. It also used to measure the closeness of the linear relation between two variables. From the SPSS, the researcher found that the derived correlation of coefficient for each independent variable in the regression as shown in table VII:

TABLE VII: ZERO ORDER CORRELATION

Dependent Variable	Independent Variable	Zero OrderCorrelation	ProbabilisticValue of Correlation	sig
Life Insurance Premium Per Capita	Inflation, consumer prices (annual %)	-0.540	0.013	Sig
	Real interest rate (%)	-0.589	0.006	Sig
	Income/GDP per capita	0.976	0.000	Sig
	Life expectancy at birth, male (years)	0.916	0.000	Sig

TABLE VIII: RESULT OF MULTIPLE REGRESSION AFTER SOLVING MULTI CO LINEARITY PROBLEM

Variables	Coefficient of multiple regression	**Probabilistic Value of mult. Reg.**	**Significance α = 0.05**
Inflation	-0.0000001	0.841	Insignificant
Real interest rate	-0.000005	0.014	Significant
GDP per capita/income	0.000006	0.000	Significant
Life expectancy	0.000021	0.010	Significant
R-squared		.98	
Durbin-Watson stat		2. 403	

Correlation of Coefficient: An interpretation can be made from the table above. The value of 'r' in zero order correlation for the income is 0.976; therefore, it is considered that income has strong positive relationship with the life insurance premium per capita. For real interest rate, it has medium negative relationship with life insurance premium per capita which it -0.589. The 'r' value of inflation is 0.540, which indicate inflation has a medium positive relationship with the life insurance premium per capita. The 'r' value of life expectancy is 0.916, which indicate Life expectancy at birth, male has a strong positive relationship with the life insurance premium per capita.

Coefficient of Determination (R^2): Goodness of fit of the estimated multiple linear regressions can be measured by coefficient of determination. It is represented by R^2 and adjusted R^2. The interpretation of the adjusted R^2 is more preferable because of the advantage of comparing the goodness of fit of two models with the same dependent variable but with the differing number of independent variables.

TABLE IX: COEFFICIENT OF DETERMINATION AND ADJUSTED R^2

Coefficient of Determination; R^2	**Adjusted R^2**
0.985	0.980

The value of adjusted R^2 that is derived from the SPSS program is 0.985. Therefore, it means that 99% of the life insurance premium per capita in Ethiopia is explained by the independent variables which are income per capita, real interest rate and life expectancy. The adjusted R^2 measures the percentage of the variation of life insurance premium per capita around its mean that is explained by the regression equation, adjusted for degrees of freedom. The value of the adjusted R^2 is shown as 0.980.

4.3.2 HYPOTHESIS TESTING

Hypothesis testing attempts to examine whether the relationship between dependent variable and independent variables truly exists. Hypothesis testing is used to test the relationship and significance of individual independent variable that is represented by t-test and independent variables as a group that is called Z-test. Based on the regression resulted from SPSS, the researcher will make analysis and conclusion on the relationship between dependent variable and independent variables. The hypothesis was change due to the changes of one variable which is population dependency. The new model will come out with the new regression equation derived from the SPSS as follow:

$$\text{Lifeinsper} = - .001 - 0.000000277 * \text{INFLAT} - 0.000005 * \text{RINTE} + 0.000006 * \text{GDPPCAP} + .000021 * \text{LIFEXP}$$

The new model above contains four independent variables that are income, inflation, real interest rate (saving) and life expectancy. Among the four variables, real income, GDP per capita and life expectancy significantly determine life insurance in Ethiopia. Of the determinants of life insurance in Ethiopia 98% is explained by these factors. Inflation is not a significant determinant of life insurance in Ethiopia. Life expectancy and GDP per capita has a positive impact on life insurance in Ethiopia but real interest rate has negative on life insurance in Ethiopia.

5. CONCLUSION AND RECOMMENDATION

5.1 CONCLUSIONS

As stated in the earlier chapter of this study, the primary objective of this study is to determine the sign of coefficient between life insurance premium per capita and income, inflation, real interest rate, dependency ratio and life expectancy for males. However, one independent variable was changed due to problem of multicollinearity and autocorrelation (Population dependency). The dependency ratio has been removed to eliminate the multicollinearity problem and the problem of multicollinarity is solved.
Thus, the new model come out with one less variables and the objective has change to determine the sign of coefficient between life insurance premium per capita and income, inflation ,real interest rate and Life expectancy at birth, male . The sign of coefficient for the four independent variables summarized as table below:

TABLE X: TABLE OF COMPARISON BETWEEN EXPECTED SIGNS AND RESULT SIGNS

Variables	Expected Sign	Result Sign
Inflation	-	-
Real interest rate	Ambiguous	-
GDP per capita/income	Ambiguous	+
Life expectancy	Ambiguous	+

Based on the table above, the researcher found out that income has positive sign with life insurance premium per capita whereas real interest rate and inflation have negative sign with life insurance premium per capita. Finally life expectancy and life insurance premium has conflicting result with what the researcher expects.
Then the researcher will proceed to explain further regarding the second objective of this study. The significant of coefficient between life insurance premium per capita and four independent variables as stated below:
Life insurance premium per capita and income: The income variable is significantly positive correlated with the life insurance premium per capita in Ethiopia which supports previous study findings (**Lewis 1989, Truett and Truett 1990; Browne and Kim 1993, Beck and Webb 2003**). Several reasons explain why life insurance consumption should rise with income. Firstly, there is no reason to believe that insurance is anything other than normal good, which the consumer purchases more with an increases in income (**Salvatore N.D.) .**Also, if consumption levels fall relative to income, there follows a need for financial instruments to absorb surplus funds, enabling greater accumulation of wealth (**Hwang and Goa, 2003).** Secondly, as a person's level of income rises, the desire to maintain living standards of dependents generates larger policies (**Liam & David, 2003**).
Life Insurance premium per capita and real interest rate: The ***real interest rate*** variable is significantly negative related with life insurance premium per capita. This is because higher interest rates might be expected to reduce demand as higher yields on alternative savings products makes life insurance less attractive (**Lim & Haberman, 2004**). High real interest rates do not persuade people to buy more insurance because of higher preferences for immediate consumption relative to deferred consumption. People prefer to save money in bank account due to easily to withdraw if anything happen and one of the reason why people now still prefer to invest or save money to traditional financial instrument because of benefit from a feeling of being more financially secured. In addition, as modern financial investment are not as popular in Ethiopia as in developed economies, people tend to use saving as a mechanism to achieve security.
Life Insurance premium per capita and inflation: Based on the equation, there is a negative sign between the life insurance premium per capita and inflation that the result is consistent with the previous study (**Browne & Kim 1993, Lim & Haberman, 2004**). It means that when the inflation becomes more and more, it tends to discourage people from owning life insurance policies or they do not afford to pay the cost of life insurance.
Life Insurance premium per capita and Life expectancy : Life expectancy and life insurance premium found to be positively related in Ethiopian context. This is supported by some previous studies (Truet & Truet, 1990; Yusof, Gbadamosi & Hamadu, 2009; Liebenberg, Carson & Hoyt, 2010).This is because an increase in age indicates a higher positive attitude toward insurance and people who are towards the end of an active life are more conscious of life after retirement (Yusof, Gbadamosi & Hamadu, 2009).

5.2 RECOMMENDATIONS

The researcher will recommend some alternatives to promote and increase demand for life insurance in Ethiopia. As we know, life insurance is sub-sector under financial sector that become an important role as contributor to economic growth. The growth in life insurance will bring a lot of benefit in economy as well as society as a whole.
The government should promote life insurance as financial plan to the society by holding a campaign on the importance of life insurance, directly or holding awareness campaign in rural area. They can organize insurance fair by cooperate with health ministry especially in rural area. The reason is the rural area most of the people did not know about this life insurance and it importance as financial instrument which give certainty. Besides, the government should use media, internet and billboard as a medium of promoting the life insurance and made a program such true story regarding the life insurance. This program will give big impact to society about how important the life insurance to their family as extra saving in the future such health, education and job losses.

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COLLABORATION BETWEEN SALES AND MARKETING INCREASES THE BUSINESS PERFORMANCE: EVIDENCE FROM PAKISTANI EXPORT INDUSTRY

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ABSTRACT

The purpose of this study is to know whether superior levels of collaboration between marketing and sales are linked with improved business performance and to highlight factors that are administratively related to this interface. This study aims to explore the marketing and sales working relationship through quantitative research, survey of Pakistani Export companies through questionnaires is being used in this research study. The research concludes that high level of organizational learning, communication, minimizes interdepartmental conflicts, results as better business performance. This study has many implications for managers, for instance, for better sales and marketing department relations, senior management need to create a positive coordination, which can help them to reduce interdepartmental conflicts. Top management should provide such training programs and environment that encourage functional departments to work together to get maximum productivity. However, literature significantly supports hypothesis of this study, but it also raises additional research issues which are yet to be explored; similar model can be used in other industries of Pakistan to better understand the implications of this model.

KEYWORDS

Marketing and Sales Interface, Collaboration between sales and marketing, Organizational Learning, Business Performance.

INTRODUCTION

This has been the most important issue in business-to-business organizations that how to improve coordination and working relationship between marketing and sales department (Kotler, Krishnaswami, & Rackham, 2006). Empirical evidences on the topic of collaboration between sales and marketing in business-to-business organizations are very limited, although a fewer number of authors have tried to conceptualize the relationship of collaboration between sales and marketing departments (Brencic & Biemans, 2007). The major cause that this area has been ignored until now is that previously marketing and sales department treated as separately e.g. both departments have their own goals, but the ultimate goal of both these two departments is to increase market share (Jensen & Homburg, 2007). Conversely, in multinational organizations, marketing and sales are commonly controlled as separate departments (Kotler *et al.,* 2006) that execute different tasks (Shapiro, 2002). Kotler, Krishnaswami, & Rackham, (2006) entitled "Ending the War between Sales & Marketing." This review anticipates that marketing and sales do not always operate collaboratively to the profit of the organization.

Every organization should improve the coordination and working relationships between marketing and sales department (Kotler, Krishnaswamy, & Rackham, 2006). Munn (1998) indicate that functions of marketing and sales departments are interlinked, hence these activities should be highly coordinated. Marketing depends on sales professionals to convey the marketing message to valuable customers in order to achieve higher market share (Chonko & Colletti, 1997). Furthermore, Blythe & Yandle (2000) identified that sales function are normally directly related with marketing functions to give a steady supply of potential customers with the help of their promotional actions. Consequently, sales and marketing have same ultimate goals to effectively target and sell their products and services in order to increase organization's profitability.

PROBLEM IDENTIFICATION

Although this interface demonstrate the most curial relationships within an organization (Dawes & Jobber, 2000; Dawes & Massey, 2005), hence this importance have build up interest of academics and practitioners to explore issues regarding these two departments (Kotler *et al.,* 2006; Rouzies *et al.,* 2005). One reason of being ignored by organizations and customers generally considered sales and marketing as a single function (Webster, 1997), customers usually perceive about sales and marketing department that both departments performing similar tasks and functions. In large organizations, sales and marketing department's role are very different for each other. For instance, the function of sales department is to stimulate and sell the products to the target customers. While marketing perform different functions, their major concern is identifying potential customers and markets. Furthermore, to integrate sales, distribution, and integrated marketing plans (Webster, 1997). Prior studies highlighted several negative aspects of marketing and sales departments (Dawes & Massey, 2005; Piercy, 2006; *Kotler et al.,* 2006), e.g. usually poor coordination between marketing and sales results as in poor planning and goal setting (Olson *et al.,* 2001; Kotler *et al.,* 2006).

Prior studies have highlighted antecedents that cause high collaboration between marketing and sales department e.g. communication, market intelligence, management attitudes towards coordination, organizational learning (Ken Le, Meunier-FitzHugh, & Nigel F. Piercy 2007). Furthermore, interdepartmental conflicts should be minimized that both sales and marketing departments work with higher collaboration to achieve better results for business performance (Ken Le, Meunier-FitzHugh, and Nigel F. Piercy 2007).

The purpose of this study is to know whether superior levels of collaboration between marketing and sales are linked with improved business performance and to highlight factors that are administratively related to this interface. This research includes to the conceptualization by Jobber & Dewsnap (2000) and Rouzies *et al.,* (2005) by providing an empirical investigation of antecedents that might influence collaboration between marketing and sales departments and their interrelated functions.

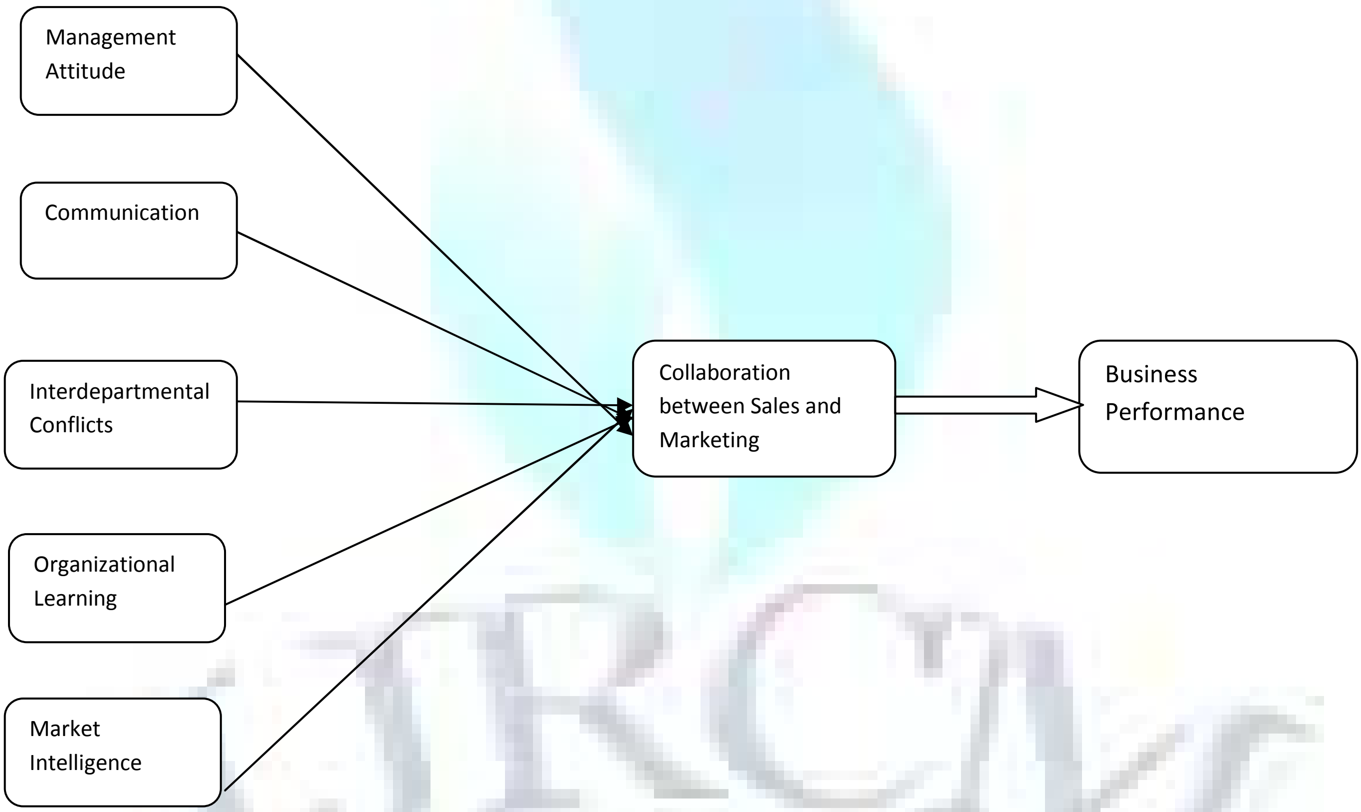
REVIEW OF LITERATURE

This study identifies five antecedents to collaboration between marketing and sales and anticipates a significant relationship between business performance and marketing and sales collaboration. Interdepartmental conflict between the marketing and sales activities is depended on inadequately aligned objectives (Massey & Dawes 2005; Piercy 2006). In addition, some marketing and sales departments practice role uncertainty, and there might be a lack of recognizing of both departments' roles (Kotler, Krishnaswamy, & Rackham, 2006).

For that reason, it is anticipated that interdepartmental conflict will negatively influence collaboration between marketing and sales department. Cross-functional learning can guide to better collaboration between teams because information might conveyed through informal systems (Wilemon & Mayers, 1989). Consequently, organizational learning will have a positive impact on collaboration between marketing and sales. Market intelligence could be a method on which both marketing and sales can relay to accomplish combined success, and it is anticipated to encourage collaboration. Improved collaboration between sales and marketing possibly will be found on the better communications between the two departments.

The management attitude towards coordination between marketing, and sales is the main construct within the framework. Thus, top management should establish and encourage integrated working relationships between marketing and sales. In conclusion, where top managers succeed in integrating cross-functional activities organizations will get higher level of profits (Workman, Homburg, & Krohmer, 2002), this proposed that high levels of coordination and collaboration between sales and marketing will give better business results.

CONCEPTUAL MODEL



COLLABORATION AND BUSINESS PERFORMANCE

The term "collaboration" suggested by Kahn's (1996) that collaborative essentials of mutual understanding, shared resources, collective goals, informal activity and common vision do have a significant influence on business performance. Focus is not only to think about integrations of these activities of marketing and sales. Kotler (2006), and Shapiro (2002) proposed, that marketing and sales departments have different functions or tasks which are performed by different people of these two departments. Although the ultimate goal is to maximize profits and make customers more loyal towards their brand but still marketing and sales have dissimilar or distinctive functions as well, which can't be ignored at the same time these tasks are interdependent to each other.

The main theme of this study is to more focus on collaboration between sales and marketing rather than integration. The foremost issue is to identify potential benefits through collaboration. Literature supports that there are operational benefits can be achieved through better internal collaboration (Spiro & McGee, 1988). It is also indicated that internal integration leads to superior performance (Webster, 1997), at the same time Tjosvold (1988) anticipate that collaboration and integration between functional departments results as competitiveness and productivity. Prior studies proposed that those organizations who promote better internal relationships leads to higher value for their target customers (Jaworski & Kohli 1990; Turnell & Morgan 2003). There is confirmation of strong relationship collaboration between sales and marketing departments or other functional department leads to enhanced business results.

***H1:** Collaboration between marketing and sales department has direct impact on business performance*

MANAGEMENT ATTITUDE TOWARD COLLABORATION

Practical specialization is vital for operational efficiency but it can only be done through building collaborative working relationships (Piercy, 2006). Olson and Viswanath (1992) proposed that role of senior management is very critical to provide such a collaborative working environment for functional departments. Top management should provide such training programs and environment that encourage functional departments to work together to get maximum productivity (Kahn, 1996). The process of building collaborative environment leads to collective vision (Senge 1990). Similarly Kotler, Krishnaswamy, and Rackham, (2006) proposed that senior management should organize resources which minimize the affect of interdepartmental conflicts. Major responsibility of senior management is to minimize interdepartmental conflicts between marketing and sales departments. Thus we hypothesized as follow

***H2:** Management Attitude toward collaboration has direct impact on business performance*

COMMUNICATION

Effective communication between functional departments is a key construct in collaboration (Kotler, Krishnaswamy, & Rackham, 2006). Sounder (1988) anticipate that regular meetings to discuss about new market trends gives a detailed information to each functional department and cause better inter-functional relationships. Through flow of market information across functional department professionals tries to better strengthen interdepartmental relationships, although this decrease interdepartmental conflicts but still it is not enough (Massey and Dawes 2005). If the interaction is unfriendly, there will be no benefits of information for both sales and marketing departments (Rouzies *et al.,* 2005). Effective communication is multi directional and can reduce interdepartmental conflicts. Therefore, study hypothesized as;

***H3:** Communication between marketing and sales department has direct impact on business performance*

MARKET INTELLIGENCE

Prior researches recommend that feedback from the sales professionals should be included in congregation of market intelligence (Kotler, Krishnaswamy, & Rackham 2006). In addition, Tandon and Wood (1994) anticipate that market intelligence data will be useless if it is not disseminated among functional departments. It is not only related to dissemination of the data, it is also crucial to processed, analyzed and interpret it properly (Allgaier & Powell, 1998). Consequently, in order to get higher level of collaboration between marketing and sales departments market information should be gathered and disseminate systematically. Thus, study hypothesized;

***H4:** Market Intelligence increases Business performance*

ORGANIZATIONAL LEARNING

Organizational learning is necessary to be competitive and profitable in the market. Organizational learning refers to structure and facilitates the development of new strategies that have potential to compete (Slater, Hult, & Ketchen, 2002). Effective learning involves experience and knowledge to integrate new concepts. Each member of the organization has the potential to add in learning (Cravens 1998). Organizational learning supports employees in groups that they can come up with their new ideas and these new ideas would result better for the organization (Crosson & Vera, 2004). Bunderson and Van der Vegt proposed that people from diverse backgrounds share new ideas, and when they work together, productivity would be increased. Learning is the sharing of knowledge, ideas, and concepts with others encourage collaboration among people. The intention is that marketing and sales required developing sharing behaviors. Thus, study hypothesized;

***H5:** Organizational Learning has direct impact on business performance*

INTERDEPARTMENTAL CONFLICTS

Interdepartmental conflicts, the dissimilar goals, cross-purposes and not welcome each other's rolein decision making. Prior research identified that there are interdepartmental conflicts exits between marketing and sales department (Massey & Dawes, 2005). Blythe and Yandle define interdepartmental conflicts as a miss-match in functions in a way, that employee feel not comfortable working together. There are many causes behind lack of collaboration between marketing and sales, representatives of these departments have their own way of working, philosophies, and mostly having different backgrounds (Piercy, 2006). Thus, study hypothesized;

***H6:** Interdepartmental Conflicts are negatively associated with business performance*

IMPORTANCE OF THE STUDY

This research study is about the inter-relationship between the marketing and sales departments and market-orientation in small and large business-to-business companies from Pakistan exporting their products to different parts of the world. Even though it is mostly accepted that coordination among internal departments lead to organizational success (Kohli & Jaworski, 1990; Slater & Narver, 1994).

The collaboration between internal departments sales and marketing is directly related to the business success still under-researched. Furthermore, there is prove to highlight that this relationship posses lack of unity and even disagreements (Rouzies et al., 2005; Kotler, Rackham, & Krishnaswamy, 2006). It has been observed that most of the conflicts occurred due to difference of objectives and job differences (Donath, 2004; Homburg & Jensen, 2007).

It is proposed that due to low collaboration between sales and marketing departments lead to spoil overall business performance (Corstjens & Corstjens, 1999). Consequently, the significance of collaborative marketing and sales departments has been unnoticed, rather it is not only important to market orientation but it has potential benefits to overall business performance.

PROBLEM STATEMENT

How collaboration between sales and marketing departments can be effective to business performance. What remedial measures organizations should take to increase the productivity of these two essential internal departments in order to minimize conflicts?

OBJECTIVES

The objective of this study is to know whether superior levels of collaboration between marketing and sales are linked with improved business performance and to highlight factors that are administratively related to this interface. This research includes to the conceptualization by Jobber & Dewsnap (2000), and Rouzies et al., (2005), by providing an empirical investigation of antecedents that might influence collaboration between marketing and sales departments and their interrelated functions.

HYPOTHESIS

H1: Collaboration between marketing and sales department has direct impact on business performance
H2: Management Attitude toward collaboration has direct impact on business performance
H3: Communication between marketing and sales department has direct impact on business performance
H4: Market Intelligence increases Business performance
H5: Organizational Learning has direct impact on business performance
H6: Interdepartmental Conflicts are negatively associated with business performance

RESEARCH METHODOLOGY

A sample of Pakistani business-to-business organizations is included, although Pakistani industrial organizations are not very large in numbers as compared to International organizations. Export companies of Sialkot are selected for this research study, who deals in export of surgical, veterinary, and apparel goods. Authors personally visited these companies in order to collect reliable data. 100 questionnaires are being distributed to sales and marketing departments of these companies. Sialkot export industry is selected because they are very successful all over the world in export of surgical, veterinary, and apparel goods.

Majority of the respondents lies in the age group of 30-40 and 20-30, 47% respondents belongs to the age group of 30-40 and 41% respondents belongs to the age group of 20-30.Other details of age group are shown in appendix 1 and bar chart1.
The respondents who are working in sales and marketing departments have the minimum experience of 3 years. The maximum respondents got five years working experience in their respective departments, other details of respondents' experience are shown in below chart.

RESULTS AND DISCUSSION
We selected five independent variables, one mediating and one dependent variable. Independent variables are (Management attitude toward coordination, Interdepartmental conflicts, Communication, Market Intelligence and Organizational Learning), mediating variable is collaboration between sales and marketing, and Business performance as dependent variable.
Management attitude toward coordination and business performance has a positive relation (r=0.81, n=100, p<0.01) strong relationship between these two variables i.e. if Management Attitude toward coordination increase, business performance will be better. Communication increase the business performance (r=0.83, n=100, p<0.01) has strong relation and Communication impact on business performance is at high ratio. Interdepartmental Conflicts and business performance has a negative relation (r= 0.16, n=100) it means that if interdepartmental conflicts increases it will decrease the business performance Organizational learning and business performance both have a strong positive relation (r=0.095, n=100, p<.01). If organization more concerned more about organizational learning it will definitely increase business performance. Market Intelligence and business performance has a positive relation (r=0.95, n=100, p<0.01) strong relationship among these two variables i.e. if Market intelligence increase, business performance will be better. Collaboration between sales and marketing increase the business performance (r=0.41, n=100, p<0.01) has a moderate relation and Communication impact on business performance is at moderate ratio.
In first equation, we want to check the effect of all variables on Business Performance. 2.251 is a fixed value, which will occur in every situation. It means that if there is no management attitude toward coordination and effect of other variables then how much management advocates the business performance. The coefficient of retailer background is 0.048that if management attitude toward coordination is going upward business performance will be increased. The R square value for all variables is between .02-012, which shows that there is a mediating effect exit of collaboration between sales and marketing department.
Management Attitude toward collaboration has direct impact on business performance, it has significant impact on market intelligence and interdepartmental conflicts. Management plays an important role to provide such a platform where collaborative relationship between sales and marketing should be promoted. Top managers should promote aligned and integrated goals between functional departments.
Communication between marketing and sales department has direct impact on business performance. Communication is the main construct in this study, it give prospect to sales and marketing department to share information. It is also helpful to minimize interdepartmental conflicts among functional departments. Flow of information gives positive results for the organization (Kotler, Krishnaswamy, & Rackham 2006).
Market Intelligence is vital for both marketing and sales departments; it gives a better understanding of customers in a effective way. Market intelligence data will be useless if it is not disseminated among functional departments (Allgaier & Powell, 1998). Consequently, in order to get higher level of collaboration between marketing and sales departments market information should be gathered and disseminate systematically.
Organizational Learning is a key construct in this study; Organizational learning refers to structure and facilitates the development of new strategies that have potential to compete (Slater, Hult, & Ketchen, 2002). Effective learning involves experience and knowledge to integrate new concepts. Furthermore, organizations grow, and sharing ideas, working together would be better enhanced.
Interdepartmental Conflicts are negatively associated with business performance**.** It happened when interdepartmental conflicts increase, collaboration between marketing and sales is more likely to be decreased. Effective learning involves experience and knowledge to integrate new concepts. Each member of the organization has the potential to add in learning (Cravens, 1998). Organizational learning supports employees in groups that they can come up with their new ideas and these new ideas would result better for the organization (Crosson & Vera, 2004).

MANAGERIAL IMPLICATIONS
This study has many implications for managers, for instance, for better sales and marketing department relations, senior management need to create a positive coordination, which can help them to reduce interdepartmental conflicts. Top management should provide such training programs and environment that encourage functional departments to work together to get maximum productivity. Furthermore, senior management should organize resources which minimize the affect of interdepartmental conflicts. Major responsibility of senior management is to minimize interdepartmental conflicts between marketing and sales departments. Routine meetings should be integrated that higher level of information flow.

CONCLUSION
The study concludes strong support for the hypothesis "Collaboration between marketing and sales department has direct impact on business performance". Even though this hypothesis has been anticipated in the literature that collaboration between marketing and sales department has direct impact on business performance (Rouzies *et al.,* 2005; Kotler, Krishnaswamy & Rackham, 2006; Jobber & Dewsnap, 2000), this is the first empirical investigation that collaboration between marketing and sales department has significant impact on business performance. These findings propose that organizations should promote relationship between sales and marketing department. We conclude that although these independent variables have direct impact on business performance but only when collaboration between sales and marketing exits.

SCOPE FOR FURTHER RESEARCH
However, literature significantly supports hypothesis of this study, but it also raises additional research issues, which are yet to be explored, similar model can be used in other industries of Pakistan to better understand the implications of this model. Secondly, a large sample in which marketing and sales department staff members should be included. Therefore, this study could be tested in other industrial areas of Pakistan.

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EFFECT OF OUTSOURCING ON ORGANIZATIONAL PERFORMANCE IN BANKING INDUSTRY IN NIGERIA

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ABSTRACT

This research project seeks to identify the effects of outsourcing on organizational performance, using Guaranty trust bank as a case study, it unravels the advantages of outsourcing in any organization. The development of outsourcing has always been a headache to employees, strategic partners and the organization. It is with this view that this research work was undertaken to find out whether outsourcing improves performance. In doing this, research questions were raised and hypotheses were tested using correlation, Z-test and kendall's coefficient of concordance on the dependent and independent variables to ascertain the fact of whether a relationship exist between outsourcing and performance. Random technique was used to select some respondents using yaro yamani formula to ascertain the number of respondents in guaranty trust bank to represent the banking industry. A questionnaire was designed with twenty-eight questions respectively relating to the dependent and independent variables. The SPSS statistical tool was used to analyze the data collect from 119 respondents and the result got attested with so many works in the literatures. In conclusion recommendation were made like concern authority should provide robust and sincere dialogue about outsourcing intentions, purposes, and opportunities for alternative internal employment for those affected by outsourcing and exist strategy should also be planned.

KEYWORDS

outsourcing, organizational performance, banking industry.

INTRODUCTION

The term outsourcing was introduced in the mid 1980s. However, the idea of hiring someone else to do some specific jobs or dividing labour had existed for hundreds of years in business, outsourcing can be found everywhere; whether big or small, simple or complex. During the pre 1990s, the outsourcing was primarily focused on labour intensive production tasks and business activities outside the company's core competitiveness, such as outsourcing printing press, food preparation and janitorial works, hiring the seasonal migrant farm workers and so on. In the industry society, outsourcing began with manufacturing. In order to reduce the cost after the great depression, manufacturers began to think of outsourcing complex production tasks instead of building core competencies through controlling the production process from end to end vertically (Lonsdale & cox, 2000). Most large manufacturing firms had outsourcing relationships for decades ranging from the relationship of the automobile industry to many different producers of metal, glass, rubber and electrical products. At the end of 1930, Two-thirds of Ford production came from outside sources. As a result of global outsourcing in the post war economy, the cost saving and productivity benefit are achieved. Thus, many companies began turning over some or all their production processes to business partners, today contract manufacturing is a norm in industries ranging from electronics to telecommunications to technology and outsourcing of primary supply chain activities has been common in industries. The basic aim of outsourcing is to be cost effective and up to date in production process.

The market for providers of outsourced services of all types is growing rapidly in Nigeria and in today's world of ever increasing competition; organizations are forced to look for new ways to generate value. The world has embraced the phenomenon of outsourcing and companies have adopted its principles to help them expand into other markets (Bender 2001). Strategic management of outsourcing recently became the most powerful tool in management used in carrying out organizational functions in Nigeria. Outsourcing has increasingly played an important role in business and it has also been adopted rapidly in strategic areas (Nellore and Soderquist, 2000; Mazzawi, 2002) to compete in today's global business environment (Mclvor, 2008). This is due to the fact that it is viewed as the contribution by external suppliers in the user's organization and that it relies on external sources for value-adding activities. Accordingly, firms execute outsourcing for benefits such as reducing operational costs, improving non-competitive cost structures, focusing on core competences, providing with greater capacity of flexibility, spreading and sharing risks of business in general, and increasing the performance of firms (Nellore and Soderquist, 2000; Quelin and Duhamel, 2003; Mol, 2007; Wu and Park, 2009). Therefore, not surprisingly, researchers and practitioners have supported the use of strategic outsourcing as an efficient way to increase profits, enhance new product success and performance (Rothaermel 2006; Weigelt, 2009), and speed to organizational competitiveness (Arnold, 2000: Jiang 2007). If you are a business executive, you may be feeling overwhelmed by the complexity of your company's resources, and you may be thinking about outsourcing. The decision-making process around outsourcing will include the assessment of a broad range of factors. These include identifying whether investment in a particular technology is the best decision, given how quickly it can become obsolete; how scalable the resources should be to support the demands placed on it; how effectively you can manage this resources to support corporate business objectives; and potential cost savings that can be realized through outsourcing. Potential cost savings associated with an outsourcing engagement depends on the size of the company and the scope of services involved, among other factors.

The concept of outsourcing is described as the operation of shifting a transaction previously governed internally to an external supplier (i.e. partners) through a long-term contract (Quelin and Duhamel, 2003). Therefore, outsourcing represents the fundamental decision to reject the internalization of an activity (Franceschini 2003); this is similar to the act of sourcing from outside (Busi, 2008). With the increase in outsourcing, in the context of today's increasing global competition, the view of outsourcing changes from the traditional concept to strategy (Nellore and Soderquist, 2000; Hoecht and Trott, 2006; Holcomb and Hitt, 2007; Busi, 2008). Strategic outsourcing is defined as organizing arrangement that emerges when firms rely on intermediate markets to provide specialized capabilities that supplement existing capabilities deployed along a firm's value chain (Holcomb and Hitt, 2007). Strategic outsourcing focuses on creating value to align with the business processes that are changed to be in line with strategic goals (Mazzawi, 2002). Consequently, firms focus on creating values by requiring specific competencies of partners, and outsource everything except those special activities when they want to gain the competitive advantage (Mclvor, 2008). In other words, strategic outsourcing seems to be the collaboration strategy between firms for achieving goals. The collaboration with other firms has been provided the source of competitive advantage (Fontenay and Gans, 2008). This is due to the fact that during the collaboration of outsourcing, the firm is able to innovate, learn about outsourcing items, and build specific and valuable relationships with partners. Moreover, the collaboration through outsourcing is core competence resources that are fundamental to a firm's strategic position.

The global marketplace has placed a tremendous amount of pressure on companies to improve performance. Firms must improve performance to remain cost competitive. Outsourcing has been viewed as one way for producers to reduce costs. Outsourcing is defined as the substitution of external purchases for internal activities (Lieb and Randall, 2006). Cost reductions due to outsourcing result from focusing on core activities and key differentiators; reducing and controlling operating costs; releasing capacity and resources for core projects; gaining access to world-class capabilities; reducing time-to-market and cycle time; sharing operational risk; and improving management of functions that are difficult to manage or functions that are out of control. Business enterprise must often make the decision to outsource when internal capabilities are not cost efficient. The outsourcing of support functions, such as logistics, is one way to reduce costs. The contracting of logistics functions to an external supplier is referred to as third-party logistics. Partnering with a is a third-party logistics viable approach to develop, collaborate on, and leverage the capabilities that lead to enhanced performance (Stank 2003). Approximately sixty percent of Fortune 500 companies are reported to be having at least one contract with a third-party logistics provider (Lieb and Bentz, 2004). Outsourcing has evolved through deregulation and controversy. Outsourcing has grown considerably over several years, largely due to competition. There is a potential impact on employees when firms consider the use of outside contractors for some important functions. Maloni and Carter (2006) suggest that examining the effect on worker morale and productivity is a viable research stream for the future. In many instances, one of the motivating factors for considering such action is the desire to reduce headcount; nevertheless, the potential negative impact on company morale cannot be ignored. This concern for employees must be balanced against a firm's ability to compete in the market. Limited empirical research has appeared on the information sharing- outsourcing performance relationship, despite its apparent practical importance. For example, previous research has examined the relationship between information exchange of such enterprise, as well as knowledge sharing and outsourcing success in the industry (Lee 2001).

In today's world of ever increasing competition, organizations are forced to look for new ways to generate value. The world has embraced the phenomenon of outsourcing and companies have adopted its principles to help them expand into other markets. Strategic management of outsourcing is perhaps the most powerful tool in management, and outsourcing of innovation is its frontier (Quinn 2000). Outsourcing is a management strategy by which an organization delegates major, non-core functions to specialized and efficient service providers, have more recently been replaced by productivity, flexibility, speed and innovation in developing business applications, and access to new technologies and skill. First of all, outsourcing usually reduces a company's control over how certain services are delivered, which in turn may raise the company's liability exposure.

Outsourcing can offer definite advantages but only if you do it right. Outsourcing is fraught with danger for the unwary executive or corporate counsel. Outsourcing, in its most succinct form, can be defined as the delegation to another party of the authority for the provision of services under a business contract that incorporates service-level agreements related to cost, quality, and the timeliness of deliverables. Given a diverse nature of business processes a firm has to manage today, it is nearly impossible for a firm to manage all of its processes by solely depending on its own expertise. Even if it is feasible, the firm may lose its focus and efficiency. Outsourcing some or all of non-core business processes can enable a firm to focus on core competencies, rather than services that fall outside of expertise. It will not only improve function effectiveness and flexibility by accessing a support network with highly qualified and specialized workforce, but also help firms control their costs and business risk by transforming high fixed costs to predictable expenditures.

Kim and Chung (2003) use relational exchange theory to develop and test a model of outsourcing success. Their results lead to the conclusion that using a supplier governance structure that emphasizes a cooperative long-term focus leads to an increase in outsourcing success. Gottschalk and Solli-Saether (2006) develop a multi-perspective model of outsourcing success to suggest that organizations need to develop in-house expertise in developing and maintaining alliances (partnership theory). Applying relational exchange theory, they suggest that organizations have to work towards developing a common set of cultural norms that are relevant to both the client and vendor. Gurung and Prater (2006) model outsourcing success as impacted by national cultural difference, psychic distance (to include organizational as well as individual differences), and relationship quality. They propose that large differences in national and organizational culture lead to lower success in outsourcing. Developing team structures that support a warmer relationship and cohesion would positively affect outsourcing success. Rai, Maruping, and Venkatesh (2009) apply the relational exchange view to study cultural differences between the client and vendor firm, concluding that differences in cultural norms impact project cost overruns and client satisfaction. In sum, this second stream of research takes a relational view of IT outsourcing and points to ways to develop and nurture long-term alliances with outsourcing partners.

While the above two streams address cultural and team differences at the macro, organizational levels, the next two streams of research study the interaction between client and vendor teams at the micro task, inter-team, and individual levels of interaction. The third stream of research focuses on dynamics between onsite and offshore teams as well as between collocated client and vendor teams as they work together towards the same goal. Metiu (2006) studied vendor and client teams that were distributed and collocated at different stages of the project. Her analysis points to the role of not just geographical distance, but also cultural distance (resulting in stereo typing) as well as status differences (as a result of resource ownership by the client) in leading to less than satisfactory performance. Mattarelli and Gupta (2009) studied the interaction between eight globally distributed teams to assess the impact of status differences between onsite and offshore vendor teams. They conclude the quality of interaction of the client with the onsite teams as well as the presence of liaisons (either formal or informal) is important in mitigating the difference in status. Vlaar, Fenema, and Tiwari (2008) focus on understanding the socio-cognitive tasks between the onsite and offsite subgroups that help each group to improve their understanding of the work. Their study points to the importance of the onsite group members in fostering a better understanding of the client's Communication between the subgroups helped both groups to reach a congruent understanding through feedback loops that includes confirmation of understanding as well as questioning of assumptions. Based on their study of large-scale outsourcing by one organization to captive centers and offshore vendors, Levina and Vaast (2008) conclude that the use of common practices helped clients and vendor's employees overcome their differences based on organizational and national boundaries. Gregory (2009) analyzed the case of outsourcing the conversion of a legacy system for a German client using interviews of client and vendor employees from India who worked together for about five years. They conclude that the application of cognitive and motivational dimensions of cultural intelligence leads to behavioral adoption those results in a negotiated culture between the two sets of employees. This stream of research identifies how groups and individuals negotiate common ground to overcome organizational and status differences over time and points to ways in which understanding of organizational culture and individual and group behaviors could be used to improve the outcomes of daily tasks and decisions.

REVIEW OF LITERATURE

Global operations and the goals of organizational growth naturally put pressure on organizations to invest in human capital (Hasan & Abdullah, 2008; Leeuwen & Foldvari, 2008; Potkany, 2008). This is why many organizations make a decision to outsource some organizational activities. This is because they want to focus on their core competencies, and see how value in developing in-house activities outside of this core (Cooper, 2007; Potkany, 2008). Specifically, outsourcing activities can reduce the work load of existing staff, thereby allowing the organization to primarily focus on strategic decision making and developing core competencies (Hansen, 2009). Some scholars support the view that outsourcing activities can allow managers to pay attention to their core business rather than spend valuable time on activities that are becoming increasingly more complex and advanced.

Outsourcing is an increasingly important initiative being pursued by organizations to improve efficiency (Vining and Globerman, 2000). To be able to survive and be profitable in current globalization era, companies tend to use outsourcing in larger extent (Brannemo, 2006). In today business environment, companies considered outsourcing to empower business focus, mitigate risks, build sustainable competitive advantage, and extend technical capabilities and free resources for core business purposes. Some companies outsource their core activities on the value chain extensively and other companies in contrast are extensively outsourcing their secondary activities of their value chains such as information technology, accounting systems and distribution.

Outsourcing is the contracting of any service or activity to a third party, some scholars defined outsourcing as the replacement of inputs or value added previously created in-house by provisions by an external provider within a long-term contractual relationship within which only some of the expected mutual benefits and obligations are formally defined. It involves very high-level strategic decision answering the question 'what to make and what to buy' (Kakouris, Polychronopoulos and Binioris, 2006). According to Ellram, Tate and Billington (2007), outsourcing has implications for day-to-day management and performance, as well as strategic implications. Therefore, company must outsource intelligently. Outsourcing decisions may affect company's cost structures, long-term competitive situation and can also alter the nature of risks that the company must manage (Brannemo, 2006). Hence, it is crucial for company to understand and have a clear conceptual framework of the outsource decision and a company must also know the benefits and risks of outsourcing.

In order to stand up to the challenges posed by a robust and increasingly highly competitive environment, business organizations have, in the past decade or so, resorted to various strategic actions. These includes, among others, the adoption of the total quality management (TQM) philosophy to drive quality standards; business process reengineering (BPE), to streamline and optimize processes; and pertinent restructuring exercises to reduce costs and align resources.

Despite these actions however, there continues to exist a significant amount of resources devoted to routine and administrative functions. In view of this, and in an effort to address scarce resources and meeting the customers' unrelenting needs for quality, many entities have now ventured into various kinds of outsourcing exercises.

Outsourcing is becoming a norm among private and public organizations. The rationale for its adoption is simple and compelling. If outsourcing parts of the business activities or operations yields greater benefits to the organizations than performing them internally, it is a clear cut case for outsourcing. In addition to the immediate efficiency gains, organizations could also direct their efforts to other activities in which they can proficiently perform in house (Fill and Visser, 2000). In short, outsourcing, as a strategy, results in better deployment of business activities (Elmuti, 2003).

According to the existing literature, different types of outsourcing are distinguished depending on firm's strategies covering the degree of decision analysis, the range, the degree of integration, the property relationship, the level of administrative control and ownership (Espino-Rodriguez and Padron-Robaina, 2004). Varadarajan (2009) delineates the five sources about who to outsource to, including a firm's overseas subsidiaries, suppliers, customers, competitors, and strategic alliance partners. Varadarajan (2009) also points out that firms adopt numerous more specific potential avenues including co-outsourcing, micro-outsourcing, quasi-outsourcing, and reciprocal outsourcing based on the desperate need of each strategy. In regard to the potential impact of developed or new technology on international outsourcing, managers need to be sensitive about how technology can be leveraged to outsource an activity that is currently performed in-house. Besides, the managers also need to take the importance of how technology can be leveraged to perform in-house an activity that is currently outsourced, or automate and make redundant an outsourced activity under consideration.

The transaction cost theory introduced by Coase (1937) is the foundation for many of outsourcing theories that concern cost perspective. The transaction cost theory tries to explain how companies consider the relative cost of transaction using their own employees on the other hand and external parties on the other (Coase, 1937).

According to Klein (2005), transactions differ in the degree to which relationship specific assets are involved (asset specificity), the amount of uncertainty about the future (environmental uncertainty), the amount of uncertainty about other parties' actions (behavior uncertainty), and the frequency with which a given transaction occurs (Everaert, Sarens and Rommel, 2007). Previous studies provide evidence that asset specificity is a significant driver in the outsourcing decision. Meanwhile study carried out by Anderson and Gatignon (2005) explained that both asset specificity and behavioral uncertainty seemed significant in explaining the entry mode of outsourcing activity. Asset specificity has been found to be an important driver for outsourcing of IT (Watjatrakul, 2005; Barthelemy and Geyer, 2005). Meanwhile studies by Spekle (2007) found that both asset specificity and frequency is important driver for outsourcing of the internal audit function. These all studies concentrated on the outsourcing of production tasks (so-called backward integration). According to Vandaele (2007), to govern the outsourcing decision of business service, more emphasis should be placed on behavioral uncertainty, asset specificity (especially human asset), and trust. Klein (2005) suggests that alternative theories of the companies, based on capabilities, power, and trust could be potentially become important in explaining why companies outsourcing some of their activities. Furthermore, companies should also look from the strategic perspective, which focuses on further aspects to the outsourcing decisions besides costs.

Fill and Viser's (2000) outsourcing framework consists of three main components; contextual factors, strategy and structure and transaction costs. In the first part of the framework is to developed contextual factors should consider both quantifiable and non-quantifiable criteria of external and internal factors. Quantifiable criteria are costs, increased cover of fixed costs, investments and revenues (Brannemo, 2006).

Meanwhile, non-quantifiable criteria are strategic interest, confidentiality, linkage with operations, stability of employment, management and dependence on suppliers (Fill and Viser, 2000).The second part of the framework concerns with strategy and structure. This part is where companies should consider the structural aspects associated with the decision and help to focus on how integrated the company should be (Brennamo, 2006). The third part concerns with examine the transaction costs: production costs and transaction costs (Fill and Visser, 2000). Indeed, Pavlou (2001) noted that potential risk reduces individual intentions to conclude a deal. It is apparent that the individual perception towards outsourcing could either be positive or negative. Negative perceptions of outsourcing are often equated with risks of outsourcing, that is, the possibility of outsourcing failure. On the contrary, there also exist outsourcing advantages, which may be summarized as outsourcing benefits (Dibbern, 2004). In this paper, therefore, the risk-benefit framework is also applied to examine outsourcing decisions since the framework is in line with decision theory regarding decisions that involve risk or uncertainty (Tamura (2005).

The resource-based view, network theory, and contingency theory as the theoretical lens explain how strategic outsourcing capability affects firm performance. Firstly, resource-based view provides a theoretical foundation to explain the effectiveness and firm performance is a result of the capability and resource (Holcomb and Hitt, 2007). In this study, strategic outsourcing capability is assumed as firms' capability that affects firm performance. When the firm collaborates with partners (i.e. outsourcing), firm is provided with knowledge by working with partners. Accordingly, partners' knowledge is the capability that is the process embedded in firm, and it is related activity systems that have complementarities; a firm's potential that creates sustained competitive advantage is enhanced (Eisenhardt and Martin, 2000). Consequently, the firm with high strategic outsourcing capability tends to achieve its success by using partners' capabilities and effectiveness of operation, and lead to the access to a firm's performance.

Secondly, network theory explains how firms' collaboration can be influenced by viewing each event in network of relationships among communities or industry (Gulati 2000), among organizations or firms (Wilkinson and Young, 2002). In this research, network theory is applied to describe the relationship between strategic outsourcing capability and outsourcing success. When the firm has interacted with relationship by outsourcing some function with other firms (i.e. partners) in the network, it will gain various resources and capability with various partners that interlink firm's core activities (Tangpinyoputtikhun, 2009). Also, this relationship is a unique and inimitable asset (Gulati 2000). Moreover, capability of creating, managing and concluding important relationships is a core resource for a firm. Consequently, firm who has relationships allows it to occupy superior returns because of the access to better information and opportunities than those firms that are more peripheral. Accordingly, firm's ability makes connections to others within a network through working together (i.e. outsourcing) leading to firm's success of operation.

Finally, the contingency theory explains that there is not one best way to manage organizations or no solutions that can be universally applied to common organizational problems. In this research, contingency theory is applied to explain the moderator variables that have a significant moderating effect on the appropriateness of outsourcing strategy and the success. Based on this approach, strategic outsourcing capability and outsourcing success rely upon two factors; teamwork mindset and inter-organizational trust. In this view, the firm's teamwork mindset tends to increase the relationships between organizational factors and outsourcing capability, because a degree of strategic outsourcing capability depends on relevant moderating context factors, and various contingency variables may have a potential impact on the outsourcing strategy (Mol , 2005), as well as, when unforeseen contingencies arise, strength of inter-organizational trust tends to enhance the outsourcing capability outsourcing success relationships (Krishnan 2006).

IMPORTANCE OF THE STUDY

This research paper was aimed at evaluating and appraising the contributions of outsourcings towards reduction of cost and effective performance, it properly defines performance criteria for an outsourcing engagement which are, objective, quantifiable, and collectible at a reasonable cost, and can be metrics which can be benchmarked against performance of other organizations. The study seeks to identify whether the effects of outsourcing projects on the morale and obstacles to outsourcing success. Keeping people informed at every step of the way and working out a deal perceived as fair for them is important because an organization may trade more than its physical assets to the vendor in any outsourcing arrangement and it may often gives away its people as well. This research will provide some relevant managerial implications. The results suggest when firms should implement outsourcing strategy for achievement of firm's success, effectiveness, and superior performance, firms' vision should focus on outsourcing collaboration, plan to scan partners' specific, and selecting partners match the firm's expectations.

This research provides understanding of the relationship between outsourcing capability (i.e., value partnership searching, external resource utility, potential competency integration, and unique operation setting), outsourcing success (i.e., corporate risk reduction, organizational competency fulfillment, and business practice creativity), organizational factors (i.e., strategic vision for collaboration, proactive-ness policy. The finding as well, indicates the effect of outsourcing on organizational performance. It will further guide managers with suggestions on the best methods and strategies to adopt including appropriate techniques for workforce, through the knowledge and implication of outsourcing towards effectiveness and efficiency in business organization.

Finally, this research work will help to generally contribute to existing literary work on outsourcing and form a basis for further research work regarding outsourcing and organizational performance.

STATEMENT OF THE PROBLEM

The market for providers of outsourced services of all types is growing rapidly in Nigeria and in today's world of ever increasing competition; organizations are forced to look for new ways to generate value. The world has embraced the phenomenon of outsourcing and companies have adopted its principles to help them expand into other markets (Bender 2001). Strategic management of outsourcing is perhaps the most powerful tool in management used in carrying out organizational functions in Nigeria recently and obtaining satisfactory organizational resources is a constant problem for the organizations engaged with consultancies.

Why do organizations take the risk of outsourcing and its implications on their performance, the activities or the functions organizations outsourced; and the specific goal of the outsourcing companies? The top reasons for undertaking outsourcing projects identified by the survey results were to: reduce costs, improve quality, improve delivery and reliability, gain access to better materials, reduce the overall amount of specialized skills and knowledge needed for operations, make capital funds available for more profitable operations, and focus on core competencies of the corporation.(Quinn 2000) .

Another primary intent of this study is to examine the degree of success or failure of outsourcing strategy among organizations that have an outsourcing program in their establishments. Firms considered their outsourcing projects successful when the benefits generated by the outsourcing strategies were greater than the costs of developing the required resources and capabilities through internal development or acquisitions. On the other hand, firms considered their outsourcing projects unsuccessful or as failure, when the costs of managing the links between outsourcing partners were greater than the benefits generated by the outsourcing program.

OBJECTIVES

The objective of this research is to identify risks involving outsourcing regarding organizational performance so as to create recommendations and guidelines for better engagement and improved risk identification.

The main objective of this study is to identify and measure the various outsourcing factors on performance in guaranty trust bank as a case study and to highlight the main findings by performing statistical techniques to judge the correlation and level of significance for the factors. The study, thus, the specific objectives are as follows:

- To investigate if value partnership searching will lead to corporate risk reduction.
- To ascertain the role of external resources utility on organization competency fulfillment.
- To examine the effect of potential competency integration on effectiveness and efficiency in organization.
- To investigate the impeding factors that usually leads to unique operational setting, customer loyalty and satisfaction.

HYPOTHESES

On the basis of association between independent and dependent variables, the following hypotheses were tested in the study:

H_1: External resource utility will not affect organization competency fulfillment.

H_2: Potential competency integration will not lead to effectiveness and efficiency in organization.

H_3: Unique operational setting will not lead to customer loyalty and satisfaction.

RESEARCH METHODOLOGY

Research design is the program that guides the researcher in the process of collecting, analyzing and interpreting data and information (Osuagwu, 2002). Survey research design was adopted for this study. This is because survey research design enables us to examine large and small populations (or universes) by selecting and studying samples chosen from the populations in order to discover the relative incidence, distribution and inter-relations of business, sociological, educational and psychological variables (Osuagwu, 2006).

POPULATION

The study population includes staff from Guaranty Trust Bank Plc.

Therefore, the entirety of the population under study cannot be studied comprehensively. Emphasis was placed on the headquarters because Study population is the numerical aggregate of subject chosen for the study coverage.

Also, the choice of this sampling method was informed by the fact that the population under study was geographically dispersed and cannot be reached due to time constraints. In determining the sample, yaro yamani formula was used.

Yaro yamani formula

$$n = \frac{N}{1+N(e)^2}$$

Where n= sample size

N=Population of the study

e = Tolerable error (5%)

$$n = \frac{376}{1+376(0.05)^2}$$

$$n = \frac{376}{1+376(0.0025)}$$

$$n = \frac{376}{1+0.94}$$

$$n = \frac{376}{1.94}$$

$$n = 193.81$$

$$n = 193$$

The questionnaire method was used to collect the required data from the respondents. The questionnaire is appropriate because it enables large number of people over a relatively short period. The questionnaire was divided into eight (5) sections with Section A representing Socio-Demographic characteristic, Section B- External resource utility on organization competency fulfillment, Section C-potential competency integration on effectiveness and efficiency in organization, Section D- unique operational setting will not lead to customer loyalty and satisfaction, Section E-Recommendation.

The statistical instrument used for this research work is the Predictive Analytics Software (PASW) package formally known as the SPSS package which was used to test the reliability of the research hypotheses in relation to research questions. In analyzing the data, multi-related analysis was adopted these include: The Spearman's Rank Correlation Coefficient and the Kendall's Coefficient of Concordance were used to test the research questions. Also the Z-test was used to test the research hypothesis.

RESULTS & DISCUSSION

The broad objective of the study as earlier stated was to investigate the effect of outsourcing on organizational performance. The findings of the present study will be beneficial both for the organization and managers. The organization will benefit by knowing the importance of outsourcing to their performance, which will in turn lead to increased profit. For the managers, this research work indirectly helps them to convey their expectations regarding the nature of their job to the organization and what to search for in the outsourcing process.

Based on the gathered data, it is obvious that most of the employees have been with the organization for about 6-10 years, this shows that they are, if not extremely, accustomed to the organization's policies. The result also indicates that majority of the respondents are predominantly young, between 41 years and 50 years of age. This may be due to the nature of work involved in the organization, which requires energetic and vibrant personnel with technical know-how and adequate educational training and experience that demand considerable period of time.

In addition, the result of this research work indicates that 6 – 10 years poses the highest percentage of working experience. The interpretation is that employees are giving job security not coincide with beliefs that outsourcing leads to reduction of workers. Additionally, management oversees much of the execution of outsourcing process. So a decline in senior staff was noticed. Though hypothesis one was rejected, it however does not mean that outsourcing those not have effect on organizational performance. The alternative hypothesis was rejected (H1) and null hypothesis was accepted (H0) that, external resources utility will not affect organization competency fulfillment. The second and the third hypotheses were accepted that is, we reject null hypothesis (H0) and accept alternative hypothesis (H1) that, potential competency integration would lead to effectiveness and efficiency and the last one which is we reject the null hypothesis (Ho) and accept the alternative hypothesis (Hi) that unique operational efficiency would lead to customer loyalty and satisfaction.

FINDINGS

This section presents the test of hypotheses formulated in chapter one, and the essence of this is to demonstrate whether there exists a relationship between the independent and dependent variables used in this study. The three hypotheses that were raised are tested in this section using appropriate statistical tests. The hypothesis one was tested using Spearman Rank Correlation Coefficient at 5 percent level of significance. The data for variables, i.e. External Resources Utility (ER) and Efficiency (EF), were obtained from the questionnaires administered.

Hypothesis I

H_0: External resources utility will not affect organization competency fulfillment.

H_1: External resources utility will affect organization competency fulfillment

The Spearman Rank Correlation Coefficient and Z test were used to test the hypothesis at the 5 percent level of significance. PASW program was employed to analyze the data. The result is presented on Table 4.12 below;

TABLE 4.12: SPEARMAN RANK CORRELATION BETWEEN EXTERNAL RESOURCES AND ORGANIZATIONAL COMPETENCY

Correlations

			The use of external resources enhances organizational competency	Usage of external resources ensures distinctive competence
Spearman's rho	The use of external resources enhances organizational competency	Correlation Coefficient	1.000	-.144
		Sig. (2-tailed)	.	.320
		N	191	191
	Usage of external resources ensures distinctive competence	Correlation Coefficient	-.144	1.000
		Sig. (2-tailed)	.320	.
		N	191	191

Source: PASW 19.0 for windows

Table 4.12 reveals that there is a negative relationship between external resources utility and organization competency fulfillment. Table 4.12 shows the Spearman's Rank Correlation coefficient for perceived external resources utility and organizational competency variables to be -0.144 with p = 0.320, implying that perceived external resources utility will not affect organization competency fulfillment. That is, we reject alternative hypothesis (H1) and accept null hypothesis (H0) that, external resources utility will not affect organization competency fulfillment.

Hypothesis II

H_0: Potential competency integration will not lead to effectiveness and efficiency in organization.

H_1: Potential competency integration would lead to effectiveness and efficiency in organization.

The Kendall's Coefficient of Concordance was used to test the hypothesis at 5 percent level of significance. PASW program was employed to analyze the data. The result is presented on Table 4.13 below;

TABLE 4.13: KENDALL'S COEFFICIENT OF CONCORDANCE BETWEEN COMPETENCY INTEGRATION AND ORGANIZATIONAL EFFICIENCY

Correlations

			Competency integration influences our organizational performance	Competency integration influences both effectiveness and efficiency
Kendall's tau_b	Competency integration influences our organizational performance	Correlation Coefficient	1.000	.001
		Sig. (2-tailed)	.	.992
		N	191	191
	Competency integration influences both effectiveness and efficiency	Correlation Coefficient	.001	1.000
		Sig. (2-tailed)	.992	.
		N	191	191

Source: PASW 19.0 for windows

Table 4.13 shows that there is a positive relationship between competency integration and organization effectiveness and efficiency. Table 4.13 reveals the Kendall's Coefficient of Concordancefor perceived competency integration and organizational performance variables to be 0.001 with p = 0.992, implying that perceived potential competency integration would lead to effectiveness and efficiency. That is, we reject null hypothesis (H0) and accept alternative hypothesis (H1) that, potential competency integration would lead to effectiveness and efficiency.

Hypothesis III

H_0: Unique operational efficiency will not lead to customer loyalty and satisfaction.

H_1: Unique operational efficiency would lead to customer loyalty and satisfaction.

The Z test was used to test the hypothesis at the 5 percent level of significance. PASW program was employed to analyze the data. The decision rule is if computed R is greater or equal to R at N=191 and ρ = 0.05 which is equal to 0.500, we reject the null hypothesis. To test for the significance of R, Z test is used, the decision rule is if the computed Z falls within the critical Z value (i.e. 1.95 at 0.05), we accept the null hypothesis otherwise we reject the null hypothesis. The result is presented on Table 4.14 below;

TABLE 4.14: Z- TEST OF UNIQUE OPERATIONAL EFFICIENCY AND CUSTOMER LOYALTY/SATISFACTION

Computed Rc	Table R* at 0.05 Confidence	Computed Z	Coefficient
0.610	0.000	8.638	+1.96

Source: PASW 19.0 for windows

In order to test the hypothesis, the Z (Z= r√n-1) test is used. In this study, the Z test result reveals that perceived unique operational efficiency positively affects the customer satisfaction, (Z= 0.783√ 191-1= 8.638). Since the Z computed (i.e. 8.638) is greater than the critical value (1.96), we reject the null hypothesis (Ho) and accept the alternative hypothesis (Hi) that unique operational efficiency would lead to customer loyalty and satisfaction.

RECOMMENDATIONS/SUGGESTIONS
In view of the observations and findings achieved from the research work, the following suggestions are hoped to help improve the level of outsourcing in the future:
- The concerned authorities should make surveys on Varity of companies before concluding on the organization to partner with.
- Manager should Benchmark vendor capabilities to ensure technical excellence.
- The concerned authorities should always use performance appraisal for organization they partner with in other to check mate the activities of the companies.
- The sourcing competencies need to be assessed, in order be sure the organization has the right competencies available for the sourcing attempts.
- Manager should give clear and validated definition of objectives for sourcing needs to be promoted.
- The concerned authorities should provide robust and sincere dialogue about outsourcing intentions, purposes, and opportunities for alternative internal employment for those affected by outsourcing.
- The concerned authorities should make sure they don’t lose control over the outsourced activities.
- The concerned authorities should always plan an exit strategy and Managers should properly organize their team.
- The concerned authorities should develop and negotiate an appropriate and effective outsourcing agreement and provide mechanisms to administer, maintain, and monitor the contract and to resolve the inevitable problems.
- Managers should achieve necessary management commitment and properly defined their own corporate needs, objectives, and priorities to their vendors.
- Authorities concern should identify appropriate alternatives and evaluated the risks and benefits involve.

CONCLUSIONS
This research provides understanding of the relationship between strategic outsourcing capability (i.e., value partnership searching, external resource utility, potential competency integration, and unique operation setting), outsourcing success (i.e., corporate risk reduction, organizational competency fulfillment, and business practice creativity). This research found that unique operation setting has a positive effect on three dimensions of outsourcing success. Potential competency integration has a positive effect on organizational competency fulfillment and business practice creativity. Moreover, value partnership searching has a positive effect on corporate risk reduction.
Outsourcing has been subject of great interest among scholars in organizational studies and Human research management researchers over period of time. A number of organizational, individual, and psychological factors have been identified to enhance performance level. However, these factors have been revisited overtime and again and outsourcing determinants information is still inconclusive based on organization differences, the fact that a particular factor cannot accurately determine an organization level of performance. Therefore, every organization should give importance to their performance and take options to help them give better satisfaction, as it has been observed that “success” is a significant factor in the management of an organization, with reference to Guaranty Trust Bank plc. However, this success can only be feasible if the organization pays more attention to the factors that affect its performance.
For managers, supervisors, and owners of various organizations who are concerned with outsourcing process, the research work provides a few important suggestions. Some of the macro-level features of the organization have a greater effect on the outsourcing process within that organization than some may realize. If outsourcing process is defaulted it may be beneficial to take aims to improve the conditions of outsourcing and/or to evaluate current management practices. At the same time it may also help to promote greater social cohesion between organizations by allowing them to work together towards some common goal(s).
Even with the presence turnover, the researcher was able to find the factors of leadership, teamwork, awareness of advancement opportunities and effective communication to have significant chances of improving how organization respond to evaluating their work. Thus, even in the face of great challenges to organization morale, the most effective changes that can be made would be to improve management practices, improve the conditions of integration, and allow organization to work together to accomplish shared goals and/or voice concerns.

SCOPE FOR FURTHER RESEARCH
This research has some limitations that should be mentioned and should be considered in future researches. Firstly, this research was conducted as a snapshot without considering the dynamic nature of outsourcing collaboration. Therefore, a longitudinal study that tracks outsourcing collaboration overtime is needed. Secondly, this research uses the questionnaires for collecting data from a bank in Nigeria; the evidences may be affected from cultural response bias. Finally, all constructs in the conceptual model are developed from new scales based on the definition of each construct.
This research examined only one industry (i.e. bank) due to time and financial constraint there is a need to test the theoretical model in other business settings to establish the generalizability of our findings. According to the results of this research, the moderating effects of strategic outsourcing capability and outsourcing success are partially statistical significant. As a result, the need for future research is to seek other more moderating variables to enhance success and performance such as degree of outsourcing and prior experience related outsourcing activities.
Finally, while we measured strategic outsourcing capability in terms of searching, utility, integration, and settings, such outsourcing capability has been operationalized in different ways. For example, understanding the trends of outsourcing activities, blueprints of outsourcing strategy, and continuously updating outsourcing strategy for fully understanding are in the dimensions of strategic outsourcing capability that affect outsourcing success, operational effectiveness, and firm performance.
Future research should compare successful and unsuccessful outsourcing attempts to determine what those successful companies did differently from unsuccessful ones. Those differences will then constitute critical factors, the research should then go further to determine how much each of those factors contributes to outsourcing success.

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APPENDIX/ANNEXURE

QUESTIONNAIRE

Effect of Outsourcing on Organizational Performance

Dear Respondent,

This questionnaire is designed to elicit information on the above research instrument. All information given will be for the purpose of this research only and shall be treated in strict confidence.

Kindly respond to each of the statement as it is given to you. Your honest response will be appreciated.

Thanks for your Co-operation

OLUYEMI OLUWOLE

SECTION A

Please Tick the Relevant Answer Where Applicable

1. Sex: Male ( ) Female ( )
2. Age: 20 – 30 yrs ( ) 31 - 40 yrs ( ) 41 – 50 yrs ( ) 51 years & above ( )
3. Marital status: Single ( ) Married ( )
4. Academic Qualification OND/NCE ( ) HND/B.sc ( ) MSC/MBA ( ) PHD ( )
5. Position held in the Company
   Senior staff ( ) Junior staff ( )
6. How long have you been in the service
   1 – 5 yrs ( ) 6 – 10 yrs ( ) 11 – 15yrs ( ) 16 – 20 yrs ( )
   21 – 25 yrs ( ) 26 yrs & above ( )
7. How long have you been in your present department
   1 – 5yrs ( ) 6 – 10 yrs ( ) 11 – 15 yrs ( ) 16 yrs & above ( )

SECTION B

For each of the statement below, indicate your level of agreement or disagree ticking **(√)** the appropriate column

KEY: SA = STRONGLY AGREED, A = AGREE, UN = UNDECIDED, D = DISAGREE, SD = STRONGLY DISAGREE

S/N	***External Resources Utility and Efficiency***	***SA***	***A***	***UD***	***D***	***SD***
8	Our organization has been using external resources.					
9	Organizations that outsource part of their resources are more effective.					
10	Effectiveness or efficiency is the rationales for external resources.					
11	The use of external resources enhance organizational competency.					
12	Usage of external resources ensures distinction competence.					
S/N	***Organization Competency Integration and Effectiveness***	***SA***	***A***	***UD***	***D***	***SD***
13	We perform better by outsourcing some of our functions.					
14	Competency integration influences Efficiency in our organization.					
15	Effectiveness is achieved with the use of competency integration.					
16	Competency integration influences our organization performance.					
17	Competency integration influences both Effectiveness and Efficiency.					
S/N	***Unique Operational Efficiency and Customer Satisfaction***	***SA***	***A***	***UD***	***D***	***SD***
18	Unique operational efficiency enhances organization performances.					
19	Customer satisfaction is influenced by unique operational efficiency.					
20	Operational settings in an organization affect staff performance.					
21	Loyalty of customers depends on unique operational efficiency.					
22	Customer satisfaction depends on an organizations product line.					
S/N	***Value Partnership Searching and Corporate Risk Reduction***	***SA***	***A***	***UD***	***D***	***SD***
23	Our organization goes into partnership with competent organization.					
24	We benchmark before performing with other organization.					
25	Our Organization outsources to bear parts of our variable cost.					
26	Risk within our organization is shared with organization we partners with					
27	Value partnership searching is important in achieving organization performance.					

SECTION C

RECOMMENDATION

28. What is your opinion on giving out some of the duties of the organization to specialist?

………

………

A STUDY ON ORGANISATIONAL SUPPORT AND ITS IMPACT ON WORK-LIFE BALANCE OF EMPLOYEES IN INSURANCE COMPANIES IN COIMBATORE

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ABSTRACT

The concept of work-life balance is based on the notion that paid work and personal life should be seen less as competing priorities than as complementary elements of a full life. Employees working at the service end are expected to exert themselves for the cause of customer servicing, this has become the central theme of any service sector today where insurance sector is no exception.. The work patterns of employees have undergone tremendous changes with target driven performance expectations and scope for quick growth in careers. The insurance industry is in a flux of stiff competition amongst players. Organisations follow best practices in HR in order to attract and maintain the best resources available. There are specific Human resource practices that go a long way in enhancing the employee's efforts of balancing work-life. The main objective of the study is to find out organisational support and its impact on work-life balance of employees in insurance companies in Coimbatore. The sample design applied for the study is Probability Sampling. Around 40% of the population constitutes the sample for this study with a sample size of 300 employees. The method of data collection adopted in the study is direct oral investigation method. The tool used for data collection is a questionnaire. The instrument was tested for reliability and the alpha score was (0.945) with 95% of reliability. The collected data was analysed with the help of statistical tools like Correlation.

KEYWORDS

Insurance companies, Organisational support, Work life balance.

INTRODUCTION

In the past 20 years, there have been substantial changes in the demographics of society and the composition of the workforce. These changes have placed a new emphasis on the balance between work life and family life. Balancing the dual demands and responsibilities of work and family roles has become an increasingly widespread problem experienced by employees and employers. (Graham and Crossen, 1996). The concept of work-life balance is based on the notion that paid work and personal life should be seen less as competing priorities than as complementary elements of a full life. Meaning and importance of quality of work life is assuming a new significance. The connotation of the term "work" has become different. It has more to do with the intellectual exercise than physical labour. The interface between work and life is important to organisational researchers and to managers because of its potential to influence job involvement, job satisfaction and organisational commitment. In a study conducted by Robert W Rice (1992) it was found that work experiences has an effect on the overall quality of life and depends upon the relationships among work-family conflict, work-leisure conflict, job satisfaction, family satisfaction, leisure satisfaction and global life satisfaction. Understanding and managing the levels and complexities of diverse motivational needs is important in the process of corporate bringing about work-life balance. The way to achieve this is to adopt an approach that is "conceptualised as a two way process involving a consideration of the needs of employees as well as those of employer's (Lewis, 2001). Today's organizations understand the need to support the employees to have a balance of work and life. Supportive measures are seen as investment to ensure employee wellbeing.

INSURANCE SECTOR IN INDIA

The insurance sector in India has come a full circle from being an open competitive market to nationalisation and back to the liberalised market again. Tracing the developments in the Indian insurance sector reveals 360 degree turn witnessed over a period of almost two centuries. Liberalised environment in India has seen a lot of private international players in the market offering insurance solutions. The environment is very competitive with all the players scaling up of operations. This has brought about a change in the work practices of the companies. Employees working at the service end are expected to exert themselves for the cause of customer servicing, this has become the central theme of any service sector today where insurance sector is no exception. The work lives of employees have undergone a lot of changes. The work patterns of employees have undergone tremendous changes with target driven performance expectations and scope for quick growth in careers. The insurance industry is in a flux of stiff competition amongst players. The penetration level of insurance business in India has increased up to 0.9 percentages which is 4.7 percent of global average. The growth in insurance is as 20 percent per annum that has made the insurance business a buyers market. This is due to the entry of the private companies. Today the beneficiaries are the customers with the insurance companies offering a wide range of products, customised services and professional advices, and these have become the mainstay of the industry. Only 22% of the insurable population in India possesses life insurance. Out of a population of more than one billion, only 1.8 percent of GDP constitutes the premium. Hence all the existing players and new entrants are competing with each other to tap the potential market.

REVIEW OF LITERATURE

Work-life balance is about effectively managing the juggling act between paid work and the other activities that are important to people. The 'right' balance is a very personal thing and will change for each person at different times of their lives. Individual's attitude towards managing the interface between work and life and the actual realities of balancing work and life, likely play an important role in determining satisfaction with both career and family outcomes. The concept work-life is a pattern of preferences individuals have for trade-offs among a broad spectrum of work and life issues. Work- life is multi-dimensional having relevance to one's career, home, partner, children, education and leisure. (Greenhaus and Beautell), 1985. In a study, work-based social support was positively associated with job satisfaction, organisational commitment, and career accomplishment; personal social support was also associated with job satisfaction and organisational commitment. Using human capital theory, hypotheses about the impact of perceived organisational support and two forms of work-family conflict on the psychological withdrawal of expatriates were developed by Margaret A Shaffer, David A Harrison, K Matthew Gilley, Dora M Luk (2001). In the modern world, juggling the demands of work and family is becoming increasingly difficult. Many organisations are interested in ways to help their employees maintain this balance and improve both life and job satisfaction. This study examined the impact of supportive communication and autonomy (central participation) on work-family balance and satisfaction based, in part, on Border Theory. Survey data were obtained from 95 employees of a biotechnology company. Results indicated that central participation was positively related to both job satisfaction and organisational commitment but not to life satisfaction. Supportive communication was associated with job satisfaction but not associated with life satisfaction. However, high levels of work-family conflict were found to be associated with lower levels of life satisfaction. Implications for maintaining work-family balance in the context of organisation development consulting are discussed. (Claire H Lambert, Steven J Kass, Chris Piotrowski, Stephen J Vodanovich, 2006).

NEED FOR THE STUDY

Organisations follow best practices in HR in order to attract and maintain the best resources available. There are specific Human resource practices that go a long way in enhancing the employee's efforts of balancing work-life. Insurance companies in Coimbatore offered a standard HR policy that is specific in addressing work-life balance they include factors such as social responsibility, career Planning and development, grievance handling mechanisms, fixed time or flexible time options, canteen facility, counseling, training, health care benefits, social security measures, and leave. This study was undertaken to find out if the organizational support extended by the organization in the form of HR policies and practices helped the employees in balancing work and life.

STATEMENT OF THE PROBLEM

A study was undertaken in Coimbatore with reference to insurance companies to study on organisational support and its impact on work-life balance of employees. This study helps to understand if insurance companies are providing supportive measures to help the employees to have work life balance.

OBJECTIVES

The main objective of the study is to find out organisational support and its impact on work-life balance of employees in insurance companies in Coimbatore.
However all the benefits offered by the organization and the opinion of the employee regarding the value of benefits to the employee and his family is being assessed

HYPOTHESIS

Ho- There is no significant correlation between organisational support and work –life Balance

RESEARCH METHODOLOGY

The research design is descriptive in nature that includes surveys and fact finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present. This study out organisational support and its impact on work-life balance of employees in insurance companies in Coimbatore. is a descriptive study as it aims to report the facts as present. There are around 19 insurance companies all the 19 insurance companies in Coimbatore were included for the study. The total number of employees working in the middle level was 750 employees and this constituted the population of the study. The sample unit constituted the middle level managers working as employees in Insurance companies both in general and life insurance. The sample design applied for the study is Probability Sampling. Around 40% of the population constitutes the sample for this study with a sample size of 300 employees. The method of data collection adopted in the study is direct oral investigation method. The tool used for data collection is a questionnaire. For the purpose of the study both primary and secondary sources of data were used. An Instrument of "Work-life balance Benefits Study – Employee survey" (Lori.A.Muse), formed the basis of the instrument. However, modifications were carried out after the pilot study to suit the local needs. The instrument was tested for reliability and the alpha score was (0.945) with 95% of reliability. A pilot study was conducted by the researcher to test the changes made to the instrument and the acceptability of the instrument by the respondents. The collected data was analysed with the help of statistical tools like Correlation.

RESULTS AND DISCUSSIONS

In order to understand how the employer can help employees balance work and life and what is required by the employees to balance work and life, the respondents were asked to list out the benefit they have used and how valuable they think each of the benefits are for the family and themselves. The benefits are Bereavement leave (time off without pay for the death of an immediate family member), Leave of absence without pay (birth of child, to care family member for serious illness, On site medical centre (most insurance companies provided for medical allowance and medical help on request though there was no medical centre on premises as such), Wellness programmes (aerobics, art of living, nutrition, get fit programs), Health insurance (claims made), Employee assistance programmes, Tuition reimbursement programs (pay for education/courses related to job), Training and development provided by the organisation, On site cafeteria, Cash advance program (receives up to 70% of pay before scheduled pay date), Suggestion program (organisation pays for written suggestions that are used), Gratuity, Provident fund, Long term disability insurance. These benefits are those that enable the employees to overcome work role characteristics and pressures and family role characteristics and pressures, which is very important in balancing work and life.

CORRELATION BETWEEN THE BENEFIT USED BY THE RESPONDENTS AND HOW VALUABLE THE BENEFIT IS TO THEIR FAMILY

TABLE 1: CORRELATION

Sno	Benefit	Correlation
1	Bereavement leave	r =0.132, p<0.05
2	Leave of absence without pay	r =0.120, p<0.05
3	On site medical centre	r =0.150, p<0.05
4	Wellness programs	r = 0.260, p<0.05
5	Health Insurance	r = 0.267, p<0.05
6	Employee assistance programs	r = 0.243, p<0.05
7	Tuition reimbursement leave	r = 0.247, p<0.05
8	Training and development provided by the organisation	r = 0.197, p<0.05
9	On site cafeteria	r = 0.180, p<0.05
10	Cash advance program	r = 0.229, p<0.05
11	Suggestion program	r = 0.223, p<0.05
12	Gratuity	r = 0.160, p<0.05
13	Provident fund	r = 0.441, p<0.05
14	Long term disability insurance	r = -0.215, p<0.05

The above table 1 shows the correlation between the benefit used by the respondents and how valuable the benefit is to their family.
Bereavement leave (time off without pay for the death of an immediate family member) has a value of $r = 0.132$ and is significant at $p < 0.05$ level. This means that there is 13.2% relationship between the bereavement leave used by the respondents and how valuable the benefit is to their family.
Leave of absence without pay (birth of child, to care family member for serious illness) has a value of $r = 0.120$ and is significant at $p < 0.05$ level. This means that there is 12.0% relationship between the leave of absence used by the respondents and how valuable the benefit is to their family.
On site medical centre has a value of $r = 0.150$ and is significant at $p < 0.05$ level. This means that there is 15.0% relationship between on site medical centre used by the respondents and how valuable the benefit is to their family.
Wellness programmes (aerobics, art of living, nutrition, get fit programs) has a value of $r = 0.250$ and is significant at $p < 0.05$ level. This means that there is 25.0% relationship between the wellness programmes used by the respondents and how valuable the benefit is to their family.
Health insurance (claims made) has a value of $r = 0.267$ and is significant at $p < 0.05$ level. This means that there is 26.7% relationship between the health insurance used by the respondents and how valuable the benefit is to their family.

Employee assistance programmes has a value of r = 0.243 and is significant at p< 0.05 level. This means that there is 24.3% relationship between the employee assistance programs used by the respondents and how valuable the benefit is to their family.
Tuition reimbursement programs (pay for education/courses related to job) has a value of r = 0.247 and is significant at p< 0.05 level. This means that there is 24.7% relationship between the tuition reimbursement programs used by the respondents and how valuable the benefit is to their family.
Training and development provided by the organisation has a value of r = 0.197 and is significant at p< 0.05 level. This means that there is 19.7% relationship between the training and development used by the respondents and how valuable the benefit is to their family.
On site cafeteria has a value of r = 0.197 and is significant at p< 0.05 level. This means that there is 19.7% relationship between the training and development used by the respondents and how valuable the benefit is to their family.
Cash advance program (receives up to 70% of pay before scheduled pay date) has a value of r = 0.229 and is significant at p< 0.05 level. This means that there is 22.9% relationship between the cash advance program used by the respondents and how valuable the benefit is to their family.
Suggestion program organisation pays for written suggestions that are used) has a value of r = 0.223 and is significant at p< 0.05 level. This means that there is 22.3% relationship between the suggestion program used by the respondents and how valuable the benefit is to their family.
Gratuity has a value of r = 0.160 and is significant at p< 0.05 level. This means that there is 16.0% relationship between the gratuity used by the respondents and how valuable the benefit is to their family.
Provident fund has a value of r = 0.441 and is significant at p< 0.05 level. This means that there is 44.1% relationship between the provident fund used by the respondents and how valuable the benefit is to their family.
Long term disability insurance has a value of r = 0.215 and is significant at p< 0.05 level. This means that there is 21.5% relationship between the long term disability insurance used by the respondents and how valuable the benefit is to their family.

CORRELATION BETWEEN ORGANISATIONAL SUPPORT AND WORK-LIFE BALANCE

Ho- There is no significant correlation between organisational support and work –life Balance
Ha- There is significant correlation between organisational support and work –life Balance

TABLE 2: CORRELATION

Correlation	Organisational support	Work-life Balance
Organisational support	1.000	0.618
Work-life Balance	0.618	1.000

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

The table 2 shows the correlation between organisational support and work life Balance. The correlation value r = 0.618 which is significant at p< 0.01 level. This means that there is 61.8 % relationship between organisational support and work –life Balance.

FINDINGS

From the above table no 2 it can be inferred that the null hypothesis is rejected. This means that organisational support does influence work-life balance experienced by the employees. When respondents experience high levels of organisational support in the form of role of supervisors and role of the organisation then the respondents exhibit less work-life conflict so more work life balance is experienced. Rosemary Batt and P. Monique Valcour (2000) in their study suggest that the most effective organisational responses to work-family conflict and to turnover are those that combine work-family policies with other human resources practices, including work redesign and commitment-enhancing incentives.
To understand the requirement of the employees from the employer that they feel would help balance work and life, analysis was done of the benefits that the employees expect. The benefits are Flexible schedules, Career counseling, Sick leave to care family, Sick leave for personal use, Emergency child care support, Paid leave, Floating holidays, Job sharing, Paid time to volunteer, Health centre. From the above analysis table 1, it is clear that the benefit of provident fund is most used by the employees and they feel this is more valuable to them and their families. However, benefits like wellness programs, health insurance, employee assistance programs and tuition reimbursement leave is also used and valuable to them and their families.

RECOMMENDATIONS AND SUGGESTIONS

In order to understand how the employer can help employees balance work and life and what is required by the employees to balance work and life, the respondents were asked to list out the benefit they have used and how valuable they think each of the benefits are for the family and themselves. From the weighted average table no 3 (annexure), the benefits are ranked to understand the due importance of the benefits expected by the employees. Paid time to volunteer has the Rank 1 with a weighted average score of 844, flexible schedules are ranked 2 with a weighted average score of 809, career counseling is ranked 3 with a score of 714, Sick leave for personal use is ranked 4 with a weighted average score of 637, health centre is ranked 5 with a weighted average score of 605, Job sharing is ranked 6 with a weighted average score of 595, Floating holidays are ranked 7 with a weighted average is ranked 8 with a weighted average score of 587, Sick leave to care for family is ranked 8 with a weighted average score of 528, emergency child care support is ranked 9 with a weighted average score of 526 and Paid leave is ranked as 10 with a weighted average score of 470. From the analysis it can be understood that paid time to volunteer has the Rank 1, flexible schedules are ranked 2, career counseling is ranked 3 as the employees consider these benefits to be more helpful in managing work and family role pressures thereby reducing conflict and ensuring work-life balance.

CONCLUSION

This organisational support offered by the organization in the form of Human Resources Practices does influence work-life balance that is experienced by the employees. When respondents experience high levels of organisational support in the form of benefits then the respondents exhibit less work-life conflict so more work life balance is experienced. The benefits are useful to the employees only if they are of use or value to the employee and his family.

SCOPE FOR FURTHER RESEARCH

This study on organizational support and its impact on work life balance of the employees could be further extended to find out if the organizational support extended by the organization by having a positive effect on balancing work life helps the organization to retain the employee in the organization.

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TABLE

TABLE 3: WEIGHTED AVERAGES

Sno	Benefit	Important	Neutral	Not Important	Weighted Average score	Rank
1	Flexible schedules	690	98	21	809	**2**
2	Career counselling	468	204	42	714	**3**
3	Sick leave to care family	252	140	136	528	**8**
4	Sick leave for personal use	372	178	87	637	**4**
5	Emergency child care support	243	128	155	526	**9**
6	Paid leave	180	120	170	470	**10**
7	Floating holidays	207	98	282	587	**7**
8	Job sharing	360	110	125	595	**6**
9	Paid time to volunteer	771	60	13	844	**1**
10	Health centre.	255	270	80	605	**5**

AN EMPIRICAL STUDY ON USER SATISFACTION IN CORPORATE HOSPITALS

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ABSTRACT
Patient satisfaction is one of the sensitive indicators in determining the effectiveness of service delivery in hospitals. The hospitals must strive for maximization of stake holders. Satisfaction and has to give patient focused service. The study focus on comparing the health care services of two cardiology based corporate hospitals in Hyderabad, Andhra Pradesh. The data for the study was collected through a questionnaire comprising of two parts. In first part an attempt has been made to elicit the information on socio economic background such as age, sex, education, nativity, profession, income of the patients to assess the background of the patient. In second part comprising 57 items related to important parameters which determines satisfaction levels of the patients like Admission Process, comfort facet, information on food facilities, level of care taken by the concerned, working of business office and Discharge Procedures. The instrument is tested for its reliability and validity. A sample of 500 respondents, 250 from APOLLO and 250 from CARE were selected randomly for the study. The collected data is analyzed by applying descriptive and inferential statistical techniques such as means, standard deviation. One way ANOVA tests, wherever applicable while testing the hypothesis that the perceptions of patients are indistinguishable with respect to the performance indicators. It is found from the hypothesis testing that, except in few aspects, in majority of the cases satisfaction levels were not found significantly varying in two hospitals. It is concluded that the perceptions of the patients on the performance in two hospitals are not significantly varying. Thus the null hypothesis is accepted.

KEYWORDS
Influencing factors, patient Satisfaction, service quality, service economy, service providers.

INTRODUCTION
In service economy, customers are more critical and keen towards quality services and demand high standards. The primary function of a hospital is patient care. The patient is the ultimate consumer to the hospital. The dictionary meaning of patient is 'one who suffers' or 'it's having medical care'. But it does not cover the current usage; two distinct meanings can be drawn from the word patient. One way it can be understood as the person who is ill and is accepting a sick role. On the other hand it can be implied as an individual who is on the list of the doctor who accepts responsibility for his medical care. In the words of Henderson the concept of patient is described as when you talk to a patient, you should listen first to what he wants to tell, secondly for what he does not want to tell, finally for what he cannot tell. Satisfaction results from customers good experiences.

Patient Satisfaction is defined in terms of the degree to which the patient's expectations are fulfilled. It is an expression of the gap between the expected and perceived characteristics of a service (Lochoro, 2004). Measuring Patient Satisfaction depends on using the accurate measures because it comprises of standards that incorporate dimensions of technical, interpersonal, social, and moral aspects of care (Kane et al., 1997). Patient form certain expectations may be about the nature and performance of service, the costs and efforts to be expended before obtaining the service benefits, the social benefits or costs accruing to the consumer as a result of the purchase. Once patient come to the hospital and experience the facilities, he/she may then become either satisfied or dissatisfied. There are several determinants which influence the satisfaction level of the end user. They include demographic variables and expectations and others. However, there is no direct relationship between level of expectation and level of satisfaction. Satisfaction or dissatisfaction refers to emotional response to the evaluation of service, consumption, experience.

REVIEW OF RELATED LITERATURE
Several studies were undertaken on patient satisfaction. In one recent study done by Francis Sudhakar (2012)[1] conceptualized that the value of marketing revolve around a concept of educating patients, providers, payers and employers in the unique manner in which the health care organization can legitimately maximizing patient encounters. Mamimaran (2011)[2] has concluded as the hospital administrators should improve the intangible aspects, up to date technological requirements in order to create a good image and service rendered by the hospitals to the patients. Marni Reisberg (1996)[3] said that patients are to be treated with respect and caring they deserve. Ramaiah Itumalla (2011)[4] identified patient interactions, timely services and supply of medicines as the major factors affecting quality of service at the hospitals. Akojiam (2007)[5] opined younger patients tend to have higher satisfaction and patient satisfaction level tended to decrease with increase in educational levels. Jawahar (2007)[6] added that the patients are satisfied with the guidance, logistic, arrangements, support services, nursing care, doctors consultation etc. Krishna Dipankar (2006)[7] opined that better staff and physician interpersonal skills, facility infrastructure, and availability of drugs have the largest effect in improving patient satisfaction at public health facilities. Andrabi Syed Arshad (2012)[8] concluded that health CARE delivery can be improved more and more once the organization measures the delivery of quality of care on an ongoing basis and continually make changes to improve the processes. Yoger Pai (2011)[9] summarized that the nursing services, housing services, medical services, food and beverage services are having greater impact on patient satisfaction level. Yousef Hamoud Aldebasi (2011)[10] mentioned in his article that patient satisfaction is one of the most sensitive indicator of the quality of their services. Mufti Samina (2008)[11] said that patient satisfaction surveys should become a regular outcome monitoring feature in all the hospitals. In-service training programs for nurses, with special emphasis on communication are need of the hour and should become a routine exercise. Prahlad Rai Sodami (2010)[12], in his study, he concluded that if doctors and other staff are courteous to patient, this satisfaction levels will be high though they have fewer facilities. Kasinath (2010)[13] said that having signboards, explaining the treatment procedures will built a good rapport with the patient. But targeting in reduction in complaints is not a sign of improvement. Sudhakar etal. (2012)[14] in their study tried to correlate the patient satisfaction and the Quality of Serivice the hospital is providing and also tried to quantity the gap between the expected quality and perceived treatment. Thompson (1962) studied on patient satisfaction on room accommodation. The author concluded that there was need for all three types of room accommodations in order to meet both clinical needs and patient preferences. Another study of patient satisfaction desires concerning hospital accommodation, focusing on the design of patient units, was carried out by Huseby (1969). Evans (1960) conducted an investigation in ten tuberculosis hospitals and studied the relationships among ward stratification, patient alienation, and patient response to the hospital situation. Some of the factors in the hospital setting associated with extreme patient dissatisfaction were

studied by Blum (1962). Miller (1963) investigated the relationships between patient satisfaction, patient CARE, and nurses' role perceptions in a voluntary teaching hospital. Caplan and Sussman (1966) examined the relative importance of a number of variable found to be related to patient satisfaction and staff satisfaction with hospital clinic services. Thus the subject of patient satisfaction is evergreen topic and very fluid. It is very difficult to tell how and when people are satisfied. As soon as the patient enters the hospital, he creates something in his mind regarding services. It may be good or bad, so it is imperative that adequate facilities are to be provided in the hospital premises.

OBJECTIVES OF THE STUDY

- To study the effectiveness of service delivery in selected cardiology based hospitals.
- To compare the perceptions of patients of sample hospitals.
- To suggest suitable measures to improve the effectiveness of service delivery in corporate hospitals.

HYPOTHESIS

1) The perceptions of the patients are indistinguishable with respect to the performance indicators of APOLLO.
2) The perceptions of the patients are indistinguishable with respect to the performance indicators of CARE.
3) The hospitals that serve with quality standards gain better patient satisfaction.

SELECTION OF SAMPLE HOSPITALS

The researchers have selected two different hospitals in Hyderabad city for study. They are APOLLO of Jubli hills and CARE of Banjarahills.

METHODOLOGY

In this study the word 'patients' refers to 'in-patients' and their opinions have been sought in sample hospitals. It is taken in view of the in-patients spend more time in the hospitals than the out-patients and they have a lot of exposure and access to the hospital environment and treatment.

The socio economic background of the patients has been delineated to know the status of an individual and background information of the patients. The present study is compiled based on opinions of the respondents from the questionnaire that was administered in APOLLO and CARE hospitals. Patients were taken on the basis of bed strength. Sample was finalized by using stratified random sampling. In APOLLO 300 respondents were taken for study but 250 response sheets were used for final analysis. Out of 290 patients at CARE who were taken for the study, only 250 were taken for final analysis. Factors such as age, sex, education, nativity, profession, income etc. are considered. The distributed Questionnaire consists of two parts. Part-1 is on socio-economic information of the patients. Part-2 consists of statements regarding satisfaction levels of patients on services offered. A five degree scale (Summated Scale) was used. It contains the columns of strongly agree, agree, can't say, disagree, strongly disagree of the respondents with the given statement. The instrument was tested by author for its reliability and validity. The parameters like Admission Process, comfort facet, food facilities, and Care facet taken by the concerned, functioning of Business office, Discharge procedures were taken for Analysis.

ANALYSIS

Table No. 1 presents the information pertaining to the socio-economic factors of the patients.

TABLE NO. 1: SOCIO – ECONOMIC INFORMATION OF SAMPLE PATIENTS

Sl.No	Particulars		APOLLO		CARE		Total	
			Total	%	Total	%	Total	%
1	Age	Below 30 yrs (A)	32	12.80	53	21.20	85	17.00
		31 – 50 yrs (B)	176	70.40	147	58.80	323	64.60
		Above 50 yrs (C)	42	16.80	50	20.00	92	18.40
		Total	250	100.00	250	100.00	500	100.00
2	Sex	Male	112	44.80	156	62.40	278	55.60
		Female	138	55.20	94	37.60	222	44.40
		Total	250	100.00	250	100.00	500	100.00
3	Education	Below 10th class (A)	12	4.80	17	6.80	29	5.80
		10th To Degree (B)	151	60.40	137	54.80	288	57.60
		Above Degree (C)	87	34.80	84	33.60	171	34.20
		No Formal Education (D)	-	-	12	4.80	12	2.40
		Total	250	100.00	250	100.00	500	100.00
4	Nativity	Rural	118	47.20	121	48.40	239	47.80
		Urban	132	52.80	129	51.60	261	52.20
		Total	250	100.00	250	100.00	500	100.00
5	Profession	Govt. employee	82	32.80	73	29.20	155	31.00
		Private employee	29	11.60	31	12.40	60	12.00
		Business	118	47.20	121	48.40	239	47.80
		Others	21	8.40	25	10.00	46	9.20
		Total	250	100.00	250	100.00	500	100.00
6	Income (P.M)	Below Rs.25,000 (A)	42	16.80	22	8.80	64	12.80
		Rs.25,001 – Rs.50,000 (B)	112	44.80	122	48.80	234	46.80
		Rs.50,001 – Rs.1 Lakh (C)	53	21.20	67	26.80	120	24.00
		Above Rs.1 Lakh (D)	43	17.20	39	15.60	82	16.40
		Total	250	100.00	250	100.00	500	100.00

DISCUSSION AND INFERENCE

In the above table, age wise classification is explained under three heads. Class A- below 30 years, class B- 31-50 years and class C- above 50 years. Majority respondents in two hospitals fall under class B followed by C and A. It is observed that majority (nearly 60%) of the respondents are male. Educational background of the respondents in sample hospitals were furnished in 4 classes i.e. class A – below 10th class, class B- 10th to degree, class C- above degree and class D- no formal education. Majority of the respondents are in class B, followed by class A. Very low percentage of respondents is in class D. From the above table, it is observed that urban respondents are more than rural. It indicates that, the people residing in surroundings of the hospital are being attracted. In case of CARE, no much variation is found between rural and urban. From the information related to respondents' profession, it can be concluded that most of the patients in both the hospitals are from business followed by Govt. employee and private employee categories. When researchers probed into the income levels of the respondents, it is noticed that the majority respondents in APOLLO are belongs to class B i.e. income between Rs.25, 001 – Rs.50, 000 per month, followed by C-class, D-class and A-class. In CARE, the majority respondents belong to class-B i.e. between Rs.25, 001 – Rs.50, 000, followed by C-class, D-class and A-class.

To find the performance and user satisfaction in sample hospitals an attempt has been made to elicit the opinions from patients. The important areas covered include admission process, comfort levels, food facilities, Care facet taken by the concerned in the hospital, and discharge procedures. Now let us the survey results.

PERCEPTIONS OF PATIENTS TOWARDS THE ADMISSION PROCESS

The survey on admission process reveals the following facts. For statement, the hospital is providing admission within short time, among the 250 respondents in each hospital, the 50.20% of respondents strongly agreed in APOLLO and in CARE the percentage is only 39.60%. For the statement, the hospital is considering necessary documents before starting treatment, 60.8% in APOLLO and 70.4% in CARE have agreed. 46.20% of the respondents in both, the hospitals have opined they got admission in both the hospitals within a short time. In APOLLO, majority respondents mentioned that they got assistance while they have admitted. For the statement, recommendations are needed for getting admission in to the hospital 20% has strongly agreed in case of APOLLO and the percentage is only 10% as in CARE.

Mean and S.D values of patient's perceptions towards admission process are presented below:

TABLE NO. 2: MEAN AND S.D OF PATIENTS PERCEPTIONS TOWARDS ADMISSION PROCESS N=500 (250+250)

Sl.No	Statement	APOLLO		CARE	
		Mean	S.D	Mean	S.D
1	This hospital is providing admission with in short time.	1.50	0.50	1.80	0.87
2	The assistance to get admission in this hospital is good.	2.10	1.37	2.31	1.20
3	This hospital is following simple methods for collecting information from patients.	2.19	0.98	2.00	0.89
4	This hospital fee is nominal for admission.	2.00	0.89	2.48	1.19
5	This hospital conducting necessary tests before treatment.	2.38	1.27	2.48	1.11
6	This hospital charging extra fee for admission on holidays is reasonable.	2.30	1.27	2.69	1.09
7	The hospital admitted you as inpatient without any strong reason.	3.59	1.42	3.69	1.09
8	Recommendations are needed to get admission in this hospital.	4.50	0.50	4.20	0.87

5 Point Scale: 1-strongly agree…….5-strongly disagree

Discussion: The analysis on the perceptions of patients towards admission process of the APOLLO is as follows. 'Providing admission with in short time' (Mean=1.50), 'assistance to get admission is good' (2.10), 'following simple methods for collecting information' (2.19), 'nominal fee for admission' (2.00), 'conducting necessary tests before treatment' (2.38), 'charging extra fees for admission on holidays is reasonable' (2.30), 'admitted as inpatient without strong reason' (3.59), 'recommendations are needed to get admission' (4.50). In CARE the observations are as below: 'providing admission with in short time' (1.80), 'assistance to get admission is good' (2.31), 'following simple methods for collecting information' (2.00), 'nominal fee for admission' (2.48), 'conducting necessary tests before treatment' (2.48), 'charging extra fees for admission on holidays is reasonable' (2.69), 'admitted as inpatient without strong reason' (3.69), 'recommendations are needed to get admission' (4.20).

Inference: From the above discussion it can be said that the majority patients in APOLLO said that they got admission without any difficulty in short span of time but low percentage of patients accepting same in CARE. The assistance while getting admitted and way of collecting information from patients, two hospitals are following simplefied methods. On collecting extra fees for admission in holidays, majority of the patients in CARE opined as not reasonable. It is noticed that the APOLLO is admitting the patients as inpatients without strong reason and majority opined that recommendations are playing big role in getting admission. In nut shell, it is observed that the patients of two hospitals are satisfied towards admission process.

Perceptions of Patients towards the Comfort facet: Survey was conducted on the facilities and amenities being provided by the hospital to the patients. The following responses have been observed. On the issue of 'providing accommodation immediately' 250 respondents participated in the survey from each hospital, out of which the majority of respondents (30.40%) have strongly agreed in APOLLO and the percentage is 20.00% in CARE. On viewing the comfort of rooms in the hospital 30.00% in APOLLO and 29.80% in CARE have strongly agreed and 40.40% have agreed in APOLLO where as 50.20% in CARE. Regarding the hospital maintenance, 30.00% have strongly agreed in APOLLO, and 29.80% in CARE. A portion of survey was aimed at to know 'whether the hospital atmosphere is pleasant to stay', 30.00% strongly agreed in APOLLO and 29.80% in CARE. In the case of Doctors and nurses visit at regular intervals 29.60% strongly agreed in APOLLO and 40.00% in CARE and 40.40% agreed, whereas in CARE 50.00% agreed. The opinion about length of waiting time reveals that about 80% of the respondents felt comfortable in APOLLO and nearly 80% expressed satisfaction in CARE.

TABLE NO. 3: MEAN AND S.D OF PATIENT'S PERCEPTIONS ON THE COMFORT FACET N: 500 (250+250)

Sl.No	Statement	APOLLO		CARE	
		Mean	S.D	Mean	S.D
1	This hospital is providing accommodation immediately.	2.80	1.54	2.10	0.83
2	The special room is better than a bed at general ward in this hospital.	1.80	0.87	2.58	1.27
3	The rooms in this hospital are comfortable.	2.30	1.27	2.00	0.89
4	This hospital is maintaining rooms in hygiene conditions.	2.30	1.27	2.00	0.89
5	This hospital atmosphere is pleasant to stay.	2.30	1.27	2.00	0.89
6	Doctors and nurses visit at regular intervals in this hospital.	2.20	1.08	1.80	0.87
7	Doctors attend immediately on emergency conditions.	2.50	1.36	2.20	1.25
8	No other disturbance at the hospital premises.	2.30	1.27	2.00	0.89
9	You are satisfied with hospital for allowing relatives and visitors at any time.	2.30	1.27	1.80	0.60
10	You are not satisfied with hospital for allowing relatives and visitors at fixed timings.	3.70	1.27	4.20	0.60
11	Expenses in the hospital are moderate.	3.30	1.48	3.09	0.94
12	The length of waiting time is comfortable in this hospital.	2.19	1.23	1.90	0.94
13	A bed at general ward is better than special room in this hospital.	4.19	0.87	3.41	1.27
14	Special rooms are reasonably priced in this hospital.	1.80	0.87	2.58	1.27
15	You are satisfied with centralized patient services department in this hospital.	2.10	1.30	2.00	0.89

5 Point Scale: 1-strongly agree…….5-strongly disagree

Discussion: The Analysis on the perceptions of the patients towards comfort facet of the APOLLO is as follows: 'providing accommodation immediately' (Mean=2.80), 'special room is better than a bed at general ward' (1.80), 'rooms are comfortable' (2.30), 'maintaining rooms in hygiene conditions' (2.30), 'hospitals atmosphere is pleasant to stay' (2.30), 'doctors and nurses visit at regular intervals' (2.20), 'doctors attend immediately on emergency conditions' (2.50), 'no other disturbance at the hospital premises' (2.30), 'satisfaction for allowing relatives and visitors at any time' (2.30), 'expenses are moderate' (3.30), 'length of waiting time is comfortable' (2.19), 'bed at general ward is better than special room' (4.19), 'reasonable prices of special rooms' (1.80), 'satisfied with centralized patient services' (2.10). In CARE the findings are as follows: 'providing accommodation immediately' (2.10), 'special room is better than a bed at general ward' (2.58), 'rooms are comfortable' (2.00), 'maintaining rooms in hygiene conditions' (2.00), 'hospitals atmosphere is pleasant to stay' (2.00), 'doctors and nurses visit at regular intervals' (1.80), 'doctors attend immediately on emergency conditions' (2.20), 'no other disturbance at the hospital premises' (2.00), 'satisfaction for allowing relatives and visitors at any time' (1.80), 'expenses are moderate' (3.09), 'length of waiting time is comfortable' (1.90), 'bed at general ward is better than special room' (3.41), 'reasonable prices of special rooms' (2.58), 'satisfied with centralized patient services' (2.00).

Inference: The opinion of patients about the comfort facet of two hospitals indicating that the more number of respondents in two hospitals as satisfied on the issues of comfort of rooms, maintaining hygiene conditions in rooms, maintenance of pleasant atmosphere. It is observed that the special rooms are better than general wards in APOLLO but not in CARE. In APOLLO, most of the respondents are feeling that the expenses are moderate, opined they that the prices of special rooms are reasonable. On the issue of waiting time, most of the respondents are feeling comfortable in CARE. On the whole, it can be said that two hospitals are giving importance to comfort facet.

Perceptions of Patients towards the Food Facilities: For the statement food facilities being provided in the hospital is hygienic Among 250 respondents involved in the survey, 51 respondents i.e. with 20.40% strongly agreed to the statement in APOLLO and 73 respondents with 29.20% in CARE and 99 respondents with 39.60% agreed in APOLLO and 124 respondents with 49.60% in CARE. As regards the 'food that is provided in the hospital will be helpful for better recovery' 20.40% have strongly agreed in APOLLO and in CARE 73 respondents with 29.20%. In continuation, the opinions were sought from various respondents regarding the 'food being supplied in time' 19.60% strongly agree in APOLLO where as in CARE, the percentage is 30.40% and 60.40% agreed in APOLLO and in CARE 49.60% agreed to the statement. With regard to the 'proximity of the hospital canteen' 59.20% strongly agreed and 19.60% agreed on this aspect in APOLLO and 39.20% and nearly 40% in CARE.

TABLE NO. 4: MEAN AND S.D OF PATIENT'S PERCEPTIONS TOWARDS FOOD FACILITIES N: 500 (250+250)

Sl.No	Statement	APOLLO		CARE	
		Mean	S.D	Mean	S.D
1	The food that is provided in the hospital is hygienic.	2.60	1.28	2.00	0.89
2	The food that is provided in this hospital is helpful for better recovery.	2.60	1.28	2.00	0.89
3	You will receive food on time.	1.69	1.00	2.20	1.25
4	The way of serving food to patients is good.	1.90	1.22	1.90	0.94
5	You are satisfied with the hospital for providing good canteen facilities for your visitors and relatives.	2.30	1.42	1.80	0.98
6	The dishes served in the canteen are good and tasty.	2.60	1.50	2.40	1.20
7	The canteen is with in the proximity of the hospital.	1.79	1.17	1.90	0.95

5 Point Scale: 1-strongly agree…….5-strongly disagree

Discussion: The perceptions of the patients towards food facilities in APOLLO are given below: 'hospital food is hygienic' (2.60), 'food is helpful for better recovery' (2.60), 'receive food on time' (1.69), 'way of serving food to patients is good' (1.90), 'satisfied with the hospital for providing good canteen facilities to visitors' (2.30), 'dishes served in the canteen are good and tasty' (2.60), 'canteen is within the proximity of the hospital' (1.79). When the above analysis examined, it can be concluded that the respondents is having good impression on the food facilities. In the case of CARE the observations are - 'hospital food is hygienic' (2.00), 'food is helpful for better recovery' (2.00), 'receive food on time' (2.20), 'way of serving food to patients is good' (1.90), 'satisfied with the hospital for providing good canteen facilities to visitors' (1.80), 'dishes served in the canteen are good and tasty' (2.40), 'canteen is within the proximity of the hospital' (1.90). So the respondents in CARE are positively reacted towards the food facilities.

Inference: From the above, it can be concluded that most of the respondents in CARE are accepting that the food providing at hospital is hygienic and useful for better recovery. In two hospitals more number of respondents are opined that the food is received on time. It is observed that the way of serving food in APOLLO is better than the CARE. In conclusion, one can say that though there are some problems in arranging food facilities to the patients, on the whole, two hospitals are satisfying the patients with the food facilities.

Perceptions of Patients on CARE facet: For the statement 'arrangements to call the nurses in the hospital is satisfactory' 20.4% have strongly agreed in APOLLO 30.4% in CARE and 59.60% agreed in APOLLO and 49.8% agreed in CARE. For the statement, 'telephone facilities are good in the hospital' 39.20% strongly agreed and 40.40% agreed in APOLLO where as in CARE 39.60% strongly agreed and 39.60% agreed. On the subject 'hospital personnel's are cheerful' the respondents expressed strong agreement with 49.20% in APOLLO 50.40% in CARE. For the statement, 'hospital doctors and nurses showing patience in listening to the patients problems', Out of 250 respondents involved in the survey, 97 respondents with 38.80% have strongly agreed in APOLLO, In CARE, equal number of respondents expressed their satisfaction. For the statement, 'hospital doctors giving suggestions at the time of discharge for taking proper CARE after discharge' 58.80% strongly agreed in APOLLO and 30.00% in CARE. About 'cleanliness of the hospital', 75 respondents with 30.00% strongly agreed and 39.60% agreed in APOLLO 29.60% and 50.40% in CARE. For the statement 'friendly nature of the doctors, nurses and other staff of the hospital', the survey reveals that 49.20% strongly agreed and 20.4% agreed in APOLLO and 126 respondents with 50.40% strongly agreed and 29.60% agreed in CARE.

TABLE NO. 5: MEAN AND S.D OF PATIENTS PERCEPTIONS TOWARDS CARE FACET N: 500 (250+250)

Sl.No	Statement	APOLLO		CARE	
		Mean	S.D	Mean	S.D
1	The arrangements to call the nurses in this hospital are good.	2.31	1.20	2.30	1.28
2	Telephone facilities are good in this hospital.	1.90	0.94	2.10	1.03
3	Services are provided for relaxation is good.	2.20	1.47	2.51	1.29
4	Facilities provided in this hospital for calling nurses and doctors in emergency conditions are good.	2.31	1.20	2.30	1.28
5	This hospital personnel are cheerful and hospitable.	2.10	1.37	1.80	0.98
6	Hospital personnel explain about treatment that the patients going to adopt.	2.40	1.43	1.59	0.91
7	This hospital provides updated information about progress of patient's health regularly.	2.00	0.89	2.11	1.31
8	You're satisfied with hospital management for pleasant stay arrangements.	2.30	1.27	2.00	0.89
9	No facilities in this hospital for calling nurses and doctors in emergency conditions.	3.69	1.19	3.69	1.28
10	This hospital doctors and nurses showing patience for listening your problems.	2.20	1.33	2.11	1.31
11	This hospital doctors giving suggestions at the time of discharge for taking proper CARE after discharge	1.69	1.00	2.00	0.89
12	You're comfortable when the tests are being conducted in this hospital.	2.19	1.46	2.39	1.36
13	Physical therapy is being provided for speedy recovery in this hospital.	2.68	1.10	2.39	0.91
14	This hospital employees demand illegal gratification tips.	4.30	0.47	4.11	1.12
15	You're satisfied the cleanliness of the hospital.	2.20	1.08	2.00	0.89
16	This hospital is conducting unnecessary tests as a part of treatment.	3.61	1.27	3.52	1.11
17	You're satisfied with friendly nature of the doctors/nurses and staff of this hospital.	2.10	1.37	1.80	0.98

5 Point Scale: 1-strongly agree…….5-strongly disagree

Discussion: The details of the perceptions of the patients in APOLLO about the Care Facet are furnished as under - 'arrangements to call the nurses is good' (2.31), 'telephone facilities are good' (1.90), 'services provided for relaxation is good' (2.20), 'facilities for calling nurses and doctors in emergency conditions are good' (2.31), 'hospital personnel are cheerful and hospitable' (2.10), 'hospital personnel explain about treatment that the patients going to adopt' (2.40), 'doctors giving suggestions at the time of discharge' (1.69), 'physical therapy is being provided for speedy recovery' (2.68), 'satisfied the cleanliness of the hospital' (2.20), 'satisfied with friendly nature of the doctors/nurses and staff' (2.10). In CARE the results are - 'arrangements to call the nurses is good' (2.30), 'telephone facilities are good' (2.10), 'services provided for relaxation is good' (2.51), 'facilities for calling nurses and doctors in emergency conditions are good' (2.30), 'hospital personnel are cheerful and hospitable' (1.80), 'hospital personnel explain about treatment that the patients going to adopt' (1.59), 'provides updated information about progress of patient's health regularly' (2.11), 'satisfied the cleanliness of the hospital' (2.00), 'satisfied with friendly nature of the doctors/nurses and staff' (1.80).

Inference: The perception of patients about Care Facet reveals that the two hospitals are getting majority respondents' acceptance on behavior of hospital personnel. In providing updated information about the progress of patient's health, CARE is having better support than the APOLLO. Further it is noticed that in CARE, limited number of respondents are complained that the staff demanding illegal gratification tips. Most of the respondents in APOLLO and CARE are satisfied with arrangements made for pleasant stay. Very nominal percentage of respondents said that there are no facilities to call the nurses in emergency conditions. In two hospitals, patients are happy on the doctors' behavior and their friendly nature. Limited number of patients in two hospitals opinioned that the hospital conducting unnecessary tests.

Perceptions of Patients about the functioning of Business Office: For the statement 'finalization of billing process is easy in this hospital', 40.00% are strongly agreed in APOLLO 20.40% expressed the same opinion in CARE and 30.00% agreed in APOLLO and 50.40% in CARE. About the 'information regarding the expenditure by the hospital in advance' 101 respondents with 40.40% are strongly agreed in APOLLO where as 149 respondents with 59.60% expressed the same opinion in CARE. 49 respondents with 19.60% agreed in APOLLO and 73 respondents with 29.20% in CARE. The analysis of statement 'billing procedure is complicated in this hospital' reveals that 9.20% has strongly agreed and 20.4% have agreed in APOLLO and in CARE 10.00% strongly agreed and 9.6% agreed. A meager percentage of 0.40% expressed neutral opinion in APOLLO, and 9.60% in CARE. For the statement 'procedure for grievance handling in this hospital is good' the statement receives various responses. Out of 97 respondents with 38.80% have strongly agreed in APOLLO and the same percentage is maintained in CARE. 76 respondents with 30.40% have agreed in APOLLO and 40.80% has agreed in CARE. On the subject 'overall satisfaction with the performance of the hospital business office', 150 respondents with 60.00% have strongly agreed in APOLLO and in CARE only 75 respondents with 30.00% strongly agreed and 19.20% expressed their agreement in APOLLO and in CARE 48.80% have agreed.

TABLE NO: 6: MEAN AND S.D OF PATIENT'S PERCEPTIONS ABOUT FUNCTIONING OF BUSINESS OFFICE N: 500 (250+250)

Sl.No	Statement	APOLLO		CARE	
		Mean	S.D	Mean	S.D
1	Finalization of bill easy process in this hospital.	2.31	1.43	2.40	1.20
2	This hospital gives information regarding expenditure in advance.	2.40	1.43	1.59	0.91
3	Billing procedure is complicated in this hospital.	3.68	1.43	3.60	1.20
4	The procedure for grievance handling in this hospital is good.	2.20	1.33	2.11	1.31
5	This hospital staff is cooperative.	1.70	0.47	1.88	1.12
6	You're satisfied with the overall performance of this hospital business office.	1.59	0.80	2.20	1.25

5 Point Scale: 1-strongly agree…….5-strongly disagree

Discussion: Means of the perceptions of the patients about the functioning of business office of APOLLO are: 'finalization of bill easy process' (2.31), 'hospital gives information regarding expenditure in advance' (2.40), 'billing procedure is complicated' (3.68), 'procedure for grievance handling is good' (2.20), 'hospital staff is cooperative' (1.70), 'satisfied overall performance of the hospital' (1.59). In CARE 'finalization of bill easy process' (2.40), 'hospital gives information regarding expenditure in advance' (1.59), 'billing procedure is complicated' (3.60), 'procedure for grievance handling is good' (2.11), 'hospital staff is cooperative' (1.88), 'satisfied overall performance of the hospital' (2.20).

Inference: From the above discussion, it can be said that the majority of respondents in APOLLO are accepting that the billing procedure is easy. In CARE, high percentage of respondents accepting that the hospital authorities are giving information about the expenditure of treatment. It is observed that the two hospitals have good grievance procedures. In APOLLO limited number of respondents complaining that the hospital staff is not cooperative. In essence, majority of respondents in two hospitals satisfied with the functioning of business office.

Perceptions of the Patients towards the Discharge Procedures: For the statement 'the discharge procedure is simple in the hospital' the following are the responses. 101 respondents with 40.40% in APOLLO and 74 respondents with 29.60% have strongly agreed in CARE. For the statement 'there are some hassles while discharging', 25 respondents with 10.00% strongly agreed in APOLLO, whereas 26 respondents with 10.40% in CARE. 51 respondents agree with 20.40% in APOLLO and 49 respondents with 19.60% in CARE. The analysis of statement on the subject of 'taking long time to get discharge after the doctor concerned' shows that 25 respondents with 10.00% has strongly agreed in respect of APOLLO and in CARE also the same was appeared. 26 respondents with 10.40% have agreed in APOLLO and in CARE it was 20.00%. For the statement 'you will suggest the hospital to others' 98 respondents with 39.20% have strongly agreed and 39.20% agreed in APOLLO and 39.60% in CARE strongly agreed and 49.20% have agreed.

Mean and S.D values of patient's perceptions towards discharge procedures are given below.

TABLE NO. 7: MEAN AND S.D OF DOCTOR'S PERCEPTIONS TOWARDS DISCHARGE PROCEDURES N: 500 (250+250)

Sl.No	Statement	APOLLO		CARE	
		Mean	S.D	Mean	S.D
1	Discharging procedure is simple in this hospital.	2.60	1.29	2.50	1.37
2	There are some hassles while discharging.	3.38	1.29	3.49	1.37
3	It takes long time to get discharge after the doctor concerned.	3.40	1.20	3.59	1.19
4	You will suggest this hospital to others.	1.80	0.74	1.71	0.66

5 Point Scale: 1-strongly agree…….5-strongly disagree

Discussion: The perceptions of the patients towards discharge procedures of the APOLLO reveals the following: 'discharging procedure is simple' (2.60), 'there are some hassles while discharging' (3.38), 'takes long time to get discharge after the doctor concerned' (3.40), 'suggest the hospital to others' (1.80). In CARE, 'discharging procedure is simple' (2.50), 'there are some hassles while discharging' (3.49), 'takes long time to get discharge after the doctor concerned' (3.59), 'suggest the hospital to others' (1.71).

Inference: It is observed that the respondents are satisfied with the discharge procedures of the sample hospitals. The majority of the patients accepting that they will suggest these hospitals to the needy. It is observed that the discharge procedures in APOLLO is simple. In two hospitals very limited number of respondents complained that there are some hassles while discharging and also taking long time to discharge. On the whole it can be understood that the two hospitals having simple discharge procedures.

Patients Perspective towards effectiveness of service Delivery: Statistical Treatments Analysis: The six dimensions (Admission process, Comfort facet, Food Facilities, Care facet, Functioning of Business Office, Discharge procedures) entire are positively opinioned in two sample hospitals. The mean scores are in the range of 2.21 to 2.79 and 2.02 to 2.82 in APOLLO and CARE respectively. On a 5 point scale indicating performance of the hospital in six dimensions of the sample hospitals is agreeable. From the values given in the table the perceptions of the patients towards admission process; comfort facet, food facilities, care aspects, functioning of business office and discharge procedures reveal that the patients are giving importance to all the aspects in getting the satisfaction.

TABLE NO. 8: GRAND MEAN AND S.D N= 500 (250 + 250)

Sl.No	Particulars	APOLLO		CARE	
		Mean	S.D	Mean	S.D
1	Admission process	2.57	0.50	2.70	0.42
2	Comfort facet	2.53	0.69	2.37	0.41
3	Food Facilities	2.21	0.76	2.02	0.64
4	CARE facet	2.48	0.61	2.39	0.49
5	Business Office performance	2.31	0.64	2.29	0.54
6	Discharge procedures	2.79	0.66	2.82	0.57

5 Point Scale: 1-strongly agree…….5-strongly disagree

The responses from the patients on the performance are collected under six heads of items (satisfaction influencing factors) namely Admission process, Comfort facet, Food Facilities, care facet, Performance of Business Office and Discharge Procedures. The average scores across the patients for the questions are analyzed with the help of one-way ANOVA to know the distinction in the response between the performance indicators.

In order to find whether the perceptions of the patients are indistinguishable, the null hypothesis is framed as-

"The perceptions of the patients are indistinguishable with respect to the performance indicators of APOLLO hospital"

TABLE NO. 9: ANOVA OF PATIENT'S PERCEPTIONS ON EFFECTIVENESS OF SERVICE DELIVERY IN APOLLO

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.182	5	.236	.450	.811
Within Groups	26.777	51	.525		
Total	27.960	56			

Above table representing the ANOVA of patients opinion on effectiveness of service delivery like Admission procedure, Comfort facet, Food Facilities, Care Facet, functioning of Business Office and Discharge procedures in APOLLO hospital showing the level of significance or risk probability is greater than the .05, so the null hypothesis is accepted.

In order to find whether the perceptions of the patients are indistinguishable, the null hypothesis is framed as-

"The perceptions of the patients are indistinguishable with respect to the performance indicators of CARE".

TABLE NO. 10: ANOVA OF PATIENT'S PERCEPTIONS ON EFFECTIVENESS OF SERVICE DELIVERY IN CARE

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.509	5	.502	1.042	.403
Within Groups	24.553	51	.481		
Total	27.062	56			

Above table representing the ANOVA of patients opinion on effectiveness of service delivery like Admission procedure, Comfort facet, Food Facilities, care facet, functioning of Business Office and Discharge procedures in CARE showing the level of significance or risk probability is greater than the .05, the null hypothesis is accepted.

SUGGESTIONS FOR IMPROVING THE USER SATISFACTION

Customers in hospital are different: Hospital should identify that there is a big difference in waiting on a customer in a hospital and in any other organization. In hospital, the consumer is a sick person. Hospital staff often gives the impression that they are unmindful of the fact that many of the persons with whom they come in contact in their work are ill and worried. Often sick people act unnaturally. In unfamiliar surroundings, many of them are confused, state, tense, frightened and anxious. At this moment, a friendly, helpful and caring attitude, a kind word of greeting will not only be reassuring to patients, but also it enhance the image of the hospital. The patient immediately trust the caring hands of hospital staff and assuredly feel that there is no need to be afraid. If he receives this warmth and welcome feeling all the way, the patient will become public relation agent in the society by his word of mouth.

Hospitals should not be out of Touch With Society: At present, society and the hospitals are out of touch with each other and are not communicating each other. Hospital managements should convert hospitals into consumer-oriented. In doing patient driven hospital, one should remember the following:

1. **Purpose of Hospital:** Hospitals are created with the purpose of serving the needs of people. Their mission is to help patients to get well and stay well. Patients are the hospital's reason for their existence.
2. **Clean and Hygienic Hospital**: A clean and hygienic hospital has a tremendous psychological impact on the patients and visitors. For this good housekeeping department is to be maintained. It also acts as a powerful public relations and marketing tool which has a direct relationship with the reputation and prestige of the hospital.
3. **Food Services**: Patients judge the hospital by the personal care and attention given to them when they are hospitalized or when they visit the hospital, and by the quality of food provided to them. It is the responsibility of the hospital to provide to patients and staff scientifically prepared and nutritious food, diet is to be prepared by keeping condition of the patient one should keep in mind that every patient is unique by nature.
4. **Linen Service**: Hospital should supply clean linen sufficient for the comfort and safety of the patient. It helps in maintaining a clean environment which lends an aesthetic significance to the patient. It is a vital element in high quality medical care. The other aspect of it is the personal appearance of staff who attends on patients. Pleasant, neatly dressed employees in fresh, neat uniforms give best impression not only to the patient but also to visitors.
5. **Emphasis on Professionalism**: Professionalism in a job is a combination of skill and high standards. Work itself, attitude towards work, be haviour, appearance are the important ingredients of professionalism. Relations is greatly impaired if staff are undisciplined and patients and visitors find them giggling, gossiping, engaged in conversation while patients are waiting, or occupy themselves with reading newspapers, magazines or story books, leave their place of work or crowd in one place away from their place of work. Hospitals should concentrate on increasing the professionalism in every act of their staff.
6. **Guest Relations**: Unlike in the earlier days when hospitals were judged by the quality of medical services they provide, they are now judge on the quality of service they give, i.e. personalized service rendered by courteous, caring and friendly staff. In this direction, all the staff is to be given orientation and training. Frequently staff is to be equipped with soft skills.
7. **Patient Guide**: one of the good public relations exercise which every hospital should carry out is the preparation of a patient information book, called patients and visitors guide.

CONCLUSION

A critical challenge for health services in developing countries is to find ways to make them more client-oriented. Customers who are not satisfied often do not come back and they may not recommend to others. The long-term survival of hospitals depends on loyal patients who come back or recommend the hospital to others. There are various factors which influence customer's expectations of services. They include efficiency, confidence, helpfulness, personal interest, reliability. These are intrinsic factors. They influence the response of the hospital staff to the patient and his relatives. The study focuses on comparing the health care services of corporate hospitals. The collected data is analysed by applying descriptive and inferential statistical techniques such as means, standard deviation. One way ANOVA tests, wherever applicable while testing the hypothesis that the perceptions of patients are indistinguishable with respect to the performance indicators. It is found from the hypothesis testing that, in APOLLO performance indicators like Admission process, Comfort facet, Food Facilities, care facet, functioning of Business Office and Discharge procedures are equally strongly agreeable in the opinion of patients. Similarly the performance indicators for CARE also do not differ significantly i.e. in the opinion of patients the performance of both hospitals is equally satisfactory and strong.

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EMPLOYER BRANDING IN INDIA: EMERGING DIMENSIONS

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ABSTRACT
In a today world, an effective employer brand is essential for gaining competitive advantage. An effective employer branding strategy has the capacity to attract and retain talented employees and to make good reputation in the job market as well as goods market. It is a key challenge before the employers in order to attract, recruit and retain right talent required for the job. Building a strong employer brand is the joint responsibility of HR, marketing and top management. The success and failure of the business depends critically upon its employer brand. It is the performance driver which no organization can ignore to achieve sustainable growth. Strong employer brand acts as an important tool to meet the competition worldwide on a labor markets. It is a long-term effort, which requires substantial resources. The main idea behind this paper is to bring into light the very important asset of an organization by enumerating its features, importance, followed by strategic steps for an effective implementation with conclusion and recommendations to manage the same.

KEYWORDS
Branding, Employer Branding, Human Resource Management, Employer Value Proposition, Strategy.

INTRODUCTION
Employer branding is the application of branding principles on human resource management same as in case of consumer branding. This strategy is used to create a 'distinct employer identity' in the target market whether it consists of present employees or prospective employees. It starts with the development of an 'Employer Value Proposition' which stated job and organizational attributes. The present and future employees use these attributes to form their judgment regarding employment benefits offered by an employer. It drives brand related behaviors. Now days, this practice has generated a greater interest among HR professionals because it can enhance the value of the employer in terms of talented human resources. In the era of tough competition talented people highly scarce in the competitive markets. It is expected in the coming years that competition will become higher for a skilled persons rather than consumers for a product. Therefore effective employer branding can lead to the recruitment of talented employees, improvement in retention rates and a higher levels of employer commitment. The main objective of this paper is to highlight this issue especially for the HR professionals in the companies to deal with this in a strategic way for a greater impact. This is the highly discussion topic among the top leading employers but still there is a lack of understanding. Lots of discussion, research, and innovation are required for an effective employer branding. By this paper we are trying to give some recommendation for the same which may be beneficial for the further research.

CONCEPT OF EMPLOYER BRANDING
From the organization's perspective, the employer brand sums up the key qualities current and prospective employees identify with you as an employer, whether economic such as compensation and benefits, functional such as learning new skills or psychological such as sense of identity and status.
Employment branding is the method by which organizations develop and promote an Employment Value Proposition accounting to its present and future employees. It is the long term solution in the era of war for talent.

FEATURES OF EMPLOYER BRANDING
CHART NO. 1: FEATURES OF EMPLOYER BRANDING

Features of Employer Branding	
Area/Scope	**Employer Branding**
1. Branding Activities	External and Internal
2. Branded Entity	The Organization
3. Target	Present and Future Employees
4. Roots	Human Resource Management
5. HR Activities	Recruitment and Selection, External and Internal Communication and Effective Advertising
6. Purpose	To Attract, Recruit and Retain Talented Employees
7. Expected Outcomes	To Ensure Competitive Advantage, Build High Quality, Motivated and Performance Oriented Employees from the Existing Talent Pool and Winning the War for Talent

DEFINE SOME KEY TERMS
EMPLOYMENT VALUE PROPOSITION (EVP)
An EVP is the value or benefit an employee obtains through employment or in other words the value of an organization's employment experience. The value proposition will identify the unique people policies, processes and programs that demonstrate the company's commitment to employee growth and recognition and management development. The reasons people choose to commit themselves to the organization are contained within the value proposition.

EMPLOYER VALUE PROPOSITION

The employer value proposition describes the understanding of the brand from the employer's perspective. The statement formulates a shared basic understanding as an employer and addresses topics such as the working environment, team-work, management style and development. It provides the basis for aligning communication and offerings in the scope of employer branding.

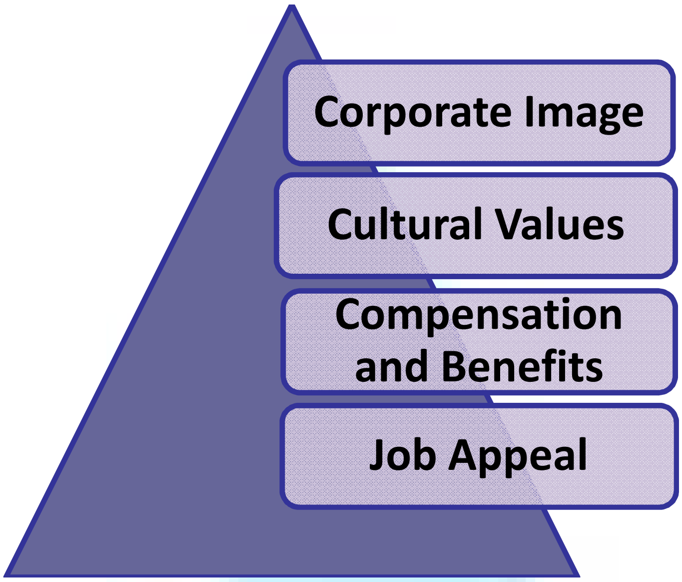
EMPLOYEE VALUE PROPOSITION

An employee value proposition (EVP) is what is offered by an employer in exchange for the productivity and performance of an employee.

RELATIONSHIP BETWEEN EVP AND EMPLOYMENT BRANDING

Employment branding is the method by which organizations develop and promote an Employment Value Proposition accounting for applicant and employee preferences.

FIG NO. 1: EMPLOYMENT VALUE PROPOSITION MODEL



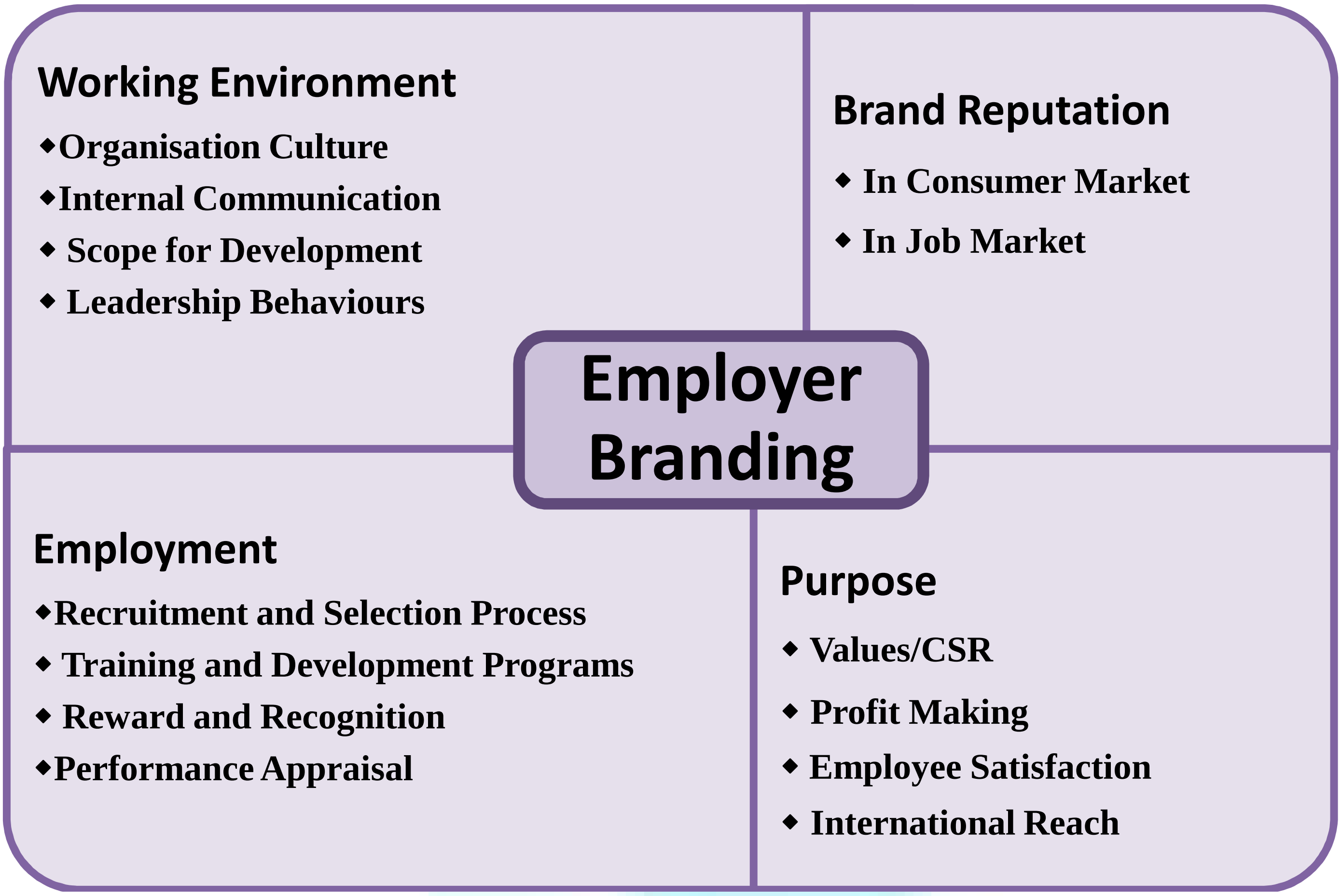
Why strong employer branding is essential?

- Useful strategy during or at the time of recession
- Due to Shortage of skilled manpower
- To attract, engage and retain the talented people.
- To increase competition in the labor market world wide
- To survive in the competitive market
- To boosts the image of the company
- Constantly engage in increasing value of the employer brand and its success
- Emphasize the organization commitment to its brand for its long-term survival and growth
- It's a success mantra in the war for talent

Key Points for an Effective Employer Branding

1) Employer brand has the capacity to attract and retain talent and represent quality to its customers, with the goal of gaining global recognition in a sustainable manner.
2) Every employer brand is an investment that should demonstrate a return comparable to other forms of business investment.
3) Employer brand has a strong value proposition, with core corporate values at its foundation.

CHART NO. 2: EMPLOYER BRANDING: KEY FACTORS



EMPLOYER BRANDING INITIATIVES IN INDIA: *A CASE OF HINDUSTAN UNILEVER LIMITED*

INTRODUCTION

Hindustan Unilever Limited (HUL) is India's largest Fast Moving Consumer Goods Company with a heritage of over 75 years in India and touches the lives of two out of three Indians. HUL works to create a better future every day and helps people feel good, look good and get more out of life with brands and services that are good for them and good for others. With over 35 brands spanning 20 distinct categories such as soaps, detergents, shampoos, skin care, toothpastes, deodorants, cosmetics, tea, coffee, packaged foods, ice cream, and water purifiers, the Company is a part of the everyday life of millions of consumers across India. The Company has over 16,000 employees and has an annual turnover of around Rs. 21,736 crores (financial year 2011 - 2012). HUL is a subsidiary of Unilever, one of the world's leading suppliers of fast moving consumer goods with strong local roots in more than 100 countries across the globe with annual sales of about €46.5 billion in 2011. Unilever has about 52% shareholding in HUL.

HUL STRATEGY OF WINNING WITH PEOPLE

FIG NO. 2: HUL STRATEGY

- **Leveraging Operating Framework** - for Competitive Advantage
- HUL devises so many **programmes to attract, recruit and retain best people** in the war for talent and build the talent pipeline ready to match their growth ambitions
- **Build Employer Brand on B-School Campus** - before hiring by on campus programmes like Unilever Unplugged, Lessons in Marketing Excellence, Marketing in Practice and others which helps to build rapport with management students and expose them to the opportunities available in a career with Unilever.
- As a result of that work with B-school students, the annual syndicated AC Nielsen report in November 2011 named HUL the top employer on campus.
- **HUL Management Trainee Programme** - commonly known as the Unilever Future Leaders Programme (UFLP), has trained managers over the years in its various forms in order to create young and dynamic leaders who have later occupied leadership positions across unilever globally.
- **Creating a Performance Culture** - By Annual Performance Cycle' encompassing three clear steps: setting goals, assessing performance and rewards.

- **By Listening to People**- Every year HUL do an organizational health checks survey that covers the entire workforce from workman to top management. The feedback from the survey helps to build holistic employee engagement plans.
- Global People Pulse Survey, 2011, showed that India featured in the top 25 countries across Unilever. As many as 94% of the employees responded favorably to the statement: "I am proud to say that I work for HUL."
- **Living Vitality through the Workplace** – HUL committed to building a culture of engagement, flexibility and inclusion that enables their people to achieve a desirable work-life balance.

ACHIEVEMENTS & EXTERNAL RECOGNITION

In 2011, HUL received more than 70 awards and honours. Here's a list of some of them:

- HUL has been ***ranked No.2 in the Fortune India's Most Admired*** Companies list (announced in 2012)
- HUL received the 2^{nd} ***Asia's Best Employer Brand Awards 2011*** on 22^{nd} July, 2011 at Suntec, Singapore.
- HUL emerged as the ***'Dream Employer' in the annual B-School Survey*** conducted by A.C. Nielsen.
- HUL has been awarded the ***'No. 1 Best Employer for 2011 in India'*** by Outlook Business and Aon Hewitt for diverse talent pool
- HUL ***No.1 Employer of Choice*** by Nielsen campus track
- HUL awarded CII-Prize for ***Leadership in HR Excellence***
- HUL ranked sixth in the list of ***'Global Top Companies for Leaders 2011 Study Results'*** by Aon Hewitt, The RBL Group, and Fortune
- HUL received the prestigious ***'Golden Peacock Global Award' for Corporate Social Responsibility***
- Award for ***Talent Management for (Leadership Development)***
- Award for ***Managing Health at Work***
- Award for ***Innovation in Recruitment (Building a Preferred Employer Brand: The HUL Way)***
- Award for ***Innovation in Retention Strategy***
- Award for ***Innovation in Career Development – (R&D: A Culture of Career Creation)***
- Award for ***Global HR Strategy – Talent & Organization Readiness***
- Award for ***Excellence in Training – (Unlocking Value Through Learning)***

In all, ***HUL processes are geared to building a culture focused on execution and performance. This delivers clarity, consistency and encourages employees to live up to their standards of leadership.***

Key Components of Good Employment Value Proposition

FIG. NO. 3: ELEMENTS OF GOOD EVP

As shown in the diagram EVP centers on all other organizational processes and it is the core element of all other organizational activity. The success of EVP depends upon these factors which are as follows:

- To ensure an EVP generates maximum returns it must be built around attributes that genuinely attract, engage and retain the talent you want.
- It must also be consistent with strategic objectives and clearly demonstrate its uniqueness.
- The EVP must also be real.
- It should be flexible enough for a change and adapt itself accordingly for the progress of an organization. So that employees feels a sense that the organization responding to the environmental challenges easily.
- It must also be articulated in a style that appeals to the target audience.

Emerging Challenges

- Investment in workforce planning, employer branding, recruiting and retaining talented employees at all levels to meet the needs of growth, and to take advantage of emerging opportunities.
- In the changing age demographics, create a corporate value proposition that appeals to multiple generations.
- Internally develop a strong leadership pipeline to meet future growth requirements.
- HR professionals should take initiatives of training and development to build a talented workforce pool who able to perform versatile role in an ever changing business environment.
- Control of employees attrition rates that have become almost a norm and endemic across all industries.
- Develop and Design new and cutting edge talent management practices to attract and retain the current younger generation workforce which thinks in a completely in a different way.
- Create an internal business environment which helps an employees to grow and prosper
- Change the cultural and attitudinal mindset of existing executives who do not understand or do not want to understand the new realities and challenges of the global world.
- Integrate different cultures into a rapidly globalizing workforce.

Strategic Steps for an Effective Employer Branding:

1) Identification and Analysis of Target Group of Applicant Pool and Determine and Assess their Preferences, Trends and Behavior Regarding Employment
2) Analysis of Perception as an Employer on a Target Group of Applicant.
3) Identification of Competitors Perception and their way of Communication with Whom Company Compete for Talent and Assess their Approaches to Employer Branding.
4) SWOT Analysis to Assess Company Strengths, Weaknesses, Opportunity, Threat as an Employer on a Relevant Target Groups.
5) Development of Employment Value Proposition (EVP).
6) Implementation of the Employer Brand through or by the Medium of Effective Communication such as Top Job Sites, Media etc.
7) Monitoring and Management of Employer Brand.

Emerging Dimensions

- In an increasingly challenging global business environment, talent management will become a priority for all HR professionals in the years ahead.
- There is a need for direct and more accountability to develop future leaders and managers.
- There must be a support system exist in an organization to build managerial skills and capabilities.
- Use of technology and its integration in all aspects of employment process.
- Inclusion of corporate social responsibility in a brand management.
- There is an urgent need for a responsible employer branding in the new era of sustainability.
- Continuous innovation in employer branding to develop social, human and intellectual capital is the need of the hour.

Employer Branding: The Road Map for Excellence

- Use Employer branding for business transformation.
- Support cultural diversity across borders
- Open lines of communication around the world
- Integration of systems to support attraction of talent , engagement and retention globally
- Integration of employer brand and EVP into company culture
- Design of policies, systems and processes in accordance with EVP
- Development and management top global career site
- Training of line managers for employer brand management

CONCLUDING REMARKS

The shortage of talent is the biggest challenge behind HR professionals and employer branding acts as a potent tool to meet or cope up with this challenge in the coming years or in the era of competitive world where everyone try for the best one. Effective employer value proposition helps to hire the best people from the talent pool available. The another biggest challenge behind HR professionals about talent shortage is the gap between the university education system and the industry work culture, so there is a need for a coordination between higher education institutions and industry to fill the talent gap and build the pipeline of talented and skilled workforce. Adoption of talent management techniques is the better solution to deal with problem of talent shortage in the years ahead. In order to sustain in the rapid growth market, there is a need to face and address this challenge in a broader way to survive in this competitive world. Employer branding is a strategic tool if deal in a strategic way to capture the job market and to retain their identity in a business world for an indefinite period of time. It is an ongoing and never-ending process and having a long lasting impact on a talent pool, so it should be carefully designed keeping all the driving factors into consideration. To meet the emerging challenges of business associated with hiring, engaging and retaining talented employees, there is an urgent need for a continuous research and innovation for managing or deal with the talent issue in an effective way which having a stronger and deeper impact on existing employees and prospective employees. Employer branding acts as an economic tool during the time of economic downturn. In a changing scenario where skilled employees themselves choose their employers, employer branding becomes essential.

RECOMMENDATIONS

- Organizations need to keep in mind that the way they treat their employee's today- both those that are leaving and those that remain- will have an impact on their employment brand and EVP.
- Strive to develop and communicate a strong EVP
- Creating a Unique and competitive Employment Value Proposition (EVP) is the best solution for the HR problem.
- In order to attract and retain best people and to continue running the organization, employers need to create an environment in which people enjoy attending work, are fulfilled in their role and share in working towards a common goal.
- By protecting employment brand and employer value proposition for the future recruitment and it will also give an added advantage to an organization over their competitors.
- By providing unique benefits or stimulating incentive programs are a good way to attract qualified applicants and motivate the current young employees.
- It is important to understand what factors lead to employee satisfaction, it is imperative to understand which of these factors correlate directly to the intention to leave the organization.
- HR professionals should identify key satisfaction drivers and the reasons of leaving for the purpose of determining and selecting appropriate EVP attributes.
- HR professionals should consider major satisfaction drivers/factors such as job security, opportunities for growth and development and compensation and pay benefits for the creation of their organizations' EVP.
- Review the EVP strategy because it is a continuous and ongoing process and accordingly EVP and the employer brand has to be change.
- Strong employer branding act as a key to attract and retain talent in a recession and it should be originate from current business strategy.
- By developing a sense of purpose among employees by linking their work with the success of an organization then they will strive to work hard to achieve the goal of an organization and contribute to its vision.
- By Reinforcing a "growth culture," in an organization where employees are willingly take on more responsibilities, to learn new skills and knowledge and to develop their work competencies which will ultimately contribute to the growth and development of an organization. There should be a regular monitoring and measuring of employee growth.

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AN EMPIRICAL ANALYSIS ON FINANCIAL PERFORMANCE OF PUBLIC SECTOR HOUSING CORPORATION IN INDIA: A CASE STUDY OF HUDCO

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ABSTRACT

Housing finance has risen to the top of research and policy agendas in recent years. Evaluation of financial performance occupies an important place in financial management. Financial Performance evaluation has been done on the basis of some selected parameters like Liquidity, Profitability, Solvency and Leverage ratios for the period from 2001-02 to 20010-12. The idea of this article is to know the short term as well as long-term financial position of preferred corporation and to give suitable suggestions for improvement in their financial position. An analysis of profitability, Liquidity, long-term solvency, impact of financial leverage on the shareholders' earnings and justification for the use of debt by the selected unit through the application of ratio analysis, trend analysis and statistical test has been undertaken.

KEYWORDS

Liquidity, solvency, Profitability and EPS.

INTRODUCTION

The growth of any organization depends on the overall performance as production, marketing, human resource and financial performance of the organization. Financial analysis is the process of identifying the financial strengths and weakness of firm by properly establishing relationship between the items of the balance sheet and profit account (Panday I.M, 1979). During the 20th century in most of the nation's domestic Housing sector was generally subjected to heavy regulations and financial repression. The growth and financial stability of the country depends on the financial soundness of industry sector. In such a complex corporate environment, it is the challenge to the finance manager to survive the firm in long- run perspective with the objective of maximizing the owner's wealth. With a view to achieve this objective, finance manager is required to pay his due attention on investment decision, financing decision and dividend decision. Assuming that sound investment policy and opportunity are there, it is my intention in this paper to optimize the financing decision and dividend decision in the context of achieving the stated objective. Financing decision refers to the selection of appropriate financing-mix and so it relates to the capital structure or leverage. Capital structure refers to the proportion of long- term debt capital and equity capital required to finance investment proposal. There should be an optimum capital structure, which can be attained by the judicious exercise of financial leverage. This paper mainly concentrates on the exercise of financial leverage in the context of understanding its impact on earnings and dividend per share. Accordingly, this study makes an attempt to analyze financial performance of leading public sector Housing Corporation in India.

LITERATURE REVIEW

In the process of continuous evaluation of the housing finance institutions' both in public sector and private sector, the academicians, scholars and administrators have made several studies on the financial performance in different perspectives and in different periods. This has been made me to take up the study on those areas where the study is incomplete. Hence, the knowledge on the current topic of the financial performance of the banks is reviewed here under to appraise the need for the present study. P. C. Narware(2001) focused on the working capital management and profitability. Housing is an integral part of overall policy improvements of human settlements and economic development (Year Book, 1997)4. Sharma (2002), portrayed about the financial performance of cement Industry. Andra C. Ghent and Michael T. Owyang (2010)8, Dr. C. Harichandran (1989)12, R.M. Buckley (1989)21 opined that the Bank lending for housing finance during the period from 1972 to 1989. Munjee *et al.*, (1990)22 depicted that credit flows into the housing sector originates therefore from formal or informal sector like, budgetary allocations, of central and state governments, financial institutions like the LIC, Unit Trust of India, Commercial Banks, provident funds and Public Sector Institutions such as HUDCO. H.U. Bijlani (1991) highlighted about financial strategy followed by HUDCO initially to create its network of the programme. It also brings out features which provided HUDCO with its present strength through consolidation and prudent management of finances in its formative stage. Ricardo M. Sousa, 2010, investigated an empirically found that a monetary policy contraction leads to a substantial fall in wealth after a positive interest rate shock there is a flight towards assets that are less liquid and earn higher rates of return. Hence, this study emphasizes the financial performance of Public Sector Corporation. Vijay Kumar(2002) studied about the efficiency in investment management and current assets are important to improve profitability and Luther (2007) conducted the liquidity, profitability and risk analysis of Madras cements Ltd. and suggested that the firm should take into consideration the short term liquidity also along with long-term investment decisions as if the liquidity remains continuously. Syed azhar and b. Ramesh, 2012 reviewed concerning to relationship between profitability of a firm and cash conversion cycle, thus it is possible to increase firm's profitability through more efficiency of working capital management. In case of the process of an asset-liability mismatch may occur which may increase firm's profitability in the short-run but at a risk of its insolvency. Hence, this study is an attempt to make an analysis of financial performance which includes profitability, liquidity and solvency of HUDCO as a case study from public sector Housing Corporation in India.

ABOUT HUDCO

Housing & Urban Development Corporation Ltd. (HUDCO) is a public sector company fully owned by Govt. of India for financing of housing and urban infrastructure activities in India. HUDCO was incorporated on April 25, 1970 under the Companies Act 1956. The cardinal objective of HUDCO is to undertake housing and urban infrastructure development programmes in the country, provide long-term finance for construction of houses for residential purposes in urban & rural areas and finance or undertake, the setting up of the new or satellite towns and industrial enterprise for building material. HUDCO was sanctioned amount of Rs. 37,464 Crores for housing schemes and Rs. 84,906 Crores for Urban Infrastructure projects. HUDCO's assistance has helped in the construction of 150 Lacs residential units, about 67 Lacs sanitation units and in undertaking 1631 urban infrastructure schemes effectively improving the living conditions in the urban and rural areas and it was released Rs. 76,526 Crores as loan. HUDCO has been working towards achieving the goal of housing for all. A total number 1,50,35,435 of dwelling units have been constructed across the country with financial & technical assistance from HUDCO as on date. This is the single largest contribution of any institution across the world. HUDCO received the Prime Minister's MOU Award for Excellence in Performance 1998-99 from the Honorable Prime Minister for being among the Top Ten Public Sector Institutions in Performance. For its sustained focus on total quality management in its operation and providing value added services to its clients, HUDCO has obtained ISO 9001: 2008 certification and conferred the HUDCO with Miniratna Status which would further strengthen the HUDCO role in the field of human settlements.

OBJECTIVES OF THE STUDY

The main objective of the present article is to provide an insight into the conceptual side of trade off between liquidity and profitability and to assess the efficiency of the management in maintaining good liquidity, profitability and solvency in Housing sector on the basis of available data collected from published Annual Reports of the companies over the period of 10 years (i.e. from 2001-02 to 2011-2012). The specific objectives of this study are as follows:

I. To review the previous stock of related research on financial performance.
II. To measure, test and evaluate the liquidity position of the selected unit namely HUDCO.
III. To find out the solvency position of the concern.
IV. To determine the profitability position of the selected unit.
V. To know the earning per share (EPS) over the period of study.

SAMPLING AND RESEARCH METHODOLOGY

The present study is analytical in nature and it is based on secondary data. The proposed study will aim at examining the financial performance of Housing & Urban Development Corporation Ltd. (HUDCO) which is leading public sector Housing Corporation in India. The study is based upon secondary data covering the period from 2001-02 to 2011-12 have been collected from the financial statements published in Annual Reports of HUDCO Editing, classification and tabulation of financial data collection from the above mentioned source have been done as per the requirement of the study. For analyzing the data simple statistical tools such as ratio, mean, standard deviation, correlation. Regression, t-test and rank correlation have been used. All statistical calculation has been done through SPSS. The ratios relating to working capital management which have been selected and have been used for analysis are as follows:

I: Liquidity Analysis II: Solvency Analysis III: Profitability Analysis IV: EPS. The results have been tested with Coefficient of correlation and testing the significance.

FINDINGS AND DATA ANALYSIS

SOLVENCY POSITION OF HUDCO: It is extremely essential for a firm to be able to meet its obligations as they become due in both short-run and long-run. Liquidity (short-term solvency) ratios measure the firm's ability to meet current obligations. In fact, analysis of liquidity and long-term solvency needs the preparation of cash budgets and cash and Fund Flow statements, but liquidity ratios by establishing a relationship between cash and other current assets to current obligations provided a quick measure of liquidity. Whereas the solvency expresses the company's capability and soundness to meet its liabilities out of its assets. Among total liabilities, long term and current liabilities are included and it reveals that the relationship between the total assets and total liabilities of the business. The failure of a company to meet its obligations due to lack of sufficient liquidity, will result in a poor creditworthiness, loss of creditors` confidence, or even in legal tangles resulting in the closure of the company. Therefore, it is necessary to preserve a proper balance of liquidity and also solvency. To determine the liquidity level of HUDCO, three ratios related to liquidity, namely, current ratio, quick ratio and absolute liquidity ratio.

CURRENT RATIO (CR): Current ratio shows the relationship between the current assets and current liabilities. This ratio is measure of the firm's short term solvency. This ratio according to accepted standards or idle ratio should be 2:1, it is an index of sound working capital position for the business and in case it is less than 2:1, there is need to further investigate about the short term solvency. The higher the CR, greater the margin of safety and vice versa. The current ratios of both the selected companies have been exhibited in below Table 1. The current ratio of HUDCO is varied between 1.19 times in 2000-01 and 1.19 times in the year 2010-11. It is clear from the analysis that this ratio is almost below than the ideal standard of 2:1, except during the year from 2002-03 to 2005-06. The average ratio is 1.47 times with a growth rate of 1.41 %. The S.D. is .49 and the value of C.V. is 33.33 %. Hence, there is more consistency in this ratio in case of HUDCO over the period of last ten years.

LIQUID RATIO (LR): Liquid ratio is also known as acid test ratio, quick ratio or liquidity ratio. It can be calculated by dividing the current assets minus inventory and prepaid expenses by current liabilities. Normally, an idle quick ratio of 1:1 is considered satisfactory as a firm can easily meet its all current obligations. Liquid ratio provides a sense, a check on the liquidity position of a firm as shown by the current ratio. Quick ratio is more rigorous and penetrating test of the liquidity position of a business firm. The below Table 1 depicts the liquid ratio of selected company. In case of HUDCO, liquid ratio is in a satisfactory position in the last ten years of the study because it is more than the idle standard of 1:1 but it is more than the standard norm during the period from 2003-04 to 2005-06. Highest ratio during the study period is 2.28 times in the years 2004-05 and the lowest ratio is .93 times in the year 2002-03. On average, this ratio is 1.48 times, which is in a satisfactory position as per the norm. The Growth rate is 1.43 % which shows that the liquidity position of the company is in a positive direction during the study period. The S.D. is 0.48 and the value of C.V. is 32.43 %. Thus, it can be concluded that the liquidity position of the HUDCO is sound over the period of study.

TABLE 1: STATEMENT SHOWING LIQUIDITY AND SOLVENCY OF HUDCO

Ratios / Years	Liquidity			Solvency			
	CR	LR	ALR	DER	PR	FAR	CAFAR
2000-01	1.19	1.20	0.98	7.75	0.11	8.47	0.10
2001-02	1.08	1.08	0.84	7.25	0.11	8.16	0.06
2002-03	0.93	1.00	0.38	**7.25**	0.11	8.36	0.05
2003-04	2.16	2.16	1.27	6.84	0.12	7.30	0.12
2004-05	2.28	2.28	1.52	6.22	0.13	6.75	0.14
2005-06	2.07	2.07	1.58	5.91	0.14	6.58	0.11
2006-07	1.55	1.60	1.10	5.21	0.15	6.02	0.10
2007-08	1.01	1.01	0.49	4.51	0.17	5.53	0.07
2008-09	1.45	1.46	0.82	4.12	0.18	5.05	0.08
2009-10	1.21	1.21	0.70	3.05	0.23	1.00	0.06
2010-11	1.19	1.21	0.66	2.86	0.24	1.00	0.06
Growth Rate	1.41	1.43	0.97	8.74	0.09	12.63	0.09
Mean	1.47	1.48	0.94	5.54	0.15	5.84	0.09
SD	0.49	0.48	0.39	1.72	0.05	2.64	0.03
CV	0.333333	0.324324	0.414894	0.310469	0.333333	0.452055	0.333333

ABSOLUTE LIQUID RATIO (ALR): This ratio is also regarded as cash position ratio or super quick ratio. It is a more rigorous test of the liquidity position of a firm. This is calculated by dividing cash and bank balances and marketable securities by the current liabilities. A high cash position ratio is good for the creditors but for management, it indicates poor investment policy. The idle standard for this ratio is 50 % or 0.50:1; it means that if a business firm has 50 % cash to meet its current obligation, it is regarded hat liquid position of the company is satisfactory. The above Table 1 depicts that this ratio is always greater than the idle norm of 50 % or 0.5:1 in case of HUDCO. It ranged from 0.98 times in the year 2000-01 and ends with 0.66 in the year 2010-11. The overall average is 0.94 times with a growth rate of 97%. The S.D. is 0.39 and the value of C.V. is 41.49%. Thus, the cash position of HUDCO is at satisfactory during the study period, because the level of cash and bank balances maintained by the company is always greater than the standard norm.

DEBT EQUITY RATIO (DER): This is comparison between the outsider's debts and shareholders' funds. The debt includes all outsiders funds like debentures, long term loans say from financial institutions and the term Equity includes share capital both equity and preference and shareholders' funds. The standard norm of this ratio is 2:1 in general the lower the ratio, the higher the degree of protection enjoyed by the creditors. Is using this ratio, followed points should be born in mind. The book value of equity may be an understatement of its value in a period of rising prices. Some of debts are usually protect by specific collaterals and hence of rising prices superior protection. The long term solvency ratios of HUDCO have been exhibited in Table 1. The DER of HUDCO is varied between 7.75 times in 2000-01 and 2.86 times in the year 2010-11. It is clear from the analysis that this ratio is always above than the ideal standard of 2:1. The average ratio is 5.54 times with a growth rate of 8.74%. The S.D. is 1.72 and the value of C.V. is 31.05%. Hence, there is not in consistency in this ratio in case of HUDCO over the period of last ten years and at the same the company is highly blocked the funds in debt than equity fund.

PROPRIETARY RATIO (PR): This ratio is also known as the name of net worth to total assets or equity ratio. Proprietary ratio indicates a relationship between net worth and total assets. This ratio expenses the extent to which the shareholders own business. The shareholders/proprietary funds includes this ratio has been calculated by considering net worth and total assets for the past five years. The standard norm of this ratio is 1:3 times i.e. 1/3 of the total assets should be acquired by shareholders funds and the other 2/3 rd of the assets should be financed by outsiders funds. According to Table 1, the PR of HUDCO is always less than 30% of the total assets. It ranged from 0.11 times in the year 2000-01 and ends with 0.05 in the year 2010-11. The overall average is 0.15 times with a growth rate of 9%. The S.D. is 0.05 and the value of C.V. is 33.33%. Thus, the proprietors' position of HUDCO is not at satisfactory over the period of study.

FIXED ASSETS RATIO (FAR): This ratio gives an idea as to what part of the capital employed has been used in the purchasing the fixed assets for the concern. If the ratio is less than one it is good for the concern. The table 1 depicts that FAR of HUDCO is always greater than one during the period from 2000-01 to 2008-09 and after it was stabled at one during the period from 2009-10 to 2010-11. It was assortment from 8.47 times in the year 2000-01 and ends with 1.00 times in the year 2010-11. The overall average is 5.84 times with a growth rate of 12.63%. The S.D. is 2.64 and the value of C.V. is 45.21%. Thus, the proprietors' position of the selected company is not at satisfactory over the period of study.

CURRENT ASSETS TO FIXED ASSETS RATIO (CAFAR): It is the relationship between current assets to fixed assets. Every manufacturing concern should maintain adequate funds in current assets to meet their short-term obligations and at the same time it has to keep the good amount of fixed assets which is sufficient to meet long term obligations. The ratio of current assets to fixed asset of HUDCO portrayed that in the above table 1. The CAFAR of the selected company is varied between 0.10 times in 2000-01 and 0.06 times in the year 2010-11. The average ratio is 0.09 times with a growth rate of 9%. The S.D. is 0.03 and the value of C.V. is 33.33 %. This is almost less than ten percent; it indicates that the company has quipped with more funds in fixed assets i.e. around 90%. It indicates that the vigor of long-term solvency of the concern.

PROFITABILITY POSITION OF HUDCO: Any company should earn profits to survive and grow over a long period of time. Profits are essential, but it would be wrong to assume that every action initiated by management of a company should be aimed at maximizing profits, irrespective of social consequences. Profit is the difference between revenues and expenses over a period of time (usually a year). Profit is the ultimate "Output" of a company, and it will have no future if it fails to make sufficient profits. Therefore, the financial manager should continuously evaluate to the efficiency of the company in term of profits. The profitability ratios are calculated to measure the operating efficiency of the company. Besides management of the company, creditors and owners are also interested in the profitability of the firm. Creditors want to get interest and repayment of principle regularly. Owners want to get a required rate of return on their investment. This is possible only when the company earns enough profits.

Generally two major types of profitability ratios are calculated.

I. Profitability In Relation To Turnover
II. Profitability In Relation To Investment

TABLE 2: STATEMENT SHOWING PROFITABILIITY OF HUDCO

Ratios / Years	GPR	NPR	OPR	ROCE	ROSHI	ROTA	EPS
2000-01	97.28	5.8	95.46	10.57	5.51	0.61	90.77
2001-02	95.15	5.65	94.37	10.05	4.97	0.56	92.75
2002-03	80.32	10.91	86.03	9.22	21.03	1.1	175.24
2003-04	92.62	10.42	75.07	9.12	9.97	1.21	183.32
2004-05	94.35	14.39	93.47	10.46	11.72	1.52	200.31
2005-06	74.96	9.96	74.02	8.12	7.61	1.04	130
2006-07	87.48	11.81	86.61	9.23	7.88	1.19	154.04
2007-08	88.3	14.32	87.5	9.82	8.92	1.51	186.69
2008-09	73.85	14.78	72.96	8.2	8.59	1.58	200.3
2009-10	87.8	19.59	86.91	10.54	9.72	2.26	247.42
2010-11	93.2	24.14	91.9	9.7	9.92	2.43	274.75
Growth Rate	91.29	6.41	88.57	9.76	8.06	0.67	107.55
Mean	87.76	12.89	85.85	9.55	9.62	1.36	175.96
SD	8.09	5.49	8.28	0.86	4.27	0.57	157.44
CV	0.0921832	0.4259116	0.0964473	0.0900524	0.4438669	0.4191176	0.8947488

Source: Compiled from the Annual Reports of HUDCO

I. PROFITABILITY OF HUDCO IN RELATION TO TURNOVER

The following are the main significant ratios to know the profitability of any concern:

a. Gross profit margin b. Net profit ratio c. Operating margin

a. GROSS PROFIT RATIO (GPR): Gross profit margin reflects the efficiency with which the management produces each unit of product. This ratio indicates the average spread between the cost of goods sold and the sales revenue. When we subtract the gross profit margin from 100%, A high gross profit margin relative to the industry average implies that the firm is able to produce at relatively lower cost. A low gross profit margin may reflect higher cost of goods sold due to the firm's inability to purchase raw materials at favorable terms, inefficient utilization of plant and machinery, resulting in higher cost of production. The table 2 depicts that GPR of HUDCO is always performs well over the past ten years i.e. from 2000-01 to 2010-11. It was growing with 91.29 percent with an average of 87.76 percentages during the period of study. The S.D. is 8.09 and the value of C.V. is 9.22 percentages. Thus, the profitability of HUDCO is at satisfactory position over the period of study.

NET PROFIT RATIO (NPR): Net profit is obtained when operation expenses, interest and taxes are subtracted from the gross profit. Net profit margin ratio establishes a relationship between net profit and sales and indicated management's efficiency in manufacturing, administering and selling the products. This ratio is the overall measure of the firm's ability to turn each rupee sales into net profit. This ratio also indicates the firm's capacity to withstand in adverse economic conditions. The NPR of HUDCO has been depicted from the above table-2, it was always performed more than ten percent over the period of study except during the period from 2000-01 to 2001-02 and also in the year 2005-06. The HUDCO obtained good profits with an aggregate of 12.89 percent during the period of study. During the period of study, the NPR of HUDCO GROWING WITH 6.41 percent and also maintained SD is 5.49 and the value of CV is 42.59 percent. Hence, the net profitability margin of HUDCO is at satisfactory position over the period of study, especially in recent trend.

OPERATING PROFIT RATIO (OPR): Operating margin ratio is also known as Operating Net profit ratio. This ratio establishes the relationship between the total cost incurred and sales. Operating profit is the Net profit after depreciation but Before Interests and Taxes. The OPR of HUDCO established tremendously during the period from 2000-01 to 2010-11. It was maintained as an aggregate of 85.85 percentage with 88.57 percentage of growth. The SD of HUDCO is 8.28 and CV is 9.64 percentages. Finally, we conclude that the overall operational efficiency of the business concern is at satisfactory.

II. PROFITABILITY RATIOS IN RELATION TO INVESTMENT

The following are the significant ratios which are used to find out the profitability on the basis of investment:

a. Return on capital employed b. Return on shareholders' investment. c. Return on total assets. d. Earnings per share.

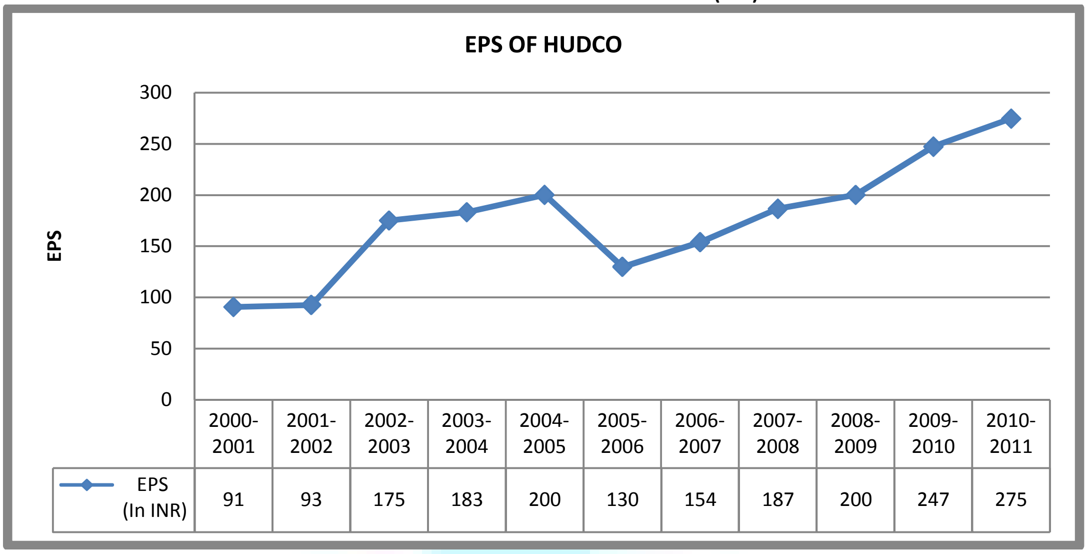
RETURN ON CAPITAL EMPLOYED (ROCE): The term capital employed refers to long-term funds supplied by the creditors and owners of the fund. It can be computed in two ways. The Capital Employed provides a basis to test the profitability related to the sources of long-term funds. The above table 2 portrayed that the ROCE of HUDCO during the period of study. The ROCE of HUDCO is varied between 10.57 to 10.54 percentages with an aggregate of 9.76 percentages. The S.D. is 0.86 and the value of Co-variance is 9%. Hence, Insight into how efficiency the long-term funds of owners and creditors are being used and it was efficiently utilized the capital employed.

RETURN ON SHAREHOLDERS' INVESTMENT (ROSI): Investment represents pool of funds supplied by shareholders and lenders, while Profit after tax (PAT) represents residual income of shareholders; therefore, it is conceptually unsound to use PAT in the calculation of ROI. Also, as discussed earlier, PAT is affected by capital structure. It is, therefore more appropriate to use one of the following measures of ROI for comparing the operating efficiency of firms. From the above table-2, we have identified that The ROSI of HUDCO is varied between 5.51 to 9.92 percentages with the average of 9.62 percentages with 8.06 percentage growth rate. The S.D of ROSHI 4.27 and its Co-variance value is 44.39%.

RETURN ON TOTAL ASSETS (ROTA): The ratio of return on total assets represents the capacity of income level over total assets of the firm. Here we noticed that the ROTA of HUDCO over the period of ten years i.e. 2000-01 to 2010-11. The HUDCO was gained a small fraction of growth in terms of ROTA i.e. 1.36 with 0.67 growth rate. The S.D.is 0.59 and the value of CV is 41.91%.

EARNING PER SHARE (EPS): A high EPS relative to the profitability performance implies that the firm's ability of earning capacity. Hence, every firm ultimately tries to increase the EPS which helps to maximise the dividend payment competence in the business world.

FIGURE 1: STATEMENT SHOWING EARNING PERSHARE (EPS) OF HUDCO



Sources: Complied from the Annual Reports of HUDCO

Here we observed that the EPS of HUDCO over the period of more than ten years, it was gradually increased to 200 Rs. by the year 2004-05 but suddenly declined to 130 Rs. due to impact of subprime global financial crisis in the year 2005-06. After that, HUDCO took an initiative to increase the operating income by expanding the market area and it was raised to Rs.275 at the end of the period of study. Finally we conclude that the overall efficiency of HUDCO especially in-terms of profitability had mad remarkably performance even in financial crisis during the last decade.

CONCLUSIONS AND SUGGESTIONS

Profitability and liquidity management is of crucial importance in financial management decision. The most favorable financial performance could be achieved by a company that can trade off between profitability and liquidity performance indicators. The purpose of this study is to find out the financial position of and know the significance of them. Descriptive statistics discloses that performance of the selected unit in terms of liquidity, solvency and profitability position is very satisfactory and relatively efficient financial position is found in all the cases. Therefore, it is suggested that both the institutions under the study should concern on financial profitability, especially unexplained variables in purpose of creating shareholders' wealth**.** On the basis of foregoing analysis, the following conclusions can be made:

1. The overall liquidity position of HUDCO has been fluctuated through the period of study but it always maintain sufficient funds which are more than enough to meet short-term obligations of the concern.
2. The long-term solvency of the selected unit is more than adequate and HUDCO is highly depends on outsiders funds rather than equity funds. Hence the company is better to concentrate to get back the funds from debt to equity funds and also reduce long term financial obligations.
3. The EPS of HUDCO has been fluctuated during the period of study. Initially it was in uptrend and started from Rs.90.77 to Rs.200 by the year 2004-05. It was declined to Rs.130 in the year 2005-06 due to financial crisis and later it has a remarkable improvement if the following period, it was reached to Rs.274.75 by the year 2010-11.

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FACTORS INFLUENCING RETAIL INVESTORS IN INDIAN PRIMARY MARKET

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ABSTRACT
The investment decision optimum for one investor may not be suitable for the other investor. Every investor has his own investment objectives, risk acceptance level, inflows and outflows of money, and other constraints. With the reforms of industrial policy, public sector, financial sector and the many developments in the Indian money market and capital market, primary market which has become an important gateway for the retail investors to make their investment, is also influenced by various factors. Hence, this study has made an attempt to find out the factors influencing retail investors in Indian primary market based on survey from April 2009 to October 2011. The empirical study shows that the decision of retail investors in primary market are influenced by issue price, information availability, brokers advice, recommendation of the analysts, secondary market situation, disclosure by market participants and other factors.

KEYWORDS
Decision Making, IPOs, Primary Market, Retail Investors.

1. INTRODUCTION
Economic success and sound financial system is intertwined in both literature and practice. Economic reform process of 1991 had a great impact on redefining the financial system of India leading to overall economic development of the country. Today, India's financial system is considered to be sound and stable as compared to many other Asian countries where the financial market is facing many crises.

Effective decision-making in financial market requires better insight, and understanding of human nature in a global perspective, apart from sharp financial skills and ability to gain best out of investments. Positive vision, foresight, perseverance and drive are must for an investor to be successful in his investment decisions. Investors differ in characteristics due to demographic factors such as socio-economic background, educational level, age, gender, and alike. So, it is difficult for an investor to make an appropriate investment decision on the basis of the decisions made by someone else. It implies that an investment decision optimum for one investor may not be suitable for the other investor. Every investor has his own investment objectives, risk tolerance level, inflows and outflows of money, and other constraints. And accordingly, he designs his investment portfolio considering all these factors. Institutional investors have to estimate the output mean-variance optimization as well. But when it comes to make investment decisions by individual investors, they fail to follow the standard procedure for designing an optimum investment strategy.

There is always an issue that suggests difficulty in making good, rational investment decisions. Indeed many past research studies show that investors were not always rational. Investment decision-making is a complex process and the decision processes are subject to several cognitive biases. People invest in financial markets where investment returns are highly uncertain and unpredictable as well as subject to a relatively high degree of market risk which could be affected by actions of others and their own emotional weaknesses. Studies have shown that various factors such as the investors' demographic factors, socio-economic relations, education level and income range an influence to their decision-making process.

Investors have different mindset when they decide about investing in a particular avenue. Every individual wants his saving to be invested in most secure and liquid avenue. However, the decision varies for every individual and his risk taking ability. Investment behaviour is related to activities of individual investors regarding searching, evaluating, acquiring, reviewing the investment products and if necessary, disposing such investment products. Investment behaviour reveals how the individual investor allocates the surplus financial resources to various instruments available. The investment behaviour consists of why they invest, where and how they get information, what factors they use to evaluate, who influences them on choice of investment and how they act after investment. The study was conducted mainly to know the factors influencing retail investors in Indian primary market.

In this paper we propose to study the factor influencing retail investor in Indian primary market. The paper is structured as follows: Part 1 forms the introduction; part 2 emphasises on literature review; part 3 presents the objectives and research methodology; part 4data analysis and discussion while part 5 presents the conclusion. References are given after part 5 and the Tables are presented after the references.

2. REVIEW OF LITERATURE
What are the major factors that affect investors' decision-making? Investors generally aim to maximise their wealth by trading based on their belief in the issuing company's future profitability and risk profile. They also trade to liquidate paper assets, realise tax losses or rebalance their portfolios. Investors may use many approaches to justify their investment decisions by incorporating economic, industrial and financial variables into their decision making processes.

Nagy and Obenberger (1994) studied on Factors Influencing Individual Investor Behavior. The study examined various utility maximization and behavioral variables underlying individual investor behavior provides a more comprehensive understanding of the investment decision process. These variables are grouped into seven summary factors like Neutral Information, Accounting Information, Self-Image/Firm-Image Coincidence, classic, social relevance, advocate recommendation and personal financial needs that capture major investor considerations. Data collected from a questionnaire sent to a random sample of individual equity investors with substantial holdings in Fortune 500 firms revealed that classical wealth maximization criteria are important to investors, even though investors employ diverse criteria when choosing stocks. Contemporary concerns such as local or international operations, environmental track record and the firm's ethical posture appear to be given only cursory consideration. The recommendations of brokerage houses, individual stock brokers, family members and co workers go largely unheeded. Many individual investors discount the benefits of valuation models when evaluating stocks and study found that investors do not tend to rely on a single integrated approach. **Iyer and Bhaskar (2002)** studied on Investors Psychology a Study of Investors Behaviour in the Indian Capital Market. The study revealed that observing and analyzing the market psychology, people can learn and use it to accomplish trades. The paper also shows that Indian markets are directed and controlled by few players who have information unavailable to others and market activity is concentrated in few scrips and psychological factors do play an important role in market. **Rajarajan (2003)** studied on Investors demographics and risk bearing capacity. The study was undertaken in Chennai. A sample of 450 investors was selected covering different age, occupation and income groups using judgment sampling. A structured questionnaire was issued to each one of them. The study revealed that characterise the relationship between various demographic characteristics and the risk exposure of individual portfolios. The evidence from cross sectional data suggests that individual's demographic characteristic does have strong association with their risk bearing capacity. **Mittal and Vyas (2008)** explored the relationship between various demographic factors and the investment personality exhibited by the investors. Empirical evidence suggested that factors such as income, education and marital status affect an individual's investment decision. Further the results revealed that investors in India can be classified into four dominant investment personalities namely casual, technical, informed and cautions. **Bharathi (2010)** study reveals that in a significant choice criterion which includes return on investment, scope for trade, and level of completion, other factors which influence the investment decision making are market environment, financial health of the corporate, competition, return and risk, nature of business, corporate policy and earning quality. **Manjunatha *et.al* (2007), Manjunatha (2008), Manjunatha and Mallikarjunappa (2006; 2009)** have questioned the validity of CAPM in Indian markets. **Sultana (2010)** the study revealed that irrespective of gender, most of the investors (41%) are found have low risk tolerance level and many others (34%) have high risk tolerance level rather than moderate risk tolerance level. It is also found that there is a strong negative correlation between Age and Risk tolerance level of the investor. Television is the media that is largely influencing the investor's decisions. **Shaikh and Kalkundarikar (2011)** study reveals that knowledge level significantly leverages the returns on the investments and there is a negative correlation between the occupation of retail investor and the level of risk.

From the above review of literature it can be inferred that primary market is capturing the attention of various segments of the society, like academicians, industrialists, financial intermediaries, investors and regulators for varied reasons and deserves an in depth study. It is obvious from the review of previous research studies that most of them pertains to decision making of investors in stock market, demographic factors its influence on decision making, risk taking capacity of investors, attitude of small investors and institutional investors towards stock market. Moreover, the aforesaid researches belong to foreign countries. Truth is that no study has so far been conducted in order to identify the factors influencing retail investors in Indian primary market.

Evidently, there is still a lot to substantiate on how different factors influencing retail investors in Indian primary market. Hence, with this background, the study attempts to evaluate the "Factors Influencing Retail Investors in Indian Primary Market".

3. OBJECTIVES AND RESEARCH METHODOLOGY

OBJECTIVES

The major objective of the study is to understand the factors influencing retail investors in Indian primary market. Following are the objectives set for the present study.

1) To study the factors that influences investors' decision making process in Indian primary market.
2) To study the factors considered by the retail investor while investing in primary market.

RESEARCH METHODOLOGY

The questionnaire approach was used by Schiller (2002) to measure investor confidence in the United States capital markets. Subsequently Tsutsui and Kon-ya along with Schiller used the same approach to measure investor confidence in secondary stock market in Japan. This study also uses questionnaires and distributed to individual primary market investors. A simple random sampling method was used to achieve the required response rate. The intercept target respondents were from identified geographical areas, namely, the main towns in Karnataka state. A total of 1000 questionnaires were collected during the survey period from April 2009 to October 2011. The data were collected by directly meeting the investors and also obtained from the investors through various share brokers.

The questions inquired the factor influencing retail investors in Indian primary market, and the users were given 29 statements. In addition, the respondents had to rate the importance of the statements, on the 'five point Likert scale.' Data were subject to statistical analysis such as descriptive statistics and frequency distribution.

4. DATA ANALYSIS AND DISCUSSION

RESPONDENTS' DEMOGRAPHIC INFORMATION

1. Table 1 presents the detail of the respondents' gender. 85.3percent of the respondents were males and 14.7percentof the respondents were females. Male respondents seemed to be much more aggressive in primary market investment.
2. It is understood from the table 2 that 34.6percentof the respondents are belonging to the age group of 36-50 years, 30.5percentof the respondents are in the age group of 26-35 years, 26.4percentof the respondents are in the age group of 50-60 years, 5.6percentof the respondents are in the age group of 18-25 years and remaining 2.9percentof the respondents are in the age group of above 60 years. SEBI recognised that primary market investment from the younger age group was low and it has undertaken various promotions to encourage the young generation to invest in the primary market. As expected, the findings also show that reduced involvement of primary market investors in the older age group. This further suggests that older people were not willing to take higher risks as compared with younger investors with investment in the primary market.
3. The status of literacy of the investors is shown in the table 3 that 41.1 percent of the respondents have graduation as their qualification, 27 percent of the respondents completed post graduation, 12.3 percent of the respondents are having M.B.A. as their qualification, 9.9 percent of the respondents are having professional qualification like CA, CS & ICWA, 6.5 percent of the respondents are having others like MBBS, diploma holders, ITI etc and remaining 2.4 percent and .8 percent of the respondents have completed pre-university and high school education respectively. This reveals that highly educated respondents dominated investment in the Indian primary market
4. Regarding marital status of the respondents is given in the table 4 that 83.7 percent of the respondents are married followed by 15.3 percent of the respondents are unmarried. Besides, 0.5 percent and 0.5 percent of the respondents are divorced and widower respectively.
5. The distribution of investors according to their occupations is given in Table 5 that 45.7 percent of the respondents are employees, 25.1percent of the respondents are doing business, 20.7 percent of the respondents are Professionals like, Chartered Accountants, Doctors, Engineers, etc., 5.4 percent of the respondents are housewife and remaining 3.1 percent of the respondents are retired persons. It is interesting to note that almost 25.1% of the respondents were self-employed who actively invested in the primary market to raise their wealth besides relying on income from their business.
6. It is understood from the table 6 that 35.2 percent of the respondents earning annual income of Rs.3,00,000 to Rs. 5,00,000 per annum, 23.1 percent of the respondents earning annual income of Rs. 1,50,000 to Rs.3,00,000, 17 percent of the respondents earning annual income of Rs.5,00,000 to Rs.8,00,000, 13.4 percent of the respondents earning annual income of Rs.1,00,000 to Rs.1,50,000, 6.2 percent of the respondents earning annual income of Rs.8,00,000 to Rs.10,00,000. Beside, 3.8 and 1.3 percent of the respondents earning annual income of Rs.50,000 to Rs.1,00,000 and More than Rs.10,00,000 respectively.

FACTORS INFLUENCES RETAIL INVESTORS' DECISION IN INDIAN PRIMARY MARKET

1. It is clear from the table 7 that 56.4percent of the respondents agree that they invest in primary market issues of listed companies with good current market prices, 21.1 percent of the respondents neutral that they invest in primary market issues of listed companies with good current market prices, 20.8 percent of the respondents strongly agree that they invest in primary market issues of listed companies with good current market prices, 1.6 percent of the respondents disagree that they invest in primary market issues of listed companies with good current market prices and 0.1 percent of the respondents strongly disagree that they invest in primary market issues of listed companies with good current market prices. One respondent has not given his response.
2. It is inferred from the table 7 that 43.1 percent of the respondents agree that their investment decision is based on advice of the broker, 33.1 percent of the respondents neutral that their investment decision is based on advice of the broker, 14 percent of the respondents disagree that their investment decision is based on advice of the broker, 8.6 percent of the respondents strongly agree that their investment decision is based on advice of the broker and 1.1 percent of the respondents strongly disagree that their investment decision is based on advice of the broker. One respondent has not given his response.

3. It is inferred from the table 7 that 40.6percent of the respondents agree that they invest in new issues market based on their personal analysis, 28.4 of the respondents neutral that they invest in new issues market based on their personal analysis, 25.8percent of the respondents strongly agree that they invest in new issues market based on their personal analysis, 4.7 percent of the respondents disagree that they invest in new issues market based on their personal analysis and 0.5 percent of the respondents strongly disagree that they invest in new issues market based on their personal analysis. Six respondents have not given their response.
4. It is inferred from the table 7 that 40.3percent of the respondents agree that they will sell shares after allotment, 29.8 of the respondents neutral that they will sell shares after allotment, 14.5 percent of the respondents disagree that they will sell shares after allotment, 13.4 percent of the respondents strongly agree that they will sell shares after allotment and 1.9 percent respondents strongly disagree that they will sell shares after allotment. Three respondents have not given their response.
5. It is understood from the table 7 that 53.1percent of the respondents agree that they use analysts recommendations to invest in new issues market, 27.9 percent of the respondents neutral that they use analysts recommendations to invest in new issues market, 11.5 percent of the respondents strongly agree that they use analysts recommendations to invest in new issues market, 6.8 percent of the respondents disagree that they use analysts recommendations to invest in new issues market, 0.7 percent strongly disagree that they use analysts recommendations to invest in new issues market. One respondent has not given his response.
6. It is clear from the table 7 that 46.9 percent of the respondents agree that they will invest in private sector companies, 31.8percentof the respondents neutral that they will invest in private sector companies, 10.5 percent of the respondents disagree that they will invest in private sector companies, 9.2 percent of the respondents strongly agree that they will invest in private sector companies and 1.6percent respondents strongly disagree that they will invest in private sector companies. Five respondents have not given their response.
7. It is understood from the table 7 that 63.8 percent of the respondents agree that they will invest in public sector companies, 19.7 percent of the respondents neutral that they will invest in public sector companies, 14.2 percent of the respondents strongly agree that they will invest in public sector companies and 2.3 percent respondents disagree that they will invest in public sector companies. One respondent has not given his response.
8. It is inferred from the table 7 that 43.5 percent of the respondents neutral that they will consider size of the issue and expanded equity size, 38.1 of the respondents agree that they will consider size of the issue and expanded equity size, 8.1percent of the respondents strongly agree that they will consider size of the issue and expanded equity size, 7.4percent of the respondents disagree that they will consider size of the issue and expanded equity size and 2.8percent respondents strongly disagree that they will consider size of the issue and expanded equity size while investing in primary market. Sixteen respondents have not given their response.
9. It is obvious from the table 7 that 60.4percent of the respondents neutral that they will consider export orientation, 20.4 of the respondents agree that they will consider export orientation, 12.1percent of the respondents disagree that they will consider export orientation, 3.8percent of the respondents strongly agree that they will consider export orientation and 3.4percent respondents strongly disagree that they will consider export orientation of the firm while investing in primary market. Fourteen respondents have not given their response.
10. It is clear from the table 7 that 55.7 percent of the respondents agree that they see the industry performance, 25.7 of the respondents strongly agree that they see the industry performance, 15 percent of the respondents neutral that they see the industry performance and 3.6 percent of the respondents disagree that they see the industry performance while investing in primary market. Six respondents have not given their response.

FACTORS CONSIDERED BY RETAIL INVESTORS WHILE INVESTING IN INDIAN PRIMARY MARKET

1. It is inferred from the table 8 that 50.6percent of the respondents strongly agree that that they will consider issue price, 34.6percentof the respondents agree that they will consider issue price, 11.1percent of the respondents neutral that they will consider issue price, 2.1percent of the respondents disagree that they will consider issue price and 1.6percent respondents strongly disagree that they will consider issue price while investing in primary market.
2. It is clear from the table 8 that 52.4 percent of the respondents agree that they will consider information availability, 27.5percentof the respondents strongly agree that they will consider information availability, 16.3 percent of the respondents neutral that they will consider information availability, 2.2percent of the respondents disagree that they will consider information availability and 1.6 percent of the respondents strongly disagree that they will consider information availability while investing in primary market. Six respondents have not given their response.
3. It is obvious from the table 8 that 46 percent of the respondents agree that they will consider market price immediately after listing, 27.3 percent of the respondents neutral that they will consider market price immediately after listing, 22.1 percent of the respondents strongly agree that they will consider market price immediately after listing, 4.5percent of the respondents disagree that they will consider market price immediately after listing and 0.1 percent respondents strongly disagree that they will consider market price immediately after listing while investing in primary market. Six respondents have not given their response.
4. It is clear from the table 8 that 57.2 percent of the respondents agree that they will consider liquidity after listing, 20.2 percent of the respondents strongly agree that they will consider liquidity after listing, 16.9 percent of the respondents neutral that they will consider liquidity after listing, 5.5 percent of the respondents disagree that they will consider liquidity after listing and 0.1 percent of the respondents strongly disagree that they will consider liquidity after listing while investing in primary market. Six respondents have not given their response.
5. It is understood from the table 8 that 58.8 percent of the respondents agree that they will see secondary market situation, 22.5percent of the respondents strongly agree that they will see secondary market situation, 16percent of the respondents neutral that they will see secondary market situation, 2.6percent respondents disagree that they will see secondary market situation and 0.1 percent of the respondent strongly disagree that they will see secondary market situation while investing in primary market. Four respondents have not given their response.
6. It is inferred from the table 8 that 58.5 percent of the respondents agree that they will consider business prospectus, 22 percent of the respondents neutral that they will consider business prospectus, 17 percent of the respondents strongly agree that they will consider business prospectus, 2.2 percent of the respondents disagree that they will business prospectus, and 0.1 percent respondents strongly disagree that they will consider business prospectus while investing in primary market. One respondent has not given any response.
7. It is clear from the table 8 that 47.7 percent of the respondents neutral that they will consider lead managers image, 30.4 percent of the respondents agree that they will consider lead managers image, 14.6 percent of the respondents disagree that they will consider lead managers image, 4.5 percent of the respondents strongly agree that they will consider lead managers image and 2.8percent of the respondents strongly disagree that they will consider lead managers image while investing in primary market. Five respondents have not given their response.
8. It is understood from the table 8 that 40.9 percent of the respondents neutral that they will consider regulatory environment, 39.4 percent of the respondents agree that they will consider regulatory environment, 13.4 percent of the respondents disagree that they will consider regulatory environment, 6 percent respondents strongly agree that they will consider regulatory environment and 0.3 percent of the respondent strongly disagree that will consider regulatory environment while investing in primary market. Sixteen respondents have not given their response.
9. It is obvious from the table 8 that 49.7 percent of the respondents neutral that they will consider IPOs grading, 30.2 percent of the respondents agree that they will consider IPOs grading, 11.1 percent of the respondents disagree that they will consider IPOs grading, 8.8 percent of the respondents strongly agree that they will consider IPOs grading and 0.1 percent respondents strongly disagree that they will consider IPOs grading while investing in primary market. Four respondents have not given their response.
10. It is inferred from the table 8 that 52.5 percent of the respondents neutral that they will consider disclosure by market participants, 30percent of the respondents agree that they will consider disclosure by market participants, 11.1percent of the respondents disagree that they will consider disclosure by market participants, 8.8percent of the respondents strongly agree that they will consider disclosure by market participants and 0.1 percent respondents strongly disagree that they will consider disclosure by market participants while investing in primary market. Fourteen respondents have not given their response.

11. It is understood from the table 8 that 54.4percent of the respondents agree that they will consider retail investors protection, 24percent of the respondents neutral that they will consider retail investors protection, 12.3 percent of the respondents disagree that they will consider retail investors protection, 9.2percent respondents strongly agree that they will consider retail investors protection and 0.1 percent of the respondent strongly disagree that they will consider retail investors protection while investing in primary market. Eight respondents have not given their response.
12. It is clear from the table 8 that 54.8 percent of the respondents agree that they will consider company management, 23.7 percent of the respondents strongly agree that they will consider company management, 16 percent of the respondents neutral that they will consider company management and 5.5 percent of the respondents disagree that they will consider company management while investing in primary market.
13. It is clear from the table 8 that 52.9percent of the respondents agree that they will consider promoter experience, 21 percent of the respondents neutral that they will consider promoter experience, 19.3percent of the respondents strongly agree that they will consider promoter experience and 6.9percent of the respondents disagree that they will consider promoter experience in the industry while investing in primary market. Three respondents have not given their response.
14. It is understood from the table 8 that 48.2percent of the respondents agree that they will consider promoter reputation, 24.1 percent of the respondents neutral that they will consider promoter reputation, 19.8percent of the respondents strongly agree that they will consider promoter reputation and 7.9percent of the respondents disagree that they will consider promoter reputation while investing in primary market. Seven respondents have not given their response.
15. It is inferred from the table 8 that 50.8percent of the respondents agree that they will consider profit track record of the companies, 26.3 percent of the respondents strongly agree that they will consider profit track record of the companies, 21.1percent of the respondents neutral that they will consider profit track record of the companies and 1.8percent of the respondents disagree that they will consider profit track record of the companies while investing in primary market. Two respondents have not given their response.
16. It is understood from the table 8 that 33.1 percent of the respondents neutral that they will consider company location, 31.2 percent of the respondents agree that they will consider company location, 20.6 percent of the respondents disagree that they will consider company location, 9.7 percent respondents strongly agree that they will consider company location and 5.3 percent of the respondent strongly disagree that they will consider company location while investing in primary market. Four respondents have not given their response.
17. It is clear from the table 8 that 43.9 percent of the respondents agree that they will consider promoters stake in the company, 29.6 percent of the respondents neutral that they will consider promoters stake in the company, 18.6 percent of the respondents strongly agree that they will consider promoters stake in the company, 7.2percent respondents disagree that they will consider promoters stake in the company and 0.8percent of the respondent strongly disagree that they will consider promoters stake in the company while investing in primary market. Nine respondents have not given their response.
18. It is inferred from the table 8 that 47.4percent of the respondents agree that they will consider the types of product and services, 20.9percent of the respondents strongly agree that they will consider types of product and services, 16.2percent of the respondents neutral that they will consider types of product and services, 8.4percent of the respondents strongly disagree that they will consider types of product and services and 7.1 percent respondents disagree that they will consider types of product and services while investing in primary market. Six respondents have not given their response.
19. It is inferred from the table 8 that 51.1percent of the respondents agree that they will consider the performance of other companies in the industry, 28.8percent of the respondents neutral that they will consider the performance of other companies in the industry, 14.8percent of the respondents strongly agree that they will consider the performance of other companies in the industry, 5.1percent of the respondents disagree that they will consider the performance of other companies in the industry and 0.2 percent respondents strongly disagree that they will consider the performance of other companies in the industry while investing in primary market. Five respondents have not given their response.

5. CONCLUSION

The surfacing of an array of savings and investment options and the spectacular increase in the volume of primary market for financial assets in the recent years in India has opened up an entirely new vicinity of value creation and management. An average Indian retail investor is a beginner when it comes to financial markets, the causes may be many: the lack of opportunity, lack of conceptual understanding, the influence of a regular-income orientation in the Indian culture and salaried person's savings are most often deposited in traditional avenues like bank deposit.

Our findings suggest that wealth-maximization criteria are important to retail investors while investing in the primary market, even though retail investors employ diverse criteria when choosing investment avenues. Contemporary concerns such as company location, the types of products and services and regulatory environment appear to be given only cursory consideration. The recommendations of brokerage houses, analysts, issue price, IPOs grading, promoter's reputation and other factors go largely heed in the primary market. The investment decision process appears to incorporate a broader range of items than previously assumed. Furthermore, each investor may view the broad criteria differently in terms of relative importance.

From the researchers and academicians point of view, such a study will help in developing and expanding knowledge in this field. Understanding the factors influencing retail investors may help them to avoid irrational investment decision-making, make sound investment decisions that will improve investment results and take appropriate investment strategy execution. Furthermore, it is hope that this study will assist financial advisors to provide sound advice for investors to make optimal investment decisions.

In future, special attention can be given to find the influence of demographic variables on decision making of retail investor in primary market by using chi square, ANOVA and T-test. This will help to find the relationship between demographic variables and decision making of retail investors. This will help policy makers to frame appropriate measures in order to protect and enhance the confidence of the retail investor at large and will provide boom to the primary market in India.

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TABLES

TABLE 1: GENDER OF THE RESPONDENTS

SL.No	Gender	Frequency	Percentage
01	Male	853	85.3
02	Female	147	14.7
Total		1000	100.0

TABLE 2: AGE OF THE RESPONDENTS

SL.No	Age	Frequency	Percentage	Mean	Standard Deviation
01	18-25 Years	56	5.6	41.46	11.27
02	26 to 35 Years	305	30.5		
03	36 to 50 Years	346	34.6		
04	50 to 60 Years	264	26.4		
05	Above 60 Years	29	2.9		
Total		1000	100.0		

TABLE 3: ACADEMIC QUALIFICATION OF THE RESPONDENTS

SL.No	Qualification	Frequency	Percentage
01	S.S.L.C.	8	0.8
02	P.U.C.	24	2.4
03	Graduate	411	41.1
04	Post Graduate	270	27.0
05	C.A.	35	3.5
06	I.C.W.A.	41	4.1
07	C.S.	23	2.3
08	M.B.A.	123	12.3
09	Others	65	6.5
Total		1000	100.0

TABLE 4: MARTIAL STATUS OF THE RESPONDENTS

SL.No	Marital status	Frequency	Percentage
01	Married	837	83.7
02	Unmarried	153	15.3
03	Divorced	5	.5
04	Widower	5	.5
Total		1000	100.0

TABLE 5: OCCUPATION OF THE RESPONDENTS

SL.No	Occupation	Frequency	Percentage
01	Profession	207	20.7
02	Business	251	25.1
03	Salaried	457	45.7
04	Retired	31	3.1
05	Housewife	54	5.4
Total		1000	100.0

TABLE 6:ANNUAL INCOME OF THE RESPONDENTS

SL.No	Annual Income	Frequency	Percentage	Mean	Standard Deviation
01	Rs. 50,000 to Rs. 1,00,000	38	3.8	394920	238260
02	Rs. 1,00,000 to Rs. 1,50,000	134	13.4		
03	Rs. 1,50,000 to Rs. 3,00,000	231	23.1		
04	Rs. 3,00,000 to Rs. 5,00,000	352	35.2		
05	Rs. 5,00,000 to Rs. 8,00,000	170	17.0		
06	Rs. 8,00,000 to Rs. 10,00,000	62	6.2		
07	More than Rs. 10,00,000	13	1.3		
Total		1000	100.0		

TABLE 7: THE DECISION TAKEN BY THE RETAIL INVESTOR FOR INVESTING IN NEW ISSUES MARKET

SL. No	Decision criteria	Descriptive statistics	SD	D	N	A	SA	Total	Mean	Standard Deviation
01	I invest in primary market issues of listed companies with good current market price.	Frequency	1	16	211	563	208	999	3.96	0.70
		Percentage	0.1	1.6	21.1	56.4	20.8	100.0		
02	Investment decision is based on advice from the broker	Frequency	11	140	331	431	86	999	3.44	0.88
		Percentage	1.1	14.0	33.1	43.1	8.6	100.0		
03	I invest in shares based on personal analysis	Frequency	5	47	282	404	256	994	3.86	0.87
		Percentage	0.5	4.7	28.4	40.6	25.8	100.0		
04	I sell shares after allotment	Frequency	19	145	297	402	134	997	3.49	0.96
		Percentage	1.9	14.5	29.8	40.3	13.4	100.0		
05	I use analysts recommendations	Frequency	7	68	279	530	115	999	3.68	0.79
		Percentage	0.7	6.8	27.9	53.1	11.5	100.0		
06	I invest in private sector companies	Frequency	16	104	316	467	92	995	3.52	0.86
		Percentage	1.6	10.5	31.8	46.9	9.2	100.0		
07	I invest in public sector companies	Frequency		23	197	637	142	999	3.90	0.65
		Percentage		2.3	19.7	63.8	14.2	100.0		
08	I consider the size of the issue and expanded equity size	Frequency	28	73	428	375	80	984	3.41	0.85
		Percentage	2.8	7.4	43.5	38.1	8.1	100.0		
09	I consider export orientation	Frequency	34	118	596	201	37	986	3.09	0.78
		Percentage	3.4	12.0	60.4	20.4	3.8	100.0		
10	I see the industry performance	Frequency		36	149	554	255	994	4.03	0.74
		Percentage		3.6	15.0	55.7	25.7	100.0		

TABLE 8: FOLLOWING FACTORS DO YOU CONSIDER IN YOUR DECISION IN NEW ISSUES MARKET

SL. No	Decision criteria	Descriptive statistics	SD	D	N	A	SA	Total	Mean	Standard Deviation
01	Issue price	Frequency	16	21	111	346	506	1000	4.31	0.87
		Percentage	1.6	2.1	11.1	34.6	50.6	100.0		
02	Information availability	Frequency	16	22	162	521	273	994	4.02	0.82
		Percentage	1.6	2.2	16.3	52.4	27.5	100.0		
03	Market price immediately after listing	Frequency	1	45	271	457	220	994	3.86	0.81
		Percentage	0.1	4.5	27.3	46.0	22.1	100.0		
04	Liquidity after listing	Frequency	1	55	168	569	201	994	3.92	0.77
		Percentage	0.1	5.5	16.9	57.2	20.2	100.0		
05	Secondary market situation	Frequency	1	26	159	586	224	996	4.01	0.71
		Percentage	0.1	2.6	16.0	58.8	22.5	100.0		
06	Business Prospects	Frequency	1	22	222	584	170	999	3.90	0.69
		Percentage	0.1	2.2	22.2	58.5	17.0	100.0		
07	Lead manager’s image	Frequency	28	145	475	302	45	995	3.19	0.84
		Percentage	2.8	14.6	47.7	30.4	4.5	100.0		
08	Regulatory environment	Frequency	3	132	402	388	59	984	3.37	0.80
		Percentage	0.3	13.4	40.9	39.4	6.0	100.0		
09	Grading of IPOs	Frequency	1	111	495	301	88	996	3.37	0.80
		Percentage	0.1	11.1	49.7	30.2	8.8	100.0		
10	Disclosure by market participants	Frequency	1	59	518	296	112	986	3.47	0.78
		Percentage	0.1	6.0	52.5	30.0	11.4	100.0		
11	Retail investor protection	Frequency	1	122	238	540	91	992	3.60	0.82
		Percentage	0.1	12.3	24.0	54.4	9.2	100.0		
12	Company Management	Frequency		55	160	548	237	1000	3.97	0.79
		Percentage		5.5	16.0	54.8	23.7	100.0		
13	Promoters Experience	Frequency		69	209	527	192	997	3.84	0.81
		Percentage		6.9	21.0	52.9	19.3	100.0		
14	Promoters Reputation	Frequency		78	239	479	197	993	3.80	0.85
		Percentage		7.9	24.1	48.2	19.8	100.0		
15	Profit track record of companies (existing companies)	Frequency		18	211	507	262	998	4.01	0.74
		Percentage		1.8	21.1	50.8	26.3	100.0		
16	Company Location	Frequency	53	205	330	311	97	996	3.19	1.04
		Percentage	5.3	20.6	33.1	31.2	9.7	100.0		
17	Promoters Stake in the Company	Frequency	8	71	293	435	184	991	3.72	0.87
		Percentage	0.8	7.2	29.6	43.9	18.6	100.0		
18	The Type of Products and Services	Frequency	83	71	161	471	208	994	3.65	1.14
		Percentage	8.4	7.1	16.2	47.4	20.9	100.0		
19	The Performance of Other Companies in the Industry	Frequency	2	51	287	508	147	995	3.75	0.77
		Percentage	0.2	5.1	28.8	51.1	14.8	100.0		

SD-Strongly Disagree, D-Disagree, N-Neutral, A-Agree and SA-Strongly Agree.

A STUDY ON CUSTOMERS ATTITUDE TOWARDS PURCHASE OF MIDDLE SEGMENT CARS IN VELLORE CITY

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ABSTRACT

Car industry is one of the biggest industries in India. Many of the manufacturers are introducing various models in the middle segment area. Middle segment cars are classified as the cars which cost between Rs. 4,00,000 to Rs. 9,00,000. Therefore, this paper is to study the customer attitude towards the purchase of this segment of cars. This study is also going to reveal the various motivating as well as influencing factors for the customers purchasing decision.

KEYWORDS

middle segment, customers, factors influencing purchase, attitude.

INTRODUCTION

The first motor car on the streets of India was seen in 1898. Mumbai had its first taxicabs in the early 1990. Then for the next fifty years, cars were imported to satisfy domestic demand. Between 1910 and 20's the automobile industry made a humble beginning by setting up assembly plants in Mumbai, Kolkata and Chennai. The import/assembly of vehicles grew consistently after the 1920's, crossing 30,000 marks in 1930. Despite this, head start, the industry has never quite matched upto the performance of its counterparts in the other parts of the world. The all pervasive atmosphere created by the Government's license is primarily responsible for this situation. The various layers of Acts sheltered the industry from external competition and smothered the development of the Indian Automobile Industry. Moreover, the industry was considered low priority as cars were considered to be an "Unaffordable Luxury".

With the liberalization of the Indian economy, the passenger car industry was finally deregulated in 1993 and many companies, both Indian and foreign, announced their planned to enter the market such as Maruti, Tata, Hyundai. In the last few years companies like Honda, Ford, Skoda, Nissan, Mahindra, Volkswagen, Chevrolet have launched their middle segment cars in India. Nonetheless, the time has changed the significantly the days of customer chasing the dealer to purchase poor quality cars backed by inefficient service are history. Today, the customer dictates the term.

REVIEW OF LITERATURE

Saikat Banerjee in his "Study on Consumer Buying Behaviour during Purchase of a Second Car", has pointed out that in India, over the last couple of years, the domestic passenger car has witnessed a phenomenal growth. High degree of competition compels players in this industry to understand specific market needs while still providing value, in order to ensure success.

So, for marketers, it is important to understand the variables that influence consumer's decision to purchase a second car. In this backdrop, an attempt has been made to uncover influencing factors behind purchase decision of a second car. From this research, it has been found that the segment who is buying a second car has different priority factors that guide its buying decision. It reveals that there are seven major factors that influence the buying behaviour of a second time car buyer. They are product efficacy, image equalizer, experienced maven, social appreciation, favourite fondness, family first and inclination towards marketing.

Madikonda Kishore Babu and Dr. D. Raghunatha Reddy in their study on "Passenger Car Industry in India", views that ever since India opened its arms to globalization, a host of automobile manufacturers have bee flocking on to Indian roads. A sea change occurred a little over a decade and now, the Indian car industry has more than 69 models to talk about. This gives the customer a vast choice. With the shift towards upper segment, the small car segment will shrink in the future. A large component of passenger car's coat is taxes such as excise duties, central and state sales taxes pushing up the ex-factory price of a car by around 60%. Therefore, demand for cars will grow in the country, if these tax levels are reduced. The exports look good and the trend shows that this will continue in future. Since each customer wants to be unique, mass customization will help the industry in the long run. The industry should convert the opportunities into strengths, reduce weaknesses and seriously consider threats and convert them into opportunities. Further, as the industry is affected by external environmental factors, the industry should atleast be able to predict these uncertainties so that it is not very badly affected.

B S Hundal and Saurabh Grover in their Perceptual Study on "Consumer Behavior Towards Tata Nano", says that the results of factor analysis revealed that motivational variables like enhancement of social status, low maintenance cost, etc., motivates a potential customer to purchase this car. Some persons were disappointed with the working of this car as they considered it risky. They think that Tata Nano is more accident prone as it's a very small car and moreover there were some reports regarding bursting of its rear engine in case of rear collision. There is a performance problem as its pick up is very low and engine is less powerful. It is not suitable to drive on highways as its highest speed limit is only 80 km/h adding to dissatisfaction in customers. It is a less expensive car when compared to other cars. Therefore even low income group can buy it leading to high congestion on roads and adding to parking problems. Promotional strategies also tempted potential customers to buy it. Its low price complemented with the Tata's market penetration strategy as with this low price figure, it can even reach rural areas and capture this untapped market. Some of the customers of Tata Nano were dissatisfied with the car due to bad after-sales service and moreover its noisy engine disturbs the customer. At last, it is recommended that Tata Nano is really a people's car but company needs to work more on its features and safety and enhance its production so that people don't have to wait to purchase it.

OBJECTIVES

1. To study the profile of customers owing middle segment cars.
2. To study the customers attitude and influential factors towards the purchase of middle segment cars.

RESEARCH DESIGN

This study is intended to analyse the customer's attitude towards the purchase of middle segment cars. Hence, this study is descriptive in nature. The data is collected through the well structured closed ended questionnaire. This study consists of sample size of 25 customers in the Vellore city. Primary data is collected to analyse the motivating and influential factors of the customers. Secondary data are used for review of literature. Statistical tools used in this study are Chi-square and ANOVA.

ANALYSIS AND INTERPRETATION

The data was collected through a well-structured questionnaire is analyzed and interpretation made is presented. The profile of the customers taken for the study is given in Table 1.

TABLE 1: PROFILE OF THE RESPONDENTS

Gender	Frequency	Percentage (%)
Male	24	96.0
Female	1	4.0
Age	**Frequency**	**Percentage (%)**
1	4	16.0
2	17	68.0
3	1	4.0
4	2	8.0
5	1	4.0
Occupation	**Frequency**	**Percentage (%)**
Professional	2	8.0
Business	12	48.0
Govt. Service	3	12.0
Pvt. Service	6	24.0
Student	1	4.0
Retired	1	4.0
Family Size	**Frequency**	**Percentage (%)**
Less than 3	0	0
3	2	8.0
4	9	36.0
5	10	40.0
6	4	16.0
More than 6	0	0
Annual Income	**Frequency**	**Percentage (%)**
Below Rs. 50,000	1	4.0
Rs. 50,001 – 1,00,000	4	16.0
Rs. 1,00,001 – 2,00,000	17	68.0
Rs. 2,00,001 – 3,00,000	3	12.0
Rs. 3,00,001 – 5,00,000	0	0
Above Rs. 5,00,000	0	0

Source: Primary data

It is inferred from Table 1 that majority of the respondents (96 percent) are male. 48 percent belong to business category. 24 percent are employees from private sectors. 40 percent of the respondents belong to family size of 5 members. 36 percent belong to family of 4 members. Majority of the respondents (68 percent) belong to the income group of Rs 1 lakh to 2 Lakh. 16 percent of respondents belong to income of Rs50,000 to Rs.1 lakh.
Chi square test was conducted to test if occupation of the respondents was related to brand of car purchased.

TABLE 2: CROSS TABULATION OF OCCUPATION AND BRAND OF CAR

Occupation	Car Brands					Statistics
	Hyundai	Maruthi	TATA	Ford	Total	
Professional	1	1	0	0	2	Chi square=
Business	0	12	0	0	12	42.361
Government Service	1	1	0	1	3	df= 15
Private	0	6	0	0	6	Sig:0.000
Students	0	1	0	0	1	
Retired	0	0	1	0	1	
Total	2	21	1	1	25	

Source: Computed data

It is inferred from Table 2 that the chi square value was found to be 42.361 with a significance of 0.000. Since the significance level is less than 0.05 it is concluded that occupation of the respondents has significant relationship between the brands of cars purchased.
Many of the decisions made by the customers were taken within the environment of the family and are affected by the desires, attitudes, and values of the other family members. The family can be 'nuclear' or 'extended'. The size of the family also affects the spending and saving patterns of the customers.

TABLE 3: CROSS TABULATION OF SIZE OF THE FAMILY AND BRAND OF CAR

Family size	Car Brands					Statistics
	Hyundai	Maruthi	TATA	Ford		
> 3	0	1	1	0	2	Chi square=
3	0	8	0	1	9	16.720
4	2	8	0	0	10	df=9
5	0	4	0	0	4	Sig:0.053
< 6	2	21	1	1	25	

Source: Computed data

It is inferred from Table 3 that the chi square value was found to be 16.720 with a significance of 0.053. Since the significance level is more than 0.05 it is concluded that family size of the respondents has no significant relationship between the brands of cars purchased.

TABLE 4: INCOME AND MOTIVATING FACTORS

Income	Motivating factors						Statistics
	Prestige	Status Symbol	Low cost	Speed	Engine capacity	Parking facility	
>Rs50000	0	1	0	0	0	1	Chi square= 8.938 df=12 Sig:0.708
Rs50001-1,00,000	0	0	3	0	1	4	
Rs 1lakh- 2Laks	1	3	10	1	2	17	
2-3	0	0	3	0	0	3	
	1	4	16	1	3	25	

Source: Computed data

It is inferred from Table 4 that the chi square value was found to be 8.938 with a significance of 0.708. Since the significance level is more than 0.05 it is concluded that income of the respondents has no significant relationship between the motivation factors for cars purchased.

TABLE 5: CROSS TABULATION BETWEEN INCOME AND PERSONS INFLUENCING PURCHASE DECISION

Income	Persons influencing decision						Statistics
	Family	Friends	Sales Rep	Self	Celebrity	Total	
>Rs50000	0	0	0	1	0	1	Chi square= 17.211 df=12 Sig:0.142
Rs50001-1,00,000	4	0	0	0	0	4	
Rs 1lakh- 2Laks	12	2	0	2	1	17	
2-3	2	0	1	0	0	3	
Total	18	2	1	3	1	25	

Source: Computed data

It is inferred from Table 5 that the chi square value was found to be 17.211 with a significance of 0.142. Since the significance level is more than 0.05 it is concluded that income of the respondents has no significant relationship between the people influencing purchase decision of cars.

In middle segment cars Maruti alto continues to be the largest selling in India. Fiat's Grande Punto, Honda's Jazz, Chevrolet's Beat, Spark and Ford's Figo are the familiar brands. Hyundai's i20, Santro are rivalry for Maruti Alto. The versatility of Tata Motors is reflected in it is ability to identify the market opportunity in every segment and the need of customers which leads to the launch of Nano, Indica and Indigo. Nissan has launched Micra which is narrower than Swift and more spacious than i10. Volkswagen introduced Polo. Skoda launched Fabia in this segment.

The five attributes of the product described were subject to ANOVA analysis to find the relationship with the income of the respondents as factor. The result is given in Table 6.

TABLE 6: ONE WAY ANOVA OF PRODUCT ATTRIBUTES WITH INCOME AS FACTOR

Product		Sum of Squares	df	Mean Square	F	Sig.
Brand	Between Groups	0.301	3	0.1	0.689	0.569
	Within Groups	3.059	21	0.146		
	Total	3.36	24			
Design	Between Groups	0.814	3	0.271	0.637	0.600
	Within Groups	8.946	21	0.426		
	Total	9.76	24			
Repair facility	Between Groups	0.141	3	0.047	0.186	0.905
	Within Groups	5.299	21	0.252		
	Total	5.44	24			
Resale value	Between Groups	0.701	3	0.234	0.926	0.445
	Within Groups	5.299	21	0.252		
	Total	6	24			
Easy availability of spares	Between Groups	0.494	3	0.165	0.498	0.688
	Within Groups	6.946	21	0.331		
	Total	7.44	24			

Source: Computed data

It is inferred from Table 6 that the p value for all the variables are found to be more than the alpha value 0.05. This shows that product attributes such as brand, design, repair facility, resale value and availability of spares are not dependent upon the income of the respondents for purchase decision.

The three attributes of price of the product described were subject to ANOVA analysis to find the relationship with the income of the respondents as factor. The result is given in Table 7.

TABLE 7: ONE WAY ANOVA OF PRICE ATTRIBUTES WITH INCOME AS FACTOR

Price		Sum of Squares	df	Mean Square	F	Sig.
Cash discount	Between Groups	1.098	3	0.366	1.114	0.366
	Within Groups	6.902	21	0.329		
	Total	8	24			
Less than competitors	Between Groups	0.408	3	0.136	0.616	0.612
	Within Groups	4.632	21	0.221		
	Total	5.04	24			
Installment	Between Groups	0.508	3	0.169	0.629	0.604
	Within Groups	5.652	21	0.269		
	Total	6.16	24			

Source: Computed data

It is inferred from Table 7 that the p value for all the variables are found to be more than the alpha value 0.05. This shows that price attributes such as cash discount, less than competitors, installments, are not dependent upon the income of the respondents for purchase decision.

Marketing mix is used to describe the combination of four elements- the product, price, place and promotion. One of the elements is place which has sub variables factors of showroom appearance, interior decoration, company price, location and several models.

The three attributes of the place described were subject to ANOVA analysis to find the relationship with the income of the respondents as factor. The result is given in Table 8.

TABLE 8: ONE WAY ANOVA OF PLACE ATTRIBUTES WITH INCOME AS FACTOR

Place		Sum of Squares	df	Mean Square	F	Sig.
Dealers show room has company price	Between Groups	1.059	3	0.353	7.875	0.001
	Within Groups	0.941	21	0.045		
	Total	2	24			
Dealers show room located near by	Between Groups	1.303	3	0.434	2.204	0.118
	Within Groups	4.137	21	0.197		
	Total	5.44	24			
Several models are available	Between Groups	0.775	3	0.258	1.088	0.376
	Within Groups	4.985	21	0.237		
	Total	5.76	24			

Source: Computed data

It is inferred from Table 8 that the p value for attribute "Dealers show room has company price" is 0.001 which is found to be less than the alpha value 0.05. Hence this attribute is dependent on the purchase decision with income of the respondents. All the other variables are found to be more than the alpha value 0.05. This shows that place attributes such as location of dealers showroom, and several models available are not dependent upon the income of the respondents for purchase decision.

The four attributes of the promotional described were subject to ANOVA analysis to find the relationship with the income of the respondents as factor. The result is given in Table 9.

TABLE 9: ONE WAY ANOVA OF PROMOTION ATTRIBUTES WITH INCOME AS FACTOR

Opinion		Sum of Squares	df	Mean Square	F	Sig.
Celebrity	Between Groups	0.911	3	0.304	0.605	0.619
	Within Groups	10.529	21	0.501		
	Total	11.44	24			
Delivery	Between Groups	0.529	3	0.176	0.677	0.576
	Within Groups	5.471	21	0.261		
	Total	6	24			
After sales	Between Groups	0.494	3	0.165	0.699	0.563
	Within Groups	4.946	21	0.236		
	Total	5.44	24			
Service station	Between Groups	0.209	3	0.07	0.601	0.622
	Within Groups	2.431	21	0.116		
	Total	2.64	24			

Source: Computed data

It is inferred from Table 9 that the p value for all the variables are found to be more than the alpha value 0.05. This shows that promotion attributes such as celebrity, delivery, after sales and service station are not dependent upon the income of the respondents for purchase decision.

FINDINGS

1. 29.6% of the respondents prefer buying the middle segment car for the reason of old car damage and another 29.6% of the respondents are buying the car for the reason of new arrival of models.
2. Majority (64%) of the respondents motivating factor for buying the middle segment car is low maintenance cost.
3. Majority of the respondents (72 %) decision to buy a car is influenced by family members.
4. 40% of the respondents are accompanied by their spouse while purchasing the car.
5. 28% of the respondents are searching information through newspaper before making the buying decision.
6. 84% of the respondents are using the brand Maruti in the middle segment car.
7. 60% of the respondents are willing to pay for car is between Rs. 4,00,000 – Rs. 5,00,000.
8. 52% of the respondents prefer a vehicle with an engine capacity of 1000 – 1500 cc.
9. 100% of the respondents are buying the car in dealer's show room.
10. Most of the respondents prefer an easy availability of spare parts and repair facility as an influencing product factor.
11. Most of the respondents are considering the influencing price factor of same quality but lower than the competitors.

CONCLUSION

This study reveals the customer attitude towards the purchase of middle segment cars. Most of them prefer Maruti and TATA in the middle segment cars. Low maintenance cost, repair facility and easy availability of spare parts were said to be the motivating factors of the customers. Apart from this other factors influencing the purchase is affordable price, quality, several models and after sales service. Customers belonging to different occupation and annual income of Rs. 1,00,000 – 2,00,000 prefer purchasing these brands with an engine capacity between 1000 - 1500cc. Major buying decisions are influenced by their family members. Thus this study reveals the above factors as motivating and influencing factors of the customers for the purchase.

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AN EMPIRICAL STUDY ON EXPLOITATION AND EXPLORATION OF BUSINESS OPPORTUNITIES FOR BSNL IN INDIAN TELECOM MARKET

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ABSTRACT

The study is an attempt to examine and assess empirically the market views of Bharat Sanchar Nigam Limited, BSNL, the state run telecom services provider of India. The purposes of the study are to see how well BSNL is serving its customers and to identify opportunities for serving new customers, given its resource capabilities, to identify opportunities for serving the existing customers even better and to tap more customers by maximizing capabilities. Eliciting views of customers, the study uses tools of MANOVA and discriminant analysis to decide from the consumers' point of view, how competitive the offerings of BSNL are, when compared to those of BSNL's competitors.

KEYWORDS

exploitation/exploration, discriminant analysis, MANOVA, user of BSNL/private mobile service provider.

INTRODUCTION

Effectiveness and efficiency are becoming of paramount importance for competitiveness and are of very high relevance to sustain India's telecom revolution. With open market policies India has adopted, competition in several segments of telecom is reaching levels close to hyper-competitive.

For instance, best growth examples of telecom industry like China, Japan, Korea have often 2 to 3 players (often less if segmentation is carefully viewed), but 6 major players are already competing in India and many more are waiting to get licenses. In such hyper-competitive environment in a developing country, firms will have to achieve best efficiency positions on several competitiveness factors.

REVIEW OF LITERATURE

While in the short-run the cost competitiveness factors drive customer growth, high dissatisfaction as reflected in higher churn will demand rapid enhancement on service quality (e.g. Seth et al., 2008), innovative solutions capability, new product development capability; many of these can demand technological competitiveness (Mittal et al., 2009).

A search of the literature suggests that such a comparative study of public and private sector mobile service providers has not been undertaken, though numerous studies on the quantification and assessment of customer satisfaction of private sector and BSNL have been done.

Understanding the nature of the mechanism through which a brand influences consumer purchase behavior – choice behavior, consideration behavior, repeat purchase and consumer recommendation behavior is a long-standing area of inquiry among marketing scholars and practitioners.

While anecdotal evidence suggests the existence of serious service-related problems in both sectors, this study was done to examine significance of differences between the users of BSNL and the users of other private and foreign services providers in terms of their demographic profile, preferences, usage motives of mobile services, perceptions of quality, accessibility, innovation, etc. These characteristics, when found to be significantly different between the two user groups, predict user choice of BSNL or private service provider.

NEED/IMPORTANCE OF THE STUDY

Since the time of its genesis, BSNL, not having the liberty of the private sector nor any special dispensation from the Government of India, is only playing a catch up game with the aggressive private players in the markets which are significant source of revenues. While there are multifarious reasons evident on the face of it for the poor market performance of BSNL, the strengths of BSNL are also so unique and potent such that if harnessed to the maximum, they can present excellent opportunities for BSNL to bounce back strong in this fierce industry.

OBJECTIVES

1) To identify the characteristics, consumer preference and consumer behavior variables peculiar to users of BSNL and to infer the significant differences between the two groups of users - users of BSNL and users of private service provider on all variables.
2) To generate a linear combination of variables that maximizes the possibility of correctly assigning observations to their pre-determined groups and to classify new observations into one of the two groups.

(Strategies for growth) - exploit opportunities by leveraging capabilities and explore opportunities by developing new service capabilities

BSNL to keep its head afloat has to deliberate on two things:

1. Qualitative competitive edge – deployment capability of advanced technologies or innovative business models (technology driven) - the value added offerings – mobile TV, mobile gaming, mobile banking, mobile ticketing, mobile commerce etc.
2. Quantitative competitive edge –investing in market segments that have high potential for growth - Immature markets. (finance driven) - The untapped rural market wherein voice and data service providers are conspicuous by their absence.

Customers of telecom industry are highly empowered, thanks to strong bargaining power, power of choice, availability of technology, information technology etc. and no longer want prosaic and mundane offerings from battle hardened players.

In 2001, when mobile services had just been introduced, the call rates were as high as Rs. 24 per minute and the rates have come down drastically to 1 paisa per six seconds for a local call and 1 paisa per two seconds for a STD (Subscriber Trunk Dialing) call, thanks to TATA DOCOMO rising to the occasion and spearheading the reduction in tariffs and other players also following suit.

On the other hand, the price for VASs via a voice portal for downloading ringtones, dedicating songs, checking cricket scores, etc. cost about Rs 6 at the time of introduction and has not reduced significantly over a period of time resulting on rates of Rs 3 to Rs 6 per minute.

The price for all the VAS services, in India, is still very high and there has been no big reduction in VAS costs. Thus, one of the major drivers for VAS is to increase the ARPU to a better level, a valid requirement for mobile service operators.

The VAS market in India is estimated at around Rs 5,400 Crore (Cr.), and it is likely to exceed Rs.12,000 Cr. by the end of 2015, with the new opportunities available for VAS after 3G is rolled out in the market. The MVAS market in India is largely dominated by the urban population, with rural subscribers constituting a very small percentage of the total market.

However, the rural MVAS market could witness growth at a much higher rate than the total market in the next few years. The growth drivers for this growth might be the availability of entertainment services, content in the local language(s), and an increased number of voice based services.

RESEARCH METHODOLOGY

The study carried out is a descriptive research. The research in this study was conducted by employing a quantitative methodology. In this context, a structured questionnaire was developed, consisting as many as 12 scaled-response questions (likert's scale – 1 to 5) and 4 questions on demographic profile, which are nominally scaled. The **demographic variables** are age, gender, occupation and social background.

The **12 scaled response variables** are innovativeness of the service provider, purpose of availing service where '1' indicates basic and low usage and '5' indicates value added services and high usage, emotional value, network availability, call quality, call rate, customer orientation, perceived fairness in billing, product range (tariffs and plans), promotional offers, the effect of service failures – consumers rating 1 indicating their tendency to overreact and those rating 5 indicating extreme levels of tolerance with the service provider and the future behavioural intentions – 1 indicating very fickle customers and 5 indicating very loyal customers.

MANOVA and **Discriminant Analysis** are the tools used to see if the users of BSNL are different from the users of private service providers on various variables. The tools have demonstrated satisfactory predictive power of user choice. **Chi-square tests** have been done between the demographic variables and the other categorical variable – the user type (2*2 cross-tabs).

Convenient sampling technique is adopted. As many as 60 users of BSNL mobile service and 60 users of private service providers constitute the sample.

Questionnaires have been distributed and in some cases electronically mailed and responses collected. The questionnaire administered is a multi-dimensional questionnaire wherein different constructs are measured with respect to the sample studied.

CHI-SQUARE TESTS

CASE PROCESSING SUMMARY

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Age of the respondent * User of BSNL or other service providers	120	82.2%	26	17.8%	146	100.0%

age of the respondent * User of BSNL or other service providers Cross tabulation

Count

		User of BSNL or other service providers		Total
		user of BSNL	user of other service providers	
Age of the respondent	below 25	6	21	27
	25-40	20	16	36
	40-60	22	11	33
	above 60	12	12	24
Total		60	60	120

CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.444(a)	3	.006
Likelihood Ratio	13.009	3	.005
Linear-by-Linear Association	5.090	1	.024
N of Valid Cases	120		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 12.00.

The two variables are independent i.e. users of BSNL and users of private service providers are equally divided among all age groups.

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Gender of the respondent * User of BSNL or other service providers	120	82.2%	26	17.8%	146	100.0%

Gender of the respondent * User of BSNL or other service providers Cross tabulation

Count

		User of BSNL or other service providers		Total
		user of BSNL	user of other service providers	
Gender of the respondent	Male	33	28	61
	Female	27	32	59
Total		60	60	120

CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.834(b)	1	0.361		
Continuity Correction(a)	.533	1	.465		
Likelihood Ratio	.835	1	.361		
Fisher's Exact Test				.465	.233
Linear-by-Linear Association	.827	1	.363		
N of Valid Cases	120				

a) Computed only for a 2x2 table
b) 0 cells (.0%) have expected count less than 5. The minimum expected count is 29.50.

The two variables are independent, as the significance is not less than 0.05, i.e. both males and females are equally divided in their usage of BSNL or private service providers.

CASE PROCESSING SUMMARY

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Occupation * User of BSNL or other service providers	120	82.2%	26	17.8%	146	100.0%

Occupation * User of BSNL or other service providers
Cross tabulation
Count

		User of BSNL or other service providers		Total
		user of BSNL	user of other service providers	
occupation	Student	6	21	27
	Self-employed	19	4	23
	Govt. employee	16	1	17
	Private employee	6	19	25
	Retired from service	13	15	28
Total		60	60	120

CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	38.254(a)	4	.000
Likelihood Ratio	42.664	4	.000
Linear-by-Linear Association	.015	1	.903
N of Valid Cases	120		

a) 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.50.

There is a significant association between occupation category of the user and the choice of service provider, as the level of significance is below 0.05

CASE PROCESSING SUMMARY

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Social background * User of BSNL or other service providers	120	82.2%	26	17.8%	146	100.0%

Social background * User of BSNL or other service providers
Cross tabulation
Count

		User of BSNL or other service providers		Total
		User of BSNL	user of other service providers	
Social background	Rural	31	3	34
	Urban	10	39	49
	Semiurban	19	18	37
Total		60	60	120

CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	40.249(a)	2	.000
Likelihood Ratio	45.207	2	.000
Linear-by-Linear Association	10.193	1	.001
N of Valid Cases	120		

a) 0 cells (.0%) have expected count less than 5. The minimum expected count is 17.00.

There is a significant association between demographic background and choice of service provider.

MULTIPLE ANALYSIS OF VARIANCE (MANOVA)
GENERAL LINEAR MODEL

BETWEEN-SUBJECTS FACTORS

		Value Label	N
User of BSNL or other service providers	1.00	User of BSNL	60
	2.00	User of other service providers	60

MULTIVARIATE TESTS (c)

Effect		Value	F	Hypothesis df	Error df	Sig.	Noncent. Parameter	Observed Power(a)
Intercept	Pillai's Trace	.994	1366.557(b)	12.000	107.000	.000	16398.687	1.000
	Wilks' Lambda	.006	1366.557(b)	12.000	107.000	.000	16398.687	1.000
	Hotelling's Trace	153.259	1366.557(b)	12.000	107.000	.000	16398.687	1.000
	Roy's Largest Root	153.259	1366.557(b)	12.000	107.000	.000	16398.687	1.000
User of BSNL or others	Pillai's Trace	.809	37.829(b)	12.000	107.000	.000	453.943	1.000
	Wilks' Lambda	.191	37.829(b)	12.000	107.000	.000	453.943	1.000
	Hotelling's Trace	4.242	37.829(b)	12.000	107.000	.000	453.943	1.000
	Roy's Largest Root	4.242	37.829(b)	12.000	107.000	.000	453.943	1.000

Wilks' lambda is a test statistic used in multivariate analysis of variance (MANOVA) to test whether there are differences between the means of identified groups of subjects on a combination of dependent variables.

For example to test whether the mean score of two categories of users – BSNL and private service providers, is the same across the twelve dependent variables simultaneously, the multivariate tests serve the purpose.

Wilks' lambda performs, in the multivariate setting, with a combination of dependent variables, the same role as the F-test performs in one-way analysis of variance.

Wilks' lambda is a direct measure of the proportion of variance in the combination of dependent variables that is unaccounted for by the independent variable (the grouping variable or factor).

The overall multivariate test reveals significant mean differences between the two user groups, as revealed by **Wilks' lamda value which is 0.191.** A small value indicates that only that much of variance in the combination of dependent variables is not accounted for by the different user groups, thereby signifying that 0.809 of the variation is due to the two user groupings.

Thus a large proportion of the variance is accounted for by the independent variable suggesting that there is an effect from the grouping variable and that the groups have different mean values on most of those twelve dependent variables.

HYPOTHESIS TESTING

The null hypothesis that the two user groups do not significantly differ on all these variables is rejected (p value less than 0.05) and there are significant differences between the two user groups.

The overall multivariate tests are significant thus showing that grouping the users into two has significantly contributed to mean differences of the dependent variables.

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.	Noncent. Parameter	Observed Power(a)
Corrected Model	innovativeness of the service provider	50.700(b)	1	50.700	97.649	.000	97.649	1.000
	main purpose of availing service	40.833(c)	1	40.833	52.640	.000	52.640	1.000
	Emotional value (appeal and novelty of applications, games etc.)	16.875(d)	1	16.875	30.896	.000	30.896	1.000
	Network availability, accessibility/service coverage	22.533(e)	1	22.533	49.855	.000	49.855	1.000
	Call quality	20.008(f)	1	20.008	38.758	.000	38.758	1.000
	customer orientation of the service provider and complaint handling	54.675(g)	1	54.675	91.751	.000	91.751	1.000
	perceived fairness in billing transactions	37.408(h)	1	37.408	66.296	.000	66.296	1.000
	call rate - outgoing tariffs	.008(i)	1	.008	.014	.906	.014	.052
	product range - range of tariffs, plans	66.008(j)	1	66.008	105.853	.000	105.853	1.000
	promotional offers - first time recharge cards and subsequent recharge	86.700(k)	1	86.700	103.339	.000	103.339	1.000
	service failures - the effect of it	37.408(l)	1	37.408	32.053	.000	32.053	1.000
	Future behavioural intentions	30.000(m)	1	30.000	20.194	.000	20.194	.994

TESTS OF BETWEEN SUBJECTS EFFECTS

The variables where F statistic is high ('p' value/significance level is less than 0.05) are those which have significant mean differences between the BSNL user group and the user group of private service providers.

Except for call rate, all other variables show significant mean differences between the two groups.

Tests of Equality of Group Means **Estimated Marginal Means**

Only for call rates, the mean values do not significantly differ between the two user groups, which signifies that call rates do not contribute significantly to the discriminant function.

Dependent Variable	User of BSNL or other service providers	Mean	Std. Error	95% Confidence Interval	
				Lower Bound	Upper Bound
innovativeness of the service provider	user of BSNL	2.833	.093	2.649	3.018
	user of other service providers	4.133	.093	3.949	4.318
Main purposeof availing service	user of BSNL	2.633	.114	2.408	2.858
	user of other service providers	3.800	.114	3.575	4.025
Emotional value (appeal and novelty of applications, games etc.)	user of BSNL	3.450	.095	3.261	3.639
	user of other service providers	4.200	.095	4.011	4.389
Network availability, accessibility/service coverage	user of BSNL	4.567	.087	4.395	4.739
	user of other service providers	3.700	.087	3.528	3.872
Call quality	user of BSNL	4.183	.093	4.000	4.367
	user of other service providers	3.367	.093	3.183	3.550
customer orientation of the service provider and complaint handling	user of BSNL	2.983	.100	2.786	3.181
	user of other service providers	4.333	.100	4.136	4.531
perceived fairness in billing transactions	user of BSNL	4.067	.097	3.875	4.259
	user of other service providers	2.950	.097	2.758	3.142
call rate - outgoing tariffs	user of BSNL	4.050	.100	3.852	4.248
	user of other service providers	4.067	.100	3.869	4.264
product range - range of tariffs, plans	user of BSNL	2.700	.102	2.498	2.902
	user of other service providers	4.183	.102	3.981	4.385
promotional offers - first time recharge cards and subsequent recharge	user of BSNL	2.700	.118	2.466	2.934
	user of other service providers	4.400	.118	4.166	4.634
service failures - the effect of it	user of BSNL	2.567	.139	2.290	2.843
	user of other service providers	3.683	.139	3.407	3.960
Future behavioural intentions	user of BSNL	2.650	.157	2.338	2.962
	user of other service providers	3.650	.157	3.338	3.962

User of BSNL or other service providers

Discriminant Analysis is to formulate a discriminant equation and discriminant score which best discriminates the two user groups taking the significant discriminating variables and their impact (coefficients measure the impact of discrimination those variables have in user and non-user)

ANALYSIS CASE PROCESSING SUMMARY

Unweighted Cases		N	Percent
Valid		120	82.2
Excluded	Missing or out-of-range group codes	0	.0
	At least one missing discriminating variable	0	.0
	Both missing or out-of-range group codes and at least one missing discriminating variable	26	17.8
	Total	26	17.8
Total		146	100.0

GROUP STATISTICS

User of BSNL or other service providers		Mean	Std. Deviation	Valid N (listwise)	
				Unweighted	Weighted
User of BSNL	age of the respondent	2.6667	.91442	60	60.000
	gender of the respondent	1.4500	.50169	60	60.000
	occupation	3.0167	1.30827	60	60.000
	social background	1.8000	.89821	60	60.000
	innovativeness of the service provider	2.8333	.74029	60	60.000
	main purpose of availing service	2.6333	.66298	60	60.000
	Emotional value (appeal and novelty of applications, games etc.)	3.4500	.83209	60	60.000
	Network availability, accessibility/service coverage	4.5667	.62073	60	60.000
	Call quality	4.1833	.70089	60	60.000
	customer orientation of the service provider and complaint handling	2.9833	.89237	60	60.000
	perceived fairness in billing transactions	4.0667	.73338	60	60.000
	call rate - outgoing tariffs	4.0500	.76856	60	60.000
	product range - range of tariffs, plans	2.7000	.90760	60	60.000
	promotional offers - first time recharge cards and subsequent recharge	2.7000	1.13943	60	60.000
	service failures - the effect of it	2.5667	1.19840	60	60.000
	Future behavioural intentions	2.6500	1.16190	60	60.000
user of other service providers	age of the respondent	2.2333	1.14042	60	60.000
	gender of the respondent	1.5333	.50310	60	60.000
	occupation	3.0500	1.68166	60	60.000
	social background	2.2500	.54072	60	60.000
	innovativeness of the service provider	4.1333	.70028	60	60.000
	main purpose of availing service	3.8000	1.05445	60	60.000
	Emotional value (appeal and novelty of applications, games etc.)	4.2000	.63246	60	60.000
	Network availability, accessibility/service coverage	3.7000	.72017	60	60.000
	Call quality	3.3667	.73569	60	60.000
	customer orientation of the service provider and complaint handling	4.3333	.62887	60	60.000
	perceived fairness in billing transactions	2.9500	.76856	60	60.000
	call rate - outgoing tariffs	4.0667	.77824	60	60.000
	product range - range of tariffs, plans	4.1833	.65073	60	60.000
	promotional offers - first time recharge cards and subsequent recharge	4.4000	.61617	60	60.000
	service failures - the effect of it	3.6833	.94764	60	60.000
	Future behavioural intentions	3.6500	1.27326	60	60.000
Total	age of the respondent	2.4500	1.05201	120	120.000
	gender of the respondent	1.4917	.50203	120	120.000
	occupation	3.0333	1.50033	120	120.000
	social background	2.0250	.77202	120	120.000
	innovativeness of the service provider	3.4833	.97000	120	120.000
	main purpose of availing service	3.2167	1.05467	120	120.000
	Emotional value (appeal and novelty of applications, games etc.)	3.8250	.82668	120	120.000
	Network availability, accessibility/service coverage	4.1333	.79846	120	120.000
	Call quality	3.7750	.82465	120	120.000
	customer orientation of the service provider and complaint handling	3.6583	1.02487	120	120.000
	perceived fairness in billing transactions	3.5083	.93482	120	120.000
	call rate - outgoing tariffs	4.0583	.77020	120	120.000
	product range - range of tariffs, plans	3.4417	1.08307	120	120.000
	promotional offers - first time recharge cards and subsequent recharge	3.5500	1.24920	120	120.000
	service failures - the effect of it	3.1250	1.21311	120	120.000
	Future behavioural intentions	3.1500	1.31347	120	120.000

ANALYSIS 1

SUMMARY OF CANONICAL DISCRIMINANT FUNCTIONS

EIGENVALUES

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	4.927(a)	100.0	100.0	.912

a First 1 canonical discriminant functions were used in the analysis.

WILKS' LAMBDA

Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.169	195.745	16	.000

Wilks' Lamda should be between 0 and 1.

A smaller Wilks' lamda (0.169) in the discriminant function by taking into account as many as 16 dependent variables, the twelve variables and the four demographic variables (nominal), shows that 0.831 of the variation in 16 dependent variables is explained by the grouping into two user categories. (83%).

Standardized canonical discriminant functions

STRUCTURE MATRIX

	Function
	1
product range - range of tariffs, plans	.427
promotional offers - first time recharge cards and subsequent recharge	.422
innovativeness of the service provider	.410
customer orientation of the service provider and complaint handling	.397
perceived fairness in billing transactions	-.338
main purpose of availing service	.301
Network availability, accessibility/service coverage	-.293
Call quality	-.258
service failures - the effect of it	.235
Emotional value (appeal and novelty of applications, games etc.)	.231
Future behavioural intentions	.186
social background	.138
age of the respondent	-.095
gender of the respondent	.038
occupation	.005
call rate - outgoing tariffs	.005

These are standardized beta coefficients for each of the variables in the discriminant function. The larger the standardized coefficient, the greater is the contribution of the variable to the discrimination between groups.

The variables ordered by the value of coefficients (high to low – descending order), the absolute values of the coefficients taken for ranking in order.

CANONICAL DISCRIMINANT FUNCTION COEFFICIENTS

	Function
	1
age of the respondent	-.442
gender of the respondent	-.305
occupation	.426
social background	.292
innovativeness of the service provider	.450
main purpose of availing service	.365
Emotional value (appeal and novelty of applications, games etc.)	.000
Network availability, accessibility/service coverage	-.092
Call quality	-.417
customer orientation of the service provider and complaint handling	.570
perceived fairness in billing transactions	-.724
call rate - outgoing tariffs	-.076
product range - range of tariffs, plans	.325
promotional offers - first time recharge cards and subsequent recharge	.381
service failures - the effect of it	.037
Future behavioural intentions	-.088
(Constant)	-2.680

Unstandardized coefficients:

Discriminant equation:

$Y = -2.680 -0.442X1-0.305X2+0.426X3+ 0.292X4 + 0.450X5 + 0.365X6 +0.000X7 -0.092X8 -0.417X9 +0.570X10 -0.724X11 -0.076X12+0.325X13 + 0.381X14 + .037X15 - 0.088X16$

The purpose of canonical discriminant analysis is to find out the best coefficient estimation to maximize the difference in mean discriminant score between groups.

This way, the discriminant score is obtaining by making use of the calculated coefficients of the 16 predictor variables.

The coefficients signify the strength of discriminant behavior of the predictor variables in predicting the dependent variable – which is user of BSNL/user of private service provider.

POOLED WITHIN-GROUPS CORRELATIONS BETWEEN DISCRIMINATING VARIABLES

Correlation	*age of the respondent*	*gender of the respondent*	*occupation*	*social background*	*innovativeness of the service provider*	*main purpose*	*Emotional value*	*Network availability*	*Call quality*	*customer orientation*	*perceived fairness*	*call rate*	*product range*	*promotional offers -*	*service failures - the effect of it*	*Future behavioural intentions*
age	1.000	-.089	.787	.028	-.059	-.545	.102	-.054	-.005	.255	.066	.022	-.224	.048	.309	.194
gender	-.089	1.000	-.034	.077	.076	.044	.056	-.068	-.016	.039	-.094	-.054	.112	.061	.044	.147
Occupation	.787	-.034	1.000	-.141	-.049	-.447	.061	-.131	-.034	.146	.150	.035	-.237	-.049	.320	.242
social background	.028	.077	-.141	1.000	.000	.034	-.179	-.097	.091	-.003	-.189	.157	-.106	-.082	-.132	-.140
innovativeness	-.059	.076	-.049	.000	1.000	-.041	.205	.019	.195	.231	.032	-.016	.142	.177	.122	.128
main purpose	-.545	.044	-.447	.034	-.041	1.000	.030	-.188	.006	-.167	.037	.111	.300	.118	-.154	-.078
Emotional value	.102	.056	.061	-.179	.205	.030	1.000	.005	-.117	.348	.012	.102	.028	.141	.313	.326
Network availability	-.054	-.068	-.131	-.097	.019	-.188	.005	1.000	.164	.009	.131	.024	.056	.019	.059	.141
Call quality	-.005	-.016	-.034	.091	.195	.006	-.117	.164	1.000	.120	.084	.061	.064	-.084	.030	.073
customer orientation	.255	.039	.146	-.003	.231	-.167	.348	.009	.120	1.000	.206	.010	.251	.188	.395	.294
perceived fairness	.066	-.094	.150	-.189	.032	.037	.012	.131	.084	.206	1.000	.175	.096	.190	.092	-.025
call rate	.022	-.054	.035	.157	-.016	.111	.102	-.024	.061	.010	.175	1.000	.113	.183	.107	.103
range of tariffs	-.224	.112	-.237	-.106	.142	.300	.028	.056	.064	.251	.096	.113	1.000	.307	.225	.251
promotional offers	.048	.061	-.049	-.082	.177	.118	.141	.019	-.084	.188	.190	.183	.307	1.000	.204	.206
service failures	.309	.044	.320	-.132	.122	-.154	.313	.059	.030	.395	.092	.107	.225	.204	1.000	.536
Future behavioural intentions	.194	.147	.242	-.140	.128	-.078	.326	.141	.073	.294	-.025	.103	.251	.206	.536	1.000

Correlations between the multiple variables used in the questionnaire are significantly low (less than 0.8), thus demonstrating significant discriminant validity of the multi-dimensional questionnaire, which has been used for the study. The problem of multi-collinearity does not arise.

KMO AND BARTLETT'S TEST

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.768
Bartlett's Test of Sphericity	Approx. Chi-Square	763.218
	df	120
	Sig.	.000

The measure of sampling adequacy is greater than 0.6. In this study, the sample size (120) is thus more than adequate.
Also, Bartlett's Test of Sphericity (p value lower than 0.05) indicates that the variables would be normally distributed in any random sample taken from the universe and they are not totally uncorrelated.

COMMUNALITIES

	Initial	Extraction
innovativeness of the service provider	1.000	.547
main purposeofavailingservice	1.000	.697
Emotional value	1.000	.511
Network availability	1.000	.653
Call quality	1.000	.586
customer orientation of the service provider	1.000	.652
perceived fairness in billing transactions	1.000	.600
call rate - outgoing tariffs	1.000	.777
product range - range of tariffs, plans	1.000	.703
promotional offers - first time recharge cards and subsequent recharge	1.000	.636
service failures - the effect of it	1.000	.689
Future behavioural intentions	1.000	.668
age of the respondent	1.000	.869
gender of the respondent	1.000	.659
occupation	1.000	.815
social background	1.000	.781

Extraction Method: Principal Component Analysis.

CONCLUSION

The study empirically measures the impact of the differentiating variables and has found significant differences. Empirical results clearly reveal the importance of innovativeness, differentiation in service offerings, customer orientation, advertising and sales promotion in attracting and retaining customers.

SCOPE FOR FURTHER RESEARCH

Some of the additional variables which have not been taken for the study are customer perceptions about service activation time, awareness level of BSNL's services, customization of services, image or reputation management activities, which can go a long way in contributing to customer acquisitions and retention. Also, private players are adept at identifying and cherry-picking profitable customers. Identifying profitable segments and targeting such customers, competitive positioning, nurturing profitable transactions through bundled offerings, life-time subscription plans for customer retention and relationship management, promotional schemes, corporate connections and post-paid connections are some of the initiatives which private players are undertaking to weather the storm and continue unaffected in the wake of shrinking margins and the falling revenue per user.

Though, this study has shown attributes considered by the users for selecting particular brand of mobile cellular services, a perceptual mapping of various service providers based on attributes and non-attributes (the general impression created by the brand/brand image/the emotions the brand name evokes) will be more useful.

Generally speaking, expectations, perceived performance and/or satisfaction level shift over time (Patterson, Romm, & Hill, 1998; Peterson and Wilson, 1992). This study looked at evaluation of service quality, satisfaction and loyalty at one specific point in time and, hence, the result is only true at the time of completion of the questionnaire (Yu and Dean, 2001). Future longitudinal studies could explore this issue.

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A COMPARATIVE STUDY ABOUT THE MANAGING OF STRESS BY WOMEN NURSES BOTH AT PRIVATE AND GOVERNMENT HOSPITALS AT KANCHIPURAM DISTRICT

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ABSTRACT

The Global economy and in fast pace of employment demands quality work in cost effective fashion, in addition to that the wealth of any family and its attainment of welfare need multi monetary contributions. In this connection, the minimum dual employment demands women to take various occupations. But when women assume occupation, needs them to manage family, social and workplace issues and adding to that they have to deliver to the satisfaction level of management and public. Service sector is the ever-demanding industry which needs employee centric approach to manage customer. Hospital industry is an unique avenue which project the life of human in various dimensions and need countless support of employees. Hospital sector needs the contribution of manpower towards employment that to majority from women. In recent years, the competition in the sector both from private and government demands to offer delightful service at workplaces, so obviously women employees in the occupation of nurses need to offer rentless services and that leads to social, physical, family and work related issues to them. Among the various issues faced by women nurses "Stress" is the prominent issue which have an impact on women nurses profile and to do their core delivery of human service. In order to understand the stress related issues, way and means employed to over come by them, this particular research paper was designed and carried out.

KEYWORDS

Stress, work culture, human service and human values, core service.

INTRODUCTION

Stress is one of the problems faced by human beings. It has both positive and negative impact on individual. The positive stress called eustress is required to certain level to help an individual to perform their work without which the individual will not work properly. The negative stress called distress has negative impact on the individual which restricts them in performing their work. The ancient philosophical and religious texts provide information about stress which has two approaches: the first approach begins with the nature of human existence and moves systematically to its dysfunctioning (i.e.) stress is generated under certain circumstances, the second approach identifies the problem and the principles of dealing with it are woven around the problem and its resolution.

Women nowadays prove themselves in all areas equal to men. Women in hospital sector need to treat the patients with love and care. The person who takes care of patients are nurses. Hospital industry which is a service-oriented industry is doing its best for its patients. It is not an easy task to treat the patients especially the non co-operative patients which requires more patience and that the nurses should keep a note of all the patients for whom they are in charge, so that they know the status of each patent. Women nurses always treat the patient with a smile which not only soothes their body but also their wounded heart. Even during night shifts, the women nurses need to be alert and keep monitoring the patient who requires special care.

Behind the beautiful smile on the faces of the women nurses, the sorrows in their lives are being buried. Generally women come across many issues at workplace, home and from the society which causes stress. This stress may disturb their career, family life, happiness, roles played in different places and so on. Generally some amount of stress is required but when these cross the limit the women nurses are not in a position to perform their task correctly. When stresses become high they are not able to give correct medicines to the patients at required time. During night shifts they need to manage their stress so as to take care of the patients, especially for critical cases.

STATEMENT OF RESEARCH PROBLEM

Stress is a common problem faced by everyone whether a child or an elderly person. The level and type of stress vary according to their age and position occupied by the person. Stress level also varies with gender. Women face more stress than men. In case of working women they face still more stress than their male counterparts. Women in service sector like hospital industry come across many people and so the stress level is higher for them. When the stress level increases they are not able to deliver their duties correctly and there are chances of committing mistakes. This stress level also varies with women nurses working in government and private hospitals. It is the responsibility of the management to identify the women nurses under stress and help them to overcome it by giving de-stress training so as to improve their performance level and also make them to provide a safety health services to patients.

NEED AND IMPORTANCE OF THE STUDY

Health care is one of the prominent needs to be addressed by any human being. But in earlier days the public in India both in urban and rural places least to prefer to go for hospitals for any kind of treatment except the situation of major requirements. But today due to the mass health awareness camp promoted by government and private agencies, insisted the importance of taking treatments through formal channels like government and private hospitals. Because of these reasons the number of patients visiting hospitals for any kind of treatment has been increased. This made both private and government including leading corporates like TATA, ITC, BIRLA, APOLLO to establish both hospitals and health care centres. In addition to that to attract more patients for quality services, the hospitals also recruited optimum level of nurses. These nurses are expected to offer quality round the clock services to patients, obviously leads to stress. But reduction of stress among nurses either by themselves or by institutions help the health services can be delivered in better way.

Kanchipuram is the District in TamilNadu renowned for its tourism and industrial cluster, which have highest level of population density in TamilNadu. It is the district that successfully promotes health awareness camps both from government and private. The number of hospitals and employment of nurses are also high in this district while compared to other districts in TamilNadu. These reasons made the researcher to choose the present topic and study unit.

REVIEW OF LITERATURE

1. Wilmar B.Schaufeli(2007) in his study evaluates the effects of a burnout workshop that was conducted for community nurses. High reactive nurses experience more burnout than low reactive nurses. Moreover, the workshop has a differential effect depending on the nurses' level of reactivity; symptoms of exhaustion and psychological strain which decrease in low reactive nurses. On the other hand, high reactive and accordingly less stress resistant nurses remain at the same symptom level.
2. M Estryn-Behar et al (2009) in his article indicates that relations between working conditions and mental health status of female hospital workers. Job stress and insufficiency in training and discussion did not vary according to the shift; the night shift was characterized by a significantly lower mental load and the afternoon shift by a high level of strain due to schedule. Higher the mental load, the insufficiency in training, or the strain due to schedule, the higher the job stress index was. Fatigue and sleep impairment were significantly more frequent when the number of children at home was higher. Job stress, mental load, and strain due to schedule appeared as the most important occupational factors in mental health, sleep impairment being mostly affected by the shift.
3. Pratibha P. Kane(2009) in her study revealed that the existence and extent of work stress in nurses in a hospital setting, identifying the major sources of stress, and finding the incidence of psychosomatic illness related to stress. Psychosomatic illnesses are disorders that involve both the body and the mind. These illnesses are mental or emotional in origin and have physical symptoms. The pressures of overtime and long working hours create a work personal life imbalance, which begins to affect the health of the employees. Other factors such as long commuting hours and chaotic traffic conditions adding to their stress affect the employees' efficiency and effectiveness. This can have a negative influence on their physical and emotional health and lead to psychosomatic disorders.
4. Eleni Moustaka et al (2010) investigated that the aim of this systematic review was the examination of the sources and consequences of occupational stress on nurses' adequacy, productivity, and efficiency. A number of aspects of working life have been linked to stress. Aspects of the work itself can be stressful, namely work overload and role-based factors such as lack of power, role ambiguity, and role conflict. The review demonstrated that a great deal is known about the sources of stress at work, about how to measure it and about the impact on a range of outcome indicators.

OBJECTIVES

1. To study the demographic profile of the nurses in government and private hospitals in Kanchipuram District.
2. To compare the level of stress experienced by the women nurses working at both government and private hospitals at Kanchipuram district.
3. To identify the factors that leads to stress by women nurses both in government and private hospitals.
4. To evaluate the impact of stress on the performance of women nurses.
5. To identify the stress management techniques adopted by women nurses in government and private hospitals and the supports extended by management for stress reduction activities.

SCOPE

The research study reveals that the women nurses experiences stress, the level of stress faced by them in both private and g`overnment hospitals. It also covers the various reasons for stress, the role of management in de-stressing the stress of women nurses and the ways women nurses manage to overcome stress by using de-stressing techniques. It also identifies the problems faced due to stress by the women nurses both at workplace and at home.

RESEARCH METHODOLOGY

S.No.	Tools	Description
1	Research Design	Descriptive
2	Population	Women nurses working in both private and Government hospitals in Kanchipuram District.
3	Population Source List	Obtained from concerned hospital payroll database.
4	Sampling Unit	Women nurses working in the level of senior, junior, contract and daily wage basis both in private and government hospitals.
5	Sampling Method	Multistage sampling. The hospitals in Kanchipuram District have been clustered into private and government and from both categories women nurses were included as samples based on senior, junior, contract and daily wages (stratified), from each strata the respondents were selected based on random sampling method.
6	Sample Size	170.
7	Sources of Data	Both primary and secondary. Primary data obtained from women nurses working in private and Government hospitals by personal interview. Secondary data obtained from research publications, books, previous research thesis and hospitals related journals and websites.
8	Nature of Questionnaire	Structured questionnaire with suitable scaling.
9	Types of Questions	Open-ended, closed-ended, dichotomous, multiple choice and Likert scale.
10	Method of Data Collection	Personal interview with respondents, pre-testing of questionnaire. Pre-testing was carried out with selected respondents, doctors, academicians (through judgmental basis). The questions related to management of stress were included. The content validity and reliability was tested. It was found to be 70% so the constructed questionnaire has been taken for data collection.
11	Statistical Tools Used	Percentage analysis, cross table, weighted average.

LIMITATIONS

1. The respondents have been busy with their work schedule and many of them were reluctant to respond.
2. Many numbers of hospitals have not been interested to extend their permission during initial stages.
3. The respondents have not been able to continuously respond due to their emergency so it took much time to collect data from each respondent.
4. The response may not be generalised for further studies in future. Since the collected responses are opinion based.

ANALYSIS AND INTERPRETATIONS

1. DEMOGRAPHIC PROFILE OF THE RESPONDENTS

TABLE 1: DEMOGRAPHIC PROFILE OF THE RESPONDENTS

S.No.	Parameters		No. of Respondents	Percentage to Total
1	Age of the Respondents	18-25 years	59	34.7
		26-30 years	2	1.2
		31-40 years	2	1.2
		41-50 years	50	29.4
		Above 50 years	57	33.5
2	Marital Status	Married	155	91.2
		Unmaried	15	8.8
3	Designation	Junior Nurse	61	35.9
		Senior Nurse	109	64.1
4	Nature of Job	Permanent	155	91.2
		Temporary	15	8.8
5	Educational Qualification	HSC	14	10.0
		Diploma	47	27.6
		Degree in nursing	17	8.8
		PG in nursing	49	28.8
		Others	43	25.3
6	Income (Rupees)	Below 10000	13	7.6
		10001-15000	48	28.2
		15001-20000	2	1.2
		20001-25000	50	29.4
		Above 25000	57	33.5
7	Experience (years)	Less than 5 years	59	34.7
		6-10 years	3	1.8
		11-15 years	1	0.6
		16-20 years	50	29.4
		Above 20 years	57	33.5

Source: Primary Data

DATA

From the table 1, it is inferred that 34.7 percentage of respondents come under age group of 18-25 years, 33.5 percentage of respondents come under age group above 50 years, 29.4 percentage of respondents come under the age group of 41-50 years, 1.2 percentage of respondents come under 26-30 years and 31-40 years of age. 91.2 percentage of respondents are married and 8.8 percentage are unmarried. 64.1 percentage of respondents belong to senior nurse cadre and 35.9 percentage belong to junior nurse cadre level. 91.2 percentage of respondents are permanent employees and 8.8 percentage are temporary employees. 28.8 percentage of respondents have completed PG in nursing, 27.6 percentage of respondents have completed diploma, others 25.3 percentage, 10 percentage have completed HSC and only 8.8 percentage have completed degree in nursing. 33.5 percentage of respondents draw salary above Rs.25000, 29.4 percentage draw salary between Rs.20001-25000, 28.2 percentage draw salary between Rs.10001-15000, 7.6 percentage draw salary below Rs.10000 and 1.2 percentage draw salary between Rs.15001-20000. 34.7 percentage of respondents have less than 5 years of experience, 33.5 percentage have above 20 years, 29.4 percentage have 16-20 years, 1.8 percentage have 6-10 years and only 0.6 percentage have experience between 11-15 years.

2. OPINION ABOUT THE WORKING CONDITION IN THE HOSPITALS BASED ON THE AGE OF RESPONDENTS

TABLE 2: OPINION ABOUT THE WORKING CONDITION IN THE HOSPITALS BASED ON THE AGE OF RESPONDENTS

Opinion about the Working Condition in the Hospitals based on the Age of Respondents							
Parameters		**Age of the Respondent**					**Total**
		18-25 years	**26-30 years**	**31-40 years**	**41-50 years**	**above 50 years**	
Working Conditions in the Hospital	Dissatisfied	0 (.0)	1 (.6)	1 (.6)	0 (.0)	0 (.0)	2 (1.2)
	Highly Dissatisfied	0 (.0)	0 (.0)	0 (.0)	16 (9.4)	43 (25.3)	59 (34.7)
	Highly Satisfied	0 (.0)	0 (.0)	0 (.0)	34 (20.0)	0 (.0)	34 (20.0)
	Neutral	13 (7.6)	1 (.6)	0 (.0)	0 (.0)	0 (.0)	14 (8.2)
	Satisfied	46 (27.1)	0 (.0)	1 (.6)	0 (.0)	14 (8.2)	61 (35.9)
Total		**59 (34.7)**	**2 (1.2)**	**2 (1.2)**	**50 (29.4)**	**57 (33.5)**	**170 (100.0)**

Source: Primary Data

From the table 2, it is inferred that 27.1 percentage of the employees coming under the age group of 18-25 years are satisfied with the working conditions in the hospital and 7.6 percentage are feeling neutral about the working conditions. 0.6 percentage of employees under the age group of 26-30 years are dissatisfied and feeling neutral. 0.6 percentage of each under the age group of 31-40 years are satisfied and dissatisfied. 20 percentage of employees under the age group of 41-50 years are highly satisfied and 9.4 percentage are highly dissatisfied. 25.3 percentage of the employees coming under the age group above 50 years are highly dissatisfied and 8.2 percentage are satisfied.

3. RESPONDENTS OPINION ABOUT FACTORS INFLUENCING STRESS BASED ON THEIR DESIGNATION

TABLE 3: RESPONDENTS OPINION ABOUT FACTORS INFLUENCING STRESS BASED ON THEIR DESIGNATION

Respondents Opinion about factors influencing stress based on their Designation				
Parameters		**Designation**		**Total**
		Junior Nurse	**Senior Nurse**	
Factors for Stress	All the above	1 (0.6)	0 (.0)	1 (.6)
	Family Issue	0 (.0)	44 (25.9)	44 (25.9)
	Management Activities	1 (0.6)	14 (8.2)	15 (8.8)
	Personal Reasons	0 (.0)	34 (20.0)	34 (20.0)
	Superior Attitude	46 (27.1)	16 (9.4)	62 (36.5)
	Working Condition	0 (.0)	1 (0.6)	1 (.6)
	Work Load	13 (7.6)	0 (.0)	13 (7.6)
Total		**61 (35.9)**	**109 (64.1)**	**170 (100.0)**

Source: Primary Data

From the table 3, it is inferred that among junior nurses, 27.1 percentage say that superior attitude is the main factor for their stress, 7.6 percentage accept work load and 0.6 percentage say management activities and all the mentioned reasons. Among senior nurses 25.9 percentage outlines family issue is the factor of their stress, 20 percentage agree personal reasons, 9.4 percentage highlights superior attitude, 8.2 opinion management activities and 0.6 percentage infers working conditions.

4. LEVEL OF SATISFACTION ABOUT SHIFT SYSTEM BASED ON NATURE OF JOB

TABLE 4: LEVEL OF SATISFACTION ABOUT SHIFT SYSTEM BASED ON NATURE OF JOB

Level of Satisfaction about Shift System based on Nature of Job				
Parameters		**Nature of Job**		**Total**
		Permanent	**Temporary**	
Shift System	Dissatisfied	60 (35.3)	13 (7.6)	73 (42.9)
	Highly Dissatisfied	17 (10.0)	2 (1.2)	19 (11.2)
	Highly Satisfied	1 (0.6)	0 (.0)	1 (.6)
	Neutral	43 (25.3)	0 (.0)	43 (25.3)
	Satisfied	34 (20.0)	0 (.0)	34 (20.0)
Total		**155 (91.2)**	**15 (8.8)**	**170 (100.0)**

Source: Primary Data

The above table 4 infers that 35.3 percentage of the permanent employees are dissatisfied with the shift system, 25.3 percentage are opinioned neutral, 20 percentage are satisfied, 10 percentage are highly dissatisfied and 0.6 percentage are highly satisfied. 7.6 percentage of the temporary employees are dissatisfied with the shift system and 1.2 percentage are highly dissatisfied.

5. OPINION ABOUT LEVEL OF STRESS BASED ON NATURE OF JOB

TABLE 5: OPINION ABOUT LEVEL OF STRESS BASED ON NATURE OF JOB

Opinion about level of Stress based on Nature of Job				
Parameters		**Nature of Job**		**Total**
		Permanent	**Temporary**	
Level of Work Stress	High	1 (0.6)	14 (8.2)	15 (8.8)
	Low	34 (20.0)	1 (0.6)	35 (20.6)
	Medium	120 (70.6)	0 (.0)	120 (70.6)
Total		**155 (91.2)**	**15 (8.8)**	**170 (100.0)**

Source: Primary Data

The above table 5 explains that 70.6 percentage of the permanent employees experience medium level of stress, 20 percentage experience low stress and 0.6 percentage experience high stress. 8.2 percentage of the temporary employees experience high level of stress and 0.6 percentage experience low stress.

6. OPINION ABOUT LEVEL OF PHYSICAL STRESS BASED ON NATURE OF JOB

TABLE 6: OPINION ABOUT LEVEL OF PHYSICAL STRESS BASED ON NATURE OF JOB

Opinion about Level of Physical Stress based on Nature of Job				
Parameters		**Nature of Job**		**Total**
		Permanent	**Temporary**	
Level of Physical Stress	High	94 (55.3)	0 (.0)	94 (55.3)
	Low	17 (10.0)	1 (0.6)	18 (10.6)
	Medium	44 (25.9)	14 (8.2)	58 (34.1)
Total		**155 (91.2)**	**15 (8.8)**	**170 (100.0)**

Source: Primary Data

The table 6 highlights that 55.3 percentage of the permanent employees experience high level of physical stress, 25.9 percentage experience medium stress and 10 percentage experience low stress. 8.2 percentage of the temporary employees experience medium level of physical stress and 0.6 percentage experience low stress.

7. OPINION ABOUT CONSEQUENCES OF STRESS BASED ON DESIGNATION

TABLE 7: OPINION ABOUT CONSEQUENCES OF STRESS BASED ON DESIGNATION

Opinion about Consequences of Stress based on Designation				
Parameters		**Designation**		**Total**
		Junior Nurse	**Senior Nurse**	
Consequences of Stress	Absent Mindedness / Lack of Concentration	1 (0.6)	1 (0.6)	2 (1.2)
	Conflicts in the family	0 (.0)	1 (0.6)	1 (.6)
	Decrease in the Performance Level	0 (.0)	34 (20.0)	34 (20.0)
	Frequent Absenteeism	1 (0.6)	0 (.0)	1 (.6)
	Improper Work Life Balance	13 (7.6)	16 (9.4)	29 (17.1)
	No proper Attention to the Patients	0 (.0)	57 (33.5)	57 (33.5)
	No proper Care for Children	46 (27.1)	0 (.0)	46 (27.1)
Total		**61**	**109**	**170**
		(35.9)	**(64.1)**	**(100.0)**

Source: Primary Data

The table 7 inferred that 33.5 percentage of Senior nurses have no proper attention to patients because of stress, 20 percentage opinioned decrease in performance level, 9.4 percentage say improper work life balance and 0.6 percentage express absent mindedness/lack of concentration and conflicts in the family. 27.1 percentage of Junior nurses outlines no proper care is given to children because of stress, 7.6 percentage infers improper work life balance and 0.6 percentage disclose absent mindedness / lack of concentration and frequent absenteeism.

8. OPINION ABOUT EXPERIENCE OF TRAINING BASED ON NATURE OF HOSPITAL

TABLE 8: OPINION ABOUT EXPERIENCE OF TRAINING BASED ON NATURE OF HOSPITAL

Opinion about Experience of Training based on Nature of Hospital				
Parameters		**Nature of Hospital**		**Total**
		Government	**Private**	
Undergone Training	Yes	77	31	108
		(45.3)	(18.2)	(63.5)
	No	48	14	62
		(28.2)%	(8.2)	(36.5)
Total		**125**	**45**	**170**
		(73.5)	**(26.5)**	**(100.0)**

Source: Primary Data

The table 8 shows that 45.3 percentage of the government hospital nurses have undergone destress training and 28.2 percentage say no. 18.2 percentage of the private employees have undergone destress training and 8.2 percentage say no.

9. OPINION ABOUT THE METHOD OF MANAGING DISTRESS BASED ON DESIGNATION

TABLE 9: OPINION ABOUT THE METHOD OF MANAGING DISTRESS BASED ON DESIGNATION

Opinion about the Method of Managing Distress based on Designation				
Parameters		**Designation**		**Total**
		Junior Nurse	**Senior Nurse**	
Destress Methods practised by you	Home-Remedy	1	0	1
		(0.6)	(.0)	(.6)
	Listening to Music	1	1	2
		(0.6)	(0.6)	(1.2)
	Meditation	0	59	59
		(.0)	(34.7)	(34.7)
	Others	46	0	46
		(27.1)	(.0)	(27.1)
	Sleeping	13	14	27
		(7.6)	(8.2)	(15.9)
	Yoga	0	35	35
		(.0)	(20.6)	(20.6)
Total		**61**	**109**	**170**
		(35.9)	**(64.1)**	**(100.0)**

Source: Primary Data

The table 9 inferred that among the junior nurses 27.1 percentage practice other destress methods, 7.6 percentage sleep and 0.6 percentage listen to music and follow home remedy. Among the senior nurses 34.7 percentage practice meditation, 20.6 percentage practice yoga, 8.2 percentage sleep and 0.6 percentage listen to music.

10. OPINION ABOUT LEVEL OF SATISFACTION ABOUT RELATIONSHIP AND WORKING ENVIRONMENT OF THE RESPONDENTS

TABLE 10: OPINION ABOUT LEVEL OF SATISFACTION ABOUT RELATIONSHIP AND WORKING ENVIRONMENT OF THE RESPONDENTS

Parameters	Highly satisfied	Satisfied	Neutral	Dissatisfied	Highly dissatisfied	Mean Score	Rank
Relationship with the colleagues	16	17	44	80	13	2.665	VIII
Relationship with the subordinates	60	1	14	48	47	2.876	VII
Relationship with the superiors	43	1	94	19	13	3.247	II
Relationship with the doctors	48	65	1	13	43	3.364	I
Relationship with the patients	80	1	14	17	58	3.164	IV
Relationship with the public	35	61	17	14	43	3.182	III
Working conditions in the hospital	34	61	14	2	59	3.053	V
Salary & promotions	34	17	60	16	43	2.9	VI
Shift system	1	34	43	73	19	2.559	IX

Source: Primary Data

The table 10 highlights respondents opinion about the factors that influence the level of satisfaction about work relationship and environment. Among the listed nine factors relevant to relationship, relationship with doctors, superiors, public, patients and working condition are the important attributes for satisfaction related to workplace relationship and working condition.

11. OPINION ABOUT LEVEL OF DIFFERENT STRESS AND ITS INFLUENCES ON THE RESPONDENTS

TABLE 11: OPINION ABOUT LEVEL OF DIFFERENT STRESS AND ITS INFLUENCES ON THE RESPONDENTS

Parameters	High	Medium	Low	Mean Score	Rank
Work stress	15	120	35	1.882	II
Family stress	32	1	137	1.382	VI
Peer stress	1	98	71	1.588	V
Physical stress	94	58	18	2.447	I
Psychological stress	18	75	77	1.653	IV
Environmental stress	2	58	110	1.365	VII
Social stress	46	51	73	1.841	III

Source: Primary Data

The table 11 shows the opinion of the respondents about different stress and its influences. Among the various factors listed relevant to stress, physical stress, work stress, social stress, psychological stress, family stress and environmental stress are the important parameters which determines the type of stress and its influences on the respondents.

12. OPINION ABOUT IMPACT OF VARIOUS ATTRIBUTES ON WORK STRESS OF THE RESPONDENTS

TABLE 12: OPINION ABOUT IMPACT OF VARIOUS ATTRIBUTES ON WORK STRESS OF THE RESPONDENTS

Parameters	Highly Agree	Agree	Neutral	Disagree	Highly Disagree	Mean score	Rank
Relationship with the colleagues	34	2	43	64	27	2.718	VIII
Relationship with the subordinates	43	14	17	16	80	2.553	IX
Relationship with the superiors	45	59	15	1	50	3.282	III
Relationship with the doctors	103	29	1	35	2	4.153	I
Relationship with the patients	43	1	76	15	35	3.012	V
Relationship with the public	43	2	60	17	48	2.853	VI
Working environment in the hospital	17	89	28	35	1	3.506	II
Salary & promotions	43	1	13	97	16	2.753	VII
Shift system	43	50	16	13	48	3.159	IV

Source: Primary Data

The table 12 outlines respondents opinion about impact of various attributes on work stress**.** Among the various factors listed relevant to relationship, relationship with doctors, working environment, superiors, shift system and patients are the important attributes which shows the impact on work stress of the respondents.

13. LEVEL OF SATISFACTION ABOUT THE IMPACT OF DESTRESS TRAINING PROGRAMMES

TABLE 13: LEVEL OF SATISFACTION ABOUT THE IMPACT OF DESTRESS TRAINING PROGRAMMES

Parameters	Highly satisfied	Satisfied	Neutral	Dissatisfied	Highly dissatisfied	Mean Score	Rank
Work life balance	2	80	27	2	59	2.788	IV
Manage the performance level	17	28	80	1	44	2.841	III
Conflicts management	15	43	15	47	50	2.565	V
Children care	13	95	18	1	43	3.2	II
Absenteeism/ concentration	1	34	15	30	90	1.976	VI
Care to patients	104	51	13	1	1	4.506	I

Source: Primary Data

The table 13 shows respondents level of satisfaction about the impact of destress training programmes. Among the various factors listed, care to patients, children care, managing the performance level and work life balance are the important attributes for satisfaction related to the impact of destress training programmes.

FINDINGS

- It has been found that from table 1, 34.7% of respondents come under the age group of 18-25 years, 91.2% of respondents are married, 64.1% of respondents belong to senior nurse cadre, 91.2% of respondents are permanent employees, 28.8% of respondents have completed PG in nursing, 33.5% of respondents draw salary above Rs.25000 and 34.7% of respondents have less than 5 years of experience.
- From table 2, it has been found that 27.1% of the employees coming under the age group of 18-25 years are satisfied with the working conditions in the hospital, 26-30 years 0.6% of employees are dissatisfied and feeling neutral, 31-40 years 0.6% of employees are dissatisfied and satisfied, 41-50 years 20% of employees are highly satisfied and 9.4% are highly dissatisfied and 25.3% of the employees coming under the age group above 50 years are highly dissatisfied and 8.2% are satisfied.
- From table 3, it has been found that among junior nurses 27.1% say that superior attitude is the main factor for their stress, 7.6% say work load and 0.6% say management activities and all the mentioned reasons, 25.9% of senior nurses say that family issue is the factor of their stress, 20% say personal reasons, 9.4% say superior attitude, 8.2% say management activities and 0.6% say working conditions. It has been found that from table 4, 35.3% of the permanent employees are dissatisfied with the shift system, 25.3% are feeling neutral, 20% are satisfied, 10% are highly dissatisfied and 0.6% is highly satisfied, 7.6% of the temporary employees are dissatisfied with the shift system and 1.2% are highly dissatisfied.
- From table 5, it has been found 70.6% of the permanent employees experience medium level of stress, 20% experience low stress and 0.6% experience high stress, 8.2% of the temporary employees experience high level of stress and 0.6% experience low stress. From table 6, it has been found 55.3% of the permanent employees experience high level of physical stress, 25.9% experience medium stress and 10% experience low stress, 8.2% of the temporary employees experience medium level of physical stress and 0.6% experience low stress. It has been found that from table 7, senior nurses outlines 33.5% have no proper attention to patients because of stress, 20% outlines decrease in performance level, 9.4% highlights improper work life balance and 0.6% say absent mindedness/lack of concentration and conflicts in the family, 27.1% of junior nurses say no proper care is given to children because of stress, 7.6% say improper work life balance and 0.6% say absent mindedness / lack of concentration and frequent absenteeism.
- It has been found that from table 8, 45.3% of the government employees have undergone destress training and 18.2% of the private employees have undergone destress training. It has been found that from table 9, among the junior nurses 27.1% practice other destress methods and 34.7% of senior nurses practice meditation.
- The table 10 highlights respondents opinion about the factors that influence the level of satisfaction about work relationship and environment. Among the listed nine factors relevant to relationship, relationship with doctors, superiors, public, patients and working condition are the important attributes for satisfaction related to workplace relationship and working condition.
- The table 11 shows the opinion of the respondents about different stress and its influences. Among the various factors listed relevant to stress, physical stress, work stress, social stress, psychological stress, family stress and environmental stress are the important parameters which determines the type of stress and its influences on the respondents.
- The table 12 outlines respondents opinion about impact of various attributes on work stress**.** Among the various factors listed relevant to relationship, relationship with doctors, working environment, superiors, shift system and patients are the important attributes which shows the impact on work stress of the respondents.
- The table 13 shows respondents level of satisfaction about the impact of destress training programmes. Among the various factors listed, care to patients, children care, managing the performance level and work life balance are the important attributes for satisfaction related to the impact of destress training programmes.

SUGGESTIONS

- ✓ Importance should be given for proper stress management activities.
- ✓ Work involvement may be enriched for the reduction and management of stress.
- ✓ Family consultation and sharing of work happenings with family members may help to reduce stress.
- ✓ Self work load management helps to manage stress.
- ✓ Frequent and periodic comprehensive stress counseling programmes may be organized with the help of external experts.

- ✓ Bio-feedback and opinion survey may be organized through suitable monitoring programmes.
- ✓ Flexible working hours may be strengthened.
- ✓ Work group interaction programmes and gatherings may be organized.

CONCLUSION

Stress is an inevitable and unavoidable instrument needed to be brought and managed in today's competitive work places. The level of stress and its amount of consequences vary within and between organizations based on the nature and type of work practices. Stress is a kind of conceding instrument which affects both employees and beneficiaries especially in service sector like health care and hospitals. The level and consequences of stress encountered by employees in health care sector have an impact in both positive and negative way for employees and patients. Health care is the typical sector which employs more women than men, women is the source affected by stress based on personal, social, family and psychological basis. The effective self and contributory management systems help the women employees to manage stress in health care sector.

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A STUDY ON FRANCHISED RESTAURANTS AS A SUCCESSFUL BUSINESS MODEL FOR FRANCHISEES

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ABSTRACT

Though at a nascent stage, the Indian franchise industry has witnessed 30 - 35% growth in the last 4-5 years. Factors like a thriving class of urban consumers possessing sizeable amounts of disposable income combined with the continued growth of the economy have consolidated India's claim to be a viable and beneficial destination for a foreign franchisor. The food and beverage industry is a popular segment for franchisees with roughly 18,000 franchised restaurants spread all across India. 17% of all food and beverage businesses in India are being franchised. The popularity of this industry selection by franchisees could be various reasons - no requirement of specialist skills, high footfalls and sales, easy maintenance, low investments, etc. This paper aims to assess the influential factors for a successful franchise business model with respect to restaurants in India using a primary research employing the questionnaire method. The study will be conducted on a filtered sample of entrepreneurs who own a food business to gain a better understanding on the major issues they face with their food-based entrepreneurial venture(s). It also aims to explore the viability and success of the franchisees with their franchises. These insights can help budding entrepreneurs to assess certain factors carefully before venturing into the franchise restaurant business.

KEYWORDS
Entrepreneurs, food and beverage, franchise, restaurants.

INTRODUCTION
Franchises have always been a favourite for many entrepreneurs who are looking to venture into something of their own and maximizing their earnings and benefits while minimizing their risks and investments. Over the last decade, the food and beverage industry in India has proved itself to be the most popular choice for all franchisors. Franchising is considered to be a sustainable growth strategy for small businesses and young entrepreneurs as it offers a strong platform for raising capital and provides for a method of expanding the business in a low risk manner, with exercised caution.

The Federation of Indian Chambers of Commerce and Industry or FICCI and the Confederation on Indian Food Trade and Industry or CIFTI's 2009 report on the food franchise industry states that "Franchising business is considered to be the leading business in India. It is believed that almost 30 percent of the newly established businesses in India are franchised business. There are roughly 18,000 franchised restaurants in the whole India while there are only 2500 businesses that run by a company. It is estimated that 17 percent of food and beverages businesses were being franchised. Today, there are almost 1200 franchisors in India. 150 of this come from the food and beverages business."

India, which has a growing middle-class of over one billion people, is now positioned as a major force in the global economy and fertile ground for investment in retail and business development. "The franchising industry in India is expected to grow at an annual rate of 30 percent, and to drive the country's current $330 retail sector even higher. In 2007, more than 750 national and international franchisors were operating in India, employing millions of people, and generating revenues in excess of $3 US million." (http://www.franchisedirect.com/foodfranchises/14)

Franchising in the food and beverage industry has evolved tremendously in the past 10 years in India. According to Sameer Kuckreja, CEO & MD of Nirula's, one of India's top food franchise chain, "Franchising requires determination and drive to succeed in the tough competitive scenario and it has huge growth potential. With the fast paced growth in the F&B industry, the entry of numerous food brands in the market, development of new retail formats, the franchising models have also evolved."

As eating out becomes increasingly common in India, restaurant operators across cuisine types want to secure their share of increased consumer spending. This offers a good opportunity to aspiring franchisees in the F&B industry. The customer base is expanding, propensity to eat-out is increasing and national / regional brands have developed their game in terms of food and service quality to meaningfully compete with the international brands.

REVIEW OF LITERATURE
SUCCESS OF FRANCHISE OUTLETS
Franchising was introduced to the real estate and hotel industries during 1955 and began spreading to service industries such as dry cleaning, employment and accounting services (Khan, 1999: 11).

Khan (1999: 11) is of the opinion that the greatest success story in franchising is credited to Ray Croc who sold milkshake mixers to the Mc Donald's brothers, owners of a busy hamburger restaurant in San Bernardino, California. Croc was so impressed with how quickly customers were served at the restaurant; he volunteered to open more restaurants for the brothers in the belief that he could sell more of his milkshake mixers.

In 1955, Croc opened the first Mc Donald's restaurant in Des Plaines, Illinois and founded the Mc Donald's corporation. Mc Donald's has now grown to a chain of over 31,000 restaurants in 119 countries employing more than 1.5 million people.

The extent of franchising as a model for increasing business growth can be summarised by the fact that in the United States "…in 1950 fewer than 100 companies used franchising … by the end of the decade more than 900 companies had franchise operations with an estimated 20,000 franchised outlets" (Khan, 1999:12)

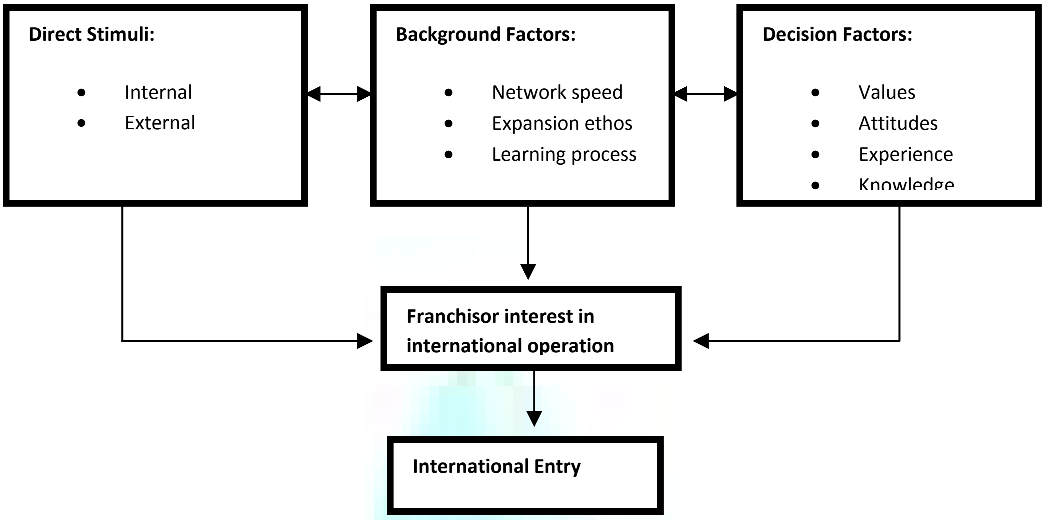
GROWTH OF INDIAN RESTAURANT FRANCHISES
Yum Restaurants India, which runs KFC and Pizza Hut restaurants, plans to invest $100 million (Rs 522 crore) in the country by 2015 and double its stores to 1,000 by then. Burger-and-fries chain McDonald's, which stepped in 16 years back, has about 240 stores now. And for Domino's Pizza, which operates in the country via master franchisee Jubilant FoodWorks' promoted Domino's, India is its fastest growing market outside of the US.

Quick service restaurant chain Subway said it plans to operate 1,000 stores in India by 2015 through franchise route, which will entail an investment of $58 million (over Rs 300 crore). The Connecticut-headquartered brand is present in 50 Indian cities with 263 franchisee-run restaurants across the country. Subway President and Co-founder Fred DeLuca commented on India's market potential saying: "India is a promising business destination with a young, educated population having growing disposable income."

The planned expansion will generate employment opportunities for another 15,000 people, the statement said. "The country will add about 497 million to its urban population from 2010 to 2050, as per United Nations' Revision of the World Urbanisation Prospects Report-2011," it said, adding that this indicates immense opportunity for the QSR segment in India.

MOTIVES BEHIND FRANCHISING INTERNATIONALLY BY WELCH
Welch put forward a simplistic theory and mechanism that aims to understand the motives behind businesses to franchise their outlets internationally. Quinn (1998) cites a theory by Welch that argues that a complex interaction of different factors that affect a business to franchise internationally.The essential factors that carry weight in a company's decision to franchise are direct stimuli, background factors and decision maker's characteristics (Engman & Thorlund, 2008).

FIG 1: CHART REPRESENTING WELCH'S THEORY OF MOTIVES BEHIND FRANCHISING INTERNATIONALLY



Source: Welch, L.S. (1990). Internationalization by Australian franchisors. *Asia Pacific Journal of Management,* 7(2), 101-121.

Welch states that the main premise of this theory is how the background gears up the company for moving and franchising internationally. The three background factors that influence the decision making process for franchising internationally are network spread, expansion ethos and learning process. While the background doesn't necessarily affect the franchising process, it does prepare for the company to move.

Direct stimuli can be internal or external, where internal stimuli are any excess capacity in the firm's resources, or any unique competency. According to Welch (1990), external stimuli are any factors that motivate the company to franchise internationally such as orders from foreign customers, domestic competitors entering foreign market, high level of competition in domestic market and various market opportunities in foreign market.

The final factor is the Decision Makers. While the stimuli, the company's goals and its environment are crucial contributors to the company's decision to franchise internationally, it isn't complete if the company's individual/employee characteristics like knowledge, value, attitude and experience are equally compatible and consenting.

NEED FOR THE STUDY AND IMPORTANCE OF THE RESEARCH PROBLEM

This study aims to understand the viability and success of a franchise of a restaurant outlet in India. The food and beverage industry in India is constantly growing, and is increasingly becoming a popular choice for franchisees. The underlying rationale for this study is to understand the influencing factors for running a restaurant franchise and probing whether franchising restaurant outlets in India is a successful business model or not.

STATEMENT OF THE PROBLEM

Is franchising restaurant outlets in India a successful business model for young entrepreneurs?

OBJECTIVE OF THE STUDY

To identify the factors influencing sales turnover at franchised restaurant outlets, to assess the problems faced by the franchisees while setting up the outlet and to assess overall satisfaction levels of the franchisees with their franchises.

RESEARCH METHODOLOGY

SAMPLING

A total sample size of 50 was taken for the study. The sample unit consisted of young entrepreneurs who currently own only one franchise outlet. The respondents were residing in Bangalore city.

STATISTICAL TECHNIQUE

The sampling technique used in the research was non-probabilistic sampling where convenient sampling was done.

QUESTIONNAIRE

The primary data was collected by using a qualitative questionnaire prepared earlier. The questionnaire had a total of 8 questions, with 2 questions employing the scaling technique of Likert scale of 5.

PROCEDURE

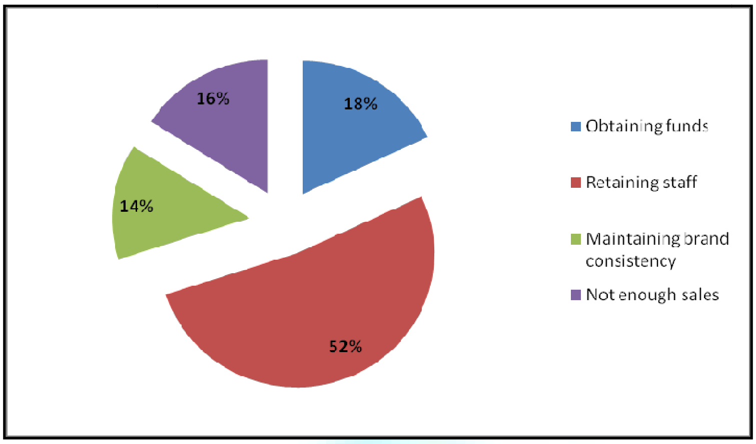
The primary data was collected by questionnaires filled in an online format. Scoring was done by taking the average of the respondent selections for option-based and scaling questions.

RESULTS AND DISCUSSION

52% of the respondents have been running the franchise between 1 to 3 years and 18% have been running it for 3 – 5 years. The key takeaway here is that the franchisees in the sample size are relatively new in this field, which also indicates the growth of the industry that show promise to other budding entrepreneurs as well.

46% of the franchisors own a fast food restaurant/Quick Service Restaurant and 36% own a coffee shop/cafe. The main reason for this could be with the relatively lower investments in a QSR/cafe versus that of a full service restaurant. A QSR/cafe poses limited risks in terms of investment and security as well, and is hence a popular choice.

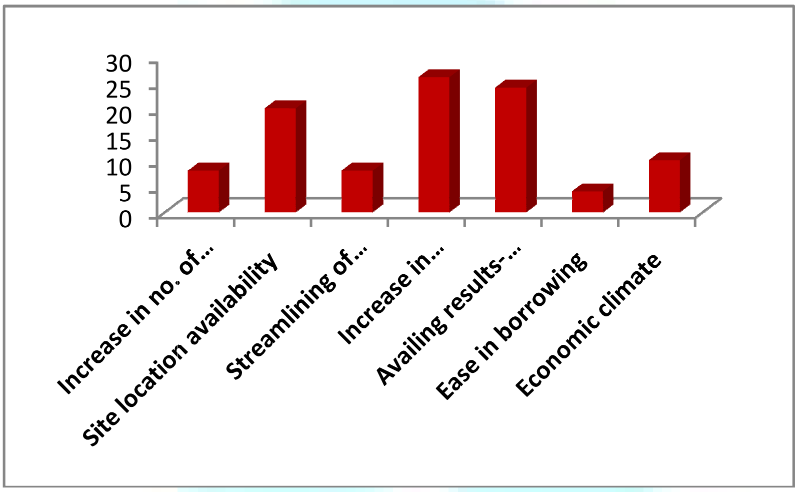
FIG. 2.1: PIE CHART DEPICTING THE MAJOR DIFFICULTIES FACED BY FRANCHISEES WHILE SETTING UP THEIR FRANCHISE OUTLETS



The biggest problem that the entrepreneurs seemed to have faced seems to be staff retention with a whopping 52% claiming it as their toughest turf. With increase in number of service outlets being spawned everyday, and low levels of commitment and volatility of the industry, many staff personnel tend to jump jobs. This comes as a big loss to the franchisees who spend time, effort and money in hiring and training the staff.

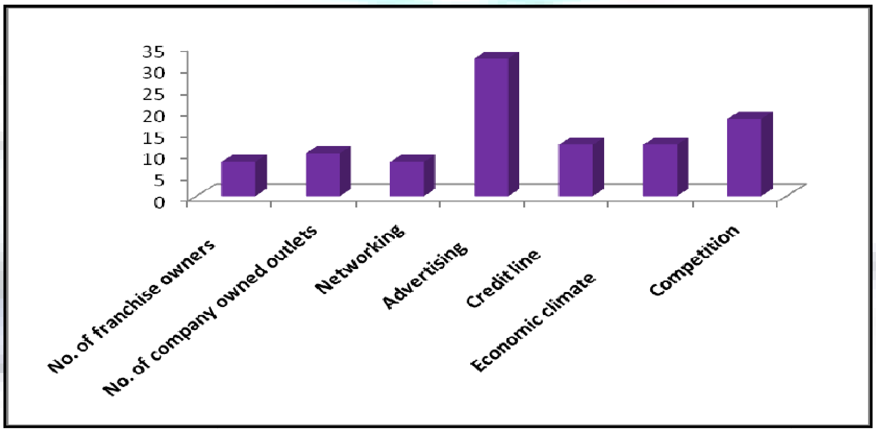
38% of the franchisees had their expected sales turnover levels match their actual sales turnover levels, whereas 24% of the franchisees had their expectations exceeded with the same. With the eating out culture becoming more prominent, higher levels of disposable income and a growing proclivity for international food, the sales numbers at such outlets look to rise constantly.

FIG. 2.2: GRAPH SHOWING FACTORS THAT INFLUENCED TURNOVER FOR THE FRANCHISEES THE PAST YEAR



Out of all the possible factors that contributed to achieving the predicted sales turnover in the last year, advertising seemed to be the biggest influencing factor with 32% of the respondents claiming it to be so. The rest of the factors received a below to an average response with 18% citing competition as another influential factor. Over the years, it's been established how advertising helps build brand awareness and reach out to the masses. Such advertisements do trigger and act as a recall value for the customer to eat out at the outlets often.

FIG 2.3: GRAPH SHOWING FACTORS THAT FRANCHISEES BELIEVE WOULD BE MOST HELPFUL IN ACHIEVING FUTURE TURNOVER PROJECTIONS



Amongst factors that would contribute in achieving next year's projected sales turnover, again 50% have picked advertising as the number one factor. 26% of the respondents feel increase in ad spends would help boost sales and 24% of them feel availing results-related advertising for customers would help as well. Print ads work especially well for QSR's as they create a recall value for the customer to go to the store and dine. Special offers as print ad cutouts tend to exercise higher value with customers, thus underlining the importance of results-related advertising.

A major 52% of the franchisees would like to open another similar franchise outlet. This indicates success of the franchises with these young entrepreneurs and also shows promise and growth for other franchise outlets.

More than 50% of the franchisees are satisfied with their franchise outlets, a factor that is indicative of a high success rate and a promising figure for other young entrepreneurs who are looking to franchise a restaurant outlet.

RECOMMENDATIONS

- **Franchise a qsr outlet rather than a full service restaurant:** While the franchised restaurant outlets are springing up quite often, QSR outlets are bringing increased sales and footfalls, helping these franchises earn more. The investment costs associated with a QSR outlet are a lot lesser than investing in a full service restaurant in terms of training, location, store space, raw materials, kitchen staff, etc. While the margins on the earnings of a QSR are lesser, the volumes are higher. There are also lesser risks associated and management of a QSR outlet is generally easier. From the study, we can also glean that the QSR outlets are the top choices for the entrepreneurs.
- **Recruit the right team:** As can be seen from the findings from the study, hiring the right employees and retaining them is crucial to the franchise, especially since it's in the service industry. It's important to hire the right team and train them well, as well as communicating the objectives of the franchise and the franchisee and help them understand how mutually beneficial attaining those goals would be. The nature of the job seems to ascertain its volatility, especially in the restaurant business. Proper time and effort should be spent in hiring the right employee and adequate communication is to be provided to ensure the staff stay and are retained.
- **Increase ad spends locally:** Majority of the franchisees' responded that ad spends were a major influencing factor in meeting their sales turnover. While international/national ad spends helps boosting the brand itself, it is also important for the franchise to spend locally on advertisements on media like radio, print, even certain outdoor events, etc. This helps reinforce the brand in the consumer's mind whilst also creating a recall value for him/her to dine at the outlet. Print ads with cutout coupons providing a special offer/discount work especially well with fast food chains - this has been exemplified often in the case of Subway, where they have offered a discounted sandwich for a print ad cutout.
- **Take up a master franchise:** If the franchisee can afford it, a master franchise (usually more than 2 restaurant outlets) works out to be a quite beneficial. Firstly, with full understanding of running of operations and products and service offering in the first outlet, there will be a smarter system established in understanding and running the systems in the rest of the outlets. Employees from the first outlet can be moved to the new outlet to make running of the outlet smoother and more efficient. Third, franchising the same brand makes it easier to understand the brand better and maintain its consistency across the outlets. Fourth, with limited franchise options in some areas (not all), it's easier to run your own outlet and make the money rather than a competitor to eat into your business.
- **Invest in social media:** While ad spends are required at all points, one must not underestimate the power of social media. A local business page of a restaurant outlet versus that of an international chain makes sense to helps connect with both the restaurant's current and potential customers. A local business page can customize and communicate its offerings easily to a large number of people. Offers, specials, menus can be shared with the customers as well as online contests can be held where prizes can be redeemable at the outlet. While an offline presence in the media is definitely require to reinforce brand awareness, an online media presence is indispensable for a service oriented brand today.
- **Maintain brand consistency:** Though an entrepreneur with his/her business ideas is running the outlet, it is important to remember that it is a franchised restaurant, which means that there must be consistency in terms of brand, value, message, product and offerings to the customer no matter which outlet he/she goes to. Many entrepreneur often fail to see the distinction between the franchise and their own venture. Their restaurant ideas cannot mix with those of the franchise, as the brand consistency must be maintained across all outlets. While the entrepreneur is allowed to set certain rules about running the restaurant, and can tweak certain offerings according to how locals prefer it, the brand, image, product and overall restaurant feel and appeal must be the same as it is in every other outlet. This is to be especially exercised in QSR outlets.

CONCLUSION

The food and beverage industry in India is one that is continued to grow with rise in disposable incomes and an 'eating out' culture having definitely set in. This has given way for increasing interest from international franchises in India and entrepreneurs taking up the same. With the amount of risks and investments low with a franchised outlet, mainly with restaurants, many entrepreneurs are taking up this opportunity to work on their dream venture.The franchisee benefits from a tried tested and proven business concept, which can dramatically reduce the chances of failure. The study conducted shows high satisfaction levels of the franchisees and willingness to open similar outlets, thus supporting the success of a franchised restaurant business model in India.

SCOPE FOR FURTHER RESEARCH

Further research in this field can be done on the lines of assessing levels of satisfaction in small businesses, studying franchising of fine dining restaurants, exploring co-branded restaurant franchising as a growth strategy for franchise systems and the prevalence of multi unit restaurant franchise ownership and the franchisee management of these systems.

ACKNOWLEDGEMENT

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ANNEXURE

How long have you been running the franchised restaurant outlet?

a. < 1 year
b. 1 – 3 years
c. 3 – 5 years
d. 5 years

2. What type of a restaurant have you franchised?

a. Fast food restaurant
b. Full service restaurant
c. Coffee shop/Café

3. What was the biggest problem you faced with setting up the franchised outlet?

a. Obtaining funds
b. Retaining staff
c. Maintaining consistency of the brand
d. Not enough sales
e. Other (please specify)______________________

4. On a scale of 1 to 5, rate how your expected turnover matched your actual sales turnover in the past year.

5	4	3	2	1
Very much exceeded expectations	Exceeded expectations	Met expectations	Did not meet expectations	Fell short of expectations

5. Which among the following influenced the level of turnover achieved by your business in the past years? Please tick only one.

a. No. of franchise owners/franchisees who franchised the business
b. No. of company owned outlets
c. Changes in business operations
d. Networking, or link up with other franchisors with complementary businesses
e. Advertising
f. Credit line from banks and other sources
g. Economic climate
h. Programs/activities/events sponsored by trade/franchise associations
i. Level of business competition
j. Others (Please specify) ______________________________

6. What factors would be most helpful in achieving your turnover projections in the next 2 years? Please tick only one.

a. Increase in no. of franchise owners/franchisees who would like to proceed
b. Site location availability
c. Streamlining of operations
d. Increase in advertising spending
e. Availing results-related advertising
f. Ease in borrowing
g. Economic climate
h. Government support
i. Franchise-oriented programs/activities/events by trade/franchise associations
j. Others (please specify)______________________________

7. Would you be willing to open another outlet of the same franchise in the future?

a. Yes
b. No
c. Don't know

8. Overall, on a scale of 1 to 5, how satisfied are you with your franchise?

5	4	3	2	1
Extremely satisfied	Satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Extremely dissatisfied

ATTITUDE OF MUTUAL FUND INVESTORS – AN EMPIRICAL STUDY

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ABSTRACT

This study is to make a probe into the attitude of the Investors towards Mutual Funds in Vizianagaram city in Andhra Pradesh (India), It is undertaken on selected mutual funds investors, under four dimensions viz., Awareness on functioning of MFs, Post purchase behaviour , Investment options, Stimulating factors. The sample selected for the study is taken at random among the investors in vizianagaram town. To conduct the study, a tool is designed and canvassed. The dimensions taken for the study were confirmed soon after conduct of a pilot study on investors attitude on mutual funds. Results of the study discloses that majority of investors have been influenced by the dimension 'Stimulating Factor', followed by 'Post-Purchase behaviour'. In respect of the variables – Employees and Professionals are relatively highly influenced by the Mutual Funds. Therefore, more attention needs to knock the door steps of Businessmen and other people in the society to elevate the importance of Mutual Fund schemes so as to enhance the scheme objectives.

KEYWORDS
Mutual funds, post purchase behavior, stimulating factors.

INTRODUCTION
Financial sector in an economy plays a crucial role. Growth in it in turn accelerates the economy as a whole, and it is imperative in the case of developing economies like., India. The Indian financial sector had witnessed a lot of changes in the recent past. Financial markets became more efficient by providing more promising solutions to the investors.

In this connection, Mutual Funds (MFs) have made its own mark . Of late MFs have became a hot favorite of millions of people all over the world. MF is a buzzword among the investors community during 90's. It became a gateway to enter into industrial investment. But it was inaccessible to small investor earlier. A tremendous growth had witnessed in Indian MF industry during 90's. The basic reason behind such a massive attraction towards MFs., was mainly because of assured returns along with security to their invested.. Thus, a good number of firms have entered into MF business in the country. As at the end of September, 2004, there were 29 funds, which manage assets of Rs.153108 crores under 421 schemes (www.finance india mart.com). Subsequently, it has been increased tremendously.

More specifically, a massive entry of Private funds with versatile business strategies into Indian financial services market. Besides, establishment of Private Mutual Funds, with mighty support of foreign hands had promoted Mergers and Acquisitions in MFs., business also created a severe competition among the MF, managing companies. The strategies of newly entered MF agencies in India , have not only captured the markets but also penetrated into the mind set of investors. It ignited the awareness of investors towards investment into MFs. The expectations of the investors have been changing from time to time. There by the fund managers have compelled to look into various products to suit the needs of different categories of investors.

Despite of it, a stagnation in Indian investment climate in the recent past had focused a different picture. Failure of Indian stock markets due to turmoil with foreign banks and economic recession in USA, coupled with failure of real estate business and abnormal raise in Bullion prices in the country were the main reasons for such a stagnation in the country. As a result investors at present in the country are hesitate to invest in any type of options. Some times they are even postpone the investment also.

Anila Mathews & P. Ravilochanan(2011) have made an extensive study on investors to examine the awareness and response of investors to the investor education efforts taken by SEBI and Association of Mutual Funds (AMFI). It reveals that investor education programs will have a positive impact on retail investor penetration. A well informed and knowledgeable investor is a boon to the industry. These investors pass on the benefits of their knowledge and experience to peers which could in turn result in an overall expansion of the Industry.

B.B.S.Parihar, Rajeev Sharma and Deepika Parihar(2009), analyses the impact of different demographic variables on the attitude of investors attitude towards mutual funds and also focuses on the benefits delivered by mutual funds to investors. The study reveals that the majority of investors have any attitude towards mutual fund investments. It is mainly because of unawareness of investors about the concept and working of the mutual funds.

D.Kandavel (2011) in his study probe into factors influencing the retail investors to prefer investment in the mutual funds in Puducherry. He identified that purchase behavior of small investors does not have a high level of coherence due to the influence of different purchase factors.. He suggested that Mutual fund companies should segment their target customers and position their products. Negative perceptions about mutual funds require to be tackled through appropriate investor education measures as opined by him

Geeta Katiyal, P.K.Gupta, Devi and K. N. Agrawal,(2010), have made an attempt to understand the effect of inflation on perception of Indian mutual fund investor during the period of recession (2008-09) in delhi. In their work, different alternatives available were suggested and also identified the influence of inflation on the savings of the investors. They cannot park their money just about anywhere they want to and walk away with some cool return.

Nageshwar Rao & Neha Parashar(2010) made an attempt to identify important factors which affect the perception of investors while investing in Mutual funds with reference to three states ie Rajasthan, Gujarat and Madhya Pradesh. They identified that investors gave due importance to advertisement displayed by the company before investing in the fund. Further, Tax incentive is an another important objective behind investing in mfs, as identified by them. Also they suggested that every MF company can use brand name and image of fund manager as an important promotional tool for gaining market share.

Nidhi Walia & Dr. Ravi Kiran() in their research paper titled "An Analysis of Investor's Risk Perception towards Mutual Funds Services**"**, focused on to identify critical gaps in the existing framework for mutual funds and further extend it to understand realizitng the need for redesigning existing managers of mutual fund businesses in order to comprehend investor's behavior while introducing any financial innovations.

Where as R.A.Rabika Begum, and Dr. P. S. Valarmathy (2011) had made a survey to identify the major factors that influence the investors fund/scheme selection in the city Chennai. Analysis reveals that the investor considers finance factor as the first influencing factor any Mutual fund requires complete understanding of the peculiarities of the Stock Market and also the psyche of the small investor, in order to get success in the market as reveled by themselves.. The review of literature throws a light on the concept. Thus, in this attempt an is made to study the attitude of investors towards Mutual funds in Vizianagaram city, Andhra Pradesh.

OBJECTIVES OF THE STUDY
1. To study the attitude of the investors towards Mutual funds.
2. To find out the perceptional differences in investors attitude towards MFs.
3. To offer suggestions for the MFs business to suit perceptions expressed by the investors..

HYPOTHESES

1. There establishes a positive and significant relationship between dimensions of Attitude scale.
2. There are no significant differences in the attitude of investors towards MFs, in terms of variables taken for the study.
3. There is no significant difference in between high and low attitude of respondents towards Mutual Funds.

TOOL DESCRIPTION

To measure the Attitude of Investors towards Mutual Funds and to finalise the dimensions of the study, a pilot study had taken up with all possible attitude statements were prepared and canvased on selected 30 MF investors. Besides, an interaction was also made with the stock brocking agents on the attitude of investors towards mutual Funds. Subsequently, mostly responded statements were selected for tool desing. Finally, tool is devised and standardized consists of four dimensions viz., Awareness on functioning of Mutual Funds; Post purchase Behavior; Investment Options; and Stimulating Factors. All together 26 statements were covered in the tool (Annexure I). Further, Likert Scaling technique, is adopted where five alternatives given from 5 to1 ie., Strongly Agree(5), Agree(4), Neutral (3), Disagree(2) and Strongly Disagree(1).

COLLECTION OF DATA

The data required for the study was collected from selected respondents with the help of stock broking agencies in Viziangaram city viz., Karvey Securities ltd., Steel City Securities Ltd,, .Relgarie Secucities ltd., etc. The investigators have personally approached the MF investors who have attended in those stock broking agencies and administered the tool on the selective respondents at random.

SAMPLE: While in collection of data from MF investors purposive sample is applied.

Initially, a tool was canvassed among 200 sample respondents with the help of stock brocking agents. The investors were contacted soon after confirmation of those who are invested in mutual funds. Though 200 number of investors contacted and canvassed the finalised schedule. Later, it is restricted to 189, due to incomplete data supplied by the remaining sample respondents. However utmost care is taken to cover all the categories of investors are covered. To measure the Attitude of Investors, the selected sample consist of 189 respondents were further categorized into different variables like., Sex, Locality, Age, Status in the Society; Others (i.e., Agriculturists, Laborers, Self-employed etc.); Monthly Income and Marital Status.

SAMPLE DESCRIPTION

Category	% share in sample total	Category	% share in sample total
1. Sex		**4. Society status**	
Male	65.08	Employees	25.92
Female	34.92	Businessmen	26.89
2. Locality		Professionals	29.10
Rural	78.30	Others	18.09
Urban	21.69	**5. Monthly income in Rs.**	
3. Age		< 20,000	23.80
< 30 yrs.	18.51	20000- 40,000	26.92
30- 40 yrs	23.89	40,000 – 60,000	34.39
40-50 yrs	34.39	60,000 >	14.89
Above 50yrs.	23.21	**6. Marital Status**	
		Married	57.14
		Un – married	42.86

Limitations of the Study: The present study is limited to an opinion collection of the Investors towards Mutual Funds in certain selected dimensions. Though certain other dimensions may influence the attitude of investors but excluded in this study.

Statistics adopted: In this attempt 'Coefficient of correlation (r)' value is computed to establish the relationship between the dimensions of study. Besides, statistical techniques like., Mean and Standard Deviation and CR (Critical Ratio) values were applied for analysis.

TABLE I: SHOWING THE 'r' BETWEEN THE DIMENSIONS

Demension	Awareness Functioning of MFs.	Post Purchase Behavior	Investment Options	Stimulating Factors
Awareness on Functioning of MFs.	1.00	0.23	0.36	0.42
Post Purchase Behavior		1.00	0.29	0.69
Investment Options			1.00	0.55
Stimulating Factors				1.00

From the table I, it is understood that the obtained values (r) in respect of all the dimensions are positive. Those observed values are significant at 0.05 and 0.01 levels. Thus, the dimensions considered for the study are correlated and corroborated statistically. Hence, the hypothesis **"There establishes a positive and significant relationship between dimensions of Attitude scale" is accepted.** However, it is also understood that highest correlation is existed between Post-purchase behavior and Stimulating factors dimension (0.69).Like wise, the dimensions like., Awareness on functioning of MFs, and Post purchase behavior were correlated very low relatively.

Further, to study the perceptional differences between the investors groups a null hypothesis(Ho) is framed and tested by using Critical ratios between the variable wise investors groups in table II.

H_o = "There are no significant differences in the attitude of investors towards MFs. in terms of variables taken for the study".

TABLE II: SHOWING THE SIGNIFICANCE OF DIFFERENCE BETWEEN THE CATEGORIES OF INVESTORS- VARIABLE WISE ANALYSIS

S.No	Variable category	Mean	S.D	N	C.R
1.	Male Investors	62.75	14.65	123	
	Female Investors	67.45	15.72	66	2.00
2.	Rural area Investors	65.37	13.69	78	
	Urban area Investors	68.46	12.11	111	2.13
3a)	Investors age below 30 Yrs.	60.24	11.62	35	
	Investors age between 30-40 Yrs.	65.82	11.53	45	2.16
3b)	Investors age below 30 Yrs.	60.24	11.62	35	
	Investors age between 40-50 yrs.	67.09	11.49	65	2.83
3c)	Investors age below 30 Yrs.	60.24	11.62	35	
	Investors age above 50 Yrs.	65.06	11.54	44	1.83
3d)	Investors age between 30-40 yrs.	65.82	11.53	45	
	Investors age between 40-50 yrs.	67.09	11.49	65	0.56
3e)	Investors age between 30-40 yrs.	65.82	11.53	45	
	Investors age above 50 yrs.	65.06	11.54	44	0.31
3(f)	Investors age between 40-50yrs.	67.09	11.49	65	
	Investors age above 50 yrs.	65.06	11.54	44	0.90
4a)	Businessmen	62.98	12.42	51	
	Employees	68.90	12.51	49	2.37
4b)	Businessmen	62.98	12.42	51	
	Professionals	69.72	12.39	55	2.79
	Businessmen	62.98	12.42	51	
4c)	Others	66.27	12.45	34	1.19
4d)	Employees	68.90	12.51	49	
	Professionals	69.72	12.39	55	0.33
4e)	Employees	68.98	12.51	49	
	Others	66.27	12.45	34	0.97
4f)	Professionals	69.72	12.39	55	
	Others	66.27	12.45	34	1.27
	Income below Rs.20000/-	62.23	12.02	45	
5a)	Income Rs.20000/- to Rs.40000/-	69.41	12.06	49	2.88
	Income below Rs.20000/-	62.23	12.02	45	
5b)	Income Rs.40000/- to Rs.60000/-	69.89	11.25	65	3.77
	Income below Rs.20000/-	62.23	12.02	45	
5c)	Income above Rs.60000/-	67.92	12.61	27	1.89
	Income Rs.20000/- to Rs.40000/-	69.41	12.16	49	
5d)	Income Rs.40000/- to rs.60000/-	69.89	11.25	65	0.21
	Income Rs.20000/- to Rs.40000/-	69.41	12.16	49	
5e)	Income above Rs.60000/-	67.92	12.61	27	0.50
	Income Rs.40000/- to Rs.60000/-	69.89	11.25	65	
5f)	Income above Rs.60000/-	67.92	12.61	27	0.70
	Married Investors	65.23	12.34	108	
6	Unmarried Investors	69.12	13.26	81	2.05

The cr values between the means of the variable groups exhibits that except Investors age below 30 Yrs., and that of 30-40Yrs.; age below 30yrs and that of between 40-50 yrs, remaining groups have shown Cr values less than table values (1.96). Thus, the said Ho is accepted in those two groups. It indicates that except age group below 30 yrs and 30-40yrs; below 30yrs and 40-50 yrs remaining all others are not differed in their attitude towards MFs.

Where as, among the income groups of investors under study, exhibits that differences in opinion were identified between the investors whose income is below Rs. 20,000 and income between Rs. 20000- 40,000 as well as income below Rs. 20000 and Rs. 40,000 – 60,000, as the Ho is rejected indicating that they differ in their perception (Cal .CR values are more than 1.96). However, in the case of sex , locality, marital status of investors the cr values are more than 1.96, hence the Ho is rejected.

Finally, differences between High and low attitude of investors is made in Table III. Accordingly, the scores of sample are categorized into three groups (namely, high, medium and low). The scores of Top 47 are considered as High, scores of below 47 respondents are considered as low attitude and scores in between are considered as medium attitude. Further, mean and SD values for High and low average group investors along with CR values for the both categories were find out. But, the scores of medium group investors was excluded from the analysis.

Further a null hypothesis is framed such as.,

H_o = There is no significant difference in between high and low attitude of respondents towards Mutual Funds.

TABLE III: SHOWING THE SIGNIFICANCE OF MEAN DIFFERENCE BETWEEN THE ATTITUDE OF LOW AND HIGH GROUP INVESTORS

S.No	Variable category	Mean	S.D	N	C.R
1	Low average group Investors	57.11	11.25	47	
2	High average group Investors	69.96	11.31	47	5.53**

Accordingly table III depicts that the mean value obtained by High attitude group investors is higher than that of the Low attitude group investors. The obtained C.R value was 4.96 which is significant at 0.05 and 0.01 levels respectively. Hence, the null hypothesis “ There is no significance of difference between high and low attitude of Inventors towards Mutual Funds” is rejected.

FINDINGS OF THE STUDY

The study reveals that there is a significance of relationship between the dimensions selected for the study. Further, it is also understood that the dimensions namely, stimulating factor has a relation with others. It is highly correlated with post–purchase behavior dimension followed by investment option and awareness on functioning of Mutual funds. Further, a study on variable wise analysis as well as high and low attitude of investors under study also reveals that attitude differences between the investors is persisted .

The investors were differed significantly with respect to various categories of variables was identified. Accordingly, investors category under sex,; locality; age groups(below 30yrs and 30-40 yrs; below 30yrs and 40-50yrs);Social status; Income groups(per month)(ie., below Rs.20,000 and Income Rs.20,000 –Rs.40,000; Below Rs. 20,000 and Rs.40,000 – Rs.60,000) and marital status.

Specifically, female investors are having relatively higher mean values than that of male investors. It may be because of the investors contacted for the study are job holders working in different organizations. Naturally, they might have been searching out all facets of the investment options in view of the benefits expected. Thus, their average score appears relatively high.
Like wise, urban investors are relatively higher mean values than rural investors. Naturally urban people will have accessibility towards information on investment options as well as the information relating to it. Where as most of the investors hails from rural are made their investments with the compulsion of the financial advisors only, So that they unaware about the in depth details of any sort of investments options, resulting in a very low average scores.
The mean values of scores of investors whose age below 30yrs are relatively lower than those of investors age between 30-40 yrs as well as 40-50 yrs. Whose influence will be fallen on investors of lower age group under study. The investors below age of 30yrs are certain times proxy to their parents.
Peculiarly, in this study investors from business community are having relatively lower mean values than those of employees, professionals as well as others too. The attributable reason behind such a result may be because of their active involvement in their business and left over all other issues of investments to their financial advisors and simply putting their signatures on investment applications.
While the average scores of investors whose income below Rs.20,000 is relatively very lower than those of other income investors scores. Such a very low attitude may be because of influence of their low incomes and also invested in small amounts in MFs, as opined by themselves. Consequently, they hesitate to concentrate on the issues relating to MFs but, expects a security to their investments. Like wise, the scores of unmarried investors is relatively lower than that of married. The unmarried investors under study opined that not concentrating on investments until they married. In some cases investing simply in a small amounts of their savings into MFs. There by less concentration on the terms and conditions of the MFs.
Therefore, it is concluded that majority of dimensions have been influenced by 'Stimulating Factor'. This indicates that the Investor are under a strong influence in investing into Mutual Fund Schemes. More specifically, it is revealed that financial advisor/ agents are the major influencing forces over investors towards mutual funds. Infact they are the major inspiration as well as guiding factors in promotion of mutual fund business. Though the other agents like., Advertisement through media, as well as friends and relatives are also influencing the decisions of investors towards mutual funds, yet the financial advisor/agents influence is much more.

SUGGESTIONS

Having considered the inferences of the study, it is under stood that financial advisors / agents are the deciding factors of MF business. The fund agencies shall take measures to promote the financial advisors/ agents in order to gain mutual benefits to the funding agency as well as investors.
Further, it is also identified that unawareness of the investors towards functioning of MFs is also an another set back to the MF business in the country. So that the fund managing firms have to look into the matter and shall concentrate on awareness among investors as well as public towards functioning of MFs. There by clouds of doubts will be cleared off.. It requires a awareness campaign is to be taken by the fund managing agencies. Such campaigns will help to change the inheritant views and practices of investors in respect of MF as quick return yielding or capital appreciation could be changed. More over, it also increases the average holding period of a mutual fund after its purchase. In this connection it is appreciable on the part of Stock Exchanges Board of India with the support of the Ministry of Corporate Affairs, (Government of India) has been promoting investors awareness programmes on various issues through Investors Education and Awareness Fund. Accordingly, Institute of Cost and Works Accountants of India (ICWAI), New Delhi, has been entrusted to conduct investors awareness programmes in the country on various investment options available.
Further, concentration must be paid by the fund mangers while in introduction of new products. More specifically, launching variety of funds suitable to different categories of people in the society such as., female investors, rural population, Age group below 30yrs, marital status and income group people (less than 20,000 per month) . More specifically, a separate type of products can be launched to capture the untouched or even very low interested investors of the society.
It is also understood that more attention of the fund mangers is needed to attract the investors towards Mutual Fund Schemes. The Businessmen and other category people one of the major investors have not been influenced by the Mutual Fund Schemes because of low awareness on functioning of MFs among the businessmen. More over, businessmen normally, prefers to opt the options which yields returns very quickly. As they always do recycling of the money with them. So that a unique schemes with short term maturity could be launched in order to attract the businessmen. At the same time to attract the other category investors is also a considerable factor while in launching new schemes by the fund managers.
As a promotion of Mutual fund business in the country, a direct channel is to be developed like banks , where individual customers can directly walk-in and select his investment option could keep away the funds from the influence of middlemen some extent.
Further, most of the MF firms are concentrating on "A" class cities and towns and neglecting other areas villages and towns. So that it is advisable to spread the business to potential people in rural areas also.
Mutual fund can penetrate rural folk, like the Indian insurance industry with simple and limited products. Efforts must be taken to brought the MFs to the foot steps of rural folk. Besides emphasis on better corporate governance can only yields better yielding in MFs and ultimately attracts more investors.
Finally, it is conclude that Fund managers shall consider the welfare of Investors into consideration at the time of launching the schemes and elevate the objective of these schemes to the door steps of the investors. Undoubtedly, the fortunes of the mutual fund industry will wax and wane with the fortunes of the markets. But the changes in regulations and in the approach of fund houses, and more mature investors should lead to steady long-term growth for the mutual fund industry.

ANNEXURE – I: DIMENSIONS OF INVESTORS ATTITUDE

S.No	Dimension
1	Awareness about Mutual Funds Functioning
2	Aware about the terms and conditions
3	Satisfied with the services Mutual Fund Organizations
4	Mutual Funds have bright future
5	Regularity in watching Mutual Fund trends
6	Depending on agent for Mutual Funds information collection
7	Depending on friends/relatives for information collection
8	Depending on Print Media for watching the trends
9	Depending on internet for watching trends
10	Depending on financial advisor for watching trends
11	Holding period of Mutual Funds
12	Preference in equity schemes
13	Preference in debt schemes
14	Investing in Mutual Fund is security to Investment
15	Investing in Mutual Fund is yielding quick returns
16	Investing in Mutual Fund is a tax exemption option
17	Real estate is an alternative option to Mutual Fund
18	Investing in bullion is an alternative option for Mutual Fund
19	Investment in shares is an alternative to Mutual Fund
20	Money laundering is an alternative to Mutual Fund
21	Financial Advisor is the inspiration behind purchase of Mutual Fund
22	Media Advertisement is the inspiration behind purchase of Mutual Fund
23	Friends and Relatives are the inspiration behind purchase of Mutual Funds
24	Preference is given to invest in Mutual Fund again
25	Preference was given investing less than 50% of my savings
26	Preference was given to invest more than 50% of my savings

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IMPACT ANALYSIS OF VARIOUS DEVELOPMENTAL SCHEMES IN JAMMU & KASHMIR STATE

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ABSTRACT

Worldwide developmental schemes are recognized as an important constituent of national economies, contributing significantly to employment expansion and poverty alleviation. Central as well as State governments have been implementing several schemes and programs for promotion and development of poor and unemployed people from time to time. These schemes are framed and implemented in various sectors such as Handlooms, Agriculture, Handicraft etc so that people involved in small business in these areas could get some assistance in term of finance as well as instructional support to boost up the level of productivity. Present study seeks to identify various developmental schemes implemented by government, semi govt. and other supporting agencies in Jammu and Kashmir State for socio economic development of below poverty line people. The study also analyses the pattern of implementation of developmental schemes. The study further seeks to obtain the achievement level of developmental schemes under consideration at state level in Jammu and Kashmir State.

KEYWORDS
Developmental schemes, Socio-economic development, Capital accumulation, Conducive environment, Self business Ventures etc.

INTRODUCTION
The socio economic development of poor depends to a large extent on implementation of various feasible developmental schemes. The proper implementation of developmental schemes will primarily or secondarily generate employment and other work opportunities for poor thus adding value to their socio economic upgradation. Since Indian independence, the most focus was on industrialization which largely focused on development of big and medium sized firms but firms at micro level and other cottage industries were left to move on their own which directly affected the status of poor in the economy. But later on it was realized that India could become a developed country only if it could develop and modify economic and social conditions of people living there under poverty line. Thus new industrial policy recognized the need for development and implementation of various developmental schemes at micro level with the main objectives of providing employment and also promoting people so that they can start their self business ventures. Moreover the govt. also took an initiative to develop subsector developmental schemes and promote a conducive environment for growth and higher productivity.

Along with central and other state govt.'s in India, Jammu and Kashmir state govt. also developed and implemented multiple schemes to develop the status of people living below poverty line. Some of the schemes have been identified as KVIB Scheme, Handicraft Scheme, Handloom Scheme, Kisan Credit Card Scheme etc. Through the implementation of these identified schemes govt. of Jammu and Kashmir intended to achieve the main objectives of growth and self sufficiency, employment generation, enhancement of sustainable livelihood and reducing poverty, promotion of entrepreneurship, encouragement of technology transfer, utilization of local resources and talent, saving mobilization and encouragement of capital accumulation and creation of linkages among different subsectors of the economy.

OBJECTIVES
1. To study various developmental schemes implemented in Jammu and Kashmir State.
2. To determine the impact of developmental schemes in socio economic transformation of below poverty line people in Jammu and Kashmir State.
3. To access the achievement level of developmental schemes under consideration in Jammu and Kashmir State.
4. To identify the progress of subareas where various developmental schemes have been implemented.
5. To recommend various strategies which could help in better implementation of developmental schemes in Jammu and Kashmir State?

MATERIAL AND METHOD
Present study has been worked out with the help of secondary data only. The secondary data has been collected from the offices of Registrars and Deputy Registrars dealing with various developmental schemes. The district level data has been collected from the offices of district officers of various departments where these schemes are implemented. The data and information so collected has been analyzed statistically to access the achievement percentage of various implemented schemes from the last so many years in Jammu and Kashmir State.

RESULT AND DISCUSSION
Development is a term which strives for the achievement of multiple objectives in terms of economic, social and environmental perspectives. The most important dimension of successful development is continuous change and growth in all possible core areas.

The various schemes that have been implemented by Jammu and Kashmir state govt. has been analysed as follows:-

1. HANDICRAFT DEVELOPMENT SCHEME

The collected values for Handicraft Development Scheme have been tabulated in table 1. The analysis of values reveals that in 2004-2005, a target of 3169 accounts was sanctioned worth Rs 1587 lakhs but only 576 accounts were opened worth Rs 231 lakhs resulting only 15% implementation of scheme in that year. The achievement percentage of this scheme was the lowest in 2005-2006 where there was a sanction to open 9759 accounts worth Rs 4181 lakhs but due to poor management only 775 accounts worth Rs 313 lakhs could open resulting only 8% of the total sanctioned amount. The same implementation pattern followed the rest of the years that lacked sufficient implementation of the scheme. In the succeeding years i.e. 2006-2007, there was only 23% implementation, 2007-2008, there was 18% implementation, 2008-2009, there was only 27% implementation and similarly in 2009-2010 and 2010-2011 the implementation stood at 28% and 23% of the total sanction by the govt. of Jammu and Kashmir.

TABLE 1: HANDICRAFT DEVELOPMENT SCHEME

Year	Target Accounts	Target Amount (lakhs)	Accounts Opened	Amount allotted against accounts opened (lakhs)	Percentage achievement
2004-2005	3169	1587	576	231	15
2005-2006	9759	4181	775	313	8
2006-2007	7464	2937	599	282	23
2007-2008	3090	1498	526	271	18
2008-2009	3471	1575	817	6432	27
2009-2010	3516	1928	931	531	28
2010-2011	3514	2097	912	486	23

2. HANDLOOM DEVELOPMENT SCHEME

The values for handloom development scheme have been tabulated in table 2. The analysis of values reveals that in 2004-2005; only 292 accounts were opened worth Rs 120 lakhs out of the total sanction of opening 4655 accounts worth Rs 7131 lakhs resulting into only 2% implementation. In 2005-2006, the implementation trend raised to 5% where 78 accounts worth Rs 200 lakhs were opened against a total sanction of opening 2342 accounts worth Rs 1532 lakhs. The trend followed the same as in 2006-2007 achievement percentage was 7% only, in 2007-2008, total achievement stood at 6% while in 2008-2009 the achievement raised to 9%. Later in 2009-2010 and 2010-2011 the achievement followed a rising trend of 13% and 10%.

TABLE 2: HANDLOOM DEVELOPMENT SCHEME

Year	Target Accounts	Target Amount (lakhs)	Accounts Opened	Amount allotted against accounts opened (lakhs)	Percentage achievement
2004-2005	4655	7131	292	120	2
2005-2006	2342	1532	200	78	5
2006-2007	1861	1295	194	90	7
2007-2008	1517	1013	126	64	6
2008-2009	1035	691	118	60	9
2009-2010	1102	779	200	102	13
2010-2011	1251	905	173	92	10

3. KISAN CREDIT CARD SCHEME (KCC)

The values for KCC Scheme have been tabulated in table 3. The analysis of values reveals that in 2004-2005, 4393 accounts were opened worth Rs 1718 lakhs against a total sanction of 30766 accounts worth Rs 3627 lakhs resulting 47% implementation. In 2005-2006, the implementation stood at 39% as only 3098 accounts worth Rs 2200 lakhs were opened against a total sanction of 39170 accounts worth Rs 5613 lakhs. The analysis of table 3 further reveals a continuous decreasing trend as implementation showed a decreasing pattern. In 2006-2007, achievement percentage was 24% only while in 2007-2008 it decreased to 21%. Moreover in 2008-2009 achievement was 21%, in 2009-2010 achievement was 20% and finally in 2010-2011, achievement stood at 15% only.

TABLE 3: KISAN CREDIT CARD SCHEME (KCC)

Year	Target Accounts	Target Amount (lakhs)	Accounts Opened	Amount allotted against accounts opened (lakhs)	Percentage achievement
2004-2005	30766	3627	4393	1718	47
2005-2006	39170	5613	3098	2200	39
2006-2007	102368	9690	5781	2283	24
2007-2008	113805	10982	10223	2356	21
2008-2009	66799	12047	4599	2375	20
2009-2010	46648	17843	3725	2025	11
2010-2011	34534	10470	2734	1606	15

4. KVIB SCHEME

KVIB Scheme has been implemented from time to time to provide certain type of assistance to Micro and Cottage industries. The values collected for this scheme have been tabulated in table 4. The analysis of values reveals that in 2004-2005, a target was set to open 2131 accounts worth Rs 2614 lakhs but due to poor implementation only 442 accounts were opened worth Rs 611 lakhs showing only 23% of total implementation that year. Similarly in 2005-2006 and 2006-2007, the implementation percentage stood at 24% and 26% of the total sanction. 2007-2008 and 2008-2009 also follow the same implementation pattern resulting to only 28% and 37% implementation of total sanctions. 2009-2010 and 2010-2011 witnessed a rapid rising graph in implementation where the achievement percentage fist moved to 55% and then later in 2010-2011 it jumped to 64% of the total sanctioned accounts.

TABLE 4: KVIB SCHEME

Year	Target Accounts	Target Amount (lakhs)	Accounts Opened	Amount allotted against accounts opened (lakhs)	Percentage achievement
2004-2005	2131	2614	442	611	23
2005-2006	1705	2786	550	679	24
2006-2007	1909	2847	572	729	26
2007-2008	2988	4165	706	1185	28
2008-2009	2520	4812	1059	1779	37
2009-2010	2396	4378	1377	2427	55
2010-2011	3262	5662	1943	3649	64

CONCLUSION

The present assessment of different developmental schemes in Jammu and Kashmir showed a different series of targets and achievements. The schemes have been framed and implemented in different sectors to boost the development of these sectors at individual basis. Some sectors from where implementation of these schemes has been identified are Handicraft, Agriculture, cottage, Handloom etc. In handicraft sector it has been analysed that the scheme implemented didn't show much achievement in the beginning but later on achievement graph started increasing rapidly. In agriculture sector the KCC scheme took a gradual increase in the first instance but later the achievement level decreased and achievement was estimated the lowest from 2009 to 2011. KVIB scheme which has been made to develop cottage and micro industries showed good signs of development. The last scheme under consideration was in Handloom sector. The achievement trend regarding this scheme showed an up down phenomenon. When this scheme was implemented in didn't show much achievement but later on its implementation showed some type of slight increase.

RECOMMENDATIONS

1. There must be preparation of various reforms linked to investment schemes which will encourage infrastructural projects in various sectors.
2. The Govt. must provide investment subsidy in each project so that beneficiaries could develop their business in log run.

3. There is a need for mobile infrastructure for making post harvest operations more effective.
4. Various training programs need to be implemented at state as well as at district level so that people could become aware of these developmental schemes.
5. The supporting agencies must also make certain provisions which will help promotion of marketing infrastructure for people who are involved in self business ventures.
6. Technology is a major issue today, so there must be special training sessions which will make people aware about modern technology and also train them to use it.
7. A new framework should be made which will help in generating maximum employment opportunities for people under poverty line.
8. There is also a need to develop a strong monetary system which will remove any false practice while devising and implementing developmental schemes.
9. There must be full empowerment to beneficiaries to build up their capacity to enhance competitiveness of their products and services at domestic as well as at global market in a sustainable manner.
10. The govt. should also encourage convergence of schematic assistance and support services to optimize resource utilization.

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PERFORMANCE OF FOREIGN BANKS IN INDIA: AN EVALUATION

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ABSTRACT

Commercial banks occupies crucial role in the economic development of a country. The paper investigates the impact of banking sector reforms on the performance of individual foreign banks. Banking reforms have brought sea changes in the banking space. The major concern in Indian Financial Sector has been the profitability of commercial banking industry. The performance of a bank can be measured by a number of indicators. Profitability is the most important indicator which assumes a greater importance in the ever changing scenario of financial sector reforms. The viability of banks depends largely on the adequacy of profits and profitability. The study has analyzed the impact of banking sector reforms on the performance of 15 foreign banks in India in the pre-reform (1987-1995), post- reform period (1996-2010) and whole study period (1987-2010). The underlying objective was to empirically test, whether the selected variables had significant impact on the profitability of foreign banks or not. The impact of banking sector reforms was well reflected through the undertaken variables. The undertaken variables have shown significant impact on total income in the post-reform period.

KEYWORDS

Linear Production Function, Cobb-Douglas Production Function, Multicollinearity, Return to Scale.

INTRODUCTION

The present paper assess the impact of banking sector reforms on the performance of individual foreign banks. The foreign banks as a matter of policy did not encourage the rural banking and depositors with less than a minimum amount in the pre-reform period. In the early nineties, a customer with less than Rs.5000 was not eligible to open an account in most of the foreign banks. In the late nineties, the limit was raised to Rs. 10000. The restricted branch expansion and deposits policies intensified competition only within the group. It led to the decline in rate of growth in deposits mobilization in the post-reform period.

At the end of the year 2009-10, there were 34 foreign banks having their operation in India. The foreign banks are still smaller in size as compared to new private sector banks. The total assets of foreign banks was Rs. 445129 crore and that of old private sector banks Rs. 232292 crore, new private sector banks Rs. 795464 crore and public sector banks Rs. 3765757 crore at the end of the year 2009-10.

The various studies made in assessing the performance of commercial banks with different banking indicators may be reviewed as; **Robert** (**1993)** the study has attempted to find out the trends in profitability in public sector banks in India during the period 1973-1987.The study has also assessed the operational efficiency of public sector banks and estimated behavioural function for profit based on the key variables, affecting profit for individual banks and for the banking industry as a whole. **C.Ravi, Pramodh, V.and Nagabhushanam, T. (2008)** have measured the productivity levels of 27 public sector banks. **The Financial Express (2008)** analyzed scheduled commercial banks on the criteria of: strength and soundness, credit quality, growth, efficiency and profitability. **Gupta, R.K. and Sumeet Kaur Sibal (2008)** have used capital adequacy, asset quality, management, earnings quality and liquidity (CAMEL) model for evaluating 20 old and 10 new private sector banks. **Sinha, Ram Pratap and Biswajit Chatterjee (2008)** made a comparison of fund based operating performance and total factor productivity growth of selected Indian Commercial Banks (20 public sector, 8 private sector and 2 foreign commercial banks) for the five year period 2000-01 to 2004-05 using Data Envelopment Analysis and Malmquist Total Factor Productivity (TFP) index. **Goyal, Ritu and Rajinder Kaur (2008)** analyzed the performance of 7 new private sector banks operating in India during the period 2001-2007 with five parameters, capital adequacy, asset quality, employees efficiency, earnings quality and liquidity. **Arora, Sangeeta and Shubpreet Kaur (2008)** have studied the determinants of diversification of banks in India to analyze the financial performance of banks over the period 2000-06.The banks have been categorized into four categories i.e. Nationalized Banks, SBI and Associates, New Private Sector Banks and Foreign Banks. **Pal, Karam and Puja Goyal (2008)** have analyzed the cross relationship among various components of productivity for Public, Private and Foreign Banks for the period 2001-02 to 2005-06, using statistical tools like average, annual compound growth rate, regression and Parametric tests have been used to establish, evaluate and quantify the cross-sectional relationship among the variables. **Verma, Satish and Rohit Saini (2010-2011)** analyzed the relation between market structure, conduct and performance in the Indian banking industry in order to examine the relative role of efficiency and market power in determining the profitability of Indian banks for the period 1984-85 to 2007-08.

OBJECTIVES OF THE STUDY

1. To empirically test the impact of selected variables on the performance of foreign banks.
2. To test whether the selected variables had significantly contributed towards banks profitability or not.
3. To study the magnitude and direction of the relationship between different explanatory variables
4. To explain the variations in profitability by the different combination of variables for foreign banks.

RESEARCH METHODOLOGY

For the purpose of determining the impact of reforms on the performance of foreign banks, the period has been divided into three parts. The study covers the time period 1987-1995 (pre-reform period), 1996-2010 (post-reform period) and 1987-2010 the whole study period. The various studies have also shown that there has been a significant transformation in the structure of the banking sector. The relative importance of the public sector banks has been declining on account of emergence of new private sector banks and entry of more and more foreign banks. Therefore, it was imperative to analyze the impact of banking sector reforms on the performance of foreign banks. The information has been collected from various relevant publications of Reserve Bank of India (RBI) and Indian Banks Association (IBA).In addition to it information has also been collected from various journals, newspapers, magazines and websites etc. The study has included all the twenty-six public sector banks working in India.

The study has undertaken the following variables; Total Assets (X_1), Net Interest Margin (X_2), Total Expenditure (X_3), Total Business (X_4), Non-Interest Income (X_5), Establishment Expenses (X_6), Number of Employees (X_7), Number of Branches (X_8) and Net Worth (X_9). The impact of different regulatory norms is going to be well reflected in terms of behavior of various selected variables. In order to satisfy the stated objectives, linear production function of the following form has been tried out:

$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4$ ------------- $b_nx_n + e^u$

Where

a= Intercept, b_i's are regression coefficients and X_i's are independent variables, N= Number of input variables, e^u =Error term or disturbance in the relationship representing factors other than x that affects y. e^u also stands for unobserved factors. It does not matter how many explanatory variables are included in each stage. There shall always be factors which cannot be included and are collectively contained in u.

For computing Return to Scale the Cobb-Douglas Production Function was estimated. In mathematical form it is expressed as

$Y = aL^n C^{(1-n)}$

Where

Y = Output, L = Labour, C = Capital, a and n are positive constants and n < 1.

In order to measure the relationships between changes in inputs and outputs, the function was estimated as follow

$Y = a X_1^{b_1} X_2^{b_2} X_3^{b_3} X_4^{b_4}$ -------------$X_n^{b_n} e^u$

Where

Y = dependent variable, a = Intercept, bi's are regression coefficients and X_i's are independent variables = Number of input variables, e^u = error term.

The function has the ingredients of essential non-elasticities. But it can be converted into a linear function in logarithms which give the elasticities of production of each input factor separately and independently. In the logarithmic form, the function can be written as

$\log Y = \log a + b_1 \log x_1 + b_2 \log x_2 + b_3 \log x_3 + b_4 \log x_4 +$ ------------- $b_n \log x_n + e^u$

For this function, the parameters are elasticities and the elasticities of the individual factors are their exponents in the production function. The sum of the exponents shows the degree of 'Return to scale' in production i.e. indicating the percentage by which output shall increase if all inputs are increased by 1 percent. For examining the nature of Return to Scale the following algorithm was used

If (b_1+ b_2 + b_3 + b_4 + ------------------------ $+b_n$) < 1, Decreasing Return to Scale.

If (b_1+ b_2 + b_3 + b_4 + ------------------------ $+b_n$) = 1, Constant Return to Scale.

If (b_1+ b_2 + b_3 + b_4 + ------------------------ $+b_n$) > 1, Increasing Return to Scale.

To examine the linear relationship among explanatory variables, multicollinearity was examined by computing the correlation coefficients for these variables. If the explanatory variables are perfectly linear correlated the parameters become indeterminate. In most cases there is some degree of intercorrelation among the explanatory variables. The simple bi-variate correlation coefficients for each pair of explanatory variables were computed and found between zero and unity and the values were tested for the multicollinearity. **Koutsoyiannis (2003)** If the intercorrelation between the explanatory variables is perfect(r $x_i\, x_j$=1) then the estimates of the coefficients are indeterminate and the standard errors of these estimates become infinitely large. These are known as the consequences of multicollinearity. If the X's are not perfectly collinear, but are to a certain degree correlated (0 < r $x_i\, x_j < 1$), the effects of collinearity are uncertain.

CHOICE OF INPUTS AND OUTPUTS

The ratio between number of observations and number of input and output variables need to be specified. **Cooper et.al. (2000)** stated that number of observations should be at least three times the sum of input and output variables.

It was also necessary to get agree on common set of inputs and outputs to be included in the study. A resource used by a unit should be included as input. A unit shall convert resources to produce outputs so that the outputs should include the amount of products and services produced by the unit. Therefore, the output may include a range of performance and activity measures. In addition to this, other external factors, which may affect the production of these outputs, must be identified and included in the assessment model.

In the present study, the undertaken variables haven been put into two category i.e. growth and efficiency. Growth criteria has been assessed on the basis of total assets, net interest margins, total expenditure and total business as input variables and total income as output variables. The growth in the performance of the bank results mainly from the increase in total assets, net interest margins, total business and decline in total expenditure. Efficiency has been measured on the basis of non interest income, establishment expenses, number of employees and number of branches as input variables and total income as output variables. The other reason for conducting regression analysis with four explanatory variables under growth and efficiency criteria was as number of observations in the pre and post reform period were not enough to adjust all explanatory variables together with explained variables.

The total income has been considered as measure of output, which is particularly applicable to the Indian banking industry. After the financial deregulation, banks in India are paying more attention to increase their gross income. It also reflects the integrated contribution of all input facilities and management. Most of the studies of the Indian banking industry; **Subrahmanyam** (1984, 1993 and 1995), **Subrahmanyam and Swamy** (1994), **Aggarwal** (1991) follow this measure of output.

RESULTS AND ANALYSIS

GROWTH DETERMINANTS

The performance of different sampled foreign banks has been measured in terms of financial measurement. The most widely used variable to measure the profitability of banks is total income. This variable has been considered explained variable i.e. Total Income (Y).The other four variables considered as explanatory variables were, Total Assets (X_1), Net Interest Margin (X_2), Total Expenditure (X_3), and Total Business (X_4) put under growth criteria. The Linear Production Function of following type;

$Y = a+b_1X_1+b_2X_2+b_3X_3+b_4X_4+e^u$ has been worked out.

Along with this Cobb-Douglas Production Function

$Y = a X_1^{b_1} X_2^{b_2} X_3^{b_3} X_4^{b_4}$ -------------$X_n^{b_n} e^u$ has been worked out.

Where

Y= Total Income

X_1= Total Assets

X_2= Net-Interest Margin

X_3= Total Expenditure

X_4= Total Business

E^u= Error Term

The reason for conducting regression analysis with four explanatory variables in the first stage was as number of observations in the pre and post reform period were not enough to adjust all explanatory variables together with explained variables.

The fitted function has been explained for three periods of time, 1987-1995 (pre-reform period), 1996-2010 (post-reform period) and 1987-2010 (whole study period). The function is exhibited in tables 1.1.1 in pre-reform period, 1.1.2 in post-reform period and 1.1.3 for the entire study period.

The regression coefficient in respect of total assets '(b_1)' was significant for CBNA and HSBCL but negative in the post –reform period. It magnified that one unit decrease in 'b_1' shall reduce the total income by -0.119 units for CBNA and by -0.039 units for HSBCL, keeping ,net-interest margin, total expenditure and total business constant at their arithmetic mean levels.

During the entire period of study, it was significant for SCBL and HSBCL (negative). The reason for the insignificance of 'b_1' for most of the banks in the pre, post and entire study period could be attributed to less expansion by the banks and their policies of operating in urban areas.

The regression coefficient in respect of net-interest margin ‘(b_2)’ was significant for DBAG in the pre-reform period and for BOANA, BONS and BOTML in the pot-reform period. During the entire period of study, the regression coefficient was turned out to be significant for; AEBC, BOANA, BNPP, Mb PSC, OIB S.A.O.G., SCBL, BONS, BOTML and HSBCL.

In the post-reform period ,for BOANA and BOTML, magnified that one unit increase in ‘b_2’ shall increase the total income by 0.841 units for BOANA and by 1.234 units for BOTML, keeping , total assets, total expenditure and total business constant at their arithmetic mean levels.

TABLE 1.1.1: LINEAR PRODUCTION FUNCTION FOR FOREIGN BANKS (GROWTH CRITERIA): (1987-1995)

Banks	Intercept	b_1	b_2	b_3	b_4	R^2	d.f.	F-Value	Return to Scale	Scale
ADCBL	-0.305	0.044	1.021	1.240	-0.067	0.996	3	217.591	1.049	IRS
	(1.243)	***(0.069)***	***(0.654)***	***(0.523)***	***(0.057)***					
AEBC	-7.678	0.043	0.375	0.879*	-0.020	0.995	3	153.556	1.045	IRS
	(16.526)	***(0.051)***	***(0.645)***	***(0.276)***	***(0.047)***					
BOANA	4.398	-0.071	-0.815	1.847**	0.033	0.991	3	84.792	1.066	IRS
	(22.813)	***(0.032)***	***(0.366)***	***(0.159)***	***(0.027)***					
BOB&K B.S.C.	-0.246	-0.009	0.185	0.945**	0.02	0.999	3	893.311	1.029	IRS
	(0.369)	***(0.031)***	***(0.204)***	***(0.158)***	***(0.023)***					
BNPP	-1.391	-0.012	0.082	1.207**	0.006	0.999	3	970.611	1.035	IRS
	(4.969)	***(0.016)***	***(0.179)***	***(0.261)***	***(0.046)***					
CBNA	-21.248	0.03	-0.237	0.911*	0.009	0.996	3	195.677	1.045	IRS
	(32.792)	***(0.047)***	***(0.563)***	***(0.278)***	***(0.038)***					
DBAG	2.985	0.012	0.644*	0.700*	-0.003	0.999	3	538.562	0.978	DRS
	(2.844)	***(0.024)***	***(0.151)***	***(0.090)***	***(0.019)***					
Mb PSC	-0.325	-0.05	-0.073	0.755	0.076	0.995	3	160.070	1.115	IRS
	(2.034)	***(0.027)***	***(0.403)***	***(0.176)***	***(0.026)***					
OIB S.A.O.G	1.381	0.009	-0.248	1.210*	-0.016	0.994	3	127.847	0.926	DRS
	(2.015)	***(0.022)***	***(0.396)***	***(0.343)***	***(0.044)***					
SGB	0.016	0.011	0.219	1.036**	-0.010	0.999	3	1394.926	1.016	IRS
	(1.202)	***(0.015)***	***(0.123)***	***(0.057)***	***(0.011)***					
SBL	0.017	-0.094	0.347	-0.498	0.213	0.908	3	7.377	0.984	DRS
	(0.334)	***(0.058)***	***(0.239)***	***(0.551)***	***(0.074)***					
SCBL	68.367	-0.252	1.371	0.332	0.302	0.965	3	20.463	0.569	DRS
	(96.725)	***(0.111)***	***(1.569)***	***(0.194)***	***(0.099)***					
BONS	-0.096	0.000	0.180	1.147**	-0.014	0.999	3	1432.790	1.020	IRS
	(0.453)	***(0.001)***	***(0.095)***	***(0.084)***	***(0.010)***					
BOTML	-2.721	0.005	0.639	0.723*	0.015	0.997	3	229.175	1.188	IRS
	(7.774)	***(0.019)***	***(0.268)***	***(0.211)***	***(0.029)***					
HSBCL	25.001	-0.02	-0.707	1.088**	0.041	0.999	3	688.348	0.950	DRS
	(13.404)	***(0.009)***	***(0.586)***	***(0.157)***	***(0.036)***					

***.significant at the 0.01 probability level (2 tailed).*

**.significant at the 0.05 probability level (2 tailed).*

$Y=a+b_1x_1+b_2x_2+b_3x_3+b_4x_4$

Y=total incomeb_1=total assets,b_2=net interest margin,b_3=total expenditure,

b_4=total business.

Figures in parenthesis indicate standard errors.

.#Return to Scale have been calculated using Cobb-Douglas Production Function provided in the annexure.

TABLE 1.1.2: LINEAR PRODUCTION FUNCTION FOR FOREIGN BANKS (GROWTH CRITERIA): (1996-2010)

Banks	Intercept	b_1	b_2	b_3	b_4	R^2	d.f.	F-Value	Return to Scale	Scale
ADCBL	4.106	-0.020	0.328	0.719**	0.040	0.976	10	104.321	0.979	DRS
	(8.407)	***(0.026)***	***(0.408)***	***(0.119)***	***(0.022)***					
AEBC	-5.835	0.021	0.558	0.741**	0.006	0.972	10	87.676	1.015	IRS
	(28.337)	***(0.017)***	***(0.420)***	***(0.070)***	***(0.017)***					
BOANA	-73.745	0.003	0.841**	0.737**	0.024	0.991	10	275.471	1.076	IRS
	(39.655)	***(0.006)***	***(0.171)***	***(0.101)***	***(0.015)***					
BOB&K B.S.C.	-8.710	-0.022	0.373	0.772*	0.048	0.636	10	4.362	0.922	DRS
	(17.371)	***(0.073)***	***(0.777)***	***(0.340)***	***(0.061)***					
BNPP	-24.520	0.012	0.440	0.962*	-0.009	0.989	10	225.237	1.086	IRS
	(23.958)	***(0.032)***	***(0.274)***	***(0.326)***	***(0.015)***					
CBNA	-638.175	-0.119*	1.229	1.713**	0.042	0.996	10	668.680	0.970	DRS
	(241.309)	***(0.046)***	***(0.712)***	***(0.225)***	***(0.023)***					
DBAG	27.324	0.003	0.011	1.015**	0.010	0.995	10	540.232	0.956	DRS
	(37.143)	***(0.013)***	***(0.318)***	***(0.155)***	***(0.022)***					
Mb PSC	4.338	0.015	0.584	0.650*	-0.006	0.861	10	15.548	0.836	DRS
	(6.708)	***(0.017)***	***(0.487)***	***(0.217)***	***(0.031)***					
OIB S.A.O.G	16.118	-0.048	0.286	0.007	0.121**	0.964	10	67.470	0.525	DRS
	(10.675)	***(0.024)***	***(0.254)***	***(0.113)***	***(0.019)***					
SGB	-13.343	0.004	0.199	0.911**	0.023	0.975	10	96.198	1.062	IRS
	(8.227)	***(0.010)***	***(0.363)***	***(0.114)***	***(0.019)***					
SBL	-0.049	-0.001	0.681	1.268**	-0.011	0.555	10	3.114	0.752	DRS
	(1.812)	***(0.004)***	***(0.540)***	***(0.383)***	***(0.027)***					
SCBL	-33.048	0.010	0.352	0.976**	0.000	0.998	10	1621.826	0.994	DRS
	(123.651)	***(0.020)***	***(0.339)***	***(0.261)***	***(0.017)***					
BONS	-21.404	0.004	0.758**	0.956**	0.002	0.991	10	289.043	1.014	IRS
	(11.939)	***(0.030)***	***(0.190)***	***(0.098)***	***(0.027)***					
BOTML	47.157	-0.037	1.234*	0.053	0.057	0.916	10	27.471	0.904	DRS
	(24.812)	***(0.045)***	***(0.537)***	***(0.094)***	***(0.055)***					
HSBCL	-81.338	-0.039*	0.445	1.238**	0.023*	0.999	10	3316.364	1.014	IRS
	(70.040)	***(0.012)***	***(0.211)***	***(0.113)***	***(0.009)***					

***.significant at the 0.01 probability level (2 tailed).*
**.significant at the 0.05 probability level (2 tailed).*
$Y=a+b_1x_1+b_2x_2+b_3x_3+b_4x_4$
Y=total incomeb$_1$=total assets,b$_2$=net interest margin,b$_3$=total expenditure,
b$_4$=total business.
Figures in parenthesis indicate standard errors.
.#Return to Scale have been calculated using Cobb-Douglas Production Function provided in the annexure.

TABLE 1.1.3: LINEAR PRODUCTION FUNCTION FOR FOREIGN BANKS (GROWTH CRITERIA) : (1987-2010)

Banks	Intercept	b_1	b_2	b_3	b_4	R^2	d.f.	F-Value	Return to Scale	Scale
ADCBL	0.095	-0.021	0.449	0.738**	0.041*	0.987	18	337.083	1.034	IRS
	(3.283)	***(0.019)***	***(0.247)***	***(0.086)***	***(0.016)***					
AEBC	-4.677	0.021	0.517*	0.742**	0.005	0.988	18	361.807	1.004	IRS
	(11.463)	***(0.012)***	***(0.208)***	***(0.048)***	***(0.012)***					
BOANA	4.959	0.013	0.811**	0.938**	-0.018	0.985	18	306.910	1.030	IRS
	(19.779)	***(0.007)***	***(0.200)***	***(0.121)***	***(0.016)***					
BOB&K B.S.C.	-0.708	-0.025	0.294	0.709**	0.046	0.897	18	39.295	0.993	DRS
	(4.024)	***(0.054)***	***(0.406)***	***(0.216)***	***(0.044)***					
BNPP	-5.427	0.018	0.477*	0.853**	-0.013	0.992	18	591.051	1.020	IRS
	(10.240)	***(0.019)***	***(0.177)***	***(0.187)***	***(0.011)***					
CBNA	-123.435	-0.045	0.969	1.305**	0.000	0.996	18	1095.954	1.007	IRS
	(90.051)	***(0.034)***	***(0.628)***	***(0.141)***	***(0.014)***					
DBAG	5.661	0.003	-0.015	1.056**	0.009	0.997	18	1459.363	0.995	DRS
	(16.665)	***(0.010)***	***(0.234)***	***(0.105)***	***(0.017)***					
Mb PSC	2.383	0.018	0.681*	0.642**	-0.006	0.909	18	44.818	0.943	DRS
	(2.863)	***(0.010)***	***(0.295)***	***(0.128)***	***(0.017)***					
OIB S.A.O.G	-2.233	-0.002	0.526*	0.005	0.098**	0.946	18	78.897	1.067	IRS
	(3.242)	***(0.009)***	***(0.184)***	***(0.111)***	***(0.020)***					
SGB	-5.313	0.003	0.266	0.892**	0.017	0.982	18	248.335	1.025	IRS
	(4.028)	***(0.007)***	***(0.250)***	***(0.085)***	***(0.013)***					
SBL	-0.115	-0.001	0.421	1.325**	-0.01	0.903	18	41.937	1.020	IRS
	(0.467)	***(0.003)***	***(0.316)***	***(0.160)***	***(0.021)***					
SCBL	123.541	0.059**	1.048*	0.198	-0.029	0.995	18	883.235	0.935	DRS
	(83.933)	***(0.017)***	***(0.434)***	***(0.181)***	***(0.018)***					
BONS	-9.358	0.017	0.758**	0.907**	-0.009	0.994	18	736.314	1.030	IRS
	(5.147)	***(0.016)***	***(0.145)***	***(0.071)***	***(0.014)***					
BOTML	23.567	-0.004	1.556**	0.121	0.017	0.949	18	84.692	0.816	DRS
	(10.366)	***(0.029)***	***(0.328)***	***(0.063)***	***(0.036)***					
HSBCL	-17.562	-0.031**	0.547**	1.155**	(0.016**	0.999	18	7079.763	0.996	DRS
	(25.797)	***(0.008)***	***(0.141)***	***(0.071)***	***(0.005)***					

***.significant at the 0.01 probability level (2 tailed).*
**.significant at the 0.05 probability level (2 tailed).*
$Y=a+b_1x_1+b_2x_2+b_3x_3+b_4x_4$
Y=total incomeb_1=total assets,b_2=net interest margin,b_3=total expenditure,
b_4=total business.
Figures in parenthesis indicate standard errors.
.#Return to Scale have been calculated using Cobb-Douglas Production Function provided in the annexure.

The reasons for the significance of 'b_2' could be attributed to low interest cost of deposits offered and disintermediation by the foreign banks in the form of offering variety of loans in the post-reform period.

The regression coefficient for total expenditure '(b_3)' turned out to be significant for all foreign banks except ADCBL, Mb PSC, SBL and SCBL in the pre-reform period and OIB S.A.O.G and BOTML in the post-reform period. During the entire period of study, the regression coefficient was significant for all banks except, OIB S.A.O.G, SCBL and BOTML.

In the post-reform period, the regression coefficient for CBNA magnified that one unit increase in 'b_3' shall increase the total income by 1.713 units, keeping, total assets, net-interest margin and total business, constant at their arithmetic mean levels. The significance of regression coefficient 'b_3' for most of the banks magnified their expansion and diversification plans.

The regression coefficient in respect of total business '(b_4)' was turned out to be significant for OIB S.A.O.G and HSBCL in the post-reform period. During the entire period of study, it turned out to be significant for ADCBL, OIB S.A.O.G. and HSBCL.

In case of OIB S.A.O.G. 'b_4' magnified that one unit increase in total business shall increase the total income by 0.121 units, keeping, total assets, net-interest margin and total expenditure, constant at their arithmetic mean levels.

The reason for the insignificance of regression coefficient 'b_4' for most of the banks was on account of decline in total business of banks. Further, most of the banks were located in the urban areas and discouraging small deposits.

The regression line has given a good fit to the observed data, since this line explained almost more than 90 percent of the total variation of the 'Y' values around their mean in the pre, post and whole study period. The remaining variation was unaccounted for by the regression line and was attributed to the factors included in the disturbance variable 'u'. R^2 was found significant for all banks.

The Return to Scale has exhibited that banks like; DBAG, OIB S.A.O.G. SBL, SCBL and HSBCL were operating on Decreasing Return to Scale (DRS) and others on Increasing Return to Scale (IRS) in the pre-reform period. In the post- reform period, ADCBL, BOB&KB.S.C., CBNA, DBAG, Mb PSC, OIB S.A.O.G., SBL, SCBL, and BOTML were operating on DRS. All banks which were operating on DRS in the pre-reform period managed to operate on IRS in the post-reform period except OIB S.A.O.G., SBL and SCBL. In the post-reform period, the return to scale for BNPP magnified that one percent increase in b_1, b_2, b_3, and b_4 put together shall increase the total income by 1.086 percent.

During the entire period, ADCBL, AEBC, BOANA, BNPP, CBNA, OIB S.A.O.G.SGB, SBL and BONS were operating on IRS.

To conclude, all regressors taken together had shown significant impact for HSBCL in the post and entire study period. However in most of the banks all regressors, either individually or collectively, had explained significant impact on regressand.

EFFICIENCY DETERMINANTS

In the second stage, the remaining four explanatory variables were regressed. The total income was considered 'explained variable' and other four variables, non-interest income, establishment expenses, number of employees and number of branches were considered as explanatory variables and put under efficiency criteria. The Linear Production Function of the following form

$Y = a+b_5X_5+b_6X_6+b_7X_7+b_8X_8+e^u$ has been worked out.

Along with this Cobb-Douglas Production Function

$Y = a\, X_5^{b5}\, X_6^{b6}\, X_7^{b7}\, X_8^{b8}$ -------------$X_n^{bn}\, e^u$ has been worked out.

Where
Y= Total Income
X_5= Non-Interest Income
X_6= Establishment Expenses
X_7= Number of Employees
X_8= Number of Branches
E^u= Error Term

The fitted function has been explained for three periods of time, 1987-1995 (pre-reform period),1996-2010 (post-reform period) and 1987-2010 (whole study period).The function is exhibited in tables 1.1.4 in pre-reform period, 1.1.5 in post-reform period and 1.1.6 for the entire study period.

In the pre-reform period, regression coefficient for non-interest income '(b_5)' was turned out to be significant for AEBC, BOANA, Mb PSC, SGB, SCBL, BOTML and HSBCL. The regression coefficient for SGB magnified that one unit increase in 'b_5' shall increase the total income by 7.273 units, keeping ,establishment expenses, number of employees and number of branches constant at their arithmetic mean levels.

In the post-reform period, the regression coefficient 'b_5' was turned out to be significant for BOB&KB.S.C.,BNPP, CBNA, DBAG, OIB S.A.O.G., SBL, SCBL, BONS and HSBCL. The regression coefficient was significant for SCBL and HSBCL in the pre and post-reform period. During the entire period of study, regression coefficient was turned out to be significant for BOB&KB.S.C., BNPP, CBNA, DBAG, and OIB S.A.O.G. SBL, SCBL, BONS and HSBCL.

The regression coefficient was turned out to be significant for SCBL and HSBCL in the pre, post and entire study period. The regression coefficient 'b_5' for SCBL and HSBCL magnified that one unit increase in non-interest income shall increase their total income by 2.067 units and by 2.897 units in the post-reform period, keeping ,establishment expenses, number of employees and number of branches constant at their arithmetic mean levels.

The reason for significance of 'b_5' for most of the banks could be attributed to emergence of non-interest income as major source of their income as compared to public and domestic private sector banks.

The regression coefficient for establishment expenses '(b_6)' was turned out to be significant for the banks SCBL and BOTML in the pre-reform period. It was as high as referring one unit increase in 'b_6' shall increase the total income by 19.092 units ,keeping, non-interest income, number of employees and number of branches constant at their arithmetic mean levels.

TABLE 1.1.4: LINEAR PRODUCTION FUNCTION FOR FOREIGN BANKS (EFFICIENCY CRITERIA): (1987-1995)

Banks	Intercept	b_5	b_6	b_7	b_8	R^2	d.f.	F-Value	Return to Scale	Scale
ADCBL	-35.251	3.275	1.751	0.862	0.000	0.881	4	9.871	4.129	IRS
	(15.709)	***(1.839)***	***(13.079)***	***(0.456)***	***0.000***					
AEBC	-346.086	2.075**	1.888	-0.143	152.375**	0.997	3	246.167	2.781	IRS
	(75.464)	***(0.376)***	***(2.255)***	***(0.093)***	***(18.674)***					
BOANA	-218.527	2.459**	0.663	0.737	0.000	0.927	4	16.936	1.480	IRS
	(122.710)	***(0.518)***	***(2.826)***	***(0.290)***	***0.000***					
BOB&K B.S.C.	-2.445	0.067	6.506	0.899*	-19.533	0.945	3	12.950	1.160	IRS
	(7.991)	***(1.953)***	***(9.508)***	***(0.221)***	***(8.846)***					
BNPP	218.85	-1.856	2.722	0.082	-45.306	0.969	3	23.842	0.665	DRS
	(65.928)	***(2.708)***	***(5.734)***	***(0.347)***	***(24.793)***					
CBNA	-113.987	2.388	7.093	0.218	0.000	0.870	4	8.900	1.407	IRS
	(350.016)	***(1.565)***	***(10.049)***	***(0.299)***	***0.000***					
DBAG	6.062	4.818	8.833	-0.273	9.348	0.947	3	13.406	1.511	IRS
	(36.308)	***(1.761)***	***(9.504)***	***(0.709)***	***(49.485)***					
Mb PSC	12.794	3.657*	33.592*	-0.39	0.000	0.956	4	28.923	1.316	IRS
	(15.892)	***(0.979)***	***(7.679)***	***(0.246)***	***0.000***					
OIB S.A.O.G	-16.215	-2.762	20.052	1.461	-25.524	0.896	3	6.446	2.131	IRS
	(8.615)	***(3.799)***	***(14.928)***	***(0.489)***	***(11.676)***					
SGB	-102.272	7.273*	-5.382	1.33	34.623*	0.987	3	58.025	0.869	DRS
	(30.524)	***(1.267)***	***(10.159)***	***(0.708)***	***(6.367)***					
SBL	-4.871	0.518	2.438	0.114	0.000	0.862	4	8.322	4.094	DRS
	(4.928)	***(0.399)***	***(0.894)***	***(0.126)***	***0.000***					
SCBL	-960.414	0.669*	6.887*	0.341	0.000	0.890	4	10.772	4.979	IRS
	(417.471)	***(0.214)***	***(1.510)***	***(0.145)***	***0.000***					
BONS	-15.278	2.944	5.118	1.326	-30.060	0.926	3	9.416	1.938	IRS
	(22.961)	***(3.748)***	***(19.829)***	***(0.872)***	***(16.269)***					
BOTML	9.985	2.474**	19.092**	-0.710	0.000	0.995	4	296.487	0.846	DRS
	(8.484)	***(0.425)***	***(2.642)***	***(0.321)***	***0.000***					
HSBCL	-956.883	2.386*	1.155	0.150	36.761	0.998	3	316.267	0.654	DRS
	(392.257)	***(0.545)***	***(1.763)***	***(0.098)***	***(19.850)***					

***.significant at the 0.01 probability level (2 tailed).*
**.significant at the 0.05 probability level (2 tailed).*
$Y=a+b_5x_5+b_6x_6+b_7x_7+b_8x_8$
Y=total income,b_5=non interest income,b_6=establishment expenses,
b_7=number of employees,b_8=number of branches.
Figures in parenthesis indicate standard errors.
.#Return to Scale have been calculated using Cobb-Douglas Production Function provided in the annexure.

TABLE 1.1.5: LINEAR PRODUCTION FUNCTION FOR FOREIGN BANKS (EFFICIENCY CRITERIA): (1996-2010)

Banks	Intercept	b_5	b_6	b_7	b_8	R^2	d.f.	F-Value	Return to Scale	Scale
ADCBL	-57.350	1.770	15.202	2.123	-32.999	0.449	10	2.041	1.470	IRS
	(93.285)	***(2.024)***	***(12.346)***	***(0.961)***	***(31.819)***					
AEBC	208.58	0.778	-0.025	-0.105	47.649*	0.670	10	5.069	0.881	DRS
	(76.390)	***(0.800)***	***(2.606)***	***(0.079)***	***(18.602)***					
BOANA	851.723	1.154	2.650	0.516	-155.756	0.828	10	12.073	(-)0.42	(-)DRS
	(612.606)	***(0.724)***	***(2.967)***	***(0.305)***	***(109.661)***					
BOB&K B.S.C.	30.251	2.566**	-3.114*	0.145	0.000	0.776	11	12.703	0.488	DRS
	(15.552)	***(0.497)***	***(1.397)***	***(0.204)***	***0.000***					
BNPP	38.389	2.139**	2.005	0.370	-10.066	0.947	10	44.916	0.770	DRS
	(126.776)	***(0.632)***	***(1.913)***	***(0.334)***	***(20.341)***					
CBNA	538.805	1.413**	5.360**	0.062	-0.477	0.997	10	947.943	0.748	DRS
	(126.370)	***(0.116)***	***(0.582)***	***(0.104)***	***(7.183)***					
DBAG	-198.89	0.740**	0.485	0.622**	63.909**	0.995	10	484.113	1.020	IRS
	(73.720)	***(0.143)***	***(0.329)***	***(0.122)***	***(18.910)***					
Mb PSC	32.633	1.517	-1.545	0.514	-10.575	0.445	10	2.002	0.314	DRS
	(28.473)	***(1.451)***	***(7.659)***	***(0.423)***	***(13.254)***					
OIB S.A.O.G	-6.543	1.257*	-2.418	0.728**	0.000	0.885	11	28.292	1.123	IRS
	(6.453)	***(0.553)***	***(2.734)***	***(0.116)***	***0.000***					
SGB	-67.94	1.221	-0.485	2.320**	-15.769	0.832	10	12.358	1.567	IRS
	(47.798)	***(0.769)***	***(1.483)***	***(0.646)***	***(14.089)***					
SBL	3.307	0.897**	0.350	-0.034	-0.509	0.735	10	6.939	0.306	DRS
	(3.039)	***(0.215)***	***(0.601)***	***(0.067)***	***(0.607)***					
SCBL	179.439	2.067**	0.542	-0.102	29.675**	0.993	10	343.410	0.825	DRS
	(197.569)	***(0.528)***	***(1.821)***	***(0.138)***	***(7.497)***					
BONS	-134.295	5.402**	-28.287**	1.621	28.368	0.976	10	101.360	1.809	IRS
	(53.875)	***(0.599)***	***(8.517)***	***(0.879)***	***(25.941)***					
BOTML	341.509	0.804	-6.175	0.293	-33.506	0.240	10	0.790	(-)0.446	(-)DRS
	(245.246)	***(1.335)***	***(4.937)***	***(0.872)***	***(53.370)***					
HSBCL	-85.564	2.897**	-0.529	0.310	-13.002	0.996	10	678.811	0.902	DRS
	(495.158)	***(0.334)***	***(1.874)***	***(0.209)***	***(12.706)***					

***.significant at the 0.01 probability level (2 tailed).*

**.significant at the 0.05 probability level (2 tailed).*

$Y=a+b_5x_5+b_6x_6+b_7x_7+b_8x_8$

Y=total income, b_5=non interest income, b_6=establishment expenses,

b_7=number of employees, b_8=number of branches.

Figures in parenthesis indicate standard errors.

.#Return to Scale have been calculated using Cobb-Douglas Production Function provided in the annexure.

TABLE 1.1.6: LINEAR PRODUCTION FUNCTION FOR FOREIGN BANKS (EFFICIENCY CRITERIA): (1987-2010)

Banks	Intercept	b_5	b_6	b_7	b_8	R^2	d.f.	F-Value	Return to Scale	Scale
ADCBL	-78.487	1.965	16.521	2.175**	-27.886	0.683	18	9.711	2.228	IRS
	(37.214)	***(1.528)***	***(7.957)***	***(0.544)***	***(23.869)***					
AEBC	-108.593	0.815	1.110	-0.112	47.172*	0.730	18	12.199	0.717	DRS
	(70.740)	***(0.758)***	***(2.387)***	***(0.081)***	***(17.573)***					
BOANA	-447.829	0.380	7.338**	0.989**	53.729	0.827	18	21.518	0.636	DRS
	(480.002)	***(0.652)***	***(2.424)***	***(0.279)***	***(94.592)***					
BOB&K B.S.C.	-6.130	2.268**	-2.818	0.428*	5.931	0.887	18	35.199	1.153	IRS
	(7.611)	***(0.510)***	***(1.420)***	***(0.183)***	***(8.697)***					
BNPP	44.194	1.744**	3.325*	-0.04	2.54	0.954	18	94.393	-0.027	(-)DRS
	(74.706)	***(0.521)***	***(1.522)***	***(0.230)***	***(10.844)***					
CBNA	348.216	1.488**	5.208**	0.042	5.883	0.995	18	953.416	0.837	DRS
	(134.766)	***(0.138)***	***(0.690)***	***(0.116)***	***(7.884)***					
DBAG	-135.302	0.729**	0.677*	0.625**	50.790**	0.996	18	1058.009	1.440	IRS
	(31.332)	***(0.116)***	***(0.239)***	***(0.103)***	***(12.324)***					
Mb PSC	39.566	0.006	11.805*	-0.116	-15.572	0.372	18	2.663	-0.216	(-)DRS
	(27.677)	***(1.024)***	***(4.336)***	***(0.262)***	***(13.134)***					
OIB S.A.O.G	-13.093	1.350*	-0.308	0.716**	0.979	0.856	18	26.687	1.673	IRS
	(6.408)	***(0.569)***	***(2.662)***	***(0.112)***	***(4.300)***					
SGB	-93.634	1.297	-0.023	2.250**	-7.314	0.876	18	31.942	2.176	IRS
	(26.765)	***(0.623)***	***(1.043)***	***(0.509)***	***(7.262)***					
SBL	2.032	0.991**	0.595	-0.019	-0.584	0.938	18	67.680	-0.032	(-)DRS
	(2.447)	***(0.095)***	***(0.500)***	***(0.056)***	***(0.499)***					
SCBL	166.974	1.610**	2.682	-0.286*	37.558**	0.990	18	470.621	0.927	DRS
	(200.736)	***(0.459)***	***(1.578)***	***(0.113)***	***(6.373)***					
BONS	-53.788	5.153**	-24.993**	1.830*	-0.973	0.981	18	232.843	1.194	IRS
	(18.973)	***(0.488)***	***(6.888)***	***(0.709)***	***(15.744)***					
BOTML	-45.285	1.410	-3.709	0.817	32.257	0.445	18	3.617	0.904	DRS
	(121.223)	***(1.158)***	***(4.311)***	***(0.709)***	***(35.877)***					
HSBCL	-455.156	2.961**	-1.118	0.355*	-4.585	0.997	18	1354.281	0.577	DRS
	(337.394)	***(0.270)***	***(1.433)***	***(0.161)***	***(9.660)***					

***.significant at the 0.01 probability level (2 tailed).*

**.significant at the 0.05 probability level (2 tailed).*

$Y=a+b_5x_5+b_6x_6+b_7x_7+b_8x_8$

Y=total income,b_5=non-interest income,b_6=establishment expenses,

b_7=number of employees,b_8=number of branches.

Figures in parenthesis indicate standard errors.

.#Return to Scale have been calculated using Cobb-Douglas Production Function provided in the annexure.

In the post-reform period, the regression coefficient was turned out to be significant for BOB&K B.S.C. (negative), CBNA, and BONS (negative).The regression coefficient for BONS was -28.287.

During the entire period of study, the regression coefficient 'b_6' was turned out to be significant for BOANA, BNPP, CBNA, DBAG, Mb PSC and BONS (negative). In case of BONS, it magnified that one unit increase in establishment expenses shall decrease the total income by 24.993 units, keeping, non-interest income, number of employees and number of branches constant at their arithmetic mean levels.

The reason for the significant but negative regression coefficient for foreign banks could be assigned to branch expansion and hiring more employees with low output.

The regression coefficient for number of employees '(b_7)' was turned out to be significant for BOB&K B.S.C. in the pre-reform period and DBAG, OIB S.A.O.G. and SGB in the post-reform period. During the entire period of study, the regression coefficient was significant for; ADCBL, BOANA, BOB&K B.S.C., DBAG, and OIBS.A.O.G. SGB, SCBL (negative) BONS and HSBCL.

The significant coefficient for foreign banks magnified the respective contribution of explanatory variable to the total income.

The regression coefficient for number of branches '(b_8)' was turned out to be significant for, AEBC and SGB in the pre-reform period magnifying that one unit increase in 'b_8' shall increase the total income by 152.375 units for AEBC and by 34.623 units for SGB, keeping, non-interest income, establishment expenses and number of employees constant at their arithmetic mean levels.

However in the post-reform period, regression coefficient was significant for AEBC, DBAG, and SCBL. During the entire period of study, it was turned out to be significant for AEBC, DBAG, and SCBL. In the post-reform period, the regression coefficient for AEBC magnified that one unit increase in number of branches shall increase the total income by 47.649 units, keeping, non-interest income, establishment expenses and number of employees constant at their arithmetic mean levels.

The reason for the regression coefficient to be significant could be attributed to branch expansion by the foreign banks in the post-reform period and having their branches more profitable as compared to public sector banks and advantage of prime location of banks.

The regression line has given a good fit to the observed data, since this line explained almost more than 80 percent of the total variation of the 'Y' values around their mean in the pre, post and whole study period. The remaining variation was unaccounted for by the regression line and was attributed to the factors included in the disturbance variable 'u'. R^2 was found significant for all banks.

The Return to Scale (RTS) exhibited that in the pre-reform period, except BNPP, SGB, BOTML and HSBCL, all foreign banks were operating on Increasing Return to Scale (IRS). But in the post reform period, some of the foreign banks were operating on Decreasing Return to Scale and banks like BOANA and BOTML exhibited negative scale. During the entire period of study, BNPP, Mb PSC and SBL, did operate on negative return.

All explanatory variables taken together, the regression coefficients were significant for DBAG, during the entire period of study. However, in most of the banks all regressors, either individually or collectively, had explained significant impact on regressand.

DEGREE AND DIRECTION OF RELATIONSHIP AMONG DIFFERENT EXPLANATORY VARIABLES

Bi-variate correlation analysis was conducted to measure the magnitude and direction of the relationship between different explanatory variables. The interdependence among variables is a common characteristic of most multivariate techniques and the correlation matrix is used to display correlation coefficients between these different variables. The matrices form the basis for computation and understanding of the nature of relationships in multiple regression and other similar techniques. The purpose for conducting the bi-variate correlation analysis was to identify the important explanatory variables which

had higher significant association with each other and secondary objective was to spot the presence of multicollinearity between different explanatory variables. The following variables were considered for the purpose of conducting a bi-variate correlation analysis:
Y= Total Income
X_1= Total Assets
X_2= Net-Interest Margin
X_3= Total Expenditure
X_4= Total Business
X_5= Non-Interest Income
X_6= Establishment Expenses
X_7= Number of Employees
X_8= Number of Branches
X_9= Net Worth.
The bi-variate correlation analysis for foreign banks has been exhibited in tables 1.1.7, 1.1.8 and 1.1.9. In the pre-reform period, all variables had shown significant association, except X_3 with X_5 and X_8 and $X_5$with X_7, and X_7 with X_8 and X_9. But in the post-reform period and during the entire study period, each variable had shown significant association with each other. The explanatory variables were significant at 0.01 percent probability level.

TABLE 1.1.7: BIVARIATE CORRELATIONS COEFFICIENT MATRIX FOR FOREIGN BANKS (1987-1995)

	Y	x_1	x_2	x_3	x_4	x_5	x_6	x_7	x_8	x_9
Y	1									
x_1	.975**	1								
x_2	.976**	.975**	1							
x_3	.923**	.907**	.901**	1						
x_4	.977**	.987**	.991**	.872*	1					
x_5	.815*	.745*	.771*	0.542	.809*	1				
x_6	.936**	.951**	.977**	.802*	.983**	.813*	1			
x_7	.848**	.895**	.786*	.813*	.826*	0.604	.764*	1		
x_8	.750*	.798*	.818*	0.537	.857**	.772*	.884**	0.55	1	
x_9	.881**	.896**	.955**	0.752	.949**	.767*	.977**	0.63	.914**	1

**. Correlation is Significant at the 0.01 level (2-tailed).
*. Correlation is Significant at the 0.05 level (2-tailed).

TABLE 1.1.8: BIVARIATE CORRELATIONS COEFFICIENT MATRIX FOR FOREIGN BANKS (1996-2010)

	Y	x_1	x_2	x_3	x_4	x_5	x_6	x_7	x_8	x_9
Y	1									
x_1	.992**	1								
x_2	.991**	.997**	1							
x_3	.999**	.989**	.988**	1						
x_4	.985**	.996**	.991**	.982**	1					
x_5	.995**	.986**	.984**	.991**	.972**	1				
x_6	.989**	.995**	.998**	.985**	.992**	.981**	1			
x_7	.954**	.967**	.965**	.946**	.973**	.946**	.973**	1		
x_8	.907**	.934**	.910**	.901**	.952**	.892**	.913**	.931**	1	
x_9	.978**	.990**	.995**	.976**	.982**	.972**	.991**	.949**	.895**	1

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

TABLE 1.1.9: BIVARIATE CORRELATIONS COEFFICIENT MATRIX FOR FOREIGN BANKS (1987-2010)

	Y	x_1	x_2	x_3	x_4	x_5	x_6	x_7	x_8	x_9
Y	1									
x_1	.992**	1								
x_2	.991**	.997**	1							
x_3	.999**	.989**	.988**	1						
x_4	.985**	.996**	.991**	.982**	1					
x_5	.995**	.986**	.984**	.991**	.972**	1				
x_6	.989**	.995**	.998**	.985**	.992**	.981**	1			
x_7	.954**	.967**	.965**	.946**	.973**	.946**	.973**	1		
x_8	.907**	.934**	.910**	.901**	.952**	.892**	.913**	.931**	1	
x_9	.978**	.990**	.995**	.976**	.982**	.972**	.991**	.949**	.895**	1

**. Correlation is Significant at the 0.01 level (2-tailed).
The explanatory variables had shown significant association as high as above 0.80. It led to the confirmation of multicollinearity among the regressors.

INFLUENCE OF REGRESSORS ON REGRESSAND

Once the linear relationships among explanatory variables were confirmed through correlation coefficients, the next step was to conduct step-wise multiple regression analysis to explain the variations in profitability by the different combination of variables for foreign banks. Intuitively, when any two explanatory variables are changing in nearly in the same way, it becomes extremely difficult to establish the influence of each one regressor on Y separately.
The following variables were taken to estimate the effect of multicollinearity among the different explanatory variables on the explained variable:
Y= Total Income
X_1= Total Assets
X_2= Net-Interest Margin
X_3= Total Expenditure
X_4= Total Business
X_5= Non-Interest Income
X_6= Establishment Expenses
X_7= Number of Employees
X_8= Number of Branches
X_9= Net Worth.

The results of multiple regression analysis are presented in tables 1.1.10, 1.1.11 and 1.1.12 in the pre-reform period, post-reform period and entire study period. In the pre-reform period, the numbers of observations were available for seven years, leading to complete loss for degrees of freedom with the undertaken regressors.

TABLE 1.1.10: LINEAR PRODUCTION FUNCTION FOR FOREIGN BANKS (GROUP): STEP-WISE ANALYSIS (1987-1995)

Intercept	b_1	b_2	b_3	b_4	b_5	b_6	b_7	b_8	b_9	R^2	d.f.	F-Value	Adjusted R^2
-95.733	0.049	0.405	0.417	-0.021	1.51	0.068				0.999	1	459.136	0.993
(162.776)	***(0.037)***	***(0.907)***	***(0.107)***	***(0.060)***	***(0.228)***	***(3.861)***							
-93.394	0.049	0.413	0.416*	-0.02	1.509**					0.999	2	1101.579	0.996
(67.634)	***(0.026)***	***(0.569)***	***(0.055)***	***(0.040)***	***(0.151)***								
195.357	-0.104	-2.58	0.541	0.247						0.981	3	39.867	0.956
(356.067)	***(0.121)***	***(2.818)***	***(0.314)***	***(0.170)***									
-22.557	0.054	1.25	0.164							0.968	4	41.103	0.944
(364.699)	***(0.060)***	***(1.114)***	***(0.200)***										
-58.126	0.068	1.418								0.963	5	65.592	0.948
(350.121)	***(0.055)***	***(1.059)***											
-412.178	0.141**									0.950	6	114.288	0.942
(244.188)	***(0.013)***												

***.significant at the 0.01 probability level (2 tailed).*
**.significant at the 0.05 probability level (2 tailed).*
Y=total income, b_1=total assets, b_2=net-interest margin, b_3=total expenditure, b_4=total business,
b_5=non-interest income, b_6=establishment expenses, b_7=number of employees, b_8=number of branches, b_9=net worth.

TABLE 1.1.11: LINEAR PRODUCTION FUNCTION FOR FOREIGN BANKS (GROUP): STEP-WISE ANALYSIS (1996-2010)

Intercept	b_1	b_2	b_3	b_4	b_5	b_6	b_7	b_8	b_9	R^2	d.f.	F-Value	Adjusted R^2
800.959	-0.027	-0.499	0.652**	0.01	1.268**	3.970*	-0.09	8.278	0.022	0.999	5	7186.167	0.997
(673.879)	***(0.016)***	***(0.354)***	***(0.134)***	***(0.014)***	***(0.187)***	***(1.282)***	***(0.043)***	***(6.313)***	***(0.041)***				
888.787	-0.024	-0.38	0.635**	0.012	1.249**	3.651*	-0.089	6.376		0.999	6	9176.218	0.997
(613.456)	***(0.015)***	***(0.257)***	***(0.122)***	***(0.013)***	***(0.172)***	***(1.066)***	***(0.040)***	***(4.895)***					
1174.884	-0.017	-0.475	0.595**	0.018	1.264**	3.089*	-0.064			0.999	7	9537.999	0.998
(600.595)	***(0.041)***	***(0.259)***	***(0.124)***	***(0.012)***	***(0.180)***	***(1.021)***	***(0.037)***						
413.999	-0.015	-0.356	0.718**	0.015	1.057**	2.202				0.999	8	8991.395	0.998
(446.503)	***(0.016)***	***(0.277)***	***(0.113)***	***(0.013)***	***(0.147)***	***(0.978)***							
-402.952	-0.044**	0.192	0.881**	0.041**	1.052**					0.999	9	7426.760	0.998
(313.907)	***(0.011)***	***(0.158)***	***(0.104)***	***(0.008)***	***(0.178)***								
-1375.381	-0.015	-0.199	1.330**	0.023						0.999	10	2108.987	0.998
(560.754)	***(0.022)***	***(0.302)***	***(0.149)***	***(0.016)***									
-701.257	0.011	-0.153	1.172**							0.998	11	2571.693	0.997
(313.700)	***(0.011)***	***(0.314)***	***(0.104)***										
2107.491	0.038	1.116								0.982	12	327.833	0.979
(651.742)	***(0.036)***	***(0.998)***											
1803.487	0.078**									0.980	13	641.999	0.978
(598.084)	***(0.003)***												

***.significant at the 0.01 probability level (2 tailed).*
**.significant at the 0.05 probability level (2 tailed).*
Y=total income, b_1=total assets, b_2=net-interest margin, b_3=total expenditure, b_4=total business,
b_5=non-interest income, b_6=establishment expenses, b_7=number of employees, b_8=number of branches, b_9=net worth.

TABLE 1.1.12: LINEAR PRODUCTION FUNCTION FOR FOREIGN BANKS (GROUP): STEP-WISE ANALYSIS (1987-2010)

Intercept	b_1	b_2	b_3	b_4	b_5	b_6	b_7	b_8	b_9	R^2	d.f.	F-Value	Adjusted R^2
581.941	-0.039**	-0.151	0.694**	0.032**	1.305**	2.270**	-0.079**	2.903	-0.004	0.999	13	10699.939	0.998
(356.900)	***(0.010)***	***(0.250)***	***(0.059)***	***(0.009)***	***(0.121)***	***(0.742)***	***(0.035)***	***(5.417)***	***(0.037)***				
560.928	-0.039**	-0.172	0.698**	0.032**	1.308**	2.306**	-0.079*	3.194		0.999	14	12948.238	0.998
(302.370)	***(0.009)***	***(0.183)***	***(0.047)***	***(0.008)***	***(0.115)***	***(0.657)***	***(0.033)***	***(4.704)***					
684.696	-0.036**	-0.226	0.684**	0.036**	1.312**	2.021**	-0.067**			0.999	15	15349.509	0.998
(236.866)	***(0.007)***	***(0.162)***	***(0.042)***	***(0.006)***	***(0.112)***	***(0.497)***	***(0.028)***						
147.911	-0.031**	-0.176	0.728**	0.029**	1.199**	1.521**				0.999	16	13880.523	0.998
(80.531)	***(0.008)***	***(0.182)***	***(0.042)***	***(0.006)***	***(0.116)***	***(0.511)***							
75.488	-0.038**	0.26	0.698**	0.037**	1.288**					0.999	17	11388.611	0.999
(92.836)	***(0.009)***	***(0.131)***	***(0.050)***	***(0.006)***	***(0.135)***								
-226.982	0.019	-0.007	1.010**	-0.004						0.998	18	2368.759	0.998
(213.731)	***(0.018)***	***(0.313)***	***(0.092)***	***(0.011)***									
-265.315	0.014	0.02	1.017**							0.998	19	3309.122	0.998
(182.029)	***(0.011)***	***(0.297)***	***(0.088)***										
1185.882	0.058	0.635								0.984	20	638.552	0.986
(365.913)	***(0.029)***	***(0.810)***											
1117.402	0.080**									0.984	21	1300.309	0.987
(352.076)	***(0.002)***												

***.significant at the 0.01 probability level (2 tailed).*
**.significant at the 0.05 probability level (2 tailed).*
Y=total income, b_1=total assets, b_2=net-interest margin, b_3=total expenditure, b_4=total business,
b_5=non-interest income, b_6=establishment expenses, b_7=number of employees, b_8=number of branches, b_9=net worth.

Therefore, the last three regressors were kept outside the analysis. The analysis revealed that, total assets '(X_1)' entered in the first step, explained 94.2 percent variation in banks profitability, with significant regression coefficient of 0.141. It magnified that one unit increase in X_1 shall increase the total income by 0.141 units keeping constant the rest of regressors at their arithmetic mean level same.

In the second step, the introduction of '(X_2)' had improved the R^2. Similarly in the third and fourth step, the introduction of X_3 and X_4 had left the regression coefficient insignificant but R^2 had shown improving trend. The high intercorrelation of X_1, X_2, X_3 and X_4 did not affect the stability or significance of $\hat{b}$ i's in the fifth step, the introduction of non-interest income '(X_5)' had explained 99.3 percent variation and regression coefficient was turned out significant. In the last step, the introduction of establishment expenses '(X_6)' had kept the regression coefficients almost stable.

In the post-reform period, total assets '(X_1)' entered in the first step, explained 97.8 percent variation in banks profitability, with significant regression coefficient of 0.078. In the second step, the introduction of net-interest margin '(X_2)' kept almost b_1 stable and explained 97.9 percent variation. In the third step, total expenditure '(X_3)'entered in the regression model had explained 99.7 percent variation with significant regression coefficient of 1.172. In the fourth step total Business '(X_4)' entered in the regression model had not affected the significance of b_3 and shown improvement in R^2. In the fifth step, non-interest Income '(X_5)' entered in the model had explained 99.8 percent variation in total income and significant b_1 (negative), b_3, b_4 and b_5. In the sixth step, the significance of b_3 and b_5 was stable and R^2 at 0.998. Similarly, in the seventh, eighth and ninth step, some of the regression coefficients were significant and R^2 was either improved or at the same level

During the entire period of study, total assets '(X_1)' entered in the first step, explained 98.7 percent variation in total income with significant regression coefficient of 0.080. In the second step entering of net-interest margin '(X_2)' kept regression coefficients insignificant but stable and R^2 at 0.986. In the third step, total Expenditure '(X_3)' entered in the regression model had explained 99.8 percent variation with significant regression coefficient of 1.017. It magnified that one unit increase in total expenditure shall increase the total income by 1.017 units, keeping, constant other regressors at their arithmetic mean level same. In the fourth step, total Business '(X_4)' entered in the model had kept b_3 significant and explained 99.8 percent variation in total income. In the fifth step, the regression coefficients b_1 (negative), b_3 , b_4 b_5 were turned out to be significant and explained almost 99.9 percent variation in total income. In the sixth step, regression coefficients b_1 (negative), b_3 , b_4 ,b_5 and b_6 were turned out to be significant and explained 99.8 percent variation in total income because of regressors. In the seventh, eighth and ninth steps, almost 99.8 percent variation in total income were on account of undertaken regressors.

To sum up, it was not possible to drop any of the variable from the study because of significance of R^2. Therefore, no variable was considered superfluous variable i.e.no variable could be excluded from the list of explanatory variables. Despite the high degree of collinearity of all regressors, the standard errors were not enough large. The regression with all explanatory variables showed that the effect of multicollinearity was not a serious. The non-interest income had been a major source of income because of significant regression coefficients in the post-reform period and for the entire study period regressed with different regressors.

The best fitted function in the different period could be shown as

In the pre-reform period (1980-1995)

$Y=-95.733+0.049X_1+0.405X_2+0.417X_3-.021X_4+1.51X_5+0.068X_6$

In the post-reform period (1996-2010)

$Y=800.959-0.027X_1-0.499X_2+0.652X_3-0.010X_4+1.268X_5+3.970X_6-0.09X_7+8.278X_8+0.022X_9$

For the whole study period (1980-2010)

$Y=581.941-0.039X_1-0.151X_2+0.694X_3+0.032X_4+1.305X_5+2.270X_6-0.079X_7+2.903X_8-0.004X_9$

The regression line explained more than 95 percent variation in pre, post and entire study period. Only small percent of variation of 5 percent was unaccounted and was due to disturbance variable 'u'.

CONCLUSION

To sum up, under growth and efficiency criteria, all explanatory variables had shown significant impact on the performance of foreign banks. More than 90 percent of variation in total income was on account of undertaken explanatory variables and a very little proportion of variation could be attributed to disturbance variable.

The Return to Scale at first stage of growth criteria had shown that all banks were operating on either Increasing Return to Scale (IRS) or Decreasing Return to Scale (DRS) in the pre, post and entire study period. But in the second stage of efficiency criteria some of the banks showed negative returns which was because of undertaken regressors in the analysis. As most of the foreign banks were located in the prime location and while making their branch expansion had returned negative output in the starting phase. Similarly, staff strength did not provide adequate output.

The correlation analysis had revealed that, all variables were highly intercorrelated and pointed multicollinearity. The analysis of multicollinearity revealed that none of the explanatory variable was found superfluous. Therefore, no variable was dropped out from the analysis. It further confirmed the impact of banking sector reforms which was well reflected through the undertaken variables.

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AN EVALUATION OF PERFORMANCE OF THE WEST BENGAL STATE CO-OPERATIVE BANK LTD.

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ABSTRACT

Co-operative banks have come to constitute an important segment of the financial system, occupy a unique position and organized on co-operative principles. Present study evaluates the performance of the West Bengal State Co-operative bank Ltd. from the year 2001-02 to 2010-11. The West Bengal State Co-operative Bank Ltd. is performing its role of leading the co-operative movement of the state of West Bengal. The objectives of the paper are to explore and evaluate the growth prospect, operational profitability, stability and recovery performance of the WBSCB Ltd. In order to measure the growth prospect of the banks some important parameters like deposits, loans and advances, and business are analysed from the year 2001-02 to 2010-11. The study shows that all the variables exhibited positive and significant growth during the period of study. It is found that overall profitability of the bank during the study period is satisfactory as "Burden Coverage Ratio" in all the years is more than 1. Results obtained in the study shows that WBSCB Ltd. have satisfactory Z score that means probability of book-value insolvency has decreased during the study period, suggesting that banks are sufficiently stable during the period of study. The study finds that recovery performance of WBSCB Ltd. is satisfactory during the period of study. The management of WBSCB Ltd. should focus on diversification of business activities of the banks, modernization of the services rendered by the bank, proper methods of borrower appraisal and credit management.

KEYWORDS

Business, Compound Annual Growth Rate, Deposits, Operational profitability, Z score.

INTRODUCTION

Economic development of a country or state depends on the efficiency of its financial system. Financial system is a network of financial activities performed by various financial institutions. Co-operative banks have come to constitute an important segment of the financial system, occupy a unique position and organized on co-operative principles. Co-operatives have been a key instrument of financial inclusion in reaching out to last mile in the rural areas. The co-operative banks' play a significant role in the Indian economy having extensive networks, with reach in remote areas, especially in creating banking habits among the lower and middle income groups and rural credit delivery. The structure of the co-operative banking sector in India is complex. The co-operative structure in India can broadly be divided into two segments. While the urban areas are served by Urban co-operative banks (UCBs), rural co-operatives operate in the rural parts of the country. The rural areas are largely served by two distinct sets of institutions extending short-term and long-term credit. Within the short-term co-operative credit structure, Primary agricultural credit societies (PACS) at the village level form the base level, while District central co-operative banks (DCCBs) are at the intermediate level and the State co-operative banks (STCBs) at the apex level. The long term structure of rural co-operatives comprises State Co-operative agriculture and rural development banks (SCARDBs) at the state level, and Primary co-operative agriculture and rural development banks (PCARDBs) at the decentralized district. The potentialities of the co-operative system in rendering services to the people of the world, was recognized by the United Nations Organisations and to strengthen the co-operatives all over the world, the year 2012 has been declared as the 'International year of co-operatives". The co-operative system based on its principle and values can play a very important role in envisaged inclusive growth. In this perspective The West Bengal State Co-operative Bank Ltd. is performing its role of leading the co-operative movements of the state of West Bengal. In the present study it is tried to measure the performance of The West Bengal State Co-operative bank Ltd from 2001-02 to 2010-11.

The present study has been divided into five sections. First section covers brief review of literature. Objectives of the study are covered in second section. In section three methodology and data are discussed. Section four covers empirical results and in the fifth section conclusion and suggestions are made.

SECTION-1: REVIEW OF LITERATURE

In the past some studies relating to financial performance of commercial banks and co-operative banks in India and abroad have been conducted. A brief review of these efforts at research in the field of efficiency and profitability of banks have been presented in the following paragraphs.

Chandra (1992) studied the profitability aspect of Public Sector Banks. He concluded that despite massive working funds, Public Sector Banks were not able to show better result due to high cost operation on account of priority sector advances and more than 56 percent branches being rural.

Hundekar.G.S (1994), attempts to provide some theoretic frame work to analyse cost effectiveness and profitability of co-operative banks. He stated that profitability is largely influenced by spread and burden cost. But in view of regulated interest rate structure, operating profitability cannot be improved much by interest spread alone. He concluded that bank's operating profitability can be improved only by controlling manpower cost, other operating cost and by increasing ancillary income through the expansion of ancillary services of the bank.

Kulwantsing and Singh (1998) measured the performance of the Himachal Pradesh Co-operative Banks. On the basis of certain parameters such as capital, deposits, working capital, loans issued they observed that improvement is satisfactory over a period of five years. But recovery performance was unsatisfactory and over dues had increased steadily. This was due to after effects of loan waiver scheme.

Sharma.K.C, Josh.J.C, Kumar Sanjay, Amalorpa Vanathan. R, Bhaskaran.R (2001) analyse the conceptual aspects of overdue, recovery and prudential norms of rural financial institutions (RFI). They also studied about the factors affecting recovery of loans in RFI. In this paper they also suggest methods and strategies for better recovery and NPA management in RFI. They concluded that legal support is critical to effective recovery management. The experience with legal support has not been very encouraging as it has been prolonged, ineffective and expensive for RFIs. They also stated that outdated laws need to be changed, laws enacted need to be properly enforced and the role of governments (central and state) are crucial for creating and maintaining proper recovery environment in society.

Shekhar et al, (2003), used compound growth rates for the selected physical and financial indicators of KDCCB for the period 1985-86 to 1994-95. Among the financial indicators, the growth rates of the total share capital, paid-up share capital, borrowings, and deposits mobilized, investments, total liabilities, current assets. Current liabilities, income, expenditure and outstanding advances were statistically significant, but growth rates of authorized share capital, credit disbursed and recovery percentage were not significant. Among the physical indicators, the growth rate of number of branches and number of employees were statistically significant, while those of beneficiaries covered and total number of employees were not.

Kulandaiswami and Murugesan (2005), made an attempt to evaluate the performance of Primary Agricultural Credit Societies (PACS) in various dimensions using a comprehensive yardstick of performance. They have studied 30 PACS for a ten year period using 13 performance parameters in the selected developments blocks of Western Tamilnadu using field survey data. They employ parametric and non-parametric tests to classify PACS into three performance categories viz. poor, moderate and good. Their study found working capital, total loans outstanding, total business turnover, overdue, net worth and loans to weaker sections as relevant and valid performance indicators for PACS.

Hesse Heiko, Cihak, Martin (2007), analyse the role of co-operative banks in financial stability. They find that co-operative banks are more stable than commercial banks. This finding is due to lower volatility of the co-operative bank's returns, which more than offsets their lower profitability and capitalization.

The findings in this paper indicate that co-operative banks in advance economies and emerging markets have higher Z score than commercial banks and savings banks, suggesting that co-operative banks are more stable. Using the regression analysis they also find that a higher share of co-operative banks increases stability (measured by Z score) of an average bank in the same banking system.

Sinha Pankaj, Taneja.Varundeep Singh, Gothi. Vineet (2009), analyse the Indian bank's riskiness and probability of book value insolvency under the frame work developed by Hannan and Hanweck (1988). A risk index, known as Z score, for Global Trust Bank that became insolvent in 2004, suggests that frame work developed by Hannan and Hanweck is also relevant in the Indian context. The study concluded that, the most significant achievement of the financial sector reforms has been marked improvement in the financial health of commercial banks in terms of capital adequacy, profitability and asset quality as also greater attention to risk management and this improvement is visible in the form of increasing Z statistic values obtained over years.

Mukherjee Subrata, Ghosh Samir (2011), assessed the performance of DCCBs both in India and in West Bengal using trend equation and ratio analysis during the period 1990-91 to 2006-07 on the basis of the statistical data published from NABARD and NAFSCOB. The performance measurement of DCCBs in India and West Bengal has been done by analyzing the deposits, advances. borrowings, investments of the Balance sheets. They argued that the management has to make a separate investment cell to manage the investment professionally and not restricted itself in the traditional ways of managing the investments, so that income of the bank can be increased with the minimum risk of investments. For improving the performance of DCCBs, suggestions have been made in the area of governance, managerial and financial fronts, diversification of business and measures for improving the collection of principal and interest components of loans advanced by the banks.

Hooda. Vijay S (2011) attempts to explore and evaluate the growth and progress made by all District Central Co-operative Banks in India in terms of share capital, reserves, deposit mobilization and credit advanced during the study period 1995-2009. He also evaluates in his study regarding the recovery performance of DCCBs and overall financial performance of DCCBs with the help of some selected ratios. In his study it is found that all the financial variables increased with higher growth rate during 1995-99 followed by the phase 1995-2009, 2000-04 and 2005-09 respectively on the basis of AGGR. He concludes that the management of DCCBs and policy makers of these banks should focus on the corporate governance, professionalization, and various attractive schemes of deposits and speed up the procedure of computerization etc.

SECTION-2: OBJECTIVES OF THE STUDY

The present study aims to evaluate the performance of The West Bengal State Co-operative Bank Ltd. from 2001-02 to 2010-11. Specifically, the objectives are as follows:

1) To measure the growth of business of WBSCB Ltd. in terms of deposit mobilisation and credit advanced during the study period.
2) To measure the operational profitability of WBSCB Ltd.
3) To measure the stability and book value insolvency of WBSCB Ltd.
4) To evaluate the recovery performance of WBSCB Ltd.

SECTION-3: METHODOLOGY AND DATA

A variety of techniques have been used to evaluate the performance of WBSCB Ltd. The parameters taken to measure the growth of the WBSCB Ltd. are deposits, loans and advances as well as business. Year wise growth of these indicators is taken for the study. In order to analyse the data and draw conclusions in this study, various statistical tools like mean, standard deviation, co-efficient of variation, compound annual growth rate (CAGR) and't' test have been accomplished through Excel and SPSS software.

Operational profitability of any co-operative bank may be analysed with the help of a) SBP technique and b) BCR technique. The SBP technique signifies inter-relationship among spread, burden and profit. Spread is the excess of interest income over expenditure. Burden is the aggregate of manpower expenses and other operating expenses as reduced by non-interest income. Profit is the excess of spread over burden. The overall profitability of any co-operative bank can also be viewed by applying another technique, "Burden Coverage Ratio". Burden Coverage Ratio (BCR) = S/B. S= Spread. B = Burden. If the co-efficient of this ratio is 1, it implies break-even position of the bank. If it is more than 1, it indicates operational profitability. If the co-efficient is less than 1, it indicates poor profitability. The magnitude of burden of the bank is influenced by i) efficiency of manpower management ii) efficiency of general bank management and iii) efficiency of ancillary business (customer services). If the manpower is less productive, general management is less cost conscious and quality of other banking business is poor, the magnitude of burden is increased, which affects the profitability of the bank adversely. To what extent the burden is business sensitive, a meaningful relationship between percentage variations in bank business may be established. The responsiveness of burden (B) as a result of changes in the volume of bank business (V) is called "Burden Responsiveness". Burden Responsiveness = $(\Delta B/B) / (\Delta V/V)$. If the co-efficient of above measure equal to 1, it indicates that burden is perfectly volume elastic. If it is more than 1 the burden is less cost effective whereas if it is less than 1, it indicates that the burden is more cost effective. Manpower cost Responsiveness (MR) signifies the degree of relationship between the percentage variation in manpower expenses (M) and the percentage variation in the volume of Bank business (V). MR = $(\Delta M/M) / (\Delta V/V)$. If manpower is productive the numerical values of this quotient will be less than 1, if the manpower is less productive it will be more than 1. Other cost Responsiveness (OR) signifies the degree of relationship between the percentage variation in other general management expenses (O) and the percentage variation in the volume of bank business (V). OR = $(\Delta O/O) / (\Delta V/V)$ The numerical value of this quotient will be less than 1, if the general management is cost effective and more than 1 if it is less cost effective. A high level of ancillary income is a pre-requisite for improving banks profitability through good customer services. A relationship may be established between the percentage variation in ancillary income (A) and percentage variation in the volume of bank business (V). Ancillary income Responsiveness (AR) = $(\Delta A/A) / (\Delta V/V)$. The percentage change in ancillary income is more than the bank business, the profitability of a bank would improve and vice versa.

A popular measure of bank's insolvency is the Z statistic. The Z-score is a measure of bank stability and indicates the distance from insolvency. It combines accounting measures of profitability, leverage and volatility. Z is defined as (m+k)/s. Where m is an average of return on asset (ROA) for the period, k is the ratio of capital to asset and s- standard deviation of ROA for the period, which is also viewed as profitability volatility index. Higher Z score indicates a large distance to the exhaustion of the capital and lower probability of the bank insolvency, consequently the higher is Z score the more stable is bank. So we can say that Z statistic is a function of the normal profit margin of the bank, the variation in that profit margin, and the equity capital available to absorb that variation. The relationship between the Z statistic and probability of book value insolvency is an inverse one, with higher Z score indicating lower probability of insolvency. Probability of book value insolvency (P) has been computed by applying the formula $P= 1/2Z^2$

The form of semi-log trend equation is used: Log Y = a + bt, (Where, Y= Actual value of receipt, t = Time variable and a and b are constants to be estimated) in order to measure the growth of recovery of loans. To what extent variation in the response is explained by the regression are measured by the R^2. In order to evaluate the recovery performance of WBSCB Ltd. the concept of R^2 has been used. Correlation co-efficient can be used to specify the degree of relationship among the variables under consideration. The correlation matrix is constructed among outstanding loan, demand of loan, recovery of loans and total overdue.

The present paper is exploratory-cum-analytical in nature and makes use of secondary data. For the purpose of the study, the secondary data for 10 years from 2001-02 to 2010-11 are used. The secondary data are collected from the annual report of the West Bengal State Co-operative Bank Ltd (WBSCB Ltd.) and the annual data publications of the National Federation of State Co-operative Banks Ltd, Mumbai (NAFSCOB).

SECTION-4: EMPIRICAL RESULTS

This part addresses itself to the analysis of growth and development of the WBSCB Ltd .In order to review the growth prospect of the banks some important parameters like deposits, loans and advances, and business are analysed from the year 2001-02 to 2010-11. Financial performance indicators of the WBSCB Ltd. are presented in the table 1. Table 2.presents the year wise growth of said indicators, compound annual growth rate (CAGR) and the value of t.

Table 1: Financial performance indicators of WBSCB Ltd. (In crores)

Year	Deposits	Loans issued	Business
2001-02	2076.78	855.5	2932.28
2002-03	2217.29	1351.16	3568.45
2003-04	2480.33	1358.42	3838.75
2004-05	2470.11	1700.35	4170.46
2005-06	2282.33	1963.68	4246.01
2006-07	2453.06	1979.66	4432.72
2007-08	2575.01	2206.46	4781.47
2008-09	3368.49	2170.16	5538.65
2009-10	4916.23	2365.52	7281.75
2010-11	5031.56	3303	8334.56

Source: Annual report, WBSCB Ltd.

Table 2: Year wise growth(%) of financial performance indicators

Year	Deposits	Loans issued	Business
2001-02	19.78	23.74	20.91
2002-03	6.76	57.93	18.28
2003-04	11.86	0.55	10.68
2004-05	-0.41	25.17	8.64
2005-06	-7.62	15.49	1.81
2006-07	7.49	0.81	4.39
2007-08	4.97	10.28	7.87
2008-09	30.79	-1.65	15.83
2009-10	45.96	9	31.47
2010-11	2.34	39.63	14.45
AM	12.19	18.09	13.43
SD	15.97	19.08	8.75
CV	131	105	65
CAGR	10.33	16.2	12.31
t value	8.566*	9.041*	9.168*

Source: calculated from annual reports. WBSCB Ltd.
*Significant at 1% level of significance

DEPOSITS

No business conducted without sufficient working capital. For this reason banks have been pressing hard for deposit mobilization. A perusal of the table 2 shows that the growth of the deposits under study is positive in all the year except for the year 2004-05 and 2005-06. Heavy withdrawal of deposits by the DCCBs for earning higher interest with private and commercial banks contributed to this situation. The deposit has started to increase again. Growth rate in the year 2008-09 and 2009-10 are 30.79% and 45.96% respectively. This huge increase in deposits was as a result of adoption of various policy initiatives jointly by all the DCCBs along with the State Co-operative banks. Inflow of funds to the co-operative sector on account of ADWDR (Agriculture and rural Debt waiver and Debt relief) which boosted the growth of deposit as well. The normal average growth rate of deposit is 12.19% and compounded annual growth rate of deposits are 10.33%. Growth rates are statistically significant at 1% level of significance.

LOANS AND ADVANCES

The growth of loans and advances shows the positive growth trend during the study period except for the year 2008-09. Loans and advances of the bank increased drastically in the year 2002-03 and 2010-11. The major part of the loans being forwarded against Government and other tangible securities. Declaration of ADWDR (Agricultural and Rural Debt Waiver and Debt Relief) spoiled the atmosphere for recovery as well as disbursement of agricultural loans. The growth of loans and advances became negative as a result in 2008-09. The situation improved a little in the year 2009-10. In the year 2010-11, the progress is commendable in agricultural sector. However the progress in diversified lending is remarkable and the growth in this sector contributed most in total growth. The lending in non-farm sector, especially to the home loan sector and ECCS also contributed in a major way. The normal average growth of loans and advances are 18.09% and CAGR are 16.2% and the growth rates are statistically significant at 1% level of significance which is shown in the table 2.

BUSINESS

It may be observed from the table 2. that the growth of business is positive in all the years during the study period. The growth is observed in the year 2009-10 due to significant growth in the mobilization of deposits. The normal average growth of business is 13.43% and CAGR are 12.31% and growth is statistically significant at 1% level of significance.

From the above discussion, it is clear that all the variables exhibited positive and significant growth during the period of study. The highest growths are observed with respect to loan issued and least growth is in case deposits. Highest fluctuations of growth are observed in the deposits (cv-131) and least fluctuations in case of business (cv-65). So, we may say that growth of WBSCB Ltd. in terms of deposit mobilization and credit advanced is satisfactory during the period of study.

Operational profitability of any co-operative bank may be analysed with the help of a) SBP technique and b) BCR technique. In the present study, we may observe from the table-3 showing the operational profitability of WBSCB Ltd. from 2001-02 to 2010-11 that BCR in all the years are more than 1, which indicates the operational profitability of the banks. The situation enables bank to plan for growth and diversification. From the table- 3 it may be observed that the burden responsiveness is more cost effective in the year 2001-02, 2002-03, 2003-04, 2005-06 ,2008-09 and 2009-10 but in the year 2004-05, 2006-07 , 2007-08 and 2010-11 it is less cost effective. In the year 2007-08 the quotient of BR is 9.87, which is remarkably high as contingent and other expenses in the particular year is very high relating to other years. In the year 2010-11 it is 5.5 as aggregate of manpower expenses and contingent and other expenses are too high relating to other years. From the table-3 it may be observed that in the year 2001-02,2002-03.2003-04,2004-05,2007-08,2008-09 and 2009-10 manpower of WBSCB Ltd is productive whereas in the year 2005-06,2006-07 and 2010-11 it is less productive. In the 2005-06 the percentage variation in bank business is only 1.79% and in the year 2010-11 the bank had to pay arrear salary and gratuity at enhanced rate. These are the reasons behind the high manpower cost and MR is less productive. It may be seen from the table- 3 that the general management of WBSCB Ltd. is cost effective in the year 2002-03, 2003-04, 2005-06, 2008-09 and 2009-10. But in the year 2001-02, 2004-05, 2006-07, 2007-08 and 2010-11 other general management expenses is less cost effective. In the year 2004-05 OCR is 13.29. In this particular year percentage variation in other general management expenses were 114.72 whereas percentage variation in banking business (V) is only 8.64. In the year 2007-08, it is 18.33 due to high contingent and other expenses. From the table-3 it may be observed that as regards AIR the bank is in a favorable position in the year 2001-02,2002-03, 2005-06,2006-07 and 2010-11. But remaining of the year it does not help the bank to improve the profitability.

From the above discussion we may say that overall profitability of the bank during the study period is satisfactory as “Burden Coverage Ratio” in all the year is more than 1. The situation enables bank to plan for growth and diversification.

TABLE 3: ANALYSIS OF THE OPERATIONAL PROFITABILITY OF WBSCB LTD.

Year	BCR	BR	MCR	OCR	AIR
2001-02	1.48	0.48	-0.33	2.75	2.67
2002-03	2.97	-0.61	-0.45	-0.41	1.43
2003-04	3.32	0.08	-0.01	-0.71	-2.99
2004-05	1.4	5.07	0.09	13.29	0.6
2005-06	1.66	-1.83	8.15	-9.65	6.3
2006-07	1.57	3.87	1.16	6.89	2.32
2007-08	1.32	9.87	-0.06	18.33	0.29
2008-09	1.65	-0.86	0.35	-1.32	-0.42
2009-10	1.74	-0.54	0.13	-0.87	0
2010-11	1.29	5.5	4.7	5.74	1.47

BCR= Burden coverage ratio
BR= Burden Responsiveness
MCR= Manpower cost responsiveness
OCR= Other cost responsiveness
AIR= Ancillary income responsiveness

The Z- score measures the number of standard deviation a return realization has to fall in order to deplete equity, under the assumption of normality of returns of the bank. Higher value of Z implies lower insolvency risk indicating a lower probability of insolvency.

TABLE 4: Z STATISTIC AND PROBABILITY OF BOOK VALUE INSOLVENCY OF WBSCB LTD FROM 2001-02 TO 2010-11

Year	ROA	Capital/Asset	ROA (AM)	ROA(SD)	Z SCORE	P	Index
2001-02	0.003058	0.03333832	0.004482	0.002538	14.90275	0.00225132	100
2002-03	0.008256	0.0297314			13.48148	0.00275103	90.46
2003-04	0.009826	0.03424024			15.25814	0.00214767	102.3
2004-05	0.002337	0.0363057			16.07202	0.00193566	107.9
2005-06	0.003705	0.03833465			16.87151	0.00175656	113.2
2006-07	0.003502	0.03793502			16.71404	0.00178981	112.1
2007-08	0.003418	0.03909605			17.17153	0.00169571	115.2
2008-09	0.004923	0.03343683			14.94157	0.00223964	100.3
2009-10	0.003459	0.02649048			12.20442	0.00335688	81.87
2010-11	0.002336	0.02774497			12.69874	0.00310062	85.16

Table 4 Shows the Z statistic and probability of book value insolvency of WBSCB Ltd. during the period 2001-02 to 2010-11. It is evident from the table that average ROA is 0.004482 and standard deviation of ROA is 0.002537. From the table it may be seen that from the year 2002-03 to 2007-08 the Z statistic increased continuously and probability of book value insolvency of the bank has decreased and then Z statistic are decreased up to 2010-11. As a result the Z statistic indices are higher than the base year except for the year 2002-03, 2009-10 and 2010-11 which are shown in the table 4. The trend indices of the Z statistic are 112.1 in 2006-07 and 100.3 in 2008-09, that is less than its previous year due to decrease in ROA and capital to asset ratio. Trend indices in the year 2002-03, 2009-10 and 2010-11 are not satisfactory due to significant decrease in the capital/asset ratio, which indicates that bank's capital base and volatility of ROA are the important determinants of Z score. From the above discussion it may be said that the WBSCB Ltd. have satisfactory Z score that means probability of book-value insolvency has decreased during the study period, suggesting that banks are sufficiently stable during the period of study.

Recovery of loan together with interest from the clients is crucial for recycling of funds deployed in rural credit. So, recovery is an important ingredient for recycling of funds. If the rate of recovery is high, it shows the efficiency of the bank in credit operations, but if the recovery is low the bank has to mobilize additional deposits or arrangement of borrowings for smooth running of banking operations.

Year wise demand, recovery and overdue of total loans issued by the WBSCB Ltd. from 2001-02 to 2010-11 are given in the table 5. It is evident from the table that demand of loans increased from Rs. 562.44 crore in 2001-02 to Rs 2654.8 crore in 2010-11. The trend in general is one of increasing except for the years 2008-09 and 2009-10. It is found from the table 6 that the demand of loan during the study period is on an average of Rs. 1183.51 crore; with co-efficient of variation is 51.89%. Trends and growth of demand of loans and advances are shown in the table 8. It may be seen from the table that the co-efficient of demand of loans are positive but not statistically significant. The demand of loans increased at the rate of 13.17% and compound annual growth rates are 18.82%. The R^2 value indicates that time variable accounts for more than 74% variation in all the components taken for the study. It may be seen from the table 5 that recoveries of loans and advances have increased from Rs. 468.07 crore in 2001-2002 to Rs. 2475.61 crore in 2010-11. The average amount of recovery of loans and advances during the period of study are Rs 1054.55 crore, with coefficient of variation is 56.11%. It is observed from the table 6 that average rate of recovery as a percentage of demand of loans and advances during the study period are 87.68% with co-efficient of variation is 4.03%.

TABLE 5: YEAR WISE DEMAND, LOAN RECOVERY AND TOTAL OVERDUE OF WBSCB LTD. FROM 2001-02 TO 2010-11

Year	Demand (Crores)	Loan recovery (Crores)	Total overdue (Crores)	Recovery (%)	% of overdue to demand
2001-02	562.44	468.07	94.37	83.22	16.78
2002-03	671.16	568.51	102.65	84.71	15.29
2003-04	757.5	642.14	115.36	84.77	15.23
2004-05	903.85	770.08	133.77	85.2	14.8
2005-06	955.91	816.98	138.93	85.47	14.53
2006-07	1400.41	1259.16	141.25	89.91	10.09
2007-08	1492.43	1319.59	172.84	88.4	11.6
2008-09	1468.57	1362.94	105.63	92.8	7.2
2009-10	968.08	862.49	105.59	89.09	10.91
2010-11	2654.8	2475.61	179.19	93.25	6.75

Source: Annual report, WBSCB Ltd.

From the table 8 it is observed that recoveries of loans increased at the rate of 14.36% during the study period and were found statistically significant at 5% level of significance. The compound annual growth rates are 20.33% for recovery of loans and advances. The R^2 value indicates that time variable accounts for more than 88% variation in all the components taken for the study. Declaration of debt relief in 2007 severely affected recovery of crop. loan in 2007-08. Disbursement of crop. loan in 2008-09 are reduced considerably , as a result. Total loan issued in 2008-09 also reduced, in spite of normal growth of non-agricultural loan. It may be seen from the table 5 that overdue of loans increased from Rs.94.37 crore in 2001-02 to Rs. 179.19 crore in 2010-11. The average amount of over dues of loans during the study period are Rs. 128.96, with co-efficient of variation are 22.95%. It is observed from the table 6 that average rate of overdue as a percentage of demand of loans are 12.32% with co-efficient of variation is 28.73%. From the table 8 it is observed that overdue of loans increased at the rate 3.82% during the study period but not statistically significant. The compound annual growth rate are 7.38% for overdue of loans advances. The R^2 value indicates that time variable accounts for only 27% variation in all the components taken for the study. It is seen from the table 6 that there are less fluctuations in the % of recovery of loans and advances to demand of loans and advances during the study period as it has lesser co-efficient of variation (CV-4.03%) than other variables taken for study.

TABLE 6: RECOVERY PERFORMANCE OF WBSCB LTD. - DESCRIPTIVE STATISTICS

	Mean	SD	CV
Outstanding loan	1925.39	673.41	34.97
Demand of loan	1183.51	614.14	51.89
Recovery of loan	1054.55	591.72	56.11
Total overdue	128.96	29.6	22.95
% of Recovery	87.68	3.54	4.03
% of overdue	12.32	3.54	28.73

TABLE-7: CORRELATION MATRIX AMONG THE SELECTED VARIABLES OF WBSCB LTD

	Outstanding loan	Demand of loan	Recovery of loan
Outstanding loan	1	0.90**	0.90**
Demand of loan		1	0.99**
Recovery of loan			1
Total overdue			

**Correlation is significant at 1% level
*Correlation is significant at 5% level

Correlation co-efficient can be used to specify the degree of relationship among the variables under consideration. Table 7 shows the correlation matrix among outstanding loan, demand of loan, recovery of loans and total overdue. Outstanding loan is significantly positively correlated with demand of loans, recovery of loans and total overdue. Demand of loans is significantly correlated positively with recovery of loans and total overdue. Recovery of loans and advances are significantly correlated with total overdue.

TABLE 8: TRENDS AND GROWTH OF DEMAND, RECOVERY AND OVERDUE OF LOANS OF WBSCB LTD.

Particulars	Trend co-efficient		R^2	CAGR
	a	b		
Demand of loans	6.25	0.1317 [4.88]	0.74	18.82
Recovery of loans	6.05	0.1436* [1.0324]	0.88	20.33
Overdue of loans	4.62	0.0382 [1.7243]	0.27	7.38

*Significant at 5% level. Figures in brackets represent t value.

From the above discussion it may be observed that all indicators showed the positive growth such as 13.17% (Demand of loans), 14.36% (Recovery of loans), and 3.82% (Overdue). The higher growth rate are observed in recovery of loans and advances and statistically significant followed by demand of loans and overdue of loans and advances. So, we may conclude that recovery performance of WBSCB Ltd.are satisfactory during the period of study.

SECTION-5: CONCLUSION AND SUGGESTIONS

In the present study, an attempt has been made to analyse the performance of the WBSCB Ltd. in terms of certain defined parameters. Considering the objectives of growth performance it is clear that all the variables exhibited positive and significant growth during the period of study. But growth of loans and advances during the period of study is not uniform .Some measures have already been adopted to enhance issue of loans such as power of loan sanction of regional offices has been increased, MOU has been signed with the State Government for issue of house building loan to Govt. employees linked with salary deduction scheme, publication of loan manual for ensuring transparent and hassle free loaning procedure, financing Government undertaking with State Government guarantee and opting for negotiated interest regime for big loans keeping in mind the risk perception and suitable training managers of the bank in loan appraisal techniques. The management has to look into whether there is any lack of initiatives on the part of bank regarding the implementation of above mentioned measures. Creation of profit is not only the principal object of any enterprise but essential for its survival. The efficiency of a business is measured by the amount of profit earned. Profitability of the banks is mainly influenced by the spread and burden cost. But operational profitability cannot be improved much by interest spread alone. A high level of non-interest income is a pre-requisite for augmenting banks profitability through good customer service. Overall profitability of the bank during the study period is satisfactory as “Burden Coverage Ratio” in all the years is more than 1. Although the bank has to control the manpower cost and other operating cost and enhances the ancillary income through the ancillary service to the clients in order to increase the operational profitability of the banks .Diversification of business activities is essential in the interest of the co-operative movement. In order to measure the stability and probability of book value insolvency of the banks Z score has become a popular measure. It measures the number of standard deviations a return realization has to fall in order to deplete equity, under the assumption of normality of bank’s returns. The study shows that on an average Z score of the banks are satisfactory during the study period this is not because of capitalization or profitability but due to lower standard deviation of returns (ROA). With a view to strengthen the banks financially, formulation and implementation of business development and profit planning is essential. Management has to take the necessary steps in order to increase the capital base of the banks. Agricultural lending policy needs immediate updating in order to serve the need based credit requirements of the farmers and focus towards expansion of rural credit, both quantitatively and coverage-wise. The soundness of whole co-operative credit structure, to a large extent, depends on the prompt recovery of loans but there has been a tendency with the borrowers not to repay their loans, thereby, increasing overdues year after year .Every efforts should be made from the bank’s part to influence, appeal and pursue the borrowers to repay their dues. Recovery performance of WBSCB Ltd. is satisfactory during the period of study. Due to this reason percentage of non- performing asset (NPA) on outstanding loans and advances are reduced from 7.52 in 2001-02 to 1.49 in 2010-11. In this context it may be said that Govt. (Central and State) has the major role for improving the recovery management of the banks by not announcing politically motivated schemes as issue of loans by loan melas, waivers of loan, waivers of interest and different concessions etc.

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A STUDY OF CUSTOMERS' ATTITUDE AND BEHAVIOUR ON JEWELLERY PURCHASE IN SALEM DISTRICT

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ABSTRACT

Gold is a precious metal that has been valued by people since ancient times. People use gold for coins, jewellery, ornaments and many industrial purposes. Until recently, gold reserves formed the basic of world monetary systems. Gold is a chemical element with the symbol 'Au' which is short for the Latin word for gold 'Aurum', which means "shining dawn". Women's are passionate about jewellery as it represented a symbol of feminity and even social status. Designer's men's jewellery is also popular among men and boys. Jewellery is one of the many adornments that have evolved and changed overtime. In this research paper, we studied the customer's attitude and behaviour on jewellery purchase. The sample respondents have been selected from the various taluks of Salem District based on the number of jewellery shops and population. In this study, survey method is used to collect the primary data through a well designed questionnaire. Questionnaire method helps in fulfilling several purposes like measurement, descriptions and drawing inferences. The results are compared and analyzed by using descriptive analysis, average score analysis, chi-square analysis, Analysis of variance and multiple regression.

KEYWORDS

aurum, element, jewellery, multiple regression, ornaments.

INTRODUCTION

From ancient times people all over the world have shown special interest in gold ornaments either for possession or prestige or status. The same trend is continued, rather it is high. It are understood that India's culture, art and gold is inseparable. It is a fact that gold in any form or other is used in all temples, places of worship and sacred areas.

Passion for jewellery is legendary. It is reflected in numerous customary occasions where it is not only considered auspicious but mandatory to gift ornaments crafted in gold. The bride's trousseau is incomplete without the gold ornaments. Due to growing value in the possession of jewels, people preferred to have an considerable investment in gold. The available investment criteria other than gold is not a favourable option as there is more risk factor involved from time to time. But investment in gold gives a standard assurance in value and also serve the consumers as an ornamental beauty. This resulted in emergence of gold business in the form of variety of jewels. It is evident that people demand for gold even though the prices are high, expecting for the future increase. This is due to the expectation of more returns at the time of resale.

Men, women and children in every part of the world wear jewellery in various forms in almost every human culture and on every inhabited continent. The word jewellery is derived from the word "jewel" which was anglicised from the old French "jovel" in around the 13th century. Over the years, gold has had a place in society giving it the allure of wealth and power. Emperors and kings wore gold in various ways and used golden objects to show their wealth and position in the society.

REVIEW OF LITERATURE

A literature review is a "critical analysis of a segment of a published body of knowledge through summary, classification and comparison of prior research studies, and theoretical articles". The aim of literature review is to show that "the writer has studied existing work in the field of insight". A good literature review presents a clear case and context for the project that makes up the rest of the thesis. So, a good literature review raises questions and identifies areas to be explored.

Previous studies and articles are reviewed in order to gain insight extent of research done in this topic and to access what impact the study will have on the topic. In this regard a brief review of some of the information collected from various articles and journals are narrated as follows:

Steiner (1964), in his study analysed that "Human behaviour itself is so enormously varied, so delicately complex, so obscurely motivated that many people despair of finding valid generatlization to explain and predict the thoughts and feelings of human-beings despair, that is of the very possibility of constructing a science of human behaviour.

Engil (1982) focused that "consumer behaviour means the art of individuals directly involved in obtaining and using economic goods and services, including the decision processes that proceed and determine these arts. It is the process whereby individuals decide whether, what, when, where, how and from whom to purchase goods and services.

Philip kotler (1999) said, "the field of consumer behaviour studies how individuals, groups and organizations select, buy, use and dispose the goods and services, ideas or experiences to satisfy their needs and desires. Understanding consumer behaviour and knowing customers are never simple. Customers may say onething but do another. They may not be in touch with deeper motivation. They may respond to influence that change their mind at the last minute".

CBI Bulletin (2002) in its article on fashion jewellery market in European Union focused the European market for fashion jewellery, silver jewellery and hair ornaments. The study revealed that changing fashions trends have led to users of fashion jewellery entering the market and price competition has intensified because of an over supply of popular items in the past few years. It also concluded that the fashion jewellery have picked up a good market in European Union.

Sampath Kumar. R (2003) pointed out in his study that a majority of consumers nowadays are highly enlightened with the quality of products. In majority of the cases, companies try to get the consumers loyalty.

Sanjit Kumar Roy (2008) in his article 'Advertising and its discontents' states that advertising is one of the promotional elements which has been utilized very effectively by the marketers to target the customers. But, of late, advertising has taken a lot of flak. It has been accused of promoting materialism, manipulation and to promote products, targeting children and on the whole sending the social value system of our culture down the chute. Some of the critiques brand advertising as an "unethical practice". The need of the hour is to reframe the tarnished image of advertising.

Muruganantham and Kaliyamoorthy (2009) in their study on 'Role of celebrities in two wheeler advertisements' compared the celebrity advertisements with ordinary advertisements and also analyzed the role of celebrities in two wheeler advertisements. It was found that respondents are closely watching the advertisements when their most preferred celebrity is appearing in the television advertisement and they pay less attention to the information given by the celebrity and they expect that the celebrities appearing in advertisements should give correction information. It is also found that the reach of the product message and remembrance are very high in case of celebrity advertisements compared to ordinary advertisements.

NEED OF THE STUDY
Shop choice is classified in literature as primarily, a cognitive process. Shop choice behaviours of the shopper has been found to be similar to brand choice, the only difference being the importance of the spatial dimension. While the brand choice is devoid of any geography, the choice of a shop is very much influenced by location. It is as much as information processing behaviour as any other purchase decision.

Shoppers who had higher level of pre-purchase information generally shopped at the speciality shop, whereas the shopper with low pre-purchase information bought at jewellery shops. This is mainly attributed to the customers adopting a risk reduction policy with regard to their impending purchase. The importance placed on the customer's familiarity with the shop, will depend upon the perceived risk in making an erroneous purchase and the importance of the product category to the shopper.

STATEMENT OF THE PROBLEM
When there are alternative investments available to consumers why they prefer buying jewels, will be of more useful information to anybody. In this way it becomes important for the merchants to know the changing preferences of customers. As gold is preferred for all occasions, it is viewed that there is still more scope for this business. Jewellery is a very vast field to study upon because for every culture and religion we have different style of jewellery.

Consumer buying behaviour has changed dramatically in the past few years. Consumers are better informed and have more choices about how they spend their money than ever before. They want experiences and products that satisfy their deepest emotional needs, sold to them in the most innovative ways. The competitive landscape has changed jewellery retailers are no longer just competing with each other, but with luxury holidays, flat-screen tv's, spa weekends and cars. Understanding the customer's needs is the first step to winning business. This gave the idea to the researcher to study the marketing trends of jewellery, the motivations and processes involved in the purchase of jewellery, attitude and behaviour of the consumers and finally suggest ways to stay in touch with the customers.

OBJECTIVES
The following are the broad objectives of the study:
1. To study the customer's attitude and behaviour towards purchase of jewellery in Salem district.
2. To analyse the socio - economical and psychological profiles of the respondents.
3. To identify the spending priorities, frequency of purchase, place of purchase and the factors influencing stores choice behaviour among the respondents.
4. To reveal the purchase decision and the factors influencing the purchase decisions.
5. To examine the role of the individual in purchase process among the household of the respondents.
6. To study the reasons for preferences to jewellery as investment.
7. To study the respondents opinion about price, model, quality and design of jewels.
8. To study the opinion about the schemes provided by jewellery shops.
9. To analyse the level of brand awareness, brand preference and brand loyalty and how it correlates among the respondents.
10. To exhibit the various consumer behaviour patterns and expectation among the respondents.

HYPOTHESES
1. There is no significant difference between the level of opinion regarding performance of jewellery shops and demographic variables.
2. There is no significant difference between the level of satisfaction regarding performance of jewellery shops and demographic variables.
3. There is no significant relation between the level of awareness about jewellery shops and demographic variables.
4. The respondents have equal preference towards the facilities offered by the jewellery shops.
5. The buying behaviours of the respondents depend on the functioning of jewellery shops.

RESEARCH METHODOLOGY
All items in any field of inquiry constitute a 'Universe' or 'Population'. A complete enumeration of all items in the population is a census enquiry. It can be presumed that in such an enquiry, when all items are covered, no element of chance is left and highest accuracy is obtained. But in practice this may not be true. Even the slightest element of bias in such an enquiry will get larger and larger as the number of observation increases. Moreover, there is no way of checking the element of bias or its extent except through a resurvey or use of sample checks. Besides, this type of enquiry involves a great deal of time, money and energy. When the field of enquiry is large, this method becomes difficult to adopt because of the resources involved. At times, this method is practically beyond the reach of ordinary researcher.

Further, many a time it is not possible to examine every item in the population, and sometimes it is possible to obtain accurate results by studying only a part of total population. In such cases there is no utility of census survey. Under census method, each and every unit of the population or universe is studied. Census method will give more representative, accurate and reliable results. Since it involves enormous amount of time and money, this method was not used for this research.

SAMPLING
Instead of obtaining information from each and every unit of the universe, only a small representative part is studied and the conclusions are drawn on that basis for the entire universe or whole population. Hence, this research uses convenient sampling method for collecting the data.

This sampling is convenient as the interviewer can select the first few sample items quickly rather than going through the laborious process of obtaining a random sample. Samples are chosen simply because they are most readily available or accessible or easy to measure. Convenient sampling is a non probabilistic sampling technique.

In order to study the consumer's attitude and behaviour towards jewellery shops in urban and rural areas of Salem District, 500 sample respondents have been selected from the various taluks of Salem District, based on the number of jewellery shops and population.

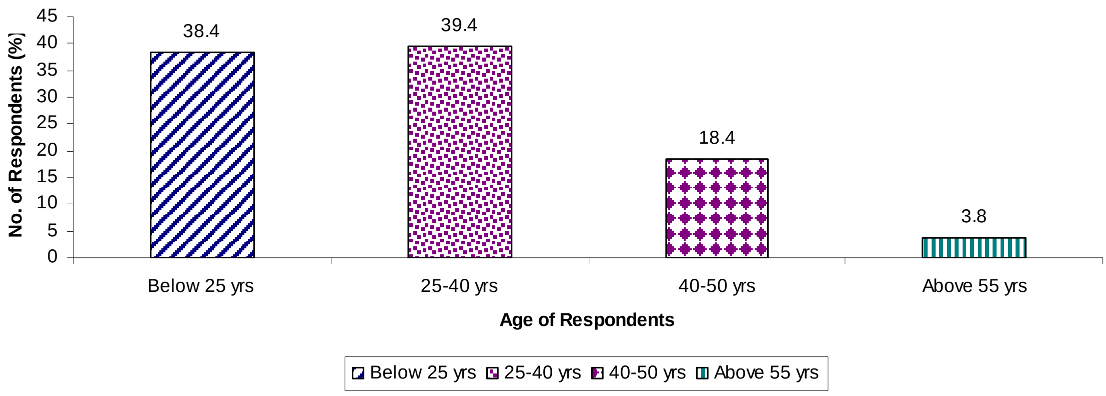
ANALYSIS AND RESULTS
This chapter attempted to study the customer's attitude and behaviour on jewellery purchase with reference to Salem District. The data analysis contains three major sections. The percentages analysis which is used to describe socio demographic characters of sampled customers. The second section includes the influencing factors over various dimensions of motivating factors. In third section the descriptive analysis which will describe descriptive statistics of over all motivating factors and its level of association with demographic variables by Chi-square analysis were run to examine the association. The test for mean score analysis (ANOVA) test procedure is used to compare mean scores of more than two groups. The Independent-Samples t test procedure is used to compare mean scores of two groups.

TABLE - 1.1 : AGE WISE DISTRIBUTION OF RESPONDENTS

Age	Frequency	%
Below 25 yrs	192	38.4
25-40 yrs	197	39.4
40-50 yrs	92	18.4
Above 55 yrs	19	3.8
Total	500	100.0

Source: Primary Data

CHART - 1.1: AGE WISE DISTRIBUTION OF RESPONDENTS



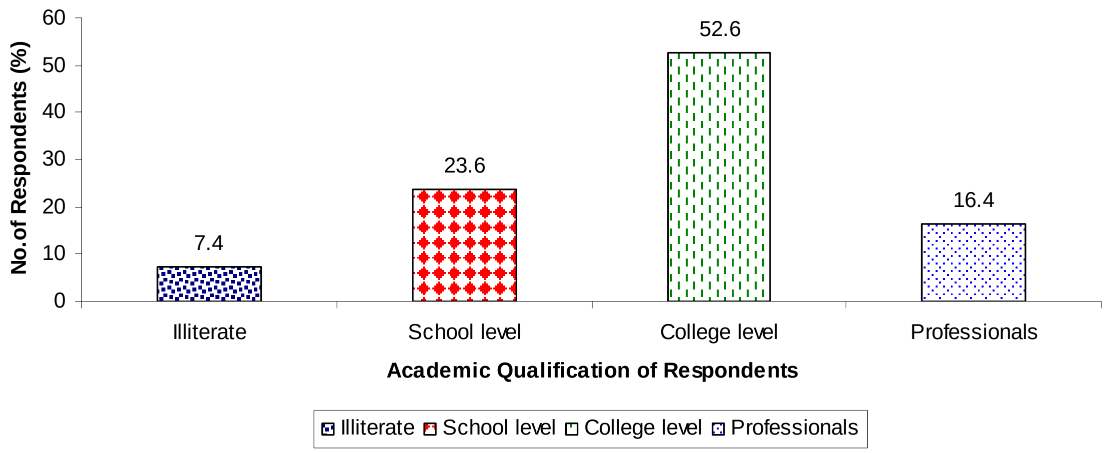
It is clear from the table that 39.4 percent of the customers belong to the age group of 25-40 years, 38.4 percent of them belong to the age group of below 25 yrs, 18.4 percent of them belong to the age group of 40-50 yrs and 3.8 percent of them above 55 yrs.

TABLE - 2.1: ACADEMIC QUALIFICATION WISE DISTRIBUTION OF RESPONDENTS

Education	Frequency	%
Illiterate	37	7.4
School level	118	23.6
College level	263	52.6
Professionals	82	16.4
Total	500	100.0

Source: Primary Data

CHART - 2.1: ACADEMIC QUALIFICATION WISE DISTRIBUTION OF RESPONDENTS



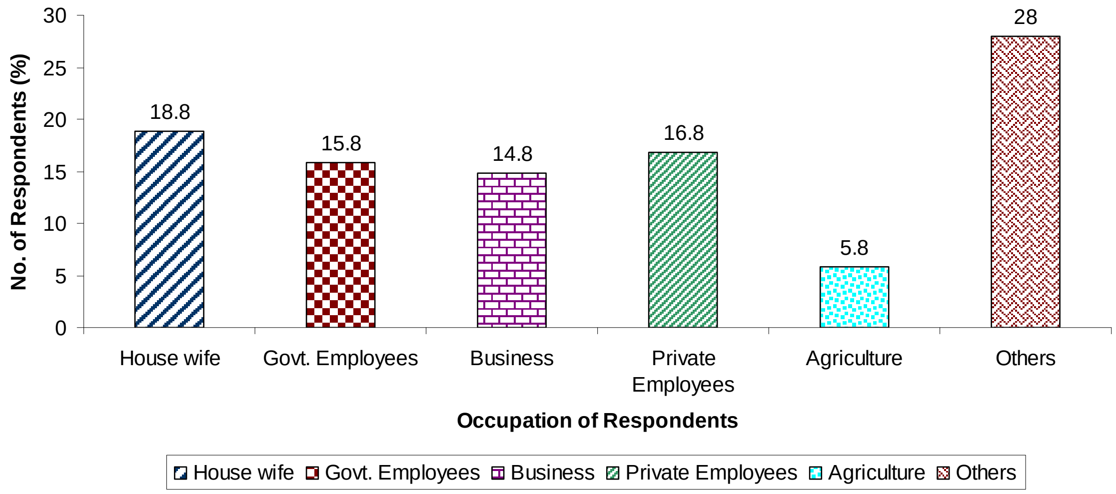
It is clear from the above table that 52.6 percent of customers have studied up to college level, 23.6 percent of customers are in school level, 16.4 percent of them are professionals and 7.4 percent are illiterates.

TABLE - 3.1: OCCUPATION WISE DISTRIBUTION OF RESPONDENTS

Occupation	Frequency	%
House wife	94	18.8
Govt. Employees	79	15.8
Business	74	14.8
Private Employees	84	16.8
Agriculture	29	5.8
Others	140	28.0
Total	500	100.0

Source: Primary Data

CHART- 3.1: OCCUPATION WISE DISTRIBUTION OF RESPONDENTS



The above table reveals that 28 percent of customers are others, 18.8 percent are House wife, 16.8 percent are Private employees, 15.8 percent are Government employees, 14.8 percent are in business and 5.8 percent are in agriculture.

OPINION OF THE RESPONDENTS ABOUT THE TRUST WITH MANNERS OF JEWELLER

The factors that will influence the respondents towards the manner of jeweller classified in five factors. They are "qualification, years in business, recommendation by jewellery magazine magazine Recommendation by friends and seller's ability to answer all questions".

TABLE - 4.1 (A): OPINION OF THE RESPONDENTS ABOUT THE TRUST WITH MANNERS OF JEWELLER

Factor	SA		Agree		Neutral		Disagree		SDA		Total
	F	%	F	%	F	%	F	%	F	%	F
Qualification	77	15.40	101	20.20	111	22.20	139	27.80	72	14.40	500
Years in business	42	8.40	90	18.00	143	28.60	146	29.20	79	15.80	500
jewellery magazine	45	9.00	103	20.60	146	29.20	149	29.80	57	11.40	500
Friend	39	7.80	80	16.00	114	22.80	201	40.20	66	13.20	500
Answer all question	45	9.00	80	16.00	99	19.80	163	32.60	113	22.60	500

It clear from the table that, 15.40 percent of the customers strongly agree with the qualification of jeweler, 9 percent of them strongly agree with recommendation by jewellery magazine and ability of seller to answer all question, 8.40 percent of them strongly agree with years in business and 7.80 percent of them strongly agree with recommendation by friend.

To identify the factor which is more influencing the respondent towards attitude the Friedman's test analysis was used and the results were given in the following table.

TABLE - 4.1 (B) : INFLUENCING FACTORS TOWARDS THE MANNER OF JEWELLER

Factors	Mean	Std. Deviation	Mean Rank	Chi square	p
Qualification	3.06	1.293	2.72	44.389	0.00**
Years in business	3.26	1.173	3.04		
Recommendation by jewellery magazine magazine	3.14	1.141	2.87		
Recommendation by friends	3.35	1.132	3.13		
Seller able to answer all question	3.44	1.250	3.24		

** Highly significant

The Friedman chi-square tests the null hypothesis that the ranks of the variables do not differ from their expected value. For constant sample size, the higher the value of this chi-square statistic, the larger the difference between each variable's rank sum and its expected value. For these rankings, the chi-square value is 44.389. Degrees of freedom are equal to the number of variables minus 1. Because five factors were being ranked, there are 4 degrees of freedom. The asymptotic significance is the approximate probability of obtaining a chi-square statistic as extreme as 44.389 with four degrees of freedom in repeated samples if the rankings of each factors are not truly different. Because a chi-square of 44.389 with 4 degrees of freedom is unlikely to have arisen by chance, therefore we conclude that the 500 respondents do not have equal preference for all factors.

AGE AND LEVEL OF KNOWLEDGE

To study the effect of age, the distributions of sample customers according to age the level of knowledge are shown in the table. It could be noted from the table that the level of knowledge among the below 25 years was ranged between 6 and 18 with an average of 11.75 with the mean % of 65.28. The level of knowledge among 20-40 years was ranged between 6 and 18 with an average of 11.72 with the mean % of 65.12. The level of knowledge among 45-50 years was ranged between 6 and 17 with an average of 11.59 with the mean % of 64.37, among the age group of 55 & above was ranged between 9 and 15 with an average of 21.11 with the mean % of 67.25. Thus, it is inferred from the above analysis that the maximum level of knowledge was among above 55 years.

TABLE 5.1 (A): AGE AND LEVEL OF KNOWLEDGE

Age	F	%	Range		Mean	SD	Mean %
			Min	Max			
Below 25yrs	192	38.4	6	18	11.75	2.23	65.28
25-40yrs	197	39.4	6	18	11.72	2.38	65.12
40-50yrs	92	18.4	6	17	11.59	2.15	64.37
above 55 yrs	19	3.8	9	15	12.11	1.56	67.25
Total	500	100	6	18	11.72	2.25	65.12

With a view to find the degree of association between age of the customers and level of knowledge, a two-way table was prepared and the results are shown in the table. It is found from the table that the percentage of high level of knowledge of customers was the highest (4.6) among 25-40 years and the same was lowest (0.2) among the 55 and above year's customers. The percentage of medium level of knowledge over the availability was the highest (24.8) among the customers in 25-40 years and the same was lowest (3) among the 55 and above year's customers. The percentage of the low level satisfaction was the highest (10.2) among the below 25 years and the same was lowest (0.6) among the 55 and above years.

TABLE - 5.1 (B): AGE AND LEVEL OF KNOWLEDGE

Age	Knowledge level						Total	
	Low		Medium		High		F	%
	F	%	F	%	F	%		
Below 25yrs	51	10.2	122	24.4	19	3.8	192	38.4
25-40yrs	50	10	124	24.8	23	4.6	197	39.4
40-50yrs	24	4.8	60	12	8	1.6	92	18.4
above 55yrs	3	0.6	15	3	1	0.2	19	3.8
Total	128	25.6	321	64.2	51	10.2	500	100

In order to find the relationship between the age of the customers and the level of knowledge, a Chi-square test was used and result of the test is shown in the following table.

TABLE - 5.1 (C)

Factor	Calculated Chi-square value	Degrees of freedom	'p' Value	Remarks
Age	2.612	6	0.856	Not Significant

It is noted from the above table that the 'p' value is greater than 0.05 and hence the result is not significant. Hence the hypothesis 'age of the customers and the level of knowledge are not associated' does hold well. From the analysis it is concluded that there is no close relationship between the age of the customers and the level of knowledge.

EDUCATION AND LEVEL OF KNOWLEDGE

To study the effect of education, the distributions of sample customers according to education and the level of knowledge are shown in the table.

TABLE -6.1 (A) : EDUCATION AND LEVEL OF KNOWLEDGE

Education	F	%	Range		Mean	SD	Mean %
			Min	Max			
Illiterate	37	7.4	9	16	12.38	1.77	68.77
School level	118	23.6	6	18	11.78	2.32	65.44
College level	263	52.6	6	18	11.59	2.43	64.36
Professionals	82	16.4	8	16	11.78	1.65	65.45
Total	500	100	6	18	11.72	2.25	65.12

It could be noted from the table that the level of knowledge among the illiterate was ranged between 9 and 16 with an average of 12.38 with the mean% of 68.77. The level of knowledge among school level was ranged between 6 and 18 with an average of 11.78 with the mean % of 65.44. The level of knowledge among college level was ranged between 6 and 18 with an average of 11.59 with the mean % of 64.36. The level of knowledge among professionals level was ranged between 8 and 16 with an average of 11.78 with the mean % of 65.45.

Thus, it is inferred from the above analysis that the maximum level of knowledge was among illiterate customers.

With a view to find the degree of association between education of the customers and level of knowledge, a two-way table was prepared and the results are shown in the following table. It is found from the table that the percentage of high level of knowledge of customers was the highest (5.8) among college level customers and the same was lowest (1) among the illiterate and professionals customers. The percentage of medium level of knowledge over the satisfaction was the highest (31.4) among the customers in college level and the same was lowest (5.2) among the illiterate customers. The percentage of the low level satisfaction was the highest (15.4) among the College level customers and the same was lowest (1.2) among the Illiterate customers.

TABLE - 6.1 (B): EDUCATION AND LEVEL OF KNOWLEDGE

Education	Knowledge level						Total	
	Low		Medium		High		F	%
	F	%	F	%	F	%		
Illiterate	6	1.2	26	5.2	5	1	37	7.4
School level	27	5.4	79	15.8	12	2.4	118	23.6
College level	77	15.4	157	31.4	29	5.8	263	52.6
Professionals	18	3.6	59	11.8	5	1	82	16.4
Total	128	25.6	321	64.2	51	10.2	500	100

In order to find the relationship between the education of the customers and the level of knowledge, a Chi-square test was used and result of the test is shown in the following table.

TABLE -6.1 (C)

Factor	Calculated Chi-square value	Degrees of freedom	'p' Value	Remarks
Education	7.307	6	0.293	Not Significant

It is noted from the above table that the 'p' value is greater than 0.05 and hence the result is not significant. Hence the hypothesis 'education of the customers and the level of knowledge are not associated' does hold well. From the analysis it is concluded that there is close relationship between the education of the customers and the level of knowledge.

FINDINGS

1. It is understood from the study that 62.6 percent are female customers and 37.14 percent of them are male customers.
2. The study reveals that 39.4 percent of the customers belong to the age group of 25-40 years.
3. It is evident from the analysis that 58 percent of the customers are married and 42 percent of the customers are single.
4. It is found from the analysis that the maximum level of satisifaciton was among wedding anniversary customers and debit card customers.
5. It is inferred from the analysis that the maximum level of knowledge was among Sankagiri customers, who are male, single, illiterate and in the age group of 55 years and above.
6. It is found from the analysis that the maximum level of knowledge was among agriculture customers, family handloom customer and savings scheme customers.
7. There is no significance regarding gender, marital status, age and education. But the p value is less than 0.55 regarding Place, Occupation and Annual income and the level of measurement of the customers regarding the manner of the jeweller of qualification.

8. There is no significance regarding marital status, education and annual income. But the p value is less than 0.05 regarding place, gender, age and occupation and the years in business by the consumers.
9. There is no significance regarding gender, marital status, age, education and occupation. But the p value is less than 0.05 regarding place and annual income and the Recommendation by jewellery magazine by the consumers.
10. The result is not significant regarding Gender, Marital status, Education and Annual income. But the p value is less than 0.05 regarding Place, Age and Occupation the Recommendation by friends by the consumers.
11. It is found from the analysis that the satisfaction score was significantly influenced by the variables of place and education of the customers.

SUGGESTIONS

1. GOOD CUSTOMER SERVICE

Most of the respondents expect good customer service from the jewellery shops. They feel that their opinions and ideas must be given importance at the time of purchase. Hence the jewellery shops can improve their service by providing adequate information to their customers relating to their purchase, giving immediate attention by receiving them quickly, identify the need of the particular product and helping them to choose the correct one.

2. IMPROVEMENT IN QUALITY AND PURITY OF GOLD

It is found from the study that most of the respondents wanted improvement in quality of gold. Quality and purity of gold is an important factor influencing the purchase of the customers which make them to compare the gold purity between one shop and another. Since the quality has a direct impact on buying behaviour the jewellery retailers can improve the quality by minimising the other metals which are mixed with gold.

3. NEW AND TRENDY DESIGNS

Due to increase in the usage of fashion jewellery which are in mind - blowing designs, respondents are in need of such new and trendy designs in gold jewellery too. Though nowadays light weighted gold jewellery comes in attractive designs, still more new varieties are expected by the buyers.

4. REDUCTION IN WASTAGE AND MAKING CHARGES

Majority of the respondents feel that the wastage charges must not be levied. This is because they are of the opinion that when making jewellery the wastage is again being utilised by the jewellers themselves. When the usage is with them, why to collect the charges from the customers is the question raised by them. Also they convey that a large amount is being taken for making charges and this must be reduced to gain the customer loyalty.

5. TECHNIQUES OF MARKETING

The respondents are of the opinion that the advertisements for jewellery must be more effective, innovative and informative. They feel that diamond jewelleries are given much more importance in visual media. They say that jewellery advertisements must cater to the need of all types of people in the society.

6. BIS MARK JEWELLERY

Large number of respondents have conveyed that they get full satisfaction with BIS mark jewellery along with rate card. Due to the display of rate card, they tell that it is easy for them to plan their budget at the time of purchase. It plays an effective tool for choosing the right product.

7. OFFERS AND DISCOUNTS

The respondents wanted more offers and at frequent periods / intervals. They are of the opinion that more exchange offers will enhance the sale of jewellery.

8. GOLD PRICE

Most of the respondents feel that sales tax must be reduced which will reduce the price of gold to a certain extent. Moreover the customers wanted the price of gold same as that of Chennai.

9. JEWELLERY MAINTENANCE

Some of the respondents convey that information about maintenance of the jewelleries must be provided at the time of purchase. They feel that it helps them in maintaining jewelleries like stone, pearl and kundan sets etc. Hence for providing such kind of informations the jewellery shops must provide adequate training to the sales persons. They can also provide CD'S and booklets to their customers regarding how to keep the jewelleries clean and safe.

10. ADDITIONAL FACILITIES

Some respondents need some facilities like providing loupe (eye glass) while purchasing jewels which helps them in identifying any defects in the jewellery. They also wanted the shops to provide information regarding the jewellery insurance. Moreover adequate parking facilities must be given to the customers.

CONCLUSIONS

Indians have been using jewellery for adornment since centuries. The significance of jewellery in the country is evident from the fact that on many auspicious occasions, jewellery forms a part of gifts. Jewellery has not only been considered for the purpose of adoration, but also as a security in times of contingency. This is because it is often expensive and can be sold whenever there is a dire need of money. This way, jewellery also serves the purpose of insurance, which can be depended upon. Traditionally, jewellery has always been linked with wealth, power and status. There are thousands of epics in the Indian culture that involve gold as wealth. Due to the significance gold holds in India, the Indians buy gold very frequently, not only for weddings, but also on their worshipping events. Other than that, gold is also considered as a status symbol in India.

The benefits of buying gold are many in number. Gold has resale value and this makes gold of great benefit and of great asset value to buy. Gold is foremost on the list of investments and value. In most parts of the world, gold holds a very important value in several cultures since it is a symbol of success, authority and affluence. In India, gold tends to have religious as well as cultural significance. This is one of the many reasons, which makes gold jewellery a kind of art in India. Based on the above, customer's attitude and behaviour on jewellery purchase in Salem District have played a significant role.

SCOPE FOR FURTHER RESEARCH

Today jewellery design as a career is steadily grabbing international attention. India has produced award winning jewellery and accessory designers. In the last five years, India has moved up five notches to emerge as the third largest diamond jewellery market in the world. And now, the relatively new branded and "hall marked" jewellery segment is all set to touch a new high.

Jewellery design as the name suggests, deals with the designing of precious ornaments, costume or junk jewellery. Designers work with metals, gems, precious and semi - precious stones, terracotta, glass, wooden beads, plastic, cowries, shells etc.

Trained designers usually work for established jewellers and are employed by costume jewellery manufacturing firms, buying agencies and large jewellery exporters and show rooms. Thus further research can be done in designing of the jewellery.

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CUSTOMERS PERCEPTION AND CHANGING WAVES IN INDIAN RETAILING: A CASE STUDY OF BELAGAVI, KARNATAKA STATE

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ABSTRACT

Nothing is permanent in the world, only change is permanent. In this current changing business scenario, retail industry has witnessed major revolution and global attention. The Indian retail industry is the largest and attractive in the world and accounts over 10% of the country's GDP and 8% of total employment. In the background of changing retail trends, understanding customers perceptions, building relationship and retaining customers has been identified as major source of competitive advantage. So the present paper attempts to bring three critical areas in retailing: Customers perceptions, CRM and Changing waves in retailing. A survey was conducted in Belgaum, Karnataka by serving questionnaires to 75 respondents. Five product and twelve store attributes were measured using Liker's five point scale and final score has been calculated using weighted ranking method. Research identified the major opportunities and challenges in retailing and indicates that product, quality, variety, customer relationship and service were given highest preference.

KEYWORDS

Retailing, Customers perceptions, CRM.

INTRODUCTION

Nothing is permanent in the world, only change is permanent. In this current changing business scenario, retail industry has witnessed major revolution and global attention. In this current changing business scenario, retail industry has witnessed major revolution and global attention in recent times due to liberalization, globalization and privatization. The presence of retailing industry is far centuries old but the consolidation & growth of the industry has started only in the recent times. India has been ranked the third most attractive nation for retail investment.

The Indian retail industry is one of the largest in the world and expected to grow annually at high rate. The retail sector boosts India's GDP and employment opportunities to the nation's work force. In the background of changing times retail is trying to adapt Indian customer mind. Therefore understanding Indian customers perception became biggest challenge and very crucial in designing retail strategies. Building relationships with customers and retaining customer loyalty has been identified as a major source of competitive advantage within the retailing sector (Chang & Tu, 2005). So retail managers need to identify the significance of CRM as a complex tool in influencing customers perception and decision making. So, the study attempts to bring three critical areas in retailing i.e. Customer perceptions on retail attributes, Effect of customers' perception on CRM and Changing Indian retail sector with changing times.

A survey of 75 respondents was conducted in Belgaum, Karnataka to obtain responses of shoppers on a structured questionnaire based on the above 3 areas. Five variables were identified under product attributes and 12 variables were identified under store and retail attributes on the basis of review of related studies in the past in order to identify important factors that effect customer's perception in choosing a particular store. Majority of the questions are close-ended, in order to maintain accuracy & to facilitate data analysis. Data was analyzed using Likert's five – point scale and final results thus obtained has been calculated using weighted ranking method.

OBJECTIVES OF THE STUDY

The study was focused on the following broad objectives:

1. To understand the concept of CRM and its application to the Indian retail stores.
2. To understand customers perceptions and evaluate the key retail attributes and their effect on CRM.
3. To identify and evaluate the changing waves and challenges in Indian retailing in 21st- century.

METHODOLOGY

The present study is focused on understanding customer perceptions. The study identified the key retail attributes and their effect on relationship marketing in the retail sector. Since the Indian retail sector is in consolidation & growth stage, the study also identified the various challenges in Indian retail sector. To attain these objectives a survey of 75 respondents had been carried out in Belgaum, Karnataka using convenience sampling method. The key retail attributes were measured using Likert's five point scale from strongly disagrees to strongly agree. The final results thus obtained have been calculated using weighted ranking method. In order to identify the changes and challenges in retail industry a thorough study of literature on Indian retail industry has been carried out.

LIMITATIONS OF THE STUDY

1. The present study is mainly focused only in Belgaum, Karnataka.
2. India is a land of diversity so the sample results may not be a representative of entire population.
3. The information collected is from the memory of the respondents.
4. Time and money are the major constraints of the study.

Further research can compare consumers using different retail formats & different retail attributes.

REVIEW OF LITERATURE

The product attributes like quality, price, variety, assortment and value drive the customers to the store (Gwin and Gwin, 20030) Sinha and Banerjee's (2004) study in India indicate that store convenience and customer services positively influence consumers store choices, whilst, entertainment, parking and ambience facilities had a negative influence on consumer choice. Indian consumers were also found to be price sensitive and quality conscious (Tuli and Mookerjee, 2004). Choo, Jung and Pysarchik, 2004) note that Indian consumers attitude towards new products are changing significantly and this can increase their intention to shop in new retail formats such as supermarkets. Consumers have a perception of low overall prices of those stores that offer a small discount over large number of items (Schiffman & kanuk, 2008).The overall perceptions of customers about the retail store are a result of product attributes and store attributes. Consumer perceptions of store attributes are influenced by retail format, type of the products, cultural value, shopping intention and customer base (Paulins & Giestfield, 2003). Customers perception on product attributes vary according to product nature and socio economic nature of the consumer (Uusitalo, 2001). Previous research has identified store attributes as a multi-dimensional construct including location of store, nature and quality of stocks, in-store promotions, sales personnel, physical attributes, convenience of store, atmospherics and loyalty cards that influences consumer behaviour (Miranda, Konya and Havrila 2005). Reactional shoppers look for high quality with variety and services and other shoppers are concer6ne6d about convenience and cost (Bellener, Robertson and Greenberg). Consumers evaluate alternative stores on set of attributes depending on their individual preferences would patronize the best store (Tripathi & Sinha, 2006). Product attributes are often continues in nature (Viswanathan & Childers, 1999). Location plays an important role in the success or failure of the outlet (Mendes and Themido, 2004). Developing close sales person customer relationship could give a key differential advantage (Reynolds & Arnold, 2000). Thus, product attributes such as quality, price, and availability of new products, variety are important constructs within the Indian context. Promotional offers and discounts are effective tools for encouraging consumers to buy more (Shi, Ka-man & Gerald, 2005). According to Duncan 2005, consumer motive is defined as internal impulses when simulated initiate some type of response. Therefore, from the above literature the study identifies customer service, quality, ambience, location and convenience of the store, price, value, promotional offers & discounts, sales personnel, speed, variety, parking facilities, advertising and availability of new products, information as the key retail attributes that effect customer's perception on relationship marketing in Indian retail store context.

The goal of customer experience management is to move customers from satisfied to loyal and then loyal to advocate. The concept of customer experience management is almost a mirror image of CRM. It says that every time a company a customer interacts, the customer learns something about the company. Depending upon what is learned from each experience customers may alter their behaviour in the ways that affect their individual profitability.

DATA ANALYSIS AND DISCUSSIONS

Retailing in 21st century witnessed levels of market velocity and volatility that demands completely new approach to market and retail intelligence. The information that retailer would need to understand the diversity of retailing is demographic trends. Respondents are asked to respond on seven demographic factors which are Age, gender, Martial status, family -size, education, occupation and income.

It is depicted from table. 1 that, out of 75 respondents 59.33% are male and 40.67% are females. The study includes different age groups, out of which 42.67% of them belong to 25-35 years and 36 % of them are below 25 years, 14.67% of them belong to age group 35-50 and only 6.67% of the respondents belong to age group 51 and above. From this statistics it is clear that most of them are young people mainly up to the age of 35 years. Qualification wise 34.67% are post-graduates, 30% are graduates and 25.33% are under graduates and rest 10% are below matriculation. Martial status of 63.33% respondents was married and rest 36.67 % is unmarried. People from Service sector ranked high in participation with 36.67% and 26.67% are professionals, 22.6 % are students, 8 % of them are businessmen and 5.33% are from other background. Coming to family size 45.33% are living with family of size 4 to 6 and 41.33% of them are below 4 members. Annual income of 36.67% of the respondents was from 25,000 to 50,000, 27.33% earn above 50,000 and 20% of them earn below 10,000 and rest of them earn 10,000 to 25,000 per month.

TABLE 1: DEMOGRAPHIC PROFILE OF RESPONDENTS

Demographic Factors	Particulars	Frequency (n = 75)	100%
Age	Below 25	27	36.00%
	25-35	32	42.67%
	35-50	11	14.67%
	51 and above	5	6.67%
Gender	Male	44	59.33%
	Female	31	40.67%
Education	Matriculation and below	8	10.00%
	Under Graduate	19	25.33%
	Graduate	22	30.00%
	Post Graduate	26	34.67%
Martial status	Unmarried	28	36.67%
	Married	47	63.33%
Family Size	Below 4 members	31	41.33%
	4 to 6	34	45.33%
	More than 6	10	13.33%
Occupation	Student	17	22.67%
	Business	6	8.00%
	Professional	20	26.67%
	Service	28	36.67%
	Others	4	5.33%
Annual Income	Rs.10,000 and below	15	20.00%
	Rs.10,000 to Rs.25,000	12	16.00%
	Rs.25,000 to Rs.50,000	27	36.67%
	Rs.50,000 and above	21	27.33%

Source: Based on survey conducted by the researcher

Analysis suggests that majority of respondents are males. Majority of respondents are young people under 35 years, maximum no of respondents were post graduates, majority of the respondents are married (63.3%), majority of the respondents are dominated by customer whose family size was 4 to 6. Analysis also indicates that maximum number of customers belongs to service sector and majority of the customers are earning income Rs.25000 to 50,000 per month.

TABLE 2: SHOPPING PREFERENCE OF RESPONDENTS

Sl. No.	Preference	Frequency	100%
1	Wholesalers	9	12.00%
2	Retail outlets	61	81.33%
3	Distributor	4	5.33%
4	Others	1	1.33%

Source: Based on survey conducted by the researcher

The value of service can be measured only through experience and perception of the customers. This experience is ultimately got from the place where the consumers shop their products. To succeed and win in this environment, the focus should be on customers buying experience. So the information thus analyzed from Table: 2 indicate that majority of the respondents prefer to shop from retailers (81.33%) and the reason mainly being the total experience which they derive from the retail store.

TABLE 3: MODE OF PAYMENT

Sl. No.	Mode of Payment	No. of Respondents	100%
1	Credit / Debit Card	49	65.33%
2	Cash	24	32.67%
3	Others	2	2.00%

Source: Based on survey conducted by the researcher

From the above Table 3: analysis indicates that majority of the respondents(65.33%) prefer to pay by credit/debit cards and only few respondents (32.67%) prefer to purchase on cash and 2% respondents prefer to pay through other modes.

TABLE 4: EFFECT OF PRODUCT ATTRIBUTES ON CRM

Product Attributes	Not Imp. 1	Least Imp.2	Somewhat Imp. 3	Very Imp.4	Extremely Imp. 5	Position Weights	Rank
Product	0	0	5	33	37	332	1
Price	0	3	9	29	34	319	2
Variety	2	3	20	26	24	292	5
Quality	0	0	18	26	31	313	3
Availability	1	4	18	24	28	299	4

Source: Based on survey conducted by the researcher

The success of the retailer depends upon how consumers perceive about the product attributes Therefore the retailers need to identify the various influences that lead up to a purchase not just the store where the purchase was made. So considering these influences the study measured five variables under product attributes namely, product, price, variety, quality, availability and also analyzed the factors which effect consumers in purchase decision. The respondents were asked to rate the various factors in order of their preference. Analysis from the above table indicates that originality of the product was given highest preference followed by price, product quality, product availability and product variety. So the above analysis indicates that Indian customers are more price sensitive and give more preference to originality of the product.

TABLE 5: CUSTOMERS PERCEPTIONS ON RETAILING AND STORE ATTRIBUTES

Sl. No.	Description	Strongly Disagree 1	Disagree 2	Neither Agree nor Disagree 3	Agree 4	Strongly Agree 5	Position Weights	Ranks
1	You prefer to buy from the retail store that delivers more value	6	15	12	25	17	257	5
2	you like to shop from the retail store that has good ambience	22	6	14	24	9	217	10
3	Location and convenience always affects your purchase decision	2	5	23	29	16	277	3
4	Retailers always provides better information than wholesalers	17	7	15	26	10	230	9
5	You prefer to purchase from the retail store that maintains good customer relationship	5	15	13	26	16	258	4
6	You prefer to shop from the retail store that provides good promotional offers and discounts	2	4	19	26	24	291	2
7	Sales personnel always drives you to a particular store	15	6	16	27	11	238	8
8	Advertising always influence your purchase decision	28	7	12	22	6	196	11
9	You prefer to shop from the retail store that provides good parking facilities	12	8	15	28	12	245	7
10	You prefer to shop from the retail store that provides best customer service	5	1	8	31	30	305	1
11	Retailers are always good in understanding customers perceptions	6	18	12	25	14	248	6
12	Speed of delivery always affects your purchase decision.	10	12	12	27	14	248	6

Source: Based on survey conducted by the researcher

Increased competition and expansion of retail markets has forced many retailers to rethink their strategies. Competing and winning in a value driven world requires the retailers to develop a comprehensive strategies which involve in understanding customers perceptions on retail attributes. So the study identified twelve factors for measuring store and retail attributes which forms the base in designing retail strategy. The twelve variables are value, ambience, location, sales personnel, information, customer relationship, promotional offers and discounts, speed of delivery, advertising, customer service, parking facilities and finally retailer's ability in understanding customer's perceptions. From the above table:5 analysis indicates that customer service has been given highest preference followed by promotional offers and discounts, purchase decision, customer relationship management and retail store that delivers more value. The research also identified that customers felt that retailers are better in understanding customer's perceptions because they are the persons who are directly in contact with customers. Parking facilities and sales personnel have moderate effect on customers and advertising and ambience has least effect on customers.

INDIAN RETAIL SECTOR IN 21ST CENTURY

The waves of changes that have transformed the Indian retail industry are:

1. Indian customers shifting from unorganized stores retail format to organized retail formats like supermarkets and malls.
2. LPG was the first wave of change which has revolutionized the Indian retail sector. It means liberalization, privatization and globalization have brought major changes in retailing and assisted the companies for cash and carry trading and wholesale trading. So, various government norms will open up strategic investment opportunity for global retailer to invest in India.
3. CRM is the second wave which now transformed and paved the way for CEM (customer experience management). To withstand the global competition and compete successfully in the 21st century retailers must focus on customer buying experience.
4. Uniqueness of Indian customers and their changing preferences is another wave of Indian retail sector So, the retailers in this 21st century must make continuous efforts in understanding customer's perceptions and must create diversified and innovative retail formats.

OPPORTUNITIES IN INDIAN RETAILING IN 21ST CENTURY

1. **Productive and Young Working Class:** Increase in young and talented population and also the working women class have created high disposable incomes that lead to higher consumption and thus opened the doors for more opportunities for retailers to flourish.
2. **Revolution in IT and Internet:** Internet revolution and E-tailing are allowing global brand to understand Indian customers mind and influence them even before entering the market. Due to the wide reach of media even in remote markets, consumer's awareness on global brands are increasing and providing better opportunities for global retailers in India.

3. **Untapped Rural Market in India:** Indian rural market offers lots of opportunity for retail sector. So the retailers can exploit the opportunities and tap the Indian rural market with focused attention and strategies.
4. **India-'A Vibrant Economy':** Indian retail market is both organized and unorganized and is expected to be growing very fast. Indian economy is expanding opportunities for global retailers through organized retail. India topped the list of emerging markets for retail investment and the fastest growing economies in the world. It means India is definitely a country for healthy investments and provides better opportunities for retailing.

CHALLENGES TO INDIAN RETAIL SECTOR

The biggest challenge to the Indian retail sector is to concentrate on the wastages in storage as well as in the operations of the existing food supply chains in the country. Also develop a strong back-end support to retailers, which includes…

1. Sustainability
2. Tax structure-because it favors small retail business
3. High costs of real estate
4. Poor infrastructural facilities.
5. Lack of adequate retail research in India.
6. Shortage of trained manpower.

CONCLUSION AND SUGGESTIONS

The study provides an insight to test the effect of Indian customer's perceptions on retail attributes in the changing business scenario in 21st century. Findings suggest that:

1. Store attributes have least effect on customers compared with product attributes.
2. Customers are more inclined to the retail store that offer better customer services, promotional offers and discounts.
3. Majority of the customers prefer to purchase from retail outlets on cash payment mode. This indicates that there are better opportunities for growth in Indian retail sector.
4. Originality of the product was given highest preference and Indian customers are more price sensitive and quality conscious.
5. Location and customer relationship management are another important factors identified by the customers because they want to reduce the time, energy and other costs involved in shopping from a retail store.

To compete successfully in this 21st century retailer must focus on "customer buying experience". Sustainability of the fittest and fastest in the market is the mantra of today's game plan. So the difference between a successful retailer and a failed one would be in Understanding customer's perceptions, speed in reaching customers, updating with latest trends, ideas, and services and forming long term relations with customers. Therefore the future belongs to the multi-cannel retailers which provides all in one roof rather than the single- channel retail stores that offer a network of channels and store formats that are more transparent to customers delivering high value.

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ROLE OF CELEBRITY ENDORSEMENT ON PURCHASE BEHAVIOUR

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ABSTRACT

Celebrity endorsement has long been a debatable topic. Over a period of time it has become a calculated formula of using a celebrity for product endorsement for sales increase and making a product huge success in market. With the cut throat competition edging up the question which is posed is celebrity endorsement formula fixed formula for generating sales volume. The research paper is an attempt to study the effectiveness of celebrity endorsement in advertisement on consumer behavior with perspective to various sectors (Automobile/Textile/FMCG/Retail).Statistical tools like ANOVA, Chi Square, and Paired Sample T test have been used for deriving conclusion. The paper concludes that celebrity endorsement is an effective tool for advertisement but the result will vary with the sectors therefore proper feasibility study should be conducted before paying off the handsome amount to celebrity for endorsing a product.

KEYWORDS

Celebrity endorsement, product, effectiveness.

INTRODUCTION

Celebrity endorsement relates to an imaging of a product through a person who is well known for his achievement and is public face. Over the period of time the company has started adopting the fundamental of widely using well known face for promoting a product. For eg. Sachin Tendulkar for Boost, Salman Khan For Revital etc. General belief among the advertisers is that product advertised by celebrity endorsement has profound value on recall, attention and retention. The paper therefore reviews the impact of celebrity endorsement on purchase behavior among the various product categories.

LITERATURE REVIEW

According to **Friedman and Friedman (1979),** a "celebrity endorsement is an individual who is known by the public for his or her achievements in area other than that of the product class endorsed. Marketing has sought to use the varied meaning personified by celebrities to assist the achievement of certain advertising objective **(O'Mahony & Meenaghan, 1997).**The celebrity endorser remains a favorite among advertising agencies **(Kamins, 1990). Atkin and Block (1983); Petty et al. (1983) and Ohanian (1991)** suggest that celebrity endorser produced more positive attitudes towards advertising and greater purchase intentions than a non-celebrity endorser. **McCracken (1989)** contends that even the most heavily stereotyped celebrity represents not a single meaning but interconnected set of meanings.. **Kaikati (1987); Erdogan (1999)** believes that celebrities with world-wide popularity can help companies break through many such roadblocks like time, space ,language , relationship, power, risk, masculinity, femininity and many others **(mooij 1994; Hofstede 1984).**Research suggest that the type of endorses may interact with the type of the product endorsed and found that celebrity endorser are more appropriate where products involve high social and psychological risk **(Atkin and Block 1983; Friedman and Friedman 1979; Kamins 1989; kamins et al.1989).**

On a similar line, **Packard (1991)** believes that a celebrity endorsement strategy is effective in selling products and services as symbols since celebrities are individuals of the indisputably high status. According to **Woodside and taylor (1978)**, consumers related higher quality products with more heavily advertised products. On the other hand, **call coat and Phillips (1996)** found that consumers are generally influenced by spokespersons if products are inexpensive, low-involving and few differences are perceived among available brands. Specific image, high profile and familiarity of a celebrity endorser make the advertisement distinctive and thus improve the communicative ability **(Atkin and block 1983; Sherman 1985)**. Research has also found an impact of celebrity image on a perceived brand image (Walker et al 1992) which helps the marketer to reposition an existing brand or design or introduce the new brand (Kaikati 1987). The use of celebrity endorser has also been found to generate a positive impact on the economic return of the firm **(Agrawal and Kamakura 1995; Mathur et al.1997)**

NEED OF THE STUDY

The number of celebrities endorsing brands has been steadily increasing over the past years. Marketers overtly acknowledge the power of celebrities in influencing consumer-purchasing decisions. It is a ubiquitously accepted fact that celebrity endorsement can bestow special attributes upon a product that it may have lacked otherwise. Looking this scenario questions that then arise are: How is the consumer's attitude towards celebrity endorsed brand and what effects does celebrity endorsed branding on consumers purchasing behavior.

OBJECTIVES OF THE STUDY

- To identify the influence of celebrity endorsement on consumer buying behavior
- To determine purchase attitude that is influenced by the celebrity endorsement
- To find out which type of celebrity persona is more effective
- To determine industries in which celebrity endorsement has great impact
- To determine the fit between the celebrity and the brands endorsed by her/him

HYPOTHESES

H1: There is a significant association between age and purchase attitude towards celebrity endorsement
H2: There is a significant association between gender and buying behavior towards purchase
H3: There is a significant relationship between monthly income and buying behavior towards purchase
H4: There is differentiation between brand endorsed by mascots and celebrity personnel
H5: There is significant difference for the preference of products (In auto mobile/ In textile/ In FMCG/ In Retail) while buying a product among different age group people

RESEARCH METHODOLOGY

Research Design	Descriptive
Source Of Data	Primary: Questionnaire, Personal Interviews Secondary: Internet, websites, Organizational reports, Case studies, Business magazines, Books, Journals.
Sample Size	200 consumers
Sampling Frame	Serviceperson, Businessman, Household people, Students
Sampling Technique	Convenience sampling
Statistical Techniques	Chi square, Paired Sample T Test, One way ANOVA Test
Scope of the study	Ahmedabad city

RESULTS AND DISCUSSION

HYPOTHESIS TESTING

H1: There is a significant association between age and purchase attitude towards celebrity endorsement

TABLE 1.1: DESCRIPTIVE STATISTICS

	N	Mean	Std. Deviation	Minimum	Maximum
Age	200	1.2250	.58831	1.00	4.00
celebrity endorsement is an effective tool of persuasion of buying a product	200	2.1100	1.05044	1.00	5.00

TABLE 1.2

Variables	Independent Variable	Dependent Variable	Chi-Square Value	Level of Significance Alpha Value
Age celebrity endorsement is an effective tool of persuasion of buying a product	Age	celebrity endorsement is an effective tool of persuasion of buying a product	0.000	0.05

Interpretation

Here, the Chi-square value for age and purchase attitude towards celebrity endorsement is 0.000 which is less than the alpha value of 0.05. Therefore H_o would be rejected which means that There is an association between age and purchase attitude towards celebrity endorsement.

H2: There is a significant association between gender and buying behavior towards purchase

TABLE 2.1: DESCRIPTIVE STATISTICS

	N	Mean	Std. Deviation	Minimum	Maximum
Factors affect your buying behavior towards a purchase	200	2.9150	1.85336	1.00	7.00
Gender	200	1.3750	.51546	1.00	4.00

TABLE 2.2: TEST STATISTICS

	Factors affect your buying behavior towards a purchase	Gender
Chi-Square	128.020[a]	119.710[b]
Df	6	2
Asymp. Sig.	.000	.000

Interpretation

Here, the Chi-square value for gender and buying behavior towards purchase is 0.000 which is less than the alpha value of 0.05. Therefore H_o would be rejected which means that there is relationship between gender and buying behavior towards purchase which means male and female act differently while making purchase decision.

H3: There is a significant relationship between monthly income and buying behavior towards purchase

TABLE 3.1: DESCRIPTIVE STATISTICS

	N	Mean	Std. Deviation	Minimum	Maximum
monthly income	200	1.6750	1.05591	1.00	5.00
Factors affect your buying behavior towards a purchase	200	2.9150	1.85336	1.00	7.00

TABLE 3.2: TEST STATISTICS

	monthly income	Factors affect your buying behavior towards a purchase
Chi-Square	248.150[a]	128.020[b]
Df	4	6
Asymp. Sig.	.000	.000

Interpretation

Here, the Chi-square value for monthly income and buying behavior towards purchase is 0.000 which is less than the alpha value of 0.05. Therefore H_o would be rejected which means that there is relationship between monthly income and buying behavior towards purchase.

H4: There is differentiation between brand endorsed by mascots and celebrity personnel.

TABLE 4.1: PAIRED SAMPLES STATISTICS

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	**Mascots**	3.0900	200	1.21626	.08600
	Personnel	2.8550	200	1.27361	.09006

TABLE 4.2: PAIRED SAMPLES TEST

		Paired Differences					t	Df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	mascots – personnel	.23500	2.21229	.15643	-.07348	.54348	1.502	199	.135

Interpretation

Here, the Paired Samples Test value is 0.135 which is more than the alpha value of 0.05. Therefore H_o would be accepted which means that There is no differentiation between brand endorsed by mascots and celebrity personnel.

H5: There is significant difference for the preference of products (In auto mobile/ In textile/ In FMCG/ In Retail) while buying a product among different age group people

TABLE 5

Variable		Significant value	Level of Significance Alpha Value
Independent	Dependent		
Automobile	Age	0.229	0.05
Textile	Age	0.682	0.05
FMCG	Age	0.685	0.05
Retail	Age	0.508	0.05

Interpretation

One Way ANOVA Test value is 0.229, 0.682, 0.685, and 0.508 for the preference of product in auto mobile, textile, FMCG, retail industry respectively which are more than the alpha value of 0.05. Therefore H_o would be accepted which means that There is no significant difference for the preference of products (In auto mobile/ In textile/ In FMCG/ In Retail) while buying a product among different age group people.

FINDINGS

- It was found that celebrity endorsers do have influence on buying behavior of consumers. Moreover celebrity persona helps in brand recognition, help in gaining attention and save the brand from clutter.
- It was found that bollywood stars are more effective than other type of celebrity persona because these people have high amount of fame than other type of celebrity persona and moreover consumers are more attracted by bollywood stars.
- In retail and textile, celebrity endorsement has more impact buying behavior as compared to auto mobile and FMCG industry.
- 39.5% of respondent strongly agree and 40% of respondent agrees on that there should be personality match between product and celebrity because if there is match between personality of product and celebrity than consumer can easily associate brand with celebrity and probability of brand recognition is more in such cases.
- There is an association between age and purchase attitude towards celebrity endorsement. There is relationship between gender and buying behavior towards purchase.
- There is relationship between monthly income and buying behavior towards purchase.
- There is no differentiation between brand endorsed by mascots and celebrity personnel.
- There is no significant difference for the preference of products (In auto mobile/ in textile/ In FMCG/ In Retail) while buying a product among different age group people.

CONCLUSION

The research paper concludes that consumer gives first importance to price as Indian Market is called as price driven while making purchase decision and second most influential factor is celebrity endorsement and moreover bollywood stars are more likable celebrity persona among respondents. Of all sectors automobile industry people are least preferential towards celebrity endorsement so it is advisable for company to focus on other factors which are more important to consumers in this industry.

LIMITATIONS AND FUTURE SCOPE OF RESEARCH

Research paper concludes that Company should use such celebrity for endorsement whose personality match with product so that consumer can easily connect celebrity with brand that endorsed by them. The sample size taken is too small and therefore data cannot be generalized .The future study should focus on the various aspects of celebrity endorsement which influence the purchase decision.

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STUDY OF THE PRODUCTS OF LAKME COMPANY LTD. WITH REFERENCE TO PUNE CITY

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ABSTRACT

Lakme is an Indian brand of cosmetics, owned by Unilever. It started as 100% subsidiary of Tata Oil Mills (TOMCO) which was a part of Tata group, named after French opera meaning goddess of wealth. Indian cosmetic Lakme was started in 1952. The then Prime Minister Jawaharlal Nehru personally requested JRD Tata to manufacture them in India. Simone Tata joined the company as director and later on become the chairman. In 1996 Tata's sold off their stakes to HUL for Rs.200 crores(45 million US $). Lakme still occupies a special place in the hearts of Indian women. The present research paper highlights on the satisfaction level of the customers to Lakme, it also tries to find out who are its competitors and what are the various products of Lakme used by the customers.

KEYWORDS
Lakme, cosmetics, satisfaction, preference.

INTRODUCTION
Lakme, a brand originally introduced by the TATA group of India now bought by HUL (Hindustan Uniliver Ltd) produces different range of cosmetics. The current size[1] of the Indian Cosmetic market is approximately around US $ 600 million. Industry sources estimated that there is a rapid growth of 20% p.a. across different segment of the cosmetics industry.

STATEMENT PROBLEM
To look beautiful is the right of every women. Cosmetics helps to enhance the external beauty of individuals. The present study tries to find out the level of satisfaction the customers have after using the products of Lakme, hence, it focuses o n the "Study of the products of Lakme Ltd with reference to customers satisfaction in Pune'

Under the light of the above certain questions have been raised for the purpose of the study
1. Do these products really make women look beautiful?
2. Do they have any side effects?
3. It is feasible to use these products?
4. Are women happy and satisfied after using these products?

OBJECTIVES OF THE STUDY
Under the light of the following objectives the following study has been undertaken :
1. To study the customer satisfaction of the products of Lakme.
2. To Study various products produced by Lakme.
3. To know the competitors of Lakme in the beauty products world.

HYPOTHESIS
H0 – 70% of Lakme users are completely satisfied with the product
H1- Less than 70% Lakme users are not completely satisfied with the products

RESEARCH METHODOLOGY

Sample Size	50 women
Sampling Technique	Convenience Sampling
Statistical Tools	Specified proportion test (large sample test)

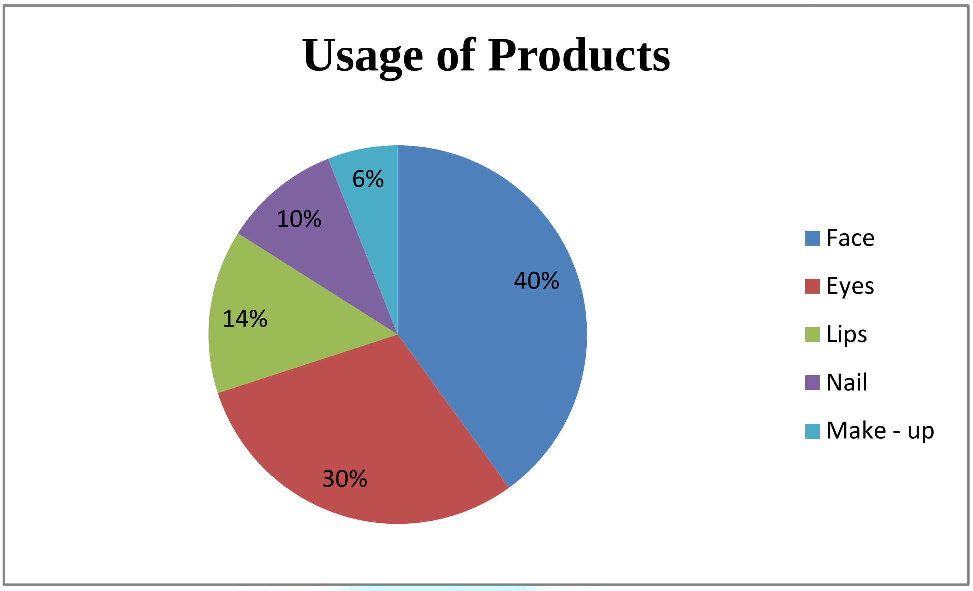
Primary Data: Information was collected through structure questionnaire , convenience sampling was used. The data was complied and presented in diagrammatic form by using pie-charts and bar diagrams, hypothesis was tested by applying chi-square as a statistical tool.
Secondary Data: Secondary data was collected from the published articles, papers, magazines.
FINDINGS
The variables under which the following study was based is as follows:
Price, Quality standards, Durability, Quality, Attractiveness and Usage
DATA ANALYSIS
1. **Cosmetics in Use:** Lakme produces various cosmetics. The cosmetics produced by Lakme are used for Nails, Eyes, Lips, Face and for Make-up . The following data shows the usage of the products, women use the range of cosmetics either for nails, eyes, face or as make-up.

TABLE 1: COSMETICS IN USE (USAGE OF PRODUCTS)

Usage of Product	Percentage
Face	40%
Eyes	30%
Lips	14%
Nail	10%
Make - up	6%

[1] Feminaindia-pg14-The Indian Cosmetic Market-2011

GRAPH 1 : USAGE OF PRODUCTS



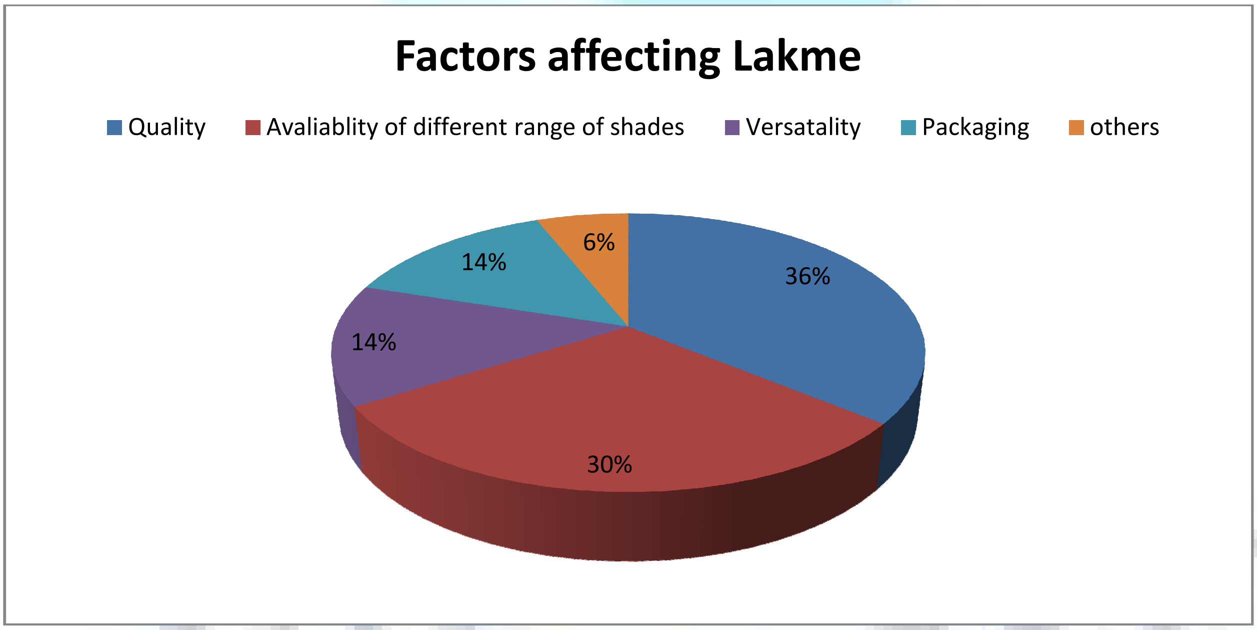
From the above data it is inferred that maximum percentage i.e. 40% women prefer to buy face products like powder, foundation, cleanser, lotion, sun-protection , fairness cream and sindoor. Only 6 % women prefer the make-up sets.

2. **Factors affecting Lakme**: The factors which attract Lakme products are like different range of colours and shades, the quality of the products, their packaging, its versatility and other factors.

TABLE 2: FACTORS AFFECTING LAKME

Factors affecting Lakme	Percentage
Quality	36%
Availability of different range of shades	30%
Versatality	14%
Packaging	14%
Others	6%

GRAPH 2: FACTORS EFFECTING LAKME



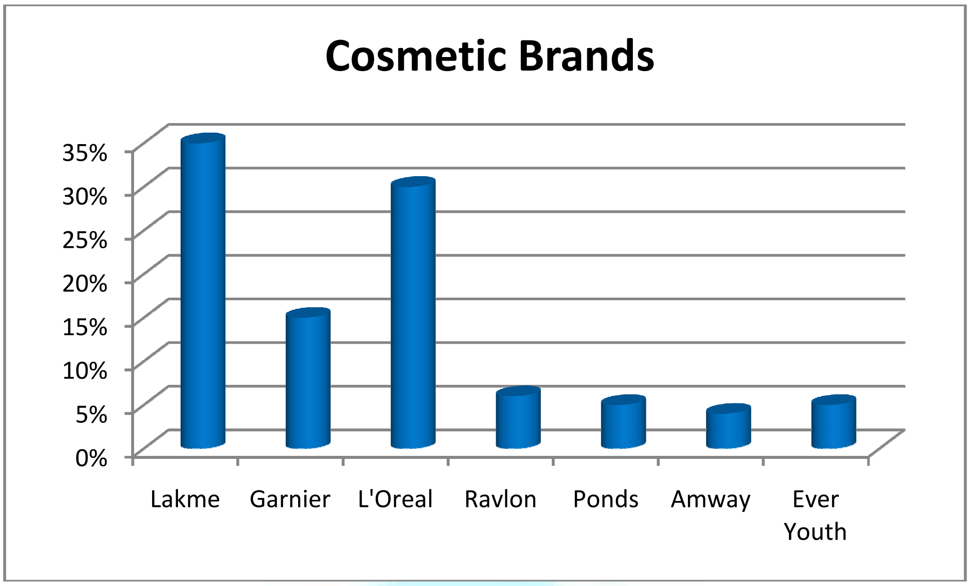
36% of women get attracted towards lakme products because of its quality, 30 % women are attracted because of its availability of different shades , 14 % gets attracted because of its versatility , 14 % prefer the packaging and 6% covers the other factors.

3. **Brands of Cosmetics:** There are different cosmetic brands used by women. The different brands in the cosmetic products are L'Oreal, Ponds, Garnier, Oliva, Ravlon, Everyouth, Yardly and Avon. These brands are also the competitors for Lakme.

TABLE 3: DIFFERENT BRANDS OF COSMETICS

Different brands	Percentages
Lakme	35%
Garnier	15%
L'Oreal	30%
Ravlon	6%
Ponds	5%
Amway	4%
Ever Youth	5%

GRAPH 3: BRANDS OF COSMETICS



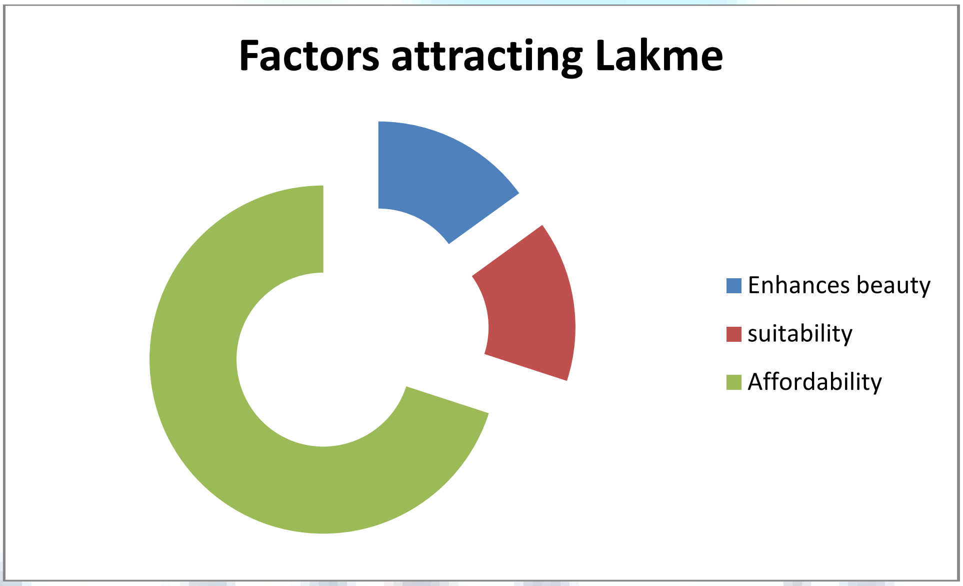
35% of women prefer to use the products produced by Lakme. Lakme is their first choice, then comes L'Oreal and then Garnier. 4% use Amyway and 5 % use Everyouth.

4. **Factors attracting Lakme** : Lakme products are preferred by woman because of different factors like it help to enhance beauty, it's easy availability , it is properly priced and suitable and easy to carry anywhere.

TABLE 4: FACTORS ATTRACTING LAKME

Factors attracting Lakme	Percentages
Enhances beauty	15%
suitability	15%
affordability	70%

GRAPH 4: FACTORS ATTRACTING LAKME



70% customer like the product because of its affordability as it is reasonable priced

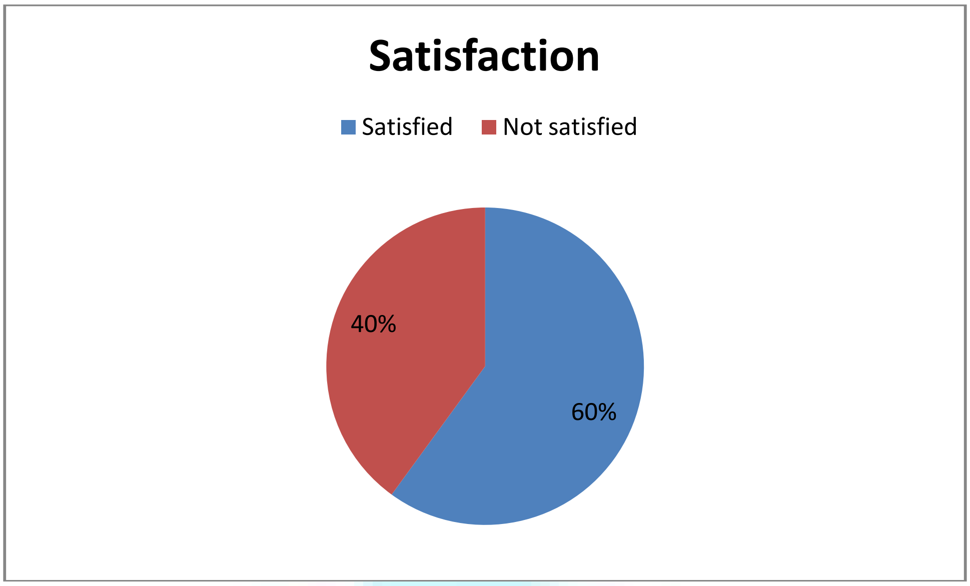
5. **Other factors** : There are other factors which attract women (1) satisfaction from the products (2) side effects the product after using them.

a) **Satisfaction** : Do the product provide overall satisfaction the customer. 60% customers are satisfied with the products and 40% customers are not satisfied with the products.

TABLE 5.1- SATISFACTION

Satisfaction	Percentages
Satisfied	60%
Not satisfied	40%

GRAPHS 5.1 - SATISFACTION

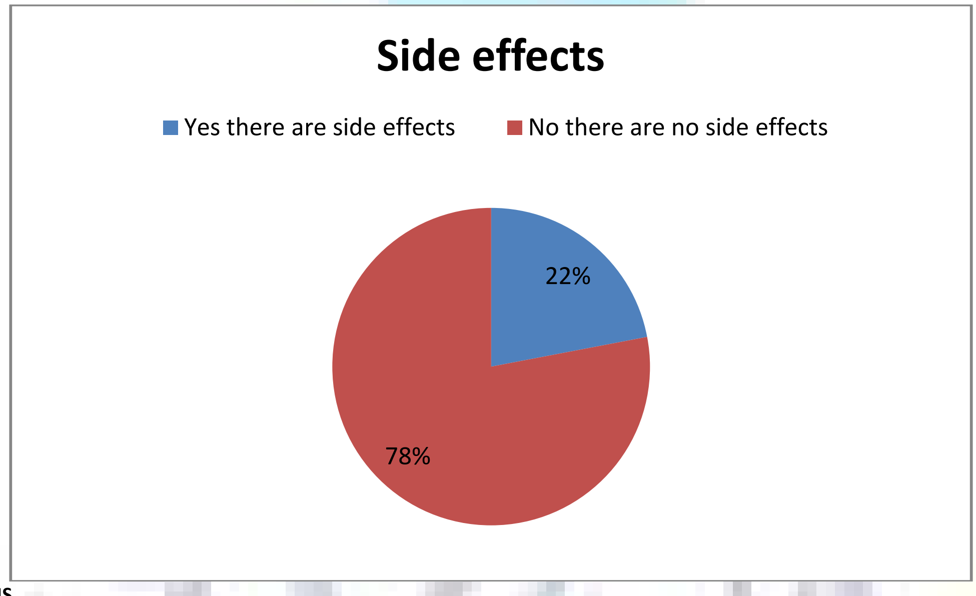


b**. Side-effects**: Cosmetics normally have side-effects, like skin rashes, dry skin, pores skin or skin turning black. 78% of customers agree to the fact that the products does not have any side effects. While 22% say that the product has side effects.

TABLE 5.2 - SIDE EFFECTS OF THE PRODUCT

Side effects	Percentages
Yes there are side effects	22%
No there are no side effects	78%

GRAPH 5.2 - SIDE EFFECTS OF THE PRODUCT



TESTING OF HYPOTHESIS

H0 : 70% of Lakme users are completely satisfied with the product
H1 : Less that 70% are not satisfied with the product
Specified proportion test was applied (large sample test)
Hypothesis is accepted at 5% and 1% levels

OBSERVATIONS

Customers prefer face, eyes, lips and nail products of lakme. Lakme faces huge competition in the market and the competition is increasing day by day. It is the quality factor of lakme that attracts a large number of customers. The products are reasonable priced in comparison to its quality and other products. As such the products of lakme have attracted women and they are happy and satisfied to use the products. Hence it can be said that the products of lakme have created a brand image in the minds of the customers.

CONCLUSION

The study highlights the satisfaction level of customers using cosmetic products. Lakme as a company has to concentrate on its brand image by taking certain strategic steps because firstly it has competition with the international brands like Garnier, L'oreal and secondly the local markets for cosmetics is not so dynamic, the local market has goods with cheaper quality and low price. However, it would be interpreted by saying that the t Cosmetic industry in India has got long way to go it has to create an image and awareness amongst customers and should emphasize on the quality and service factors to have an competitive edge over other.

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ROLE OF WORKING CAPITAL FINANCING IN SMOOTH RUNNING OF A BUSINESS: AN EVALUATIVE STUDY

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ABSTRACT

Working capital is the money needed to fund the normal, day to day operations of the business. Working capital is how much in liquid assets that a company has on hand. Working capital is needed to pay for planned and unexpected expenses, meet the short-term obligations of the business, and to build the business. Working capital is the life blood and nerve centre of a business. Just as circulation of blood is essential in the human body for maintaining life, working capital is very essential to maintain the smooth running of a business. No business can run successfully with out a sufficient amount of working capital Working capital shows strength of business in short period of time. If a company have some amount in the form of working capital, it means Company have liquid assets, with this money company can face every crises position in market. If Company has sufficient working capital, Company can easily pay off the creditors and create his reputation in market. But if a company has zero working capital and then company can not pay creditors in emergency time and either company becomes bankrupt or takes loan at higher rate of interest. New businesses and small firms often find themselves in working capital crunches. Without adequate working capital, they cannot build inventory or purchase raw materials. Every business needs some amount of working capital for smooth running of the business. The need of working capital arises due to the time gap between production and realization of cash from sales. Again, both excess as well as short working capital positions are very bad for every business. The analysis of working capital can be conducted through a number of devices, such as ratio analysis, funds flow analysis, and budgeting.

KEYWORDS

working capital, finance.

INTRODUCTION

Funds required for a business can be classified as long-term purposes and short-term purposes. Long-term funds are required to create production facilities through purchase of fixed assets and investment in these assets which are blocked on a fixed basis called fixed capital. Such as, purchase of Plant and machinery, land and building furniture, etc. Short – term funds are also needed for the purchase of raw materials, payment of wages of workers and other day to day expenditures. These funds are known as working capital. Working capital is the money needed to fund the normal, day to day operations of the business. Working capital is how much in liquid assets that a company has on hand. Working capital is needed to pay for planned and unexpected expenses, meet the short-term obligations of the business, and to build the business. In other word, working capital represents that part of the firm's capital which is required for financing current assets such as cash, debtors, inventories, etc. Working capital is the life blood and nerve centre of a business. Just as circulation of blood is essential in the human body for maintaining life, working capital is very essential to maintain the smooth running of a business. No business can run successfully with out a sufficient amount of working capital Working capital shows strength of business in short period of time. If a company have some amount in the form of working capital, it means Company have liquid assets, with this money company can face every crises position in market.

OBJECTIVES OF THE STUDY

The study aims at:

1. Discussing the conceptual aspect of 'Working Capital;
2. Highlighting the classification of working capitals;
3. Critically analyzing about the importance and significance of working capital for smooth running of a business.
4. Discussing the working capital analysis or measuring the working capital
5. Making concluding remarks.

METHODOLOGY

The study on 'Role of Working Capital financing in smooth running of a business: An evaluative study' is based on secondary sources of data. The main sources of data are different books, journals, and newspapers. This apart, the related websites have also been searched for having information/data.

Concept of Working Capital: There are two concept of working capital -

a. Balance Sheet Concept and
b. Operating Cycle Concept

Balance Sheet Concept: According to the Balance Sheet concept of working capital may be two types –

1. Gross Working capital and
2. Net Working capital

Gross Working capital: Gross working capital is the sum total of all current assets i.e., the capital invested in total current assets of the business concern. Current asset means the asset which in the ordinary course of business can be converted in to cash with in a short period of time. Such as cash in hand, bank balances, debtors, bills receivables, inventories etc. Therefore,

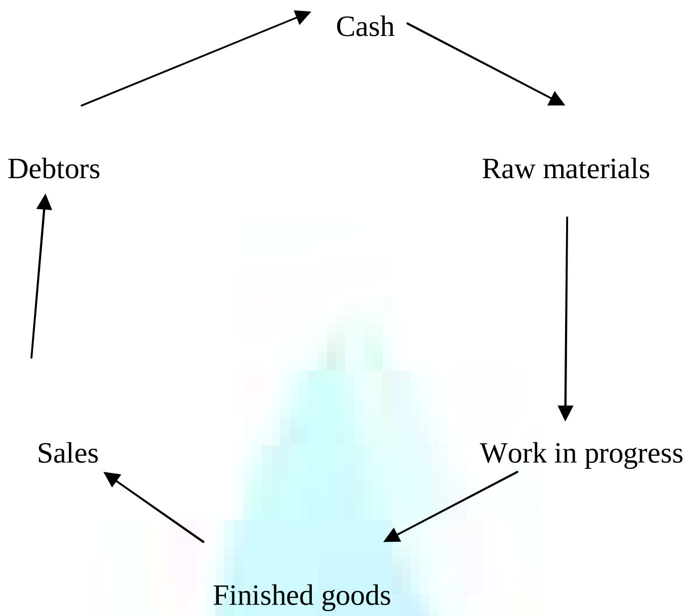
Gross Working Capital = Total Current Assets

Net Working capital: Net working capital is the excess of current assets over current liabilities. Current liabilities are the liabilities which are to be paid within a short period of time normally one year out the current assets or the income of the business. Such as bills payable, sundry creditors, bank overdraft, etc.

Net Working capital = Current Assets – Current Liabilities.

Operating Cycle Concept: This concept is based upon working capital cycle of a firm. The cycle starts with the purchase of raw materials and ends with the realization of cash from the sale of finished goods after conversion the raw materials in to finished goods through work- in-progress. Longer the period of cycle requires the large amount of working capital.

WORKING CAPITAL CYCLE



The gross operating cycle = Raw Material Conversion Period + WIP Conversion Period + Finished Goods Conversion Period + Receivables Conversion Period.
Net Operating Cycle Period = Gross Operating Cycle Period – Payable Deferral Period

WORKING CAPITAL: CLASSIFICATION

Working capital can be classified on the basis of concept and on the basis of time. On the basis of concept working capital is classified as gross working capital and net working capital. On the basis of time, working capital may be two types' viz permanent or fixed working capital and Temporary or variable working capital.

Permanent or Fixed Working Capital

In any business, there is always a minimum amount of working capital which is required to carry out its normal business operations like to maintain a minimum level of raw materials, WIP, finished goods and cash balance. This minimum level of working capital is called Permanent or Fixed Working Capital. Fixed working capital may also classify as *Regular Working Capital and Reserve Working Capital*.

Regular Working Capital: Regular working capital is the amount which is required to ensure circulation of current assets from cash to inventories, from inventories to receivables and from receivables to cash and so on.

Reserve Working Capital: Reserve working capital is the excess amount of requirement of regular working capital which may be provided for contingencies that may arise due to strikes, rise in prices, depression, etc.

Temporary or Variable working capital

Temporary or variable working capital is the amount of working capital which is required to meet seasonal demands and some special contingencies. This working capital can be further sub divided as seasonal working capital and special working capital.

Seasonal Working Capital: The working capital required to meet the seasonal needs of the enterprise is called seasonal working capital. Most products are affluent to seasonal demands and a manufacturer working for profit can not but meet this additional demand. This problem is more complicated by the fact the most of the raw materials (especially when they are agriculture based) are available only at certain seasons of the year, e.g., cotton, jute, sugarcane. Thus a manufacturer will need seasonal working capital either for stocking raw materials or for holding the finished goods until the season of demand arrives.

Special Working Capital: Special working capital is required to meet special exigencies such as launching of extensive marketing campaigns for conducting research, etc. The need for such a mind of capital arises during very strange situations caused by floods, droughts and other natural calamities which destroy current assets. A similar situation is found in the event of rising prices of commodities. Yet another situation arises when a concern has to undertake an extensive marketing campaign in order to overcome the severe competition or to introduce a new product to the market. All these are unusual situations and hence require special fund called special working capital.

IMPORTANCE OR SIGNIFICANCES OF WORKING CAPITAL

Some time, if creditors demand their money from company, at this time company's high working capital saves company from this situation. You know that selling of current assets is easy in small period of time but Company can not sell their fixed assets with in small period of time. So, if Company has sufficient working capital, Company can easily pay off the creditors and create his reputation in market. But if a company has zero working capital and then company can not pay creditors in emergency time and either company becomes bankrupt or takes loan at higher rate of Interest. In both condition, it is very dangerous and always Company's Account Manager tries to keep some amount of working capital for creating goodwill in market.
Positive working capital enables also to pay day to day expenses like wages, salaries, overheads and other operating expenses. Because sufficient working capital can not only pay maturity liabilities but also outstanding liabilities without any more delay.
One of the advantages of the positive working capital is that company can do every risky work without any tension of self security.
The advantages of working capital or adequate working capital may be enumerated as below: -

1. **Cash Discount**

If a proper cash balance is maintained, the business can avail the advantage of cash discount by paying cash for the purchase of raw materials and merchandise. It will result in reducing the cost of production.

2. **It creates a Feeling of Security and Confidence**

The proprietor or officials or management of a concern are quite carefree, if they have proper working capital arrangements because they need not worry for the payment of business expenditure or creditors. Adequate working capital creates a sense of security, confidence and loyalty, not only throughout the business itself, but also among its customers, creditors and business associates.

3. **'Must' for Maintaining Solvency and Continuing Production**

In order to maintain the solvency of the business, it is but essential that the sufficient amount t of fund is available to make all the payments in time as and when they are due. Without ample working capital, production will suffer, particularly in the era of cut throat competition, and a business can never flourish in the absence of adequate working capital.

4. **Sound Goodwill and Debt Capacity**

It is common experience of all prudent businessmen that promptness of payment in business creates goodwill and increases the debt of the capacity of the business. A firm can raise funds from the market, purchase goods on credit and borrow short-term funds from bank, etc. If the investor and borrowers are confident that they will get their due interest and payment of principal in time, they will be highly interested to invest.

5. **Easy Loans from the Banks**

An adequate working capital i.e. excess of current assets over current liabilities helps the company to borrow unsecured loans from the bank because the excess provides a good security to the unsecured loans, Banks favor in granting seasonal loans, if business has a good credit standing and trade reputation.

6. **Distribution of Dividend**

If company is short of working capital, it cannot distribute the good dividend to its shareholders in spite of sufficient profits. Profits are to be retained in the business to make up the deficiency of working capital. On the other contrary, if working capital is sufficient, ample dividend can be declared and distributed. It increases the market value of shares.

7. **Exploitation of Good Opportunity**

In case of adequacy of capital in a concern, good opportunities can be exploited e.g., company may make off-season purchases resulting in substantial savings or it can fetch big supply orders resulting in good profits.

8. **Meeting Unseen Contingency**

Depression shoots the demand of working capital because sock piling of finished goods become necessary. Certain other unseen contingencies e.g., financial crisis due to heavy losses, business oscillations, etc. can easily be overcome, if company maintains adequate working capital.

9. **High Morale**

The provision of adequate working capital improves the morale of the executive because they have an environment of certainty, security and confidence, which is a great psychological, factor in improving the overall efficiency of the business and of the person who is at the hell of fairs in the company.

10. **Increased Production Efficiency**

A continuous supply of raw material, research programme, innovations and technical development and expansion programmes can successfully be carried out if adequate working capital is maintained in the business. It will increase the production efficiency, which will, in turn increases the efficiency and morale of the employees and lower costs and create image among the community.

11. **Regular supply of raw materials**

Sufficient working capital of a firm ensures regular supply of raw materials which is helpful in continuous flow of production.

12. **Regular payment of salaries, wages and other day to day commitments**

Sufficient working capital can make regular payment of salaries, wages and other day to day commitments which increases efficiency of workers, reduces wastages and costs and increases production and profits.

13. **Ability to face crisis**

Adequate working capital enables a concern to face business crisis in emergencies such as depression because during such period, generally, there is much pressure on working capital.

Utilizing working capital financing is not a bad idea, and is implemented by many major corporations. Not only does it protects a company from disruption of events in unexpected circumstances, but also allows revisions and expansions when a business decides a new strategy could be of benefit. Working capital financing gives a business strength, flexibility, and stability. That's why so many smart business owners today choose to have capital financing working for them.

New businesses and small firms often find themselves in working capital crunches. Without adequate working capital, they cannot build inventory or purchase raw materials. As a result, the company cannot sell enough products to generate the profits needed to rectify this situation. This is extremely dangerous and can be destabilizing for the company or even cause it to collapse. The availability of credit or financing is therefore a key determinant in the likelihood and ability of a small firm in expanding and succeeding. To lessen problems for startup and pre existing businesses, some private lenders have created flexible working capital loan programs.

The layperson's understanding of a working capital is quite vague. In fact, few non-financial personnel will be able to give an accurate definition of working capital. The dictionary definition of working capital is the different between its current assets and current liabilities. Also known as net working capital, the working capital of a company ultimately reflects its ability to meet its obligations as they come due. It also infers the stability of a company. The amount of working capital a business has can strong influence the character and scope of the business. A capital loan working for you can make all the difference in whether your vision succeeds or not.

Although most businesses still require traditional collateral for a working capital loan, a new breed of innovative companies that has emerged can give new and pre existing businesses excellent working capital loan programs without requiring security.

With working capital, you know you can fulfill the needs of your business and your target market no matter what kind of unexpected situation happens. You and your business can rise to the challenges and changes of today's ever growing and rapidly evolving business world. Working capital finance plans allow your business to have the safety of the financial backing it needs.

Today you can get a great working capital finance plan without many of the challenges of yesterday's traditional lending procedures. Innovative new online lenders are offering unsecured business loan products. That means you can equip your business with working capital finance even if you don't have collateral. Today, there is no reason to leave your business in the open. Maximize the chances of starting and operating a lasting and successful business idea. You can protect it with a working capital finance plan.

DEFECT OF EXCESSIVE WORKING CAPITAL

A business concern should have neither excess working capital nor shortage of working capital. Both excess as well as short working capital positions are very bad for every business. Excessive working capital means idle of funds which earn no profit and hence the business cannot earn a proper rate of return on its investment. It may lead to unnecessary purchasing and accumulation of inventories causing more chances of theft, waste and losses. It may result into overall inefficiency in the organization.

WORKING CAPITAL ANALYSIS

Working capital is the life blood and nerve centre of a business. A going concern, usually, has a positive balance of working capital i.e., excess of current assets over current liabilities, but it may be negative i.e., excess of current liabilities over current assets. The analysis of working capital can be conducted through a number of devices, such as:

1. Ratio Analysis;
2. Funds Flow Analysis
3. Budgeting.

Ratio Analysis

A ratio is a simple arithmetical expression of the relationship of one number to another. A financial ratio is the relationship between two accounting figures expressed mathematically. It can also be expressed as percentage multiplying the ratio by 100. The technique of ratio analysis can be employed for measuring short-term liquidity or working capital position of a business. The following ratios may be analyzed for this purpose:

i. **Current Ratio:** Current ratio may be defined as the relationship between current assets and current liabilities. This ratio is also known as working capital ratio. It is a measure of general liquidity and is most widely used to make the analysis of a short-term financial position or liquidity of a firm.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Or, Current Assets: Current Liabilities

ii. **Acid Test Ratio:** Acid test ratio can be calculated by dividing the total of the quick assets by total quick liabilities.

Acid Test Ratio = $\frac{\text{Quick Assets}}{\text{Quick Liabilities}}$

Here, Quick Assets = Total Current Assets – (Inventories +Prepaid Expenses)

Quick Liabilities = Total Current Liabilities – Bank Overdraft

iii. **Absolute Liquid Ratio:** Absolute Liquid Ratio can be calculated together with current ratio and acid test ratio so as to exclude even receivables from the current assets and find out the absolute liquid assets.

Absolute Liquid Ratio = $\frac{\text{Absolute Liquid Assets}}{\text{Current Liabilities}}$

Here, Absolute Liquid Assets = Cash & Bank Balance + Short-term securities.

iv. **Inventory Turnover Ratio:** Inventory Turnover Ratio can be calculated by dividing the cost of goods sold by the amount of average inventory at cost.

Inventory Turnover ratio = $\frac{\text{Cost of Goods Sold}}{\text{Average Inventory at Cost}}$

Here, Average Inventory = $\frac{\text{Opening Inventory + Closing Inventory}}{2}$

v. **Receivables Turnover ratio:** Receivables Turnover Ratio indicates the velocity of debt collection of firm. In simple words, it indicates the number of times average receivables are turned over during a year.

Receivables Turnover Ratio = $\frac{\text{Net Credit annual sales}}{\text{Average Trade Debtors}}$

= No. of Times.

Here, Trade debtors = Sundry debtors + Bills Receivables and Accounts receivables

Average Trade Debtors = $\frac{\text{Opening Trade debtors + Closing Trade Debtors}}{2}$

vi. **Payables Turnover Ratio:** Payables Turnover Ratio can be calculated by dividing Net Credit Annual purchases by Average Trade creditors, i.e.

Payables Turnover Ratio = $\frac{\text{Net Credit Annual Purchases}}{\text{Average Trade Creditors}}$

= No. of Times

Average Trade Creditors = $\frac{\text{Opening Trade Creditors + Closing Trade creditors}}{2}$

vii. **Working Capital Turnover Ratio:** Working Capital Turnover Ratio indicates the velocity of the utilization of net working capital. This ratio indicates the number of times the working capital is turnover in the course of a year. This ratio measures the efficiency with which the working capital is being used by a firm.

Working Capital turnover Ratio = $\frac{\text{Cost of Sales}}{\text{Average working Capital}}$

Here, average Working Capital = (Opening Working Capital + Closing Working Capital)/2

FUNDS FLOW ANALYSIS

Financial statements do not give the complete financial information. These statements give the information of funds on a particular date. The purpose of preparation of fund flow statements is to know about from where funds are coming and where being invested. The funds flow statements is generally prepared from the data identifiable and profit and loss account and balance sheets. Fund flow statement is also called as sources and application of funds. It shows the detail of funds business received from sources and the amount of funds the business used for different purposes in the year. It discloses the funds at the end of one period of time to the end of another period of time. It provides the useful additional information, not covered by financial statements. The funds flow statement is prepared from data generally identifiable and profit and loss account, balance sheet and related notes. Te another important need of fund flow statement is that income statement and balance sheet does not provide full and needed information. A fund flow statement is a summary of a firm's inflow and outflow of funds. It tells us from where funds have come and where funds have gone. Thus, funds flows analysis consists of preparing scheduled of changes in working capital and statement of sources and application of funds. Here fund means working capital.

WORKING CAPITAL BUDGET

A budget is a financial or quantitative expression of business plans and policies to be pursued in the future period of time. Working capital budget, as a part of total budgeting process of the business, is prepared estimating future long-term and short-term working capital needs and the sources to finance them, and then comparing the budgeting figures with the actual performance for calculating variances, if any, so that corrective action may be taken in the future. Most capital budgeting decisions involve management of working capital and forecasting the requirement of the same. A firm that predicts sales increases its inventory, and sells this same inventory on credit, thus generating credit sales. All cash transactions determine the firm's liquidity and bring to light the firm's investment in cash and cash equivalents. So, it is evident that annual sales predictions are the key reference for estimating working capital requirements. In capital budgeting, working capital comes as part of initial outlay. Changes in working capital are added or subtracted, and are considered part of cash inflow or outflow, as the situation demands. The objective of working capital budget is to ensure availability of funds as when needed, and to ensure effective utilization of these resources. The successful implementation of working capital budget involves the preparing of separate budgets for various elements of working capital, such as, cash, inventories and receivables, etc.

CONCLUSION

Many organizations that are profitable on paper are forced to cease trading due to an inability to meet short-term debts when they fall due. In order to remain in business it is essential that an organisation successfully manages its working capital. Too often however, this is an area which is ignored. Working capital is fairly simple; it is the difference between an organization’s current assets and its current liabilities. Of more importance is its function which is primarily to support the day-to-day financial operations of an organization, including the purchase of stock, the payment of salaries, wages and other business expenses, and the financing of credit sales. Every business needs some amount of working capital for smooth running of the business. The need of working capital arises due to the time gap between production and realization of cash from sales. If a firm has sufficient working capital, can easily to purchase of raw materials, components and spares, to pay wages and salaries to workers, to incur day to day expenses and over head costs, to meet the selling cost as packing, advertising etc. to provide credit facilities to the customers, to maintain the inventories of raw materials. WIP, stores, spares and finished stock. The business ultimately will run smoothly.

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FINANCIAL INCLUSION – AN EMPIRICAL STUDY ON RURAL HOUSEHOLD'S AWARENESS: A STUDY WITH SPECIAL REFERENCE TO SELECTED VILLAGES IN MADURAI DISTRICT

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ABSTRACT
Financial inclusion delivers financial services at an affordable cost to the vast sections of disadvantaged and low income groups. The commercial bank, RRBs and District Central Co-operative banks fulfills the purpose of total financial inclusion. This article mainly focuses on rural household's awareness towards financial inclusion in Madurai district.

KEYWORDS
Microfinance, Rural banking, Financial inclusion.

INTRODUCTION
Financial inclusion mainly focuses on the poor who do not have formal financial institutional support and getting them out of the clutches of local money lenders. As a first step towards this, some of our banks have now come forward with general purpose credit cards and artisan credit cards which offer collateral-free small loans. The RBI has simplified the KYC (Know your customer) norms for opening a 'No frill' account. This will help the low income individual to open a 'No Frill' account without identity proof and address proof.

In such cases banks can take the individual's introduction from an existing customer whose full KYC norm procedure has been completed. And the introducer must have a satisfactory transaction with the bank for at least 6 months. This simplified procedure is available to those who intend to keep a balance not exceeding Rs.50, 000 in all accounts taken together. With this facility we can channel the untapped, considerable amount of money from the low income group to the formal economy.

Financial inclusion is a great step to alleviate poverty in India. But to achieve this, the government should provide a less perspective environment in which banks are free to pursue the innovations necessary to reach low income consumers and still make a profit. Financial service providers should learn more about the consumers and new business models to reach them.

In India Financial inclusion will be good business ground in which the majority of her people will decide the winners and losers.

REVIEW OF LITERATURE
Puhazhendi (2005) studied the microcredit programme of the nationalized commercial banks in India and conclude that the intermediation of Non-Governmental Organizations (NGOs) and Self help Group (SHGs) in the credit delivery system reduced the transaction cost of both banks and borrowers. Sarah and mas, Ignacia (2008) reviewed some of the bigger failures and some of the more promising experiences in the use of smartcards and mobile phones as payments platforms in developed countries. Their objective of the study was to extract some lessons behind the failure and the successes, although these developed country experiences may not directly translate into lessons that can be used in developing countries. Their study informs about what may or may not be possible and may or may not be different in the developing world context.

The Eleventh five year plan (2007-12) envisions inclusive growth as a key objective. Inclusive growth as a strategy of economic development received attention owing to a rising concern that the benefits of economic growth have not been equitably shared. Growth is inclusive when it creates economic opportunities along with ensuring equal access to them (chakrabarty, 2009). Financial inclusion is critical for achieving inclusive growth in the country. Without inclusive financial systems, the financially excluded individuals and enterprises with promising opportunities are limited to their own savings and earnings.

STATEMENT OF THE PROBLEM
Technology and financial inclusion are the popular coinage in baking parlays in the country. Financial inclusion is intended to connect people to banks with consequential benefits. Latest technologies available in banking services are one of the prerequisite for overall development of our country. Despite this, majority of people living in rural area actually remain excluded from the purview of technological advancement that has taken place in the banking sector. There exists a disparity between 'haves' and 'have-nots' of technology and people in rural areas don't have access to and capability to use modern technology so as to drive individual economic development. Therefore there is a need to bridge this digital divide by ensuring equitable access for all, to these latest technologies. *Hence, an attempt is made to study the rural household awareness towards financial inclusion.*

OBJECTIVES OF THE STUDY
- To study the awareness of respondents towards banking services.
- To examine the usage of banking services by the respondents.
- To examine the satisfaction of the respondents towards banking services.
- To offer suitable suggestion.

METHODOLOGY
The present study is based on the primary and secondary data. Primary data have been by conducting a survey among 200 sample rural households in Madurai district. The secondary data have been collected from books, journals, newspaper, periodicals, reports, internet and published and un published thesis.

SAMPLING DESIGN

Considering the availability of time, financial resources also the nature of respondents, the researcher has decided to have 200 respondents for the study. Convenient sampling method was adopted. It is very difficult to ascertain the total number of rural household's in Madurai city.

FRAME WORK AND ANALYSIS

Most of the analysis based on the responses shown in the form of frequency tables, simple table have been prepared for understanding the general profile of the respondents and simple statistical techniques, such as percentage, Mean, Chi-square test have been used to analyzing the data and finding the different in responses to give bird's eye view of the entire data, figures have also been used.

SOCIO - ECONOMIC STATUS OF THE RESPONDENTS

The socio – economic status of the respondents influences the level of awareness. Therefore the researcher analyses the socio – economic status of the respondents. Table 1 exhibits the socio-economic status of the respondents. It is clear from table 1 out of 200 respondents 30 per cent respondents were male and the remaining 70 per cent respondents were female. Table 1 shows that 6 per cent of the respondents belonged to the age of below 20 years, 58 per cent of the respondents were in the age group of 21-30 years, 22 per cent of the respondents were in the age group of 31-40 years, 10 per cent of the respondents were in the age group of 41-50 years, 4per cent of the respondents were in the age group of above 50 years. 34 per cent of the respondents were illiterates, 30 per cent of the respondents were school level. 8 per cent of the respondents were diploma and graduate level, 16 per cent of the respondents were post graduate level, 4 per cent of the respondents were professional.

It can also be inferred that, 74 per cent of the respondents were married and only 26 per cent of the respondents were unmarried. 52 per cent of the respondents were farmers, 12 per cent of the respondents were government and private sectors employees, 8 per cent of the respondents were business man, 4 per cent of the respondents were professional and others were 14 percent.

TABLE 1: SOCIO-ECONOMIC STATUS OF THE RESPONDENTS

Gender	No of respondents	Percentage
Male	60	30
Female	140	70
Total	200	100

Age	Number of respondents	Percentage
Below 20 years	12	6
21 years to 30 years	116	58
31 years to 40 years	44	22
41 years to 50 years	20	10
Above 50 years	8	4
Total	200	100

Educational qualification	Number of respondents	Percentage
Illiterate	68	34
School level	60	30
Diploma level	16	8
Graduate level	16	8
Post graduate level	32	16
Professional	8	4
Any other	0	0
Total	200	100

Marital status	Number of respondents	Percentage
Married	148	74
Un married	52	26
Total	200	100

Occupation	Number of respondents	Percentage
Farmer	104	52
Government sector employee	24	12
Private sector employee	24	12
Business	16	8
Professionals	4	2
Other	28	14
Total	200	100

Income	Number of respondents	Percentage
Below 5000	48	24
5001-10000	76	38
10001-15000	52	26
15001-20000	20	10
Above-20000	4	2
Total	200	100

Source: primary data

It is also inferred from the table that 24 per cent of the respondents families having monthly income of below 5000, families which were having monthly income from 5001-10000 and 10001-15000 amounted to 38 per cent and 26 per cent respectively. 2 per cent of the respondents families having a monthly income of above 20000.

AWARENESS OF RESPONDENTS TOWARDS VARIOUS BANKING ACTIVITIES

Table 2exhibits the 32 per cent of the respondents having a fixed deposit account. 86 per cent of the respondents are aware that documents required for opening account.

TABLE 2: AWARENESS OF RESPONDENTS TOWARDS VARIOUS BANKING ACTIVITIES

S.No	Banking Activities	Yes (%)	No (%)
1.	Possession of fixed deposit account	32	68
2.	Documents required for opening account	86	14
3.	Awareness of respondents towards pay-in-slip	66	34
4.	Awareness of respondents towards pay-in-slip	70	30
5.	Minimum balance in savings bank account	64	36
6.	Nominee in savings account	58	42
7.	Awareness of respondents towards money transfer	50	50
8.	Awareness of respondents towards bank charges	28	72
9.	ATM card	56	44
10.	Awareness of core banking	76	24

Source: primary data

From the above table 2, it is clear that 66 per cent of the respondents are aware pay-in slip. 70 per cent of the respondents are aware with drawl slip. 64 per cent of the respondents know the minimum balance in savings account. 50 per cent of the respondents are aware money transfer and 76 per cent of the respondents are aware core banking facility offered by banks. While interacting with the respondents we came to know that they are much familiar with the concept of core banking but they are having awareness towards the applications of core banking.

USAGE OF BANKING SERVICES BY THE RESPONDENTS

Table 3 exhibits the 80 percent of the respondents are deposit money to their savings bank account. 50 percent of the respondents are deposit cheque for collection.

TABLE 3: USAGE OF BANKING SERVICES BY THE RESPONDENTS

S.No	Usage of banking services	Yes (%)	No (%)
1.	Cash deposit in savings bank account	70	30
2.	Deposit cheque for collection	50	50
3.	Withdrawing money from savings bank account through the counter and ATM	78	22
4.	Money Transfer	45	55
5.	Usage of cheque book	45	55
6.	Jewel loan	70	30

Source: primary data

From the above table 3, it is clear that 35 per cent of the respondents are used money transfer facility. 45 per cent of the respondents are using cheque book. 70 percent of the respondents are receiving jewel loan. It is evident rural household's source of finance is jewel loan. They make use of this loan for various purposes.

CHI-SQUARE TEST

Chi square test is applied in statistics to test the goodness of fit to verify the distribution of observed data with assumed theoretical distribution. Therefore, it is a measure to study the divergence of actual and expected frequencies.

HYPOTHESIS

H0: There is no significant relationship between the gender and Level of Awareness.
H0: There is no significant relationship between the Educational Qualification and Level of Awareness.
H0: There is no significant relationship between the Income and Level of Awareness.

TABLE 4: CHI- SQUARE TEST

S.No	Socioeconomic factor	Chi square value	Result	Accepted /Rejected
1	Gender	6.59	No significant	Accepted
2	Education	37.225	Significant	Rejected
3	Income	53.821	Significant	Rejected

FINDINGS

- 82 per cent of the respondents are having bank account.
- 72 per cent of the respondents are having savings bank account.
- 32 per cent of the respondents are having fixed deposit account.
- 86 per cent of the respondents are aware that they are in need of a photo and ration for opening bank account.
- 70 per cent of the respondents are having adequate knowledge about withdrawal slip.
- 58 per cent of the respondents know that nominee facility in savings account.
- 56 per cent of the respondents are having ATM card.
- 76 per cent of the respondents are aware of core banking facility.
- 34 per cent of the respondents are not having adequate knowledge about pay-in-slip.
- 48 per cent of the respondents are not know that how to draw a cheque.
- 54 per cent of the respondents are not aware of bank interest rate.
- 72 per cent of the respondents are not aware of bank charges

SUGGESTIONS

1. KYC norms for opening account should be further simplified so as to create more awareness and interest towards financial transaction.
2. Seminars on core banking facility may be arranged in the rural areas to make the people familiar about it.
3. Workshops may be conducted in the rural areas by the banks and people must be taught how to draw a cheque, draft etc.
4. Banks should give free financial counseling to rural households.
5. There should be a bank branches in every villages.

CONCLUSION

Banks are taking various steps to have 100 per cent achievements in financial inclusion. If implemented in a letter and spirit, definitely poverty will be eradicated and the rural Indian economy will grow to the optimum level. Financial inclusion is a great step to alleviate poverty in India. Financial service provider should learn more about the consumers and new business models to reach them. In India, financial inclusion will be good business ground to reach and serve the rural subsistence level consumers. Wide separate banking services in rural areas through various financial inclusion programmes will ensure financial stability. Thus India can withstand the global financial crisis and have a gradual economic development.

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PORTFOLIO EVALUATION OF MUTUAL FUNDS IN INDIA - AN EMPIRICAL STUDY OF EQUITY GROWTH SCHEMES OF SELECT FUNDS

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ABSTRACT
This paper attempts to study the portfolio evaluation of selected equity growth schemes using volatility measures such as Standard Deviation, Beta and R squared and the risk adjusted evaluation methods such as Sharpe, Treynor, Jensen's Alpha and Sortino measures .Researchers only emphasized on secondary data sources and selected 12 Mutual Fund schemes of 6 mutual fund institutions and the period of study is kept limited for 5 years i.e. from 2007-08 to2011-2012. To test the significance; Independent t-test and one way ANOVA is used.

KEYWORDS
Portfolio evaluation, Standard Deviation, Beta, R-Squared, Sharpe, Treynor, Jensen's Alpha and Sortino.

INTRODUCTION
Portfolios contain groups of securities that are selected to achieve the highest return for a given level of risk. How well this is achieved depends on how well the portfolio manager or investor is able to forecast economic conditions and the future prospects of the companies, and to accurately assess the risk of each security under consideration. The portfolio performance evaluation primarily refers to the determination of how a particular investment portfolio has performed relative to some comparison benchmarks. The evaluation can indicate the extent to which the portfolio has outperformed or underperformed or it has performed at par with the benchmark. The evaluation of portfolio performance is important because, the investors and the fund managers whose funds have been invested/ managed need to know the relative performance of the portfolio. The performance review will generate and provide information that will help the investor/ fund manager to assess any need for rebalancing of the investments.

REVIEW OF LITERATURE
"Mutual funds are associations of trusts of public members who wish to make investments in the financial instruments or assets of the corporate sector for the mutual benefit of its members." According to **Securities Exchange commission** (SEC), "A mutual fund is a company that brings together money from many people and invests it in stocks, bonds or other assets. The combined holdings of stocks, bonds or other assets the fund owns are known as its *portfolio*. Each investor in the fund owns shares, which represent a part of these holdings". The SEBI (Mutual Funds) Regulations, 1993 defines a mutual fund as "a fund established in the form of a trust by a sponsor, to raise monies by the trustees through the sale of units to the public, under one or more schemes, for investing in securities in accordance with these regulations." According to SEBI(Mutual Funds)Regulation 1996, "Mutual Funds" means a fund established in the form of a trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities including money market instruments or gold or gold related instruments or real estate assets. Mutual Fund is an investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets. Mutual funds are operated by money managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.
Performance evaluation of mutual funds has been extensively used by Sharpe (1966), Treynor (1965), Jensen (1968), Barua et al (1991) evaluated the performance of master share using CAPM approach from the view point of large investors and fund managers. The study concluded that the fund performed better than the market for small investors and fund management but the fund did not do well when compared to CML. Ravinderan (2003) made the performance analysis of 269 open ended funds in the bear market. Used Sharpe, Treynor, Jensen and Fama measures for the period of 4 years and found out that the funds are not managed optimally. Sodhi and Jain (2004) evaluated 26 equity schemes drawn from 26 AMCs belonging to public and private sector. They concluded that the equity mutual funds have overall inferior performance in comparison of risk and Return. Gupta and Amitabh (2004) evaluated the performance of 57 growth schemes and concluded that there is no conclusive evidence which suggests that, performance of sample schemes is superior to the market. Bodla (2005) appraised 24 growth schemes of mutual funds and evaluated by applying risk adjusted performance measures as suggested by Sharpe, treynor and Jensen and founded out that the difference between market return and fund return is insignificant and systematic risk is not much risky. Phaniswara Raju B. (2008) evaluated performance of 60 mutual fund schemes of 29 mutual fund companies operating during that time and analyzed using risk adjusted performance measures and founded out that many selected schemes failed to outperform the market and there is mis match of the risk return relationship in some schemes. Sukhwinder Kaur et al (2012) studied 10 equity schemes for the period of two years and identified that all sample schemes failed to give reward to variability and only 4 schemes are able to give more reward to volatility than benchmark.
Many research works followed the risk adjusted performance developed by Sharpe, Treynor and Jensen. This study also made an attempt to evaluate the sample schemes based on the reviewed literature.

OBJECTIVES OF THE STUDY
The general objective of this study is to evaluate the portfolio performance of the selected Mutual fund schemes. An attainment of this objective is fulfilled by the following specific objectives.
1) To find out is there any significant difference between scheme returns and bench mark returns of sample Mutual Fund schemes.
2) To find out is there any significant difference between different volatility measures of sample mutual fund schemes
3) To find out is there any significant difference between different risk adjusted portfolio evaluation measures of sample mutual funds schemes.

HYPOTHESES OF THE STUDY

1. H_0: There is no significant difference between scheme returns and Benchmark returns of sample schemes of selected mutual funds.
   H_1: There is significant difference between scheme returns and Benchmark Returns
2. H_0: There is no significant difference between different volatility measures of selected equity schemes.
   H_1: There is significant difference between different volatility measures of selected equity schemes
3. H_0: There is no significant difference between different risk adjusted portfolio evaluation measures of Sample schemes
   H_1: There is significant difference between different risk adjusted portfolio evaluation measures of Sample schemes

METHODOLOGY

To conduct the study, the researcher selected 6 mutual Fund AMCs and 12 Mutual fund open ended schemes; 6 from the category of Equity Large Cap and 6 From Equity Small and Mid Cap. All schemes are growth option schemes and selected using convenient sampling, Researchers emphasized only on secondary Data. The major source of data is CRISIL, the India's first Credit Rating Agency and the others include Text books, Journals, Websites and Newspapers. Period of study is kept limited for 5 years i.e. 2007-08 to 2011-2012 financial years. Ranks and Averages are calculated in order to know the category performance and overall performance of equity sample schemes. The formulated hypotheses were tested at 5% level of significance using SPSS.

TOOLS USED FOR ANALYSIS

PORTFOLIO RETURN

$$Rp = \frac{(NAV_t - NAV_{t-1})\ D_t + C_t}{NAV_{t-1}}$$

R_p = Portfolio return, NAV_t = Net asset value on time period t, NAV_{t-1} = Net asset value on time period t-1, D_t = Dividend in the form of the bonus that are distributed during the period t,
C_t = Cash dividend distributed during the time period t

STANDARD DEVIATION

$$\sigma_R = \sqrt{\frac{\sum (R_p - R_p)^2}{N}}$$

σ_R = Standard deviation of the overall return, R_p = Return of the portfolio, R_p = Average of the annual returns, N = Number of the observations.

BETA

$\beta = Cov(R_p, R_M) / \sigma^2(R_M)$, $Cov(R_p, R_M)$ = Covariance of the portfolio and the returns of the market, $\sigma 2 (R_M)$ = Variance of the returns of the market

R-SQUARED

First r (correlation coefficient must be calculated. $r = \Sigma xy / \sqrt{\Sigma x^2 \times \Sigma y^2}$; $x = (X - \overline{X})$, $y = (Y - \overline{Y})$,
r^2 = Square of the r.

SHARPE RATIO

Sharpe $= R_p - R_f / \sigma_P$, Where, R_p =Portfolio Return, R_f = Risk free rate of return, σ_P = Total risk of the Portfolio

TREYNOR RATIO

Treynor $= R_p - R_f / \beta_p$, where R_p =Portfolio Return, R_f = Risk free rate of return, β = Beta of Portfolio (Systematic Risk of the Portfolio)

JENSEN'S ALPHA

Jenson's Alpha $= R_P - [R_f + \beta_P(R_m - R_f)]$, where , R_p =Portfolio Return, R_f = Risk free rate of return, β_p= Beta, R_m= Market Return.

SORTINO RATIO

Sortino Ratio $= R_p - R_{mar} / \sigma_d$, where; R_p =Portfolio Return, R_{mar} = Minimum acceptable return or Risk free rate of return, σ_d = Total Risk of Portfolio(Downside deviations of the Portfolio)

Averages are calculated using the following Excel formula:
=AVERAGE (number1,[number2],….)
Ranks are calculated using the following Excel formula:
=RANK (number, ref, [order])
The inferential statistics (Independent t-test and One way ANOVA) was used for the data analysis and interpretation with the help of Statistical Package for Social Sciences (SPSS) 16.0 version.

RESULTS AND DISCUSSION

- **PERFORMANCE EVALUATION USING ANNUALIZED RETURNS, BENCHMARK RETURNS AND RISK FREE RATE OF RETURN**

The return of the portfolio is commensurate with the returns of its individual assets. The return of the portfolio is the weighted average of the returns of its component assets. In this study the returns are measured by comparing the returns of the sample schemes with one another, sample schemes returns with benchmark returns and risk free rate of return. To this end, by observing Table (1) reveals some inferences; when we compare the scheme returns of the sample schemes, Franklin India Blue chip Fund with the return of 11.5684% ranked top and Reliance Top 200 Fund (8.5428%) ranked the least in the category of equity large cap. ICICI Prudential Discovery Fund-Institutional Option I generated the return of 16.6758% and Kotak Mid Cap having the return of 7.9596% stood last.58.33% of sample schemes generated higher return than average of all schemes return (11.8516%), and 66.66% of sample schemes generated higher returns than the market proxy (10.2396%).when average returns of equity large cap and equity small and mid cap are compared, equity small and midcap average is higher than equity large cap.

When the sample schemes are compared with their benchmark returns; except Kotak Mid Cap (7.9596%), Reliance Top 200 Fund (8.5428%), Franklin India Smaller Companies Fund (8.7557%) and SBI Magnum Index Fund (9.6176%) all other schemes earned more return than their concerned benchmark returns. All sample schemes earned the risk premium which is excess of return over risk free rate of return ranging from 9.6758% to 0.9596%.

Generally, higher risk investments potentially yield a higher return. If we compare the return and risk of the sample schemes, surprisingly ICICI Prudential Discovery Fund-Institutional Option I and UTI Master Value Fund having highest return is having low risk and some other funds which are having the low return are having highest risk such as Reliance Top 200 Fund and SBI Magnum Index Fund.

To test the hypothesis 1, Independent t-test was used and the t- value was found greater than the P value, hence the null hypothesis is rejected. By this researchers conclude that "there is significant difference between the scheme returns and benchmark returns". (Table: 2)

- **PERFORMANCE MEASUREMENT USING VOLATILITY MEASURES**

The relative rate at which the price of a security moves up or down is called volatility. Volatility is found by calculating the annualized standard deviation of daily change in price.

At the time of evaluation of the mutual funds and while comparing the funds with that of the other funds of the similar category, the risks should be taken into account. During the measurement of the risk of each of the schemes, the past volatility will be considered as the measure of the risk and as an indicator or pointer for the future risk. According to capital asset pricing model (CAPM) total risk is having two components; Systematic risk (Market risk) and unsystematic risk(unique risk).Standard deviation is the measure of total risk i.e. market risk plus unique risk and beta is the measure of systematic risk.

The following inferences can be drawn on σ, β and r^2 of the sample schemes from table 3.

Portfolio risk can be calculated like calculating the risk of single investment, by taking the standard deviations of the variance of actual returns of the portfolio overtime. This variability of returns commensurate with the portfolio risk and this risk can be quantified by calculating the standard deviation of the variability. It is a tool investment managers use to help quantify risk or deviation from the expected returns. As standard deviation is a performance measure for total risk, the lower the standard deviation, better is the scheme performance.

When the comparison is made using σ, in the category of equity large Cap schemes; SBI Magnum Index Fund (28.9529%) is having highest and UTI Master Share Unit Scheme (24.09%) is having the lowest standard deviation i.e. total risk. In the category of equity small and mid cap; SBI Magnum Sector Umbrella-Emerging Business Fund (26.5337%) and ICICI Prudential Discovery Fund-Institutional Option I (23.1259%) are having the highest and lowest value of standard deviation. When all schemes are ranked, ICICI Prudential Discovery Fund-Institutional Option I (23.1259%) and UTI Master Value fund (23.5337%) are having low risk. When the averages of both the categories are compared; the average risk of equity large cap schemes are higher than equity small cap schemes. All sample schemes Standard Deviation is lesser than the BSE SENSEX total risk (29.7880%).

Beta is also very important tool in measuring of the risk. **Beta** measures the risk of a fund by measuring the volatility of its past returns in relation to the returns of benchmark. Stocks have positive beta, when stocks move in same direction as the general market. Some stocks have negative beta, they move in opposite direction to the general market. A beta of less than 1 is generally less risky than general market. By definition the market index beta is considered to be 1. A beta of 1.0 indicates that the investment's price will move in lock-step with the market. A beta of less than 1.0 indicates that the investment will be less volatile than the market, and, correspondingly, a beta of more than 1.0 indicates that the investment's price will be more volatile than the market.

The performances of the sample schemes are compared using beta, the β of the selected schemes are falling in the range of 0.9613 to 0.6616 and hence one can infer that all sample schemes are less volatile than the market. The average beta of equity large cap schemes is higher than equity small cap schemes.

R-Squared is the value of coefficient of determination (r^2), indicates the degree of diversification. Diversification reduces the unique risk of the portfolio. As discussed above, beta is dependent on correlation of a mutual fund scheme to its benchmark index. So, while considering the beta of any fund, an investor also needs to consider another statistic concept called 'R-squared' that measures the correlation between beta and its benchmark index. The beta of a fund has to be seen in conjunction with the R-squared for better understanding the risk of the fund.r^2 value ranges from 0-1. According to Morningstar, a mutual fund with R squared value of 0.85 to 1.00 has a performance record that is closely related to the index and a fund rated 0.70 or less would not perform like the index. Considering $r^{2,}$ the value of R Squared of sample schemes is ranging from 0.9676-0.6754 and hence concluded that the funds are not diversified totally and there is scope of further diversification in sample schemes, especially in case of UTI Master Value Fund where the r squared value is just (0.6754) and Reliance Growth Fund (0.7621).The average value of R squared of equity large cap schemes are little higher than equity small and Mid cap schemes.

To test hypothesis 2, one way ANOVA is used, Z value is greater than P Value, Hence, Null hypothesis is rejected and concluded that "there is significant difference between different volatility measures of the sample schemes".(Table:4.b)

- **PERFORMANCE EVALUATION USING RISK ADJUSTED PERFORMANCE MEASURES:**

One can draw the following conclusions by observing table 5.a and 5.b.

William F. Sharpe (1966) developed a method of measuring return per unit of risk also called as reward to variability. The Sharpe Ratio uses standard deviation which is 'non directional' meaning it does not differentiate between upside volatility or downside volatility. It is risk premium for the unit of risk, which is quantified by the standard deviation of portfolio. It examines whether the return that has been generated was sufficient to reward the persons who invested in the scheme for the degree of the assumed risk. Hence, the Sharpe ratio is a measure of performance of the portfolio compared to the risk taken - the higher the Sharpe ratio, the better the performance and greater the profits for taking additional risk.

When the Sharpe Ratio is compared, in the equity large cap category; Franklin India Blue chip Fund (0.2810) and Reliance Top 200 Fund (0.0556) got the highest and lowest ranks respectively. In the equity small and mid cap category; ICICI Prudential Discovery Fund-Institutional Option I (0.4184) and Kotak Mid Cap (0.0385) stood first and last respectively. The average reward to variability of equity large cap is 0.1772 and equity small and mid cap is 0.2131 which is higher than the previous category. Overall average of the schemes stood at 0.1951 which is more than BSE SENSEX Sharpe Ratio (0.1088). Only Reliance top 200, Kotak Mid cap and Franklin India Smaller Companies have less value than BSE SENSEX.

Hence those funds are not performing better and attaining very small amount of reward to variability.

Jack L. Treynor (1965) developed a method which is helpful measure the fund's excess return from each unit of systematic risk. It compares the portfolio risk premium (fund's rate of return minus the risk free rate of return) to the diversifiable risk (Beta).The beta of general market is defined as 1.The higher the Treynor ratio the better is the performance of the scheme. The negative Treynor index ascertains that the scheme did not outshine the market.

Treynor index value is high for Franklin India Blue chip fund (0.0925) and low for Reliance TOP 200 fund (0.0172) in equity large cap Category. ICICI Prudential Discovery Fund-Institutional Option I (0.1274) ranked first and Kotak Midcap (0.0114) ranked last in equity small and Midcap category. The average of all schemes is 0.0693.When we observe the ranks of Reward to variability and reward to volatility the ranks are identical which means the total risk and systematic risk is same. Hence, it is concluded that the unique risk of the sample schemes are very negligible.

Michael C. Jensen (1968) developed a measure to evaluate portfolio known as Jensen's Alpha. Alpha is a coefficient that is proportional to the excess return of a portfolio over its required return, or its expected return, for its expected risk as measured by its beta. Hence, Alpha is determined by the fundamental values of the company in contrast to beta, which measures the return due to volatility. Jensen's Alpha can be positive, negative or 0.Jensen's Index of the market is ZERO. If the Alpha is positive, indicates outperformance of portfolio compared to market vice versa.

By observing Jensen's Alpha values, under equity large cap category, Franklin India Blue chip fund (4.5904) outperformed and Reliance Top 200 fund underperformed(-1.8394).In equity Small and Mid cap; ICICI Prudential Discovery Fund-Institutional Option I with Treynor value of (5.3947) outperformed and Franklin India Smaller companies fund (-2.8777) underperformed. **Sortino Frank** (2001) developed a variation of the Sharpe ratio which differentiates **harmful** volatility from volatility in general by replacing standard deviation with downside deviation in the denominator. Thus the Sortino ratio is calculated by subtracting the minimum acceptable return or Risk free rate of return from the return of the portfolio and then dividing by the downside deviation. The Sortino ratio measures the return to "bad" volatility. A large Sortino ratio indicates a low risk of large losses occurring and vice versa. The reason for using a "Downside risk", calculation in the denominator is that, the purpose of investing is to make money and this requires volatility to the upside. It makes no sense to downgrade the money manager for gaining upside advantage.

From the Sortino ratio, it is predicted that when the values are observed, the highest value under equity large cap is assigned to Reliance Top 200 fund(0.1673) and the least rank goes to SBI Magnum Index Fund (-0.112). In equity Small and mid cap category the schemes ICICI Prudential Discovery Fund-Institutional Option I (0.2564) ranked the top and Kotak Mid Cap (-0.2035) ranked the least. As Sortino ratio only considers the bad volatility; Kotak 50, SBI Magnum Index Fund, kotak midcap and Franklin India Smaller Companies Fund having negative values indicates high risk for large losses.

To test hypothesis 3, one way ANOVA is used, Z value is greater than P Value, Hence, Null hypothesis was rejected and concluded that "there is significant difference between different risk adjusted performance measures of the sample schemes".(Table:6.b)

FINDINGS

The sample scheme returns are higher than their concerned benchmarks and BSE SENSEX except 4 (33.33%) schemes. All the schemes earned risk premium ranging from 9.6758% to 0.9596%. Phaniswara Raju B. (2008) evaluated performance of 60 mutual fund schemes of 29 mutual fund companies operating during that time and analyzed using risk adjusted performance measures and founded out that many selected schemes failed to outperform the market and there is mis match of the risk return relationship in some schemes. It is also supporting to the current research finding that there is mis match of risk return relationship of some of the sample schemes. ICICI Prudential Discovery Fund-Institutional Option I of Equity Small and Midcap and Franklin India Blue chip Fund of Equity large cap outshined BSE SENSEX from all angles of performance evaluation. Kotak Mid Cap, Franklin India Smaller companies fund, Reliance Top 200 fund and SBI Magnum Index Fund are the underperformers among the sample schemes from many views of evaluation, except these schemes all other schemes earned reward to variability above BSE SENSEX. The ranks of Sharpe and Treynor are identical to all the sample schemes, it indicates low unique risk. The overall performance of equity small and mid cap schemes are satisfactory than equity Large cap schemes. The H_0 is rejected in all 3 hypotheses and the difference is proved significant.

CONCLUSION

This study analyzed the performance of the selected mutual fund schemes by using the volatility measures, leading performance measures and identified that except two sample schemes, some are performing moderately and some stood as low performers. Hence the portfolio managers who are managing the underperformed funds should depend on extensive research than their intuition to improve their predictive abilities. They have to use active portfolio strategies than passive strategies. Although the mutual fund return is dependent on many factors, being professionally managed funds, fund managers should safeguard the investor's funds by proper diversification.

TABLE 1: ANNUALIZED SCHEME RETURNS, BENCHMARK RETURNS AND RISK FREE RATE OF RETURN OF SAMPLE SCHEMES BASED ON DATA OBTAINED FROM MARCH 1 2008-MARCH 31 2012

S.No	Name of the Scheme	Average Annualized Scheme Returns %	Rank(Category wise)	Rank (All Schemes)	Average Annualized Schemes Benchmark returns %	Standard Deviation %	Rank (All Schemes)
	Equity Large Cap						
1	*SBI Magnum Index Fund(G)	9.6176	5	9	11.1716	28.9529	1
2	UTI Master Share Unit Scheme(G)	12.0395	3	7	11.0146	24.09	10
3	Kotak 50 (G)	11.3376	4	8	11.1716	25.3489	5
4	Reliance Top 200 Fund (G)	*8.5428*	6	11	10.7648	27.7542	2
5	ICICI Prudential Top 100 Fund-Institutional Option-I (G)	13.8072	2	4	11.1716	26.6079	3
6	Franklin India Blue chip Fund (G)	*14.0658*	1	3	10.2396	25.1411	6
	Average	**11.5684**	-	-	**10.9223**	**26.3158**	-
	Equity Small & Mid Cap						
7	SBI Magnum Sector Umbrella-Emerging Business Fund (G)	12.3982	4	6	10.2065	26.5337	10
8	**UTI Master Value Fund (G)	14.0697	2	2	10.7648	23.3807	12
9	Kotak Mid Cap (G)	*7.9596*	6	12	12.6367	24.9278	5
10	Reliance Growth Fund (G)	12.9498	3	5	11.0146	24.2852	11
11	ICICI Prudential Discovery Fund-Institutional Option I (G)	*16.6758*	1	1	12.6367	23.1259	9
12	Franklin India Smaller Companies Fund (G)	8.7557	5	10	12.6367	24.746	8
	Average	**12.1348**	-	-	**11.6493**	**24.4999**	-
	Average of All Schemes	**11.8516**	-	-	-	**25.4079**	-
	BSE SENSEX	**10.2396**	-	-	-	**29.7880**	-

Source: CRISIL *State Bank of India, **Unit Trust of India

TABLE 2: INDEPENDENT T-TEST USED TO TEST THE SIGNIFICANCE BETWEEN SCHEME RETURNS AND BENCHMARK RETURNS OF SAMPLE MUTUAL FUND SCHEMES

Annualized Returns	N	Mean	Standard Deviation	Std. Error Mean	t Value	P value (2-tailed)
Scheme Returns	12	1.1851	2.6866	0.7756	0.694	0.495
Benchmark Returns	12	1.1285	0.8771	0.2532	0.694	0.500

***The mean difference is significant at the 0.05 level.**

TABLE 3: SHOWING THE VALUES OF STANDARD DEVIATION, BETA AND R- SQUARED AND THEIR ASSIGNED RANKS

S.No	Name of the Scheme	Average Standard Deviation %	Rank(Category wise) 0	Rank(All Schemes)	Average Beta	Rank(Category Wise)	Rank(All Schemes)	Average R-Squared	Rank(Category wise)	Rank(All Schemes)
Equity Large Cap										
1	SBI Magnum Index Fund(G)	28.9529	1	1	0.9613	1	1	0.9676	1	1
2	UTI Master Share Unit Scheme(G)	24.09	6	10	0.7476	6	10	0.8407	3	3
3	Kotak 50 (G)	25.3489	4	5	0.7737	4	7	0.8177	6	7
4	Reliance Top 200 Fund (G)	27.7542	2	2	0.8984	2	2	0.846	2	2
5	ICICI Prudential Top 100 Fund-Institutional Option-I (G)	26.6079	3	3	0.8229	3	4	0.8396	4	4
6	Franklin India Blue chip Fund (G)	25.1411	5	6	0.7641	5	8	0.8205	5	6
	Average	**26.3158**	-	-	**0.8280**	-	-	**0.8432**	-	-
Equity Small & Mid Cap										
7	SBI Magnum Sector Umbrella-Emerging Business Fund (G)	26.5337	1	4	0.8189	3	6	0.7706	4	10
8	UTI Master Value Fund (G)	23.3807	5	11	0.6616	6	12	0.6754	6	12
9	Kotak Mid Cap (G)	24.9278	2	7	0.8445	1	3	0.8321	1	5
10	Reliance Growth Fund (G)	24.2852	4	9	0.7175	5	11	0.7621	5	11
11	ICICI Prudential Discovery Fund-Institutional Option I (G)	23.1259	6	12	0.7595	4	9	0.782	3	9
12	Franklin India Smaller Companies Fund (G)	24.746	3	8	0.822	2	5	0.8	2	8
	Average	**24.4999**	-	-	**0.7707**	-	-	**0.7703**	-	-
	Average of All Schemes	**25.4079**	-	-	**0.7933**	-	-	**0.8129**	-	-
	BSE SENSEX	**29.7880**	-	-	-	-	-	-	-	-

Source: CRISIL

Table 4.a-4.b: One way ANOVA used to test, is there any difference between volatility measures of sample schemes.

TABLE 4. a: ONE WAY ANOVA, DESCRIPTIVE STATISTICS

Volatility Measures	N	Mean	Standard Deviation	F-value	P-Value
Standard Deviation	12	2.5407	1.7539	2.353	0.000
Beta	12	0.7993	0.0855		
R-Squared	12	0.8129	0.6833		

TABLE 4. b: ANOVA TABLE

	Sum of Squares	df	Mean Square	F	Sig (P Value)
Between Groups	4841.975	2	2420.987	2.353	0.000
Within Groups	33.960	33	1.029		
Total	4875.935	35	-		

***The mean difference is significant at the 0.05 level.**

TABLE 5.A: SHARPE'S, TREYNOR'S, JENSEN'S AND SORTINO'S RATIOS BASED ON THE DATA COMPILED FROM APRIL 1 2007-31 MARCH- 2012 (RANKS ARE ASSIGNED CATEGORY WISE)

S.No	Name of the Scheme	Sharpe 's Ratio	Rank	Treynor's Ratio	Rank	Jensen's Alpha	Rank	Sortino Ratio	Rank
Equity Large Cap Schemes									
1	SBI Magnum Index Fund(G)	0.0904	5	0.0272	5	*-1.3922*	5	*-0.112*	6
2	UTI Master Share Unit Scheme(G)	0.2092	3	0.0674	3	2.0382	3	0.0022	4
3	Kotak 50 (G)	0.1711	4	0.0561	4	1.1101	4	-0.0349	5
4	Reliance Top 200 Fund (G)	0.0556	6	0.0172	6	*-1.8394*	6	0.1673	1
5	ICICI Prudential Top 100 Fund-Institutional Option-I (G)	0.2558	2	0.0827	2	3.3744	2	0.0926	3
6	Franklin India Blue chip Fund (G)	0.2810	1	0.0925	1	4.5904	1	0.1116	2
	Average	**0.1772**	-	**0.0572**	-	**1.3135**	-	**0.0378**	-
Equity Small And Mid Cap Schemes									
7	SBI Magnum Sector Umbrella-Emerging Business Fund (G)	0.2034	4	0.0659	4	2.7726	4	0.0192	4
8	UTI Master Value Fund (G)	0.3024	2	0.1068	2	4.5787	2	0.1111	2
9	Kotak Mid Cap (G)	0.0385	6	0.0114	6	*-3.8006*	6	-0.2035	6
10	Reliance Growth Fund (G)	0.245	3	0.0829	3	3.0692	3	0.0506	3
11	ICICI Prudential Discovery Fund-Institutional Option I (G)	0.4184	1	0.1274	1	5.3947	1	0.2564	1
12	Franklin India Smaller Companies Fund (G)	0.0709	5	0.0214	5	-2.8777	5	-0.1662	5
	Average	**0.2131**	-	**0.0693**	-	**1.5228**	-	**0.0113**	-

Source: CRISIL

TABLE 5.B: SHARPE'S, TREYNOR'S, JENSEN'S AND SORTINO'S RATIOS CALCULATED BASED ON THE DATA COMPILED FROM APRIL 1 2007-31 MARCH- 2012 (RANKS ARE ASSIGNED TO ALL SCHEMES)

S.No	Name of the Scheme	Sharpe 's Ratio	Rank	Treynor's Ratio	Rank	Jensen's Alpha	Rank	Sortino 's Ratio	Rank
1	SBI Magnum Index Fund(G)	0.0904	9	0.0272	9	-1.3922	9	-0.112	10
2	UTI Master Share Unit Scheme(G)	0.2092	6	0.0674	6	2.0382	7	0.0022	8
3	Kotak 50 (G)	0.1711	8	0.0561	8	1.1101	8	-0.0349	9
4	Reliance Top 200 Fund (G)	0.0556	11	0.0172	11	-1.8394	10	0.1673	2
5	ICICI Prudential Top 100 Fund-Institutional Option-I (G)	0.2558	4	0.0827	5	3.3744	4	0.0926	5
6	Franklin India Blue chip Fund (G)	0.2810	3	0.0925	3	4.5904	2	0.1116	3
7	SBI Magnum Sector Umbrella-Emerging Business Fund (G)	0.2034	7	0.0659	7	2.7726	6	0.0192	7
8	UTI Master Value Fund (G)	0.3024	2	0.1068	2	4.5787	3	0.1111	4
9	Kotak Mid Cap (G)	0.0385	12	0.0114	12	-3.8006	12	-0.2035	12
10	Reliance Growth Fund (G)	0.245	5	0.0829	4	3.0692	5	0.0506	6
11	ICICI Prudential Discovery Fund-Institutional Option I (G)	0.4184	1	0.1274	1	5.3947	1	0.2564	1
12	Franklin India Smaller Companies Fund (G)	0.0709	10	0.0214	10	-2.8777	11	-0.1662	11
	Average	**0.1951**	-	**0.0632**	-	**1.4182**	-	**0.0245**	-
	BSE SENSEX	**0.1088**	-	**NA**	-	**0**	-	-	-

Source: CRISIL

Tables' showing descriptive statistics, ANOVA and Post Hoc used to test is there any difference between various risk adjusted performance measures of sample schemes.

TABLE 6.a: DESCRIPTIVE STATISTICS OF ONE WAY ANOVA

Risk Adjusted Performance Measures	N	Mean	Standard Deviation	F-Value	P-Value
Sharpe Ratio	12	0.1951	0.1152	2.142	0.108
Treynor Ratio	12	0.0632	0.0376		
Jensen's Ratio	12	1.4182	3.1469		
Sortino Ratio	12	0.0245	0.1367		
Total	48	0.4253	1.6325		

TABLE 6.b: ANOVA TABLE

	Sum of Squares	df	Mean Square	F	Sig(P Value)
Between Groups	15.966	3	5.322	2.142	0.108
Within Groups	109.299	44	2.484		
Total	125.265	47	-		

***The mean difference is significant at the 0.05 level.**

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IMPULSE BUYING OF APPARELS

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ABSTRACT

Due to rapid change in technology and growth in leisure time, buying and consuming activities to satisfy the physical needs of oneself and family have shifted towards leisure activities. There is an attitudinal shift among the Indian consumer in terms of choice and value for money. Shopping in India is therefore, witnessing a revolution with the change in the consumer buying behavior .The present study tries to examine the role of in-store stimuli viz. attractive display, attractive packaging and sales promotion on impulse buying .The data was collected from the people who had made a recent purchase of apparels and was analysed using SPSS 19. Various statistical techniques like regression analysis, multiple regression, t-test, ANOVA were applied to obtain the results. The data analysis indicates that attractive display has a significant impact whereas sales promotion does not seem to have much impact on the impulse purchase of apparels. The findings further indicate that packaging is not a stimulus to impulse purchase of apparels. The analysis of demographic factors indicates that impulse buying is different in case of males and females. Age and income of the consumer also has a significant impact on thr impulse purchase behavior. Though the contribution of this research is microscopic in the large reservoir of consumer behaviour studies, it provides a starting point for future studies with respect to in-store environment and impulse buying.

KEYWORDS
Consumer Behavior, Impulse Buying, Instore Stimuli.

INTRODUCTION

The Indian consumer has undergone a remarkable transformation. A few decades back the Indian consumer saved most of his income, purchased the bare necessities and rarely indulged himself into unplanned shopping. However, in the present scenario, with increased income, availability of credit cards, exposure to the shopping culture of the west and a desire to improve standard of living, the Indian consumer is spending not only to meet utilitarian needs but also hedonic needs to a large extent. Buying and consuming activities to satisfy the physical needs of oneself and family have shifted towards leisure activities. Factors such as time pressures, increased mobility, a rise in number of working women, and greater discretionary income have helped the consumers reduce time and effort in planning what to buy (Cobb & Hoyer, 1986; Williams & Dardis, 1972) and lead them to have multiple shopping motives other than just buying a product in need. As a result there has been an attitudinal shift among the Indian consumer in terms of choice and value for money. Shoppers are increasingly becoming more aware and knowledgeable about product displays, formats and practices of retailing to uphold a consciousness for lifestyles and shopping standards.

Therefore, in line with the changes in consumer needs and technology the retail industry has rapidly changed and become highly competitive. It has become difficult for retailers to differentiate themselves, therefore they are searching for new marketing strategies to attract and retain customers. Each retailer's ability to sustainably sell his merchandise largely depends on the strategic strength of the marketing mix activities. Notwithstanding other marketing activities, in-store marketing activities such as point-of-purchase displays and promotions, through background music and supportive store personnel are all instrumental in both winning consumers and motivating them to spend more. In-store promotions are usually aimed at digging deeper into the consumers' purses at the point of purchase by encouraging impulsive (unplanned) purchases thereby leading to impulse buying.

Impulse buying as a marketing tool is a concept that has been explored since the 1950's. Overtime, scholars have looked at what qualifies as impulse buying and observed it in different contexts. As a pervasive and distinctive aspect of consumer lifestyle, impulse buying today is a widespread phenomenon in the marketplace and for that reason it has become a focal point for considerable marketing activities (e.g. Gardener & Rook, 1988; Rook, 1987; Rook and Hoch, 1985).Therefore, researchers have devoted substantial endeavors to conceptualize multifaceted phenomenon of impulse buying like Stern (1962) indicated that impulse buying can be used as synonymous for unplanned buying where there is no planning in advance. Rook (1987) added another dimension to it that it is an unplanned purchase which happens when a consumer exposed to a stimulus experiences positive affect which means that impulse buying identifies a distinctive psychologically distinctive type of behavior that differs drastically from the contemplative modes of consumer choice.

However, a more comprehensive concept was proposed by Piron (1991)according to which impulse buying is a purchase that is unplanned, the result of an exposure to a stimulus, and decided on-the-spot. This purchase results in the customer experiencing emotional and/or cognitive reactions. According to the above concept there are four important characteristics of impulse buying i.e. unplanned, exposure to the stimulus, immediate and emotional and/or cognitive reactions. Impulse buying is an unplanned purchase as the consumers' decision to buy the product is made on the spur of the moment and is not in reaction to a previously known problem or an intention made before the entry of the shopper into the store. Exposure to the stimulus is the second important characteristic of impulse buying behavior. Here the stimulus is considered as the catalyst which drives the consumer to be impulsive in purchase. The third feature of impulse buying is the immediate nature of the buyer as the consumer makes a purchase decision immediately without caring about its consequences. Finally, emotional and/or cognitive reactions are experienced by the consumers and these determine guilt or disregard for future consequences. Similar concept of impulse buying was given by many other researchers(Hodge,2004; Chien-Huang and Hung-Ming ,2005).

Beatty and Ferrell (1998) added that impulse buying is made without any pre-shopping intentions either to purchase a particular product category or to accomplish a particular buying activity. Moreover, impulse buying takes place when a shopper experiences an urge to purchase and is likely to be spontaneous in action. This is so because impulse buyers are not keenly searching for a particular product and don't have prior plans or intent to purchase. The impulse buying phenomenon was further linked to hedonism by Bayley and Nancarrow (1998) in their study in which the reserachers regard it as a sudden, compelling, hedonically complex buying behavior where the swiftness of an impulse decision process excludes thoughtful and deliberate consideration of information on alternative and choices.). According to Park, et al (2006), Bayley, and Nancarrow, (1998),Impulse buying behaviour is a sudden, compelling, hedonically complex buying behaviour in which the rapidity of an impulse decision process precludes thoughtful and deliberate consideration of alternative information and choices.Thus, various studies on impulse buying suggest that this phenomenon takes place when a person makes an unintended, unreflective and immediate purchase. The purchase is *unintended* since it is made during shopping with no pre-shopping plans to purchase that product.

REVIEW OF LITERATURE

Consumer behavior has always been an area of fervent interest for the researchers. It is an important discipline of marketing and is aimed at studying what the consumers buy, why they buy, when and how they buy. From this it can be understood that consumer behavior relates to understanding the pattern of behavior. This behavior is influenced by a number of factors, some of which include the environment the consumer is exposed to, or the individual personality that each consumer possesses. The consumer's ability to make a purchase, or rather, the amount of buying power also plays a major role in consumption purchase behaviours. A study on how and why consumers make purchase decisions is therefore important, especially for marketers, in order to help formulate and implement effective marketing strategies and gain success in the marketplace.

The consumer's decision-making has been studied comprehensively and the fundamental assumption to consumer's decision-making is the rational perspective of consumers' choices, where a selection is made after watchfully considering and evaluating the various alternatives available. However, consumers do not always follow these requirements of rationality and make decisions without watchful consideration of the alternatives available, with unsatisfactory information regarding the product, or without prior intention of purchasing that product (Tversky & Kahneman 1981). Impulse buying is one such type of consumer behavior which is attractive and fascinating for many retailers and marketers. It is a spontaneous and cognitively intensive action. Impulse buying is an ever-present and unique side of consumers' routine. In marketing research impulse buying behavior is a mystery marked as deviation from standard buying behavior together by the literature and the consumers, and it is the impulse buying behavior that explains huge sales of various products every year around the globe (Kollat and Willet, 1967; Bellenger et al., 1978; Weinberg and Gottwald, 1982; Cobb and Hoyer, 1986; Rook and Fisher, 1995; Hausman, 2000).

Impulse buying is an ever-present and distinctive feature of consumers around the globe. The researchers from the field of marketing and consumer psychology have been trying to grasp the concept of impulse buying since 1950's. The basis for research on impulse buying was laid by Clover (1950) thus paving way to a multi-prospective research .Ever since, numerous researchers from various research fields, like consumer behavior, economics, marketing and psychology have contributed to this attention grabbing and multifaceted behavior. A review of literature also depicts that early research was more focused on defining the concept of impulse buying, differentiating it from non-impulsive buying and developing framework for investigating impulse buying rather than identifying the factors that can influence it (Youn & Faber 2000).

Impulse-buying behaviour is thought to stem from the desire to satisfy multiple needs that underlie many types of buying behaviour (Hausman, 2000). This means that impulse buying behavior occurs in response to a stimulus. When a consumer is exposed to stimuli suggesting that a need can be satisfied through the purchase, the consumer engages in impulsive purchases although there is no prior information of a new product or intention to purchase the item (Kim, 2003). This has made the retailers conscious and they are continually trying to increase the number of impulse purchases through store design, product displays, package design, and sales (Hoyer & MacInnis, 1997). In addition to environmental stimuli, internal states can also influence impulse buying. Internal cues include respondents' positive and negative feeling state, and environmental cues include retail settings, marketer controlled cues, and marketing mix stimuli (Youn & Faber, 2000).

Earlier studies on impulse buying have shown that there are numerous factors that can influence impulse buying behavior. Stern (1962) has concluded that there are basically nine factors that influence impulse buying among consumers which include low prices, mass distribution, self-service, mass advertising, prominent store displays, low marginal need for an item, short product life, smaller sizes or light weights and ease of storage. Other determinants of impulse buying as identified by the literature include presence of others (Luo 2005), mood of buyer (Rook and Gardner, 1993; Beatty & Ferrell 1998), trait impulsiveness (Rook & Fisher 1995; Weun et al. 1998; Jones et al. 2003), product category impulsiveness (Jones et al. 2003), evaluation of suitability of engaging in impulsive buying (Rook & Fisher 1995), individuals and environmental touch (Peck & Childers 2006), store characteristics (Iyer 1989; Rook & Fisher 1995; Beatty & Ferrell 1998; McGoldrick et al 1999; Michon et al. 2005; Tendai & Crispen 2009; Virvilaite et al. 2009), self-identity (Dittmar et al. 1995; Lee & Kacen 1999), cultural orientation (Lee & Kacen 1999; 2008; Mai et al. 2003; Jalees 2009), plus demographic characteristics such as gender (Rook & Gardner 1993; Dittmar et al. 1995; Mai et al. 2003; Coley & Burgess 2003; Tirmizi et al. 2009; Virvilaite et al. 2009) and age (Helmers et al. 1995; Wood 1998; Mai et al. 2003; Xu 2007; Tirmizi et al. 2009; Jalees 2009; Virvilaite et al. 2009).

The in-store information plays a substantial role in consumer impulsive decision-making, and has more influence than in planned buying situations. The in-store elements that have been associated with impulse buying include product selection, store atmospherics (Verplanken and Herabadi, 2001), product pricing (Stern, 1962), promotions, easy payments (Youn and Faber, 2000), and word-of-mouth (Lee and Kacen, 2008).

The shopping environment or atmosphere in the form of product display and layout is one of the major factors influencing impulse buying behavior. This is due to the fact that consumers do not search for impulsive products to buy when they are shopping, instead the in-store stimuli, such as shelf positions and product location, are determinants that influence consumption impulses (Stern, 1962; Rook and Fisher, 1995). Also, the instantaneous nature of impulse buying implies that 'the only available information, aside from internal or memory-base information, is the external information available in the shopping environment' (Lee and Kacen, 2008).This means that impulse buying occurs due to an exposure to in-store stimulus (usually a product), which assists the consumer to make a purchase decision by offering innovative ways of satisfying needs (Kollat & Willett 1969) and occurs in a very short time (Stern 1962; Piron 1991).The importance of window display in relation to consumers' buying behavior has received minimal attention in literature. However, since a consumers choice of store is influenced by the physical attractiveness of the store (Darden et. al,1983) and the first impression of the store image is normally created at the façade level , it can be suggested that window display may influence, to some extent consumers' choice of store when they do not set out with a specific purpose of visiting a certain store and purchasing a certain item. The initial step to getting customers to purchase is getting them in door. Therefore, retailers are placing increased importance on window display to transform shoppers into consumers (Diamond and Diamond,1996).

There are numerous studies which have indicated that promotional activities enable the sellers to raise unit sales of most of the products (Wilkinson et al. 1982; Chevalier 1975; Woodside & Waddle 1975).The in-store advertisements and promotions have proven records to amplify the magnitude of unplanned purchasing among consumers (Inman et al. 1990; McClure & West 1969). Marriri and Crispen (2009) in their study have also found a significant relationship between attractive in-store advertisements and impulse buying behavior among consumers. The results of the research study conducted by (Virvilaite et al. 2009) have found that consumers buy impulsively when their attention is engrossed by pleasant goods, discounts and attractive advertisements

According to Millner (2002)special offers and promotional schemes generate a positive desire in the minds of the consumer .The consumer evaluates the impulse purchase as a benefit on the whole and makes a purchase, and such an act may even deliver a positive post-purchase response (Adelaar et al., 2003). Thus, price and in-store promotions have an impact on the buying decision of the consumer, a low priced product and a favorable promotional offer may generate an impulsive response. A study by Dong-Jenn Yang et. al (2011) has suggested that corporate promotions, individual budget and personnel promotions are positively correlated with impulse buying intention and that sales and promotions can effectively predict impulse buying intention.

Minal et. al (2012) has also found that display is a very important driver of impulse purchase. In addition the results reveal that window display,mannenquin display,floor merchandising and promotional signange all exert a significant influence on the impulse buying behavior. In a study by Sunil Kumar and Bhawna Mishra(2012) it has been found that attractive products, money availability, discounts, product brand ,display and credit availability all have an influence on impulse purchase. Alireza Karbasivar and Hasti Yarahmadi(2011) examined the effect of four external cues (window display, credit card), promotional activities (cash discount, free product) on consumer impulse buying behavior and the results of the study prove that there is a pivotal relationship between window display, credit card, promotional activities (discount, free product) and consumer impulse buying behavior.

In addition to the displays and sales promotion, packaging too has an important role in impulse purchase as it has also become an important means of marketing communication. In a modern retail store, consumers directly face a meeting point where various product brands are placed on shelves. According to Dhar (2007),packaging plays an important role at this meeting point (also known as point of purchase) , as this is the most important point of interaction between brands and consumers ;it is at this stage consumers decide which brands to purchase. According to Duncan (2005) packaging is the main instrument of communication with which companies can deliver brand messages. In a research by Astri Cahyorini and Effy Zalfiana Rusfian (2011) has examined the effect various dimensions of packaging design namely graphic design, structure design and product information on the impulse buying behavior and found that packaging design affects impulsive buying at the rate of 38% and the packaging design dimension that results in impulsive buying is graphic design. The role of packaging has also been highlighted in an article titled "The Customer Equity Company" in which the researchers emphasized the relevance of packaging as a marketing tool as it helps to drive the way consumers experience a product. The authors said that packaging has a dual role, as it provides consumers with right cues and clues- both at the point of purchase and during usage. The study also said that packaging plays a particularly vital role in categories which are impulse.

Apart from the stimuli and situational factors, the personal factors or the consumers characteristics have also been found to have a considerable effect on the impulse buying behavior. The consumer characteristics comprises of individual characteristics or traits that enhance consumer's tendency to show impulsive behavior. These characteristics consist of individual's age, gender, culture, mood, materialism, shopping enjoyment, impulsive buying tendency, and the perceived degree of self-discrepancies (Parboteeah 2005).

Age is among the imperative factor that predicts impulse buying behavior in consumers. The ability of consumers to resist immediate gratification increases with the increase in age (Rook 1987). Young buyers show more impulsivity in their purchases as compared to aged ones (Rawlings et al. 1995; Helmers et al. 1995). Researchers have identified a number of factors that can affect impulse buying, including personal characteristics, 'age' in particular (Bellenger et al. 1978; Wood 1998). Bellenger et al. (1978) found that buyers with age less than 35 years show more impulse buying behavior as compared to those older than 35 years.
Literature identifies numerous studies on the effect of gender on consumers' impulse buying behavior; however the results of theses studies are inconsistent. Kollat and Willett (1967) found that women buy more on impulse than men while Bellenger et al. (1978) found no significance relationship between gender and impulse buying. Cobb and Hoyer (1986) reported in a study that women are less impulsive than men because women usually plan their shopping before entering into the store. In a study on gender identity and impulse buying Dittmar et al. (1995) concluded that men are likely to purchase instrumental and leisure products on impulse. These products give a sense of independence and activity to them. Women on the other end are likely to purchase symbolic and self-expressive products on impulse. The purchase of such products highlights their emotional aspects. They further concluded that women show more impulsive buying due to the emotional reasons. Women are attracted by an object and a desire for immediate gratification arises that result in impulse purchasing. The results of study by Dittmar et al. (1995b) were supported latterly by Coley and Burgess (2003) and Verplanken and Herabadi (2001).
Among many other factors higher level of income also determines the impulsivity of the consumers. High income shoppers are more likely to show higher impulse buying tendencies (Abratt & Goodey 1990). A study by Mogelonsky (1994) logically advocates that the phenomenon of impulse buying is basically for those consumers who care financially in a position to afford it. With more income in hand consumers face fewer constraints in order to buy a product on impulse. Such high income consumers usually have a more open shopping list that facilitates them to entertain themselves with rapid and unexpected buying ideas. Hence high income consumers shop on impulse more frequently as compared to those of low income shoppers. Lower income shoppers show less impulsivity in their purchases due to the income block.

NEED OF THE STUDY
A number of studies have been conducted to analyse impulse buying behavior. National surveys between 1975 and 1992 revealed that on an average 38% of the adults were impulse buyers (DDB Needham Annual Lifestyle Survey, 1974-1993). The studies between 1999 and 2002 indicated that 50% or more of participants were classified as impulse buyers (Chen-Yu & Seock, 2002; Nichols, Li, Roslow, Kranendonk,& Mandakovic, 2001; Underhill, 1999). Chen-Yu and Seock examined adolescents' impulse buying behavior and reported that about half of the participants were impulse shoppers and half were non-impulse shoppers. Nichols et al. (2001) found over 50% of mall shoppers buying items on impulse and Underhill (1999) found 70% of all grocery items being purchased were by impulse. All this has indicated that impulse buying as a phenomenon is all pervasive irrespective of demographics and products.
In the recent times,the marketers have been strategizing impulse buying initiative, as it has been found to be having a significant impact on increasing revenues and profits. Their focus has been to influence the instore decisions of their potential customers by creating enjoyable, attractive modern state of the art environments ranging from background music, favourable ventilation, freshened scent, attractive store layout, in-store displays and persuasive shop assistants among other things.
There are only a few studies on impulse buying in the clothing and textiles area(Han, Morgan, Kotsiopulos, and Kang-Park ;1991, Piron ,1993; Chen-Yu and Seock;2002). Although previous studies compared apparel impulse buying behavior between different consumers, no conceptual models or theories were developed to explain the factors that are related to impulse buying.The present study aims at analyzing the instore stimuli affecting impulse buying along with the role of demographics.

RESEARCH PROBLEM
The research study has focused upon investigating the impact of key stimuli on consumers' buying patterns. In the present research various factors affecting impulse buying viz. display of products, attractive packaging, sales promotion have been analysed in the modern retail format along with the effect of demographics. Therefore, the following objectives and hypotheses have been formulated.

OBJECTIVES
1. To examine and analyze the role of in-store stimuli on impulse buying.
2. To conduct an impact analysis of the demographics on impulse buying behavior.

HYPOTHESES
$H_{1:}$ Stimuli have influence on impulse buying.
$H_{2:}$ There is a significant impact of demographics on impulse buying.

RESEARCH METHODOLOGY
The study has been conducted on the basis of primary data, which has been collected through a structured questionnaire. The data was collected from 125 respondents who had made a recent purchase of apparels. The questionnaire was framed using a seven point Likert Scale consisting of statements covering three dimensions viz; Impulse Buying, Attractive display, Sales Promotion, Packaging . The pretest study was administered on 35 respondents. All the dimensions were measured on a scale of 1to 7, where 1 represents Strongly Disagree and 7 represents Strongly Agree . Finally the demographic information was collected at the end of the study. The data so collected was summarized and analysed using SPSS Statistics 19. Regression analysis was conducted for the hypotheses testing using impulse buying as a dependent variable and each variable as predictors in order to see if there exist relationships and to determine the relative importance of the various type of influences on impulse buying behavior of apparels. Also, t-test and ANOVA were used to analyse the impact of age, gender and income on the impulse purchase behavior. The sample profile of the respondents is shown in the tables below.

FACTOR INTERNAL CONSISTENCY RELIABILITY
Cronbach alpha is the major measurement of internal consistency reliability. Cronbach alpha over 0.70 illustrates high satisfactory internal consistency reliability. On the other hand, if the Cronbach alpha is 0.60 or less than 0.60 it suggests unsatisfactory internal consistency reliability (Malhotra, 2007). According to Table 1, the Cronbach alpha for each factor, except situational factors, is higher than .70. However, the Cronbach alpha for informational element of packaging is much lower than .70 and so this factor has not been considered. Therefore, the Cronbach alpha's among the factors shows high satisfactory internal consistency reliability.

TABLE 1: FACTOR CONSISTENCY ANALYSIS

Factor	Cronbach Alpha
Impulse	0.726
Excitement	0.715
Joy	0.809
Escapism	0.767
Attractive Display	0.832
Sales Promotion	0.787
Visual Element of Packaging	0.930
Informational Element of Packaging	0.615

Table 2 below shows us the gender profile of the respondents. The statistics indicate that the data was collected from around 125 respondents and majority of them were females.

TABLE 2: GENDER PROFILE OF RESPONDENTS

Gender	Number of Respondents	Percent
Male	85	68
Female	40	32
Total	125	100.0

Table 3 shows the age wise representation of the respondents. Data from the various age groups has been collected to further understand the demographic profile of the respondents. Hence, the table below indicates that most of the respondents were in the age group of 25-34 followed by 18-24 age groups. However, there were lesser number of respondents in the agegroups of 35-45 and above 45 years.

TABLE 3: AGEWISE REPRESENTATION OF RESPONDENTS

Age Group	Number of Respondents	Percent
18-24	31	24.8
25-34	72	57.6
35-45	15	12
Above 45	7	5.6
Total	125	100.0

While analyzing the demographics, another important variable which has been studied is the income group. The customers belonging to various groups have responded to the instrument of the study, which is presented in table 4 below. This indicates that most of the respondents were having annual income upto 5 lacs followed by people having income between 5-10 lacs.

TABLE 4: INCOME GROUP OF RESPONDENTS

Income	Number of respondents	Percent
Upto 5 lac	69	55.2
5-10 lac	40	32
Above 10 lac	16	12.8
Total	125	100.0

FINDINGS

Objective 1: To examine and analyze the role of in-store stimuli on impulse buying viz. Attractive display, promotion and packaging.

Analysis of relationship between instore stimuli and impulse buying has been analysed as the first objective of the study. Therefore, a regression analysis was undertaken with impulse buying as dependent variable and instore stimuli as independent variable. The results(table 5.15a and 5.15b) clearly point out that instore stimuli(β=0.549,p=0.000) has a significant positive correlation with impulse buying. The R square value of 0.301 indicated that instore stimuli could explain 30.1%variation in impulse buying.

TABLE 5 a: REGRESSION ANALYSIS: INSTORE STIMULI AND IMPULSE BUYING

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.549[a]	.301	.300	.998	.301	300.819	1	698	.000

a. Predictors: (Constant), IS

TABLE 5 b: REGRESSION COEFFICIENTS: INSTORE STIMULI AND IMPULSE BUYING

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.331	.336		.986	.000
IS	1.048	.060	.549	17.344	.000

REGRESSION OF IMPULSE BUYING AND CORRELATES OF IN-STORE STIMULI

The multiple regression model with all the three predictors namely (attractive display, sales promotion and attractive packaging produced $R^2 = .309$ (table 6a) which indicates that variation in impulse buying to the tune of 30.9 % is caused due to instore stimuli. As can be seen in Table 6b, attractive display, sales promotion and attractive packaging have significant positive regression weights.

TABLE 6 a: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.555[a]	.309	.306	.994	.309	103.513	3	696	.000

a. Predictors: (Constant), pkg, sp, dsp

TABLE 6 b: REGRESSION COEFFICIENTS

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1(Constant)	.188	.367		.512	.000
Dsp	.189	.067	.307	2.820	.005
Sp	.374	.044	.105	8.517	.000
Pkg	.462	.057	.003	8.117	.103

Dependent Variable: ib

The regression coefficients (table 6b)have indicated that out of all the three factors namely display, sales promotion and packaging β value for display (0.307) is highest among the three which means that among the instore stimuli , display has the highest impact on impulse buying followed by sales promotion(β=0.105). The impact of packaging o the impulse purchase of apparels is not significant.

Objective 2: To conduct an impact analysis of the demographics on impulse buying behavior.

TABLE 7 a: GROUP STATISTICS

D1		N	Mean	Std. Deviation	Std. Error Mean
Impulse	FEMALES	85	5.48334	1.04515	.15410
	MALES	40	4.9478	1.10794	.22616

TABLE 7 b: IMPACT OF GENDER ON IMPULSE PURCHASE

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	T	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Ib Equal variances assumed	2.306	.129	-1.175	697	.003	-.106	.090	-.283	.071
Equal variances not assumed			-1.172	683.534	.001	-.106	.090	-.283	.072

The above table shows that p value (<.05) which means there is a significant impact of gender on impulse purchase.

TABLE 12: ANOVA: AGE AND IMPULSE PURCHASE

Impulse

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	4.371	3	1.457	1.240	.000
Within Groups	77.540	66	1.175		
Total	81.911	69			

TABLE 13: ANOVA: INCOME AND IMPULSE PURCHASE

Impulse

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.750	2	.875	.731	.000
Within Groups	80.161	67	1.196		
Total	81.911	69			

Analysis of Variance has been used to analyse the impact of age and income on impulse buying. The results of table 12 reveal that ($p=.000<0.05$) which means there is significant difference in impulse buying of apparels with respect to age groups. Further, the results of the table 13 reveal that ($p=0.000<0.05$) which means that the impact of income on impulse buying is also significant.

Hence, H2 is accepted.

RESULTS AND DISCUSSION

With the increasing number of unplanned and impulse purchases it has become very important for the marketers and retailers to have an idea of the different factors that influence the consumers to behave in an unplanned and impulsive manner. This research provides an insight into the several factors of impulse buying along with the role of demographics in the impulse purchase of apparels.

The data analysis indicates that attractive display has a significant impact on the impulse purchase of apparels which means that it is one of the critical factors in impulse buying. Abratt and Goodey (1990) also found that in-store stimuli affected impulse buying significantly. Apparel marketers could use attractive display strategies to create a symbolic meaning of their store and products in the mind of their target consumers. The clothes should be arranged and displayed properly in different sections like, colour, sizes, type of clothes, formal or casual, etc keeping in mind consumers' convenience and strategic layout. If the display is messy the consumers' mood might be spoiled and will lead them to leave. The décor and interiors of the shop should be attractive and make the consumers feel good while shopping. The layout of the store should be such that the consumers have enough place to move around.

The results also indicate that sales promotion which includes discounts and clearance sales seems to have a lesser impact on the impulse purchase of apparels. This means that people do not consider the clearance sales and discounts as an inducement to make impulse purchase. This may be due to their negative perception about the sales and discounts. Some people also feel that sales and discounts are just to clear off the old stock and material of the discounted apparels is not upto the mark. People consider sales shopping as a very stressful exercise as there is no association of the sizes as all the clothes are put together. Even if it is a good quality product, the consumers have this mindset that it is not nice because of the way it is kept and too much hard work is needed. Also, people dislike sales shopping because there are too many people during sales which cause overcrowding.

The retailers' objective should be to impart both economic and non-economic motivations to the consumers, in order to make them buy impulsively. Sales are a major economic motive for the consumers to buy impulsively, but during the sales the noneconomic benefits are reduced, this stresses the consumers and might restrict their purchasing ability. During sales if the display is kept appropriate and the ambience maintained properly the consumers' impulse behaviour would increase. The findings further indicate that packaging is not a stimulus to impulse purchase of apparels. This means that although the element packaging is an important stimulus for impulse purchasing but it may not be that important in case of apparels.

These results have very important implications for the marketers. Shopping has become a favourite pass-time for people and they even shop to relieve their stress. The retailers should therefore create an environment where the consumers can 'off load' their negative emotions, feel good, and enjoy the experience. The findings of the analysis indicate there is significant impact of demographics on impulse buying. This means that impulse buying is different in case of males and females. Females make more impulse purchases. Also, the impulse purchase behavior differs among age groups and income groups.

Among the instore stimuli display plays an important role. Therefore, while strategizing the in store stimuli, the store managers should focus on the display. And the display and the emotions should be aroused keeping in view the fact that females are more prone to impulsive buying.

Thus, this research identifies several avenues and aspects of the store environment that retailers can focus upon and alter to induce consumers to buy on impulse, which is, one of the most commonly observed shopping behaviours today. Also, depending upon the findings of demographics, the marketers can formulate different strategies depending upon the gender, age and income group of consumers. Though the contribution of this research is microscopic in the large reservoir of consumer behaviour studies, it provides a starting point for future studies with respect to a detailed analysis of various in-store environment stimuli and impulse buying.

CONCLUSION AND SUGGESTIONS

The purpose of this study was to analyse the role of instore stimuli in impulse buying of apparels in the organized retail sector. Analysis of the results have led to the conclusion that there are various factors which have an impact on impulse buying in the organized retail and in order to maximize the impulse sales , they have the potential to act as the key drivers.

The approach of the study undertaken was customer centric as it focused on the customer psychology that drives him towards impulse purchase. Therefore, the main objectives of this research focused upon analyzing the impact of various antecedents on impulse buying like instore stimuli viz. attractive display, sales promotion and attractive packaging on impulse buying along with the role of demographics. The data analysis has indicated that impulse buying in the organized retail sector has a significant role. It has been found that instore stimuli encompass a very critical factor that leads to impulse buying and among them the most important stimuli is attractive display followed by sales promotion techniques. Therefore, retailers and marketers should focus their attention on improving the store environment to stimulate people to make an impulse purchase and introduce efficient sales promotion techniques.

An indepth analysis of the demographic factors has indicated that gender, age and income group of the consumer seems to influence impulse buying behavior. This leads us to the conclude that marketers should devise strategies keeping in mind the target age groups, gender as well as income of the consumers in order to encourage them for impulse buying.

LIMITATIONS

All possible efforts were made to maintain objectivity; validity and reliability of the study yet there are certain limitations. These are discussed as under:

1. Data collection using survey technique may have included errors. Although great care was taken to ensure that respondents understood the statements in the questionnaire exactly as the researcher desired them to be understood. However, errors due to misunderstanding or simply data entry cannot be ruled out.
2. This study has restricted the sampling area to Delhi, Noida and Gurgaon. However, other areas could also be included to improve the study .
3. Data was collected over a short period of time.

SCOPE FOR FUTURE RESEARCH

1. The research can be expanded to include demographic subcultures, social classes and lifestyle factors as well in the personal factors.
2. Although impulse buying is presumed to be largely universal, its impact on other cultures can also be of topical interest.
3. Future research might also explore impulse buying within television, internet, telemarketing, direct mail shopping, and other non-store formats.
4. Another interesting consideration for research would be to investigate how impulse buyers justify their behavior.
5. It would be useful to investigate in detail how various marketing factors (e.g., credit cards, 24-hour retailing) affect impulse buying and which one has the strongest influence.

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