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SMALL AND MEDIUM SCALE ENTERPRISES (SMEs) DEVELOPMENT POLICIES AND STRATEGIES IN NIGERIA: A CRITICAL APPRAISAL

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ABSTRACT

This paper explores a critical appraisal of the policies and strategies for the development of Small and Medium Scale Enterprises in Nigeria. A descriptive analysis of the policies and strategies of Small and Medium Scale Enterprises was carried out and it was discovered much of the efforts initiated by government did not yield much result because of lack of adequate fund to carry out the activities as well as overbearing regulatory and operational environment among others. It is therefore necessary that the implementation of policies and programme for Small and Medium Scale Enterprises development be taken seriously by carrying out proper monitoring and evaluation of these programmes.

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KEYWORDS

Development, Policies, Strategies, Small and Medium Scale Enterprises, Nigeria.

INTRODUCTION

The positive contribution of small and medium-scale enterprises (SMEs) in providing and maintaining balanced economic and social development is universally accepted. These enterprises also play an important role in reducing the level of unemployment and creating new employment opportunities and, with their flexible production structure, they can follow changes in market conditions more effectively. It was pointed out in Ihua (2009) that these enterprises constitute the largest proportion of businesses all over the world and play tremendous roles in employment generation, provision of goods and services, creating a better standard of living, as well as immensely contributing to the gross domestic product (GDP) of many countries. Due to their importance, countries usually seek to encourage the establishment, expansion, development and protection of SMEs. The promotion of SME efficiency and dynamism can thus yield increasing social and economic returns in virtually all economies (Thitapha, 2002).

It has been estimated that SMEs account for about 70 per cent of total industrial employment in Nigeria (Olusoji, 1999). The critical role of SMEs cannot be overemphasized in that they form the bulk of business activities in a growing economy like that of Nigeria. They provide job opportunities, enhance the quality of human resources and promote managerial skills/talents which are lacking in many economies. In the provision of jobs, SMEs are more labour intensive than larger firms; and as such, they employ reasonable number of manpower.

Consequently, SMEs play an important role in fostering income stability, growth and employment. In addition, the efficiency of the domestic market is improved by making use of scarce resources, thereby facilitating long-term economic growth. Audretsch (2000) concluded, from his study on the analysis of SMEs in United States, that they contribute the greatest amount of net employment to the economy.

Successive governments in Nigeria have put in place various policies and support programmes for SME development. Despite these various support programmes, the potentials of the small and medium enterprises sector have not been fully exploited as they contribute about 70 per cent of total industrial employment and account for only 10-15 per cent of total manufacturing output as noted above. Also, the agricultural sector, which engages over 60 per cent of the nation's labour force, produces only about 40 per cent of the gross domestic product (Salami, 2003). In a nutshell, these enterprises are yet to achieve their full potentials. The purpose of this paper therefore is to do a critical appraisal of the policies and strategies for the development of SMEs in Nigeria. Following the introduction is the conceptual issues in section 2. Section 3 presents the policies and strategies of SMEs in Nigeria while section 4 appraises the policies and strategies. Section 5 presents the challenges of SMEs in Nigeria while section 6 concludes the paper

CONCEPTUAL ISSUES/LITERATURE REVIEW

The definition of SMEs varies from country to country. For example, while UNITAR (2004) defined small and medium-scale enterprises (SMEs) as privately-owned businesses that are too small or relatively small to engage in large-scale public offerings of securities, the Central Bank of Nigeria (CBN, 1997) noted the definition of SMEs by the National Council of Industries in Nigeria as enterprises those with total investment of above N40 million but not exceeding N150 million and labour size of between 35 and 100 workers. In general, the classification of SMEs varies by assets, number of employees or annual sales.

The International Finance Corporation (IFC, in Hamid (2004), defines SMEs as firms with less than 300 employees and total assets less than USD One million. Based on this definition, the majority of businesses in Nigeria are SMEs.

According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), the definition of SMEs is based on value of assets, excluding real estate and number of employees. SMEDAN categorized medium and small-scale enterprises into three as follows Medium-scale enterprises (MSE) are defined as enterprises with asset value less than 200million and employees less than 300. Small-scale enterprises (SSE) have the assets less than 50 million and employ less than 100 people while micro enterprises (ME) are those with less than 1 million asset value and employ less than 10 people.

The World Bank Group SME department has classified micro enterprises as enterprises with employees less than or equal to 10 and total assets less than or equal to US\$ 100,000 or total annual sales less than or equal to US \$100,000; small enterprises have employees between 10 and 50 and total assets greater than US\$100,000 or equal to US\$3million or total annual sales greater than US\$100,000 or equal to US\$ 3million; while medium enterprise are those with employees above 50 but less than or equal to 300 and total asset between US\$3 million and US\$15million or total annual sales between US \$3million and US\$ 15million. In the Nigerian context, SMEs are best defined as enterprises with fewer than 100 employees and less than N50 million in assets (World Bank, 2002). For the purpose of this paper, SMEs are identified as enterprises with employees less than 100 and assets less than N50 million.

The contributions of SMEs to the Nigerian economy as discussed by Chibundu (2006) are as follows: SMEs affords greater utilization of local raw materials, generate employment, encourage rural development, develop entrepreneurship, mobilize local savings, provide linkages with bigger industries, provide regional balance by spreading investments more evenly, and provide opportunity for training managers and semi-skilled workers. According to Ariyo (2000), a study done by the then Federal Office of Statistics (FOS) now National Bureau of Statistics (NBS) shows that 97 per cent of all businesses in Nigeria employ less than 100 employees. Based on an earlier definition of SMEs, it then means that 97 per cent of all businesses in Nigeria are small businesses. The SME sector provides, on average, 50 per cent of Nigeria's employment and 50 per cent of its industrial output.

Moreover, a Central Bank of Nigeria (CBN, 2000) study estimates that SMEs account for about 70 per cent of industrial employment and from 10 to 15 per cent of manufacturing output. Table 1 below shows the structure of industrial establishments in Nigeria.

TABLE 1: STRUCTURE OF INDUSTRIAL ESTABLISHMENTS IN NIGERIA (%)

Sector	Small Scale and Micro Enterprises	Medium Scale Enterprises	Large Scale Enterprises
Agriculture, Forestry and Fishing	43.4	53.8	2.8
Mining and Quarrying	29.9	55.2	14.9
Manufacturing	65.2	31.3	3.5
Electricity, Gas and Water	25.0	51.0	24.0
Consumption	41.7	47.7	10.6
Wholesale and Retail Trade	75.9	23.0	1.1
Transport, Storage & Communications	46.9	46.9	6.2
Finance, Insurance & Real Estate	50.9	45.0	4.1
Community, Social & Personal Services	68.2	30.9	0.9
Average	69.68	22.75	7.57

Source: CBN (2000); The Changing Structure of the Nigerian Economy.

In spite of their preponderance, SMEs however contribute only 1 per cent of GDP (NIPC, 2002). This contribution pales into insignificance when compared with what obtains in other countries and regions. In countries like Indonesia, Thailand and India, SMEs contribute almost 40 per cent of GDP and over 50 per cent in the USA and the EU (NIPC, 2002).

IMPORTANCE OF THE STUDY

This paper is important because of the usefulness of SMEs in the economy. The SME sector provides, on average, 50 per cent of Nigeria's employment and 50 per cent of its industrial output. The earlier study conducted by Central Bank of Nigeria estimates that SMEs account for about 70 per cent of industrial employment and from 10 to 15 per cent of manufacturing output.

STATEMENT OF THE PROBLEM/OBJECTIVES OF THE STUDY

Despite the various policies and support programmes that successive governments in Nigeria have put in place for SME development, the potentials of the small and medium enterprises sector have not been fully exploited. SMEs contribute about 70 per cent of total industrial employment and account for only 10-15 per cent of total manufacturing output as noted above. Meanwhile, the agricultural sector, which engages over 60 per cent of the nation's labour force, produces only about 40 per cent of the gross domestic product (Salami, 2003). Moreover, these enterprises are yet to achieve their full potentials. The purpose of this paper therefore is to do a critical appraisal of the policies and strategies for the development of SMEs in Nigeria.

POLICIES AND STRATEGIES OF SME'S IN NIGERIA

Prior to the return to civil rule in 1999 in Nigeria, various policies and programmes were put in place with the assistance of international organizations to encourage the development of SMEs. These include monetary, fiscal and industrial policy measures to promote the development of small and medium-scale enterprises (SMEs). Various measures like the Economic Stabilization Act of 1981, the National Economic Emergency Fund (1985) and the Structural Adjustment Programme (SAP) were put in place to encourage local producers to use local inputs in their production. These measures increased the number and size of small and medium scale enterprises and thus they became the focus of enduring industrialization, and income and employment generation that could improve living standard and economic growth.

Policy measures like generous tax incentives and export promotion incentives were targeted towards employment generation, integrated rural development and intensive use of local resources for production. These policy initiatives were favourable to the SMEs and thereby facilitated their growth and development. Credit facilities and institutional support were also developed to encourage credit delivery to SMEs.

Other measures include establishment of specialized financial institutions, Nigerian Industrial Development Bank (NIDB), Nigerian Bank for Commerce and Industry (NBCI) to provide long term credit, Funding and setting up of industrial estates to reduce overhead costs, National Economic Reconstruction Fund (NERFUND), to provide medium to long-term local and foreign loans for small, and medium scale businesses, particularly those located in the rural areas; World Bank Loan Scheme (SME I & II Loan Scheme), including the Small Scale Industry Credit Scheme (SSICS), Facilitating and guaranteeing external finance by the World Bank, African Development Bank and other international financial institutions; the establishment of the National Directorate of Employment (NDE) and Directorate of Food, Road and Rural Infrastructure (DFRRI), which also initiated the setting up of new SMEs; Provision of technical training and advisory services through the Industrial Development Centres. The aim was to provide either long term credit or specialized services to the SMEs.

Since 1999, government has continued to implement measures at addressing various issues identified as constraints to SME development and economic growth. These measures include repeal of all anti-investment legislations, especially the 1972 and 1978 Nigerian Enterprises Promotion Act; Public Sector Reforms; empowerment/streamline of Approving/Facilitating Regulatory Agencies; Nigeria Investment Promotion Council (NIPC)/Nigeria Immigration Service Co-operation; Nigerian Port Reforms; Nigeria Bank of Industry; Nigerian Agricultural & Rural Development Bank; National Poverty Eradication Programme (NAPEP); setting aside of 10% of profit before tax by commercial banks for SME Equity Investment Scheme (SMIEIS Fund); Small & Medium Enterprises Development Agency of Nigeria (SMEDAN), which serves as a central coordinating agencies for SMEs.

Furthermore, domestic economy is protected through the prohibition of certain imported items, i.e., bicycles, foot wears, imported meat, textile materials, men footwear, ties, soap, detergents furniture, flowers, fresh fruits, cutlasses, pick axes, spades, vegetable oil, barite, tantatile, shovels, knives, wheel barrows, bucket, cups bins, hanger, container, ball point pen, pencils, and toothpaste, among other things (Adelaja, 2003).

To handle capacity building and research in the area of small and medium-scale enterprises, government established training and research institutions like the Industrial Training Fund (ITF), Raw Materials Research and Development Council (RMRDC), Federal Institute of Industrial Research, Oshodi (FIRO), Project Development Agency (PRODA), and Centre for Management Development (CMD). To remove bias against the SMEs, the second tier security market was introduced in the capital market in 1985 to assist the SMEs in assessing fund from the capital market for expansion.

The Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) is an amalgamation of the former Peoples Bank of Nigeria, Nigerian Agricultural and Cooperative Bank and the Family Economic Advancement Programme (FEAP). NACRDB was set up to finance agriculture as well as small and medium enterprises in year 2000.

The Small and Medium Industries Equity Investment Scheme (SMIEIS) was initiated in 2001 by CBN through its persuasion to the Bankers Committee, after observing that the dearth of long-term finance was an hindrance to small and medium-scale enterprises' development in Nigeria. The scheme requires that all banks in Nigeria should set aside 10 per cent of their profit before tax annually for equity investments in small and medium industries. This was for the purpose of facilitating the flow of funds for the establishment of new SMI projects, reactivation, expansion and modernization or restructuring of ongoing projects and stimulating economic growth, develop local technology and generate employment (CBN, 2003). Table 2 presents the summary of the major strategies on SMEs since the attainment of independence in Nigeria.

TABLE 2: SUMMARY OF THE POLICY ACCOUNT OF SMES STRATEGIES IN NIGERIA FROM 1962-DATE

S/No	Regime Period	Plan Document	Policy/ Strategy	Remark
1.	1962-68	1st National Development Plan	Nigeria Industrial Development Bank (NIDB)	This is the first NDP introduced after independence in 1960 and it is mainly private sector driven
2	1969-1974	2nd National Development Plan	Industrial development Centres, Small scale industries Credit Scheme (SSIC)	The plan policy strategies changed from private sector led to public sector driven due to reconstruction and rehabilitation after the civil war
3	1975-1980	3rd National Development Plan	Small Industries Credit Fund (SICF), Nigerian Enterprises Promotion Act, sectoral allocation of credit	Continuation of public sector led economy with high inflow of foreign exchange from crude oil exports. It was a period of economic buoyancy
4	1981-1985	4 th National Development Plan	Second Tier Securities Market (SSM)	Continuation of public sector led economy as engine of growth with heavy investment in public enterprises
5	1986-1998	Structural Adjustment Programme (SAP)/Guided Deregulation/National Rolling Plan	Various institutions to promote SMEs such as NDE, DFRR, Small-Scale Industries Corporation, Nigerian Bank for Commerce and Industries, Nigerian Agricultural Co-operative Bank(NACB), National Economic Reconstruction Fund(NERFUND), World Bank SME II Loan Scheme, African Development Bank (granted an export stimulation loan) among others were introduced	The period of market led economy where government was divesting from public enterprises
6	1999-2007	National Economic Empowerment and Development Strategy (NEEDS 1)	Establishment of a Small and Medium Scale Industries Development Agency (SMIDA), The Small and Medium Scale Investment Scheme(SMIEIS), Nigeria Investment Promotion Council(NIPC), and financial capitalization is a major impact on SMEs	The reform period
7	2007-2009	NEEDS 11/ 7 Point Agenda/Vision 20:2020	The direction of SMEs has not been well articulated	Current focus of government is on development and perspective planning framework
8	2011-2015	Transformation Agenda	Encouraging large-scale industries and Small and Medium Enterprises (SMES) to manufacture goods, revitalize ailing industries, promote agriculture and agro businesses	The strategy for encouraging SMEs is not well articulated in the agenda

Source: Author's Compilation.

APPRAISAL OF SMES' DEVELOPMENT POLICIES AND STRATEGIES

The collapse of the international oil market in the mid 1980s, which resulted in massive unemployment and low capacity utilization of large scale enterprises, forced government to look inward for the recovery of the economy. Tax incentives and export promotion incentives among other things were targeted towards employment generation and intensive use of local resources for production. Credit facilities and institutional support were also developed to encourage credit delivery to SMEs. With the introduction of SAP in 1986, the federal government established certain guidelines for the development of SMEs. These include:

- i. establishment of more industrial development centres (IDCs);
- ii. establishment of model industrial estates to encourage prospective small-scale enterprises;
- iii. exploitation of the existing World Bank-assisted programmes for small-scale enterprises;
- iv. introduction of work-for-yourself programme introduced by the Federal Ministry of industries assisted by the International Labour Organization (ILO) and the British council;
- v. introduction of SMEs related programmes such as the small-scale industries scheme and the National Economic Reconstruction Fund (NERFUND); and
- vi. establishment of institutions like the People's Bank, Community Banks, National Directorate of Employment (NDE), Better Life for Rural Women Programme (supplanted by the Family Support Programme and the Family Economic Advancement Programme).

Before the introduction of the above, the Central Bank of Nigeria had been instrumental to promoting the development of Nigerian enterprises since 1970. The CBN in its policy guidelines directed that credit by Nigerian banks to indigenous borrowers was to be at least 35 per cent of the bank's total loans and advances with effect from 30th April 1970. It was raised to 40 per cent in the 1972/73 fiscal year, 49 per cent in 1973 and 90 per cent in 1984. Although the proportion of loans was raised, the concentration was on the large scale enterprises. It was in 1979/80 fiscal year that the CBN specifically directed that at least 10 per cent of the loan advances should be allocated to small-scale industries. This percentage was increased to 16 per cent between April 1980 and the end of 1989. It was further increased to 20 per cent in January 1990.

However, the inability of formal banking institutions to adequately make credit available to small-scale industries led to the establishment of the People's Bank and the Community Banks. The People's Bank was established to provide job opportunities and give interest free loans on the basis of group membership to ensure repayment (CBN, 2003). The loans and advances given by the bank kept expanding for several years and many small-scale enterprises were able to improve their activities by investing the loans obtained in their businesses.

The community bank came into existence in 1992 to enhance rapid development of the productive activities of rural dwellers, improve the economic status of small-scale producers, and generate credit within the community to enhance the development of productive activities. The loans advanced by the community banks rose from N20.1 million in 1992 to N70.7 million in 1995 (Olusoji, 1999).

The Better Life for Rural Women Programme, which came into existence in 1987, was specially designed for rural development. This programme was later modified and renamed Family Support Programme in 1994, with the aim of focusing on strengthening the family. Through this programme, a number of cottage and small-scale industries were established with the aim of improving the productivity of the rural women and their capability to generate more income. In 1990, 544 cottage industries were established and, as at 1995, the number of cottage industries increased to 1081. In addition, food processing mills were also established during the same period.

The Family Economic Advancement Programme (FEAP) was also aimed at enhancing the development of small-scale industries and it was to facilitate the establishment of cottage enterprises that will use local labour, locally available raw materials and fabricated equipment in the rural areas. The implementation of the IDCs was poor because many of them were not adequately equipped and funded.

The Small-Scale Industry Credit Scheme (SSICS) was also not successful because of lack of executive capacity to appraise, supervise and monitor projects and as such many projects that were funded were not viable and this led to massive loan repayment default. Consequently, the scheme had to be stopped because of lack of fund.

The NDE launched varieties of programmes to generate employment and thereby enhance the development of SMEs. These programmes include small-scale industries scheme (SSI), agriculture and youth employment vocational skills development and special public works. Others are Open Apprenticeship, the waste to wealth programme, the Graduates Job Creation Loan Scheme (GJCLS), and Entrepreneurship Development Programme. The NDE has cumulatively supported 2300 SMEs' projects in soap making, food processing, flour milling, etc. (Olorunshola, 2003).

The NIDB has played a major role in SMEs financing. Its assistance covers 17 sub-sectors of industry. The NIDB disbursed a total of N 174.6 million to the SMEs between 1980 and 1988. The level of NIDB's direct project sanctions and disbursement to the SMEs since 1989, however, has tended to fluctuate downwards due to the establishment of NERFUND, and the SME II Loan Scheme, amongst other reasons (Olorunshola, 2003).

At the initial stage, approval of projects and disbursement of funds were very slow because of inadequate publicity, lengthy and cumbersome approval processes, assumption of all credit risks by the participating banks and the floating of the naira, which affected the viability of many projects. Participating banks are expected to bear the full credit risk involved in financing SMEs under the scheme. Loan approvals were granted by the fund to a number of projects spread across the country. The number rose from 5 in 1989 to 75 in 1990, after which it maintained a downward trend. NERFUND's investments in the projects have been substantial; the total naira component was N774.2 million, while the counterpart approval in foreign exchange was \$97.5 million. NERFUND had approved 373 projects with disbursements initiated on 200 and commitment of US\$80.9 million and N333 million. About 70 of the sub-projects have been fully disbursed while 21 of them have fully amortized the total loan value. However, NERFUND was confronted by a number of problems in the sense that there was poor and untimely loan recovery rate, while demand for loans reduced after 1990 because of the foreign exchange risk which was borne by the borrower (Olorunshola, 2003).

The number of SMEs listed on the Second Tier Market (SSM) increased to 16, 19 and 20 in 1990, 1991 and 1995, respectively, while at least 4 SMEs have moved to the Main List of the market. As at 2005, 16 SMEs remained in the SSM. This shows increasing use of the capital market by the SMEs to raise funds for expansion and modernization even though it is still highly insignificant relative to the number of SMEs in the country.

The SMIES was characterized with the problem of misinterpretation by the entrepreneur and some of them still want to hold on to the proprietorship of their organization. The fear of losing ownership made some of them to shun the fund. As such, fund was available but majority of them did not have interest in accessing the fund. From the report presented by Osa-Afiana (2003), out of the 80 projects financed by SMIES as at 2003, Lagos State alone had a share of 60 projects, which constitutes 75 per cent of the total project financed. This was followed by Delta with four projects, while majority of the states had a share of one project each. This shows that the geographical distribution is lopsided. In addition, 75 per cent of the projects financed were in the service sector which is contrary to the real sector the scheme was initially designed for. Moreover, by December 2004, only N8.5 billion (29.5 per cent) of the N28.8 billion of the fund had been utilized while 10 per cent of the fund meant for micro credit had not been utilized due to lack of an appropriate framework and confidence in the existing institutions that would have served the purpose (CBN, 2005). By 2007, out of a cumulative amount of N37.42 billion set aside, only N18.13 billion was invested by the bank on 258 projects (CBN, 2007). A closer look at the investment on sectoral basis shows that the manufacturing subsector dominated by receiving 38.37 per cent of the amount invested, followed by tourism (21.63 per cent), while the micro enterprises remained at zero per cent. It is also important to note that SMEDAN, which serves as a coordinating agency for SMEs, was only set up in year 2003.

Furthermore, the activities of training and research institutions, Industrial Training Fund (ITF); Raw Materials Research and Development Council (RMRDC); Federal Institute of Industrial Research, Oshodi (FIRO). Project Development Agency (PRODA), and Centre for Management Development (CMD) initiated by government did not yield much result because of lack of adequate fund to carry out the activities.

CHALLENGES TO SMEs DEVELOPMENT IN NIGERIA

Despite the fact that finance is a major constraint to the development of SMEs in Nigeria, it is not the only or most important constraint. The effective utilization of substantial financial resources provided under the various past programmes was constrained by such factors as lack of adequate entrepreneurship and managerial skills as well as absence of the enabling environment for investment in small and medium-scale industries.

There are various dimensions to the finance/funding problems faced by small and medium-scale enterprises in Nigeria. First is the problem of access to credit, while the second is the cost of credit although the latter is often considered as being less important than the first. The deregulation and liberalization of the financial sector in Nigeria has several implications for SSEs access to credit as well as the cost of credit. In terms of access to credit, financial sector deregulation has meant the phasing out of the system of administratively determined sectoral credit allocation targets.

The reduction in the scope of directed credit and selective credit policies is likely to have increased the problem of access to credit for SSEs in certain sectors of the economy. Although available evidence on the impact of financial sector liberalization and deregulation suggests that access to credit for small-scale enterprises actually improved (Oyejide, 1993; NIPC, 2002), the sectoral distribution of bank credit to SSEs is highly skewed towards the trading sector rather than the more productive sectors (NIPC, 2002, *Nigeriabusinessinfo.com*, 2002). Table 3 below presents data on actual credit to SSEs by commercial and merchant banks in Nigeria.

TABLE 3: CREDIT TO SSES BY COMMERCIAL AND MERCHANT BANKS (1981-2012)

Year	Credit to SSES by Commercial Banks			Credit to SSES by Merchant Banks		
	Credit to SSES N'm	Total Credit N'm	Ratio of SSE Credit to Total (%)	Credit to SSES N'm	Total Credit N'm	Ratio of SSE Credit to Total (%)
1981	203.2	8582.9	2.37	n.a	72	n.a
1982	206.7	10275.3	2.01	n.a	1026.8	n.a
1983	351.3	11093.9	3.17	n.a	1185.5	n.a
1984	729.1	11583.6	6.29	0.052	1685.8	0.00
1985	462.5	12170.2	3.80	0.061	1802.9	0.00
1986	1413.1	15701.6	9.00	0.101	2771.5	0.00
1987	4084.9	17531.9	23.30	0.553	4165.8	0.01
1988	4166.5	19561.2	21.30	0.983	4289.8	0.02
1989	4731.7	22008	21.50	1251	5668.2	22.07
1990	5412.1	26665.5	20.30	2090	8081	25.86
1991	7572.3	37646.9	20.11	2808	9895.9	28.38
1992	20400	41810	27.04	3493.9	11188.8	31.23
1993	15462.9	48056	17.41	4900	25189.8	19.45
1994	20552.5	92624	14.32	5489.3	30185.1	18.19
1995	32374.5	141146	15.86	9159.6	30612.2	29.92
1996	42302.1	169242	16.60	5595.8	41139.5	13.60
1997	40844.3	240782	13.12	7137.9	54491.5	13.10
1998	42260.7	272895.5	11.53	7800.8	60290.6	12.94
1999	46824.0	353081.1	10.43	6389.1	49257.7	13.0
2000	44542.3	508302.2	7.58	51001.1	565871.7	9.0
2001	52428.4	796164.8	6.21			
2002	82368.4	954628.8	8.68			
2003	90176.5	1210033.1	7.49			
2004	54981.2	1519242.7	3.62			
2005	50672.6	1899346.4	2.54			
2006	25713.7	2524297.9	0.99			
2007	41100.4	4813488.8	0.85			
2008	13,512.2		0.17			
2009	16,366.5		0.17			
2010	12,550.3		0.14			
2011	38321.15		0.41			
2012	14699.93		0.15			

Notes: Mandatory credit allocations were abolished from October 1, 1996, Small scale enterprises started in 1992.

Source: CBN Statistical Bulletin, Vol. 12, 2002 & Table A.2.8, 2012

The share of commercial banks' credit to SMEs rose gradually from 2.37 per cent in 1981 to 27.04 per cent in 1992 and fell thereafter to 16.6 per cent in 1996 (the year CBN *Credit Guidelines* were abolished) and then continued to decline steadily to 7.58 per cent in 2000 and 0.85 in 2007. For merchant banks, it rose from barely zero per cent in 1984 to 25.86 per cent in 1990 and 31.23 per cent in 1992. It fell thereafter to 13.6 per cent in 1996 and stood at 9 per cent in 2000. Udechuckwu (2003) argued that the bulk of commercial and merchant banks' lending to the industrial sector is in the form of short-term working capital, which goes mostly to well-entrenched blue-chip industries. He further argued that the bias of commercial and merchant banks against SMIs as risky ventures was demonstrated by their preference to pay penalty rather than make risky investments to meet the 20.0 per cent statutory lending to SSEs when the Central Bank's *Guidelines* were in force. It is therefore not surprising that their lending to SSEs drastically declined after the abolition of the sectoral allocation of credit. For the most part, SSEs in Nigeria continue to lack adequate funding, partly owing to their perception by banks as high-risk ventures. Consequently, the various formal funding sources are usually limited in scope and are not always available causing SSEs to rely more on informal sources of finance and personal savings that are often meagre and insufficient. Carpenter (2001) identified several factors which constrain lending to SSEs in Nigeria by formal financial institutions. These challenges include:

- i. unfavourable bank lending strategies which do not meet SME requirements;
- ii. associated high risk;
- iii. lack of adequate collateral by SSEs;
- iv. low returns on SME investments due to high operating costs;
- v. promoter's low education, management and entrepreneurial skills;
- vi. poor and unreliable financial records which make financial review both difficult and unreliable; and
- vii. inadequate business records to meet capital market listing requirements.

Another factor contributing to the funding problem is that a large proportion of the small-scale enterprises operate in the informal sector of the economy. This puts them out of the ambit of such programmes as the small and medium industries equity investment scheme, which requires registration with the Corporate Affairs Commission (CAC) and compliance with the Companies and Allied Matters Act.

Also, the lack of a credit guarantee scheme has been identified as a major factor contributing to the problem of access to credit by SSEs as they are still perceived as high-risk ventures by banks (Carpenter, 2001). Banks regard many SMEs as high risk ventures because of the absence of a succession plan in the event of the death of the proprietor. As a result, working capital is still a major constraint on production, as most SMEs are restricted to funds from family members and friends and are therefore unable to respond to unanticipated challenges in a timely manner.

Olorunshola (2003) posited that one of the lingering problems of the SMEs is the inability of the enterprises to adequately tap available finance from the capital market. This had been attributed to their aversion to disclosure and ownership dilution, although many SMEs blamed this phenomenon on the cumbersome requirements and procedures for listing on the Stock Exchange. The establishment of the second-tier security markets of the Nigerian Stock Exchange, which was expected to solve this problem, has been shunned by most of the SMEs. Inadequate financial resources, as well as desire to operate with limited openness on the part of proprietors lead many SMEs to employ semi-skilled labour. This in turn affects productivity, restrains expansion and hinders their competitiveness. Other constraints faced by the SMEs as discussed by Olorunshola (2003) are as listed hereunder.

Financial indiscipline: Some SME proprietors deliberately divert loans obtained for project support to ostentatious expenditure. Others refuse to pay back as and when due, the interest and the principal, because of political involvement and the misconceived notion of sharing the so-called national cake.

Lack of infrastructural facilities: Inadequate provision of infrastructural services such as telecommunication, access roads, electricity and water supply constitutes one of the greatest constraints to SME development. Most SMEs resort to private provisioning of these at great expense. This results in high cost of doing business.

Poor implementation of policies: The poor implementation of policies, including administration of incentives and measures aimed at facilitating SMEs growth and development, has affected the sector adversely. This has resulted, for instance, in confusion and uncertainty in business decisions and planning as well as weakened the confidence of the SMEs operators on government's capacity to execute its programme faithfully.

Poor management practices and low entrepreneurial skill hinders effective control and planning as many SMEs do not keep proper accounts of their transaction. In addition, lack of relevant educational background and thorough business exposure hinders their ability to seize business opportunities that may lead to growth and expansion.

Insufficient demand for the products of SMEs: This also imposes constraint on their growth. Although many SMEs produce some inputs for larger industrial enterprises, the non-standardization of their products, the problem of quality assurance as well as weak purchasing power, arising from consumers' dwindling real incomes, effectively restrict their market access.

Overbearing regulatory and operational environment: The duplication of regulatory agencies, multiple taxes, cumbersome importation procedure, and high port charges have continued to exert pressures on the industrial sector in general and SMEs in particular.

Other challenges are insufficient information on markets, high cost of machinery/equipment, lack of reliable data, uncompetitive products, lack of industrial site and enabling environment, societal attitudes, i.e., preference for imported goods and little knowledge of electronic trade, etc.

RECOMMENDATIONS AND CONCLUSION

This paper has discussed the policies and strategies for SMEs' development in Nigeria. While some of the approaches have yielded positive result, the implementation of some of these policies is faulty. However, there is need to do the following for the purpose of assisting SMEs to develop in Nigeria:

- i. the listing procedure on the Second Tier Securities Market on the Stock Exchange should be refashioned in order for more SMEs to access the capital market for needed funds;
- ii. there is need to strengthen the capacity of relevant institutions like SMEDAN, NERFUND, NDE, among others, in order to effectively implement and administer programmes and incentives for the SMEs;
- iii. promotion of extractive and agro-processing, textiles and garments, leather, oil products as well as computer components and other light industries;
- iv. entrepreneurial development through intensive, non-formal training of existing and prospective SME promoters' programmes;
- v. provision of adequate infrastructure to reduce the cost of doing business;
- vi. strengthen the linkages between small and large-scale industries through subcontracting.
- vii. provision of adequate fund to carry out research activities in the area of SMEs development; and
- viii. proper coordination of the activities of various agencies responsible for SMEs development

In conclusion, government should take the implementation of policies and programme for SMEs' development seriously. In addition, proper monitoring and evaluation of these programmes will go a long way in ensuring that the objectives are achieved.

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AN INVESTIGATION INTO FACTORS THAT DRIVE INTERGENERATIONAL FAMILY MEMBERS' ENTREPRENEURIAL SPIRIT: ENHANCING SMOOTH SUCCESSION IN FAMILY BUSINESSES IN BOTSWANA

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ABSTRACT

The purpose of this study is to investigate how the current curricula at universities affect succession in family businesses. The study will explore whether entrepreneurial orientation can be enhanced for successors to family businesses in Botswana by use of well researched university curriculum or there are other forces at play. The study is guided by the research objective of establishing if there is any better way of transmitting entrepreneurial skills from one generation to another. The study is based on literature review and field study to either accept or reject three hypotheses that, (1) There are quantifiable factors which smoothens intergenerational transitions and (2) Non-citizens are more inclined to go through successful transition than citizens because of the superiority of curriculum (3) primary level curriculum is the ultimate decider of the smoothness in the intergenerational succession in family businesses. Findings are likely to reveal that entrepreneurial training must be infused into primary education curriculum for it to produce effective succession impact. Succession outcomes are less determined by the nature of curricula that students are subjected to at the university and tertiary levels. It will be recommended that family businesses should religiously analyse succession factors and subject the stakeholders to some rigorous training as a solution to family business succession.

KEYWORDS

curriculum, employability, family businesses, succession.

INTRODUCTION

Poverty has been identified as one of the critical issues which must be addressed if Botswana is to be a great force to reckon with. The Government of Botswana attempts to address this menace through Vision 2016, a policy document. To eradicate poverty, it is believed that this could only be achieved if the economy is diversified since it is highly dependent upon the mining of diamonds, which in any case is done by a few companies in collaboration with the government. It is generally believed that Small, Medium Enterprises (SMEs) are the solution to these policy issues, which require the creation of competitive businesses offering in-built efficiencies with proper incentives. A study done by Daniels and Fissiha in 1992 established that micro and small scale enterprises have 48 000 enterprises which employed 88 000 people. Small, Medium and Micro Enterprises (SMMEs), according to this study contribute 30-45% of GDP with rest of the GDP being contributed by the large firms. This demonstrates the potential of SMMEs in the economy of Botswana. These facts help to seal the fact that, it is necessary to research potential areas where the government could work on in order for it to meet its objective of diversifying the economy and consequently empower the citizens. Financial support is provided through various vehicles as an attempt to have sustainable employment creation and diversifying the economy (LEA, 2007).

In the world rankings, Botswana has per capita income of around USD 5000. The country's GDP has catapulted since the 1970s and Botswana has been termed a magic country, compared to the experiences of most African countries. The highest experienced GDP was 18.4% in 1975/6 and this trend has since started falling down to around 4-5%. In the 1990's if Botswana will ever be able to eradicate poverty in 2016, it requires a GDP of around 8%. The country is facing a challenge in that the distribution of economy is not even because majority of the people survive on less than USD 2 (24% under USD 1 a day, 50% under USD 2 a day). Generally the society is highly indebted which creates debt payment problems. Access to finance is difficult with largely cash driven economy. The problem is further compounded by lack of skilled labour with high prevalence of HIV and AIDS (LEA, 2007). According to LEA (2007) the SMME Policy document acknowledges that there are the following constraints:

- Difficulty in accessing finance
- People lack entrepreneurial skills
- Education system which does not encourage self-employment
- Lack of training in start-ups
- Too many government laws and regulations
- Inadequate information on projects to assist programmes
- Lack of data on SMMEs

REVIEW OF LITERATURE

Literature is reviewed in order to (1) describing the definitions which will enable easy understanding of the factors influencing family business succession (2) presenting the succession factors literature and (3) justification of this study. Succession of a company by a family member is one of the exit strategies that can be used. Whilst Hisrich *et al.* (2010) acknowledge the fact that success in succession lies in the ability of firms to plan for succession, however, this opportunity is not available for most small to medium family businesses. This is usually so because most owners of these businesses exit business due to other exceptional cases such as the death of the owner before plans for succession were made.

There is a lot of research which has been done in the area of succession but there is something unique about Southern African businesses, which these studies have failed to capture. There are instances where most family business founders have several wives or "small houses" (unofficial wives, who will bear children and are also expected to be inheritors of the family business). The challenge comes when the founder dies without a succession plan or if he had one, relatives and the various stakeholders choose to ignore such. Most would-be-inheritors wrestle the business from each other due to poor inheritance planning and/or outright disregard of the law. In some cases the tussle lasts for long times at the expense of the business.

DEFINITION OF A FAMILY BUSINESS

Kansikas *et al.* (2012) adopted Pearson *et al.* (2008) definition of familiness, which is "resources available to the family firm". They grouped these resources as:

- Structural (network ties);
- Relational (trust, norms, obligations, identification) and
- Cognitive (shared vision, shared language)

Habbershon and Williams (1999:11) cited in Kansikas *et al.* (2012) simply put "familiness" as failure to plan for this always resultant product from the interaction between family, individual and business systems. This unique bundle of resources, if properly managed, may easily build a competitive competence/advantage for a small business and will result in a useful resource for those who inherit the business. This always presents a lot of challenges for firms.

The challenge in this study is to identify how this “familiness” can be passed across generations. How do we ensure that the successors adopt entrepreneurial leadership? Kansikas *et al.* (2012) accepts the fact that “familiness” creates a sustainable competitive advantage if it is looked at from the point of view of resource based perspective. What guarantee do family businesses have that entrepreneurial activity shall continue through generations? The same question has been asked again and again in family business research and inadequate answers are given and there is reluctance for scholars to provide the way out for business practitioners.

DEFINITION OF FAMILY BUSINESS SUCCESSION

Panjwani *et al.* (2008) recognise the importance of family businesses which they regard as the socio-economic driver and proffer three characteristics which define a family business and will be used to define a family business in this study:

- i) Three or more family members all active in the business.
- ii) Two or more generations of family control.
- iii) Current family owners intend to pass on control to another generation of the family.

DEFINITION OF ENTREPRENEURIAL SPIRIT

Dhliwayo and Vuuren (2007) in Neneh (2011) have defined an entrepreneurial mindset as an approach to business which enables the identification of opportunities in order to “capture the benefits of uncertainty”. This definition is the one which is closest to the definition of entrepreneurial spirit. It entails the search for success for a potential entrepreneur. Entrepreneurial mindset is best understood in terms of two states of mind. “Fixed mind-set” explains the fact that one can have a state of mind which does not require to be manipulated in any way because there is some permanence in the way one thinks (Neneh, 2011). It implies permanency of one’s intelligence thoughts and other attitudes. This in turn forces these individuals to have low performance and have typical behaviours. The “growth mind-set”, comparatively, does exactly the opposite which helps entrepreneurs to gear for growth and these entrepreneurs are in a state of seeking solutions to new sets of problems. Most successful business people have a growth mindset, which is an essential building block for resilience in face of challenges.

If the mind works like that, how can the founder of a business manipulate the mindset of the successor? Neneh (2011) proposes that the solution lies in entrepreneurial training/education by subjecting the successor to lifelong learning process. Can entrepreneurial spirit be taught like any other course? This question begs an answer, which we will attempt to provide.

IDENTIFICATION OF THE DEPENDANT VARIABLES

Literature has many suggestions that studies in succession should go beyond speculation about what influences succession in family business. Massis *et al.* (2009) advocate for a deeper approach to analysis of the factors that affect succession by using statistical analysis. Marchisio *et al.* (2010) proposes that researchers should follow the various lifecycle/stages of development in order to observe how the entrepreneurial spirit is passed on to the next generations. Similar observations have influenced Yu *et al.* (2011) to argue that identification of dependent variables is necessary so that theory building can be easily done in the area of family business. Yu *et al.* (2011) studies give a current view to how studies should be conducted in family business. They gleaned through the data to classify and group the variables using many scientific methods. Their studies were based on adequate period for a longitudinal study and are therefore more representative. They categorised the dependent variables into 34 categories. In the cluster succession, they came up with variables such as professionalization of management, succession processes, succession plans and succession/ transition events. In a way this is reflective of the work done by Morris *et al.* (1996). The work of Yu *et al.* (2011) acknowledges that this is an important foundation for future theory building which has dependent variables which appear to be unique to the field of family business. Therefore it is the intention of this researcher to start building theory from these important variables by questioning their applicability to the Botswana environment.

Whilst Yu *et al.* (2011) believe that succession issues no longer hold prominence as the cornerstone of research in family business; it still remains a very important area for study because majority of family businesses are still struggling to go through successful transitions. Massis *et al.* (2009) supports this approach because succession seems to play a crucial role in family business. They acknowledge that there is little systematic attention that has been given to this area in terms of modelling. Morris *et al.* (1996) gleaned from family business literature three categories of factors that influence transition which are summarised below in Table 1 below:

TABLE 1: FACTORS AFFECTING FAMILY BUSINESS SUCCESSION

Preparation level of heirs	Relationships among family and business members	Planning and control activities
Formal education	Communication	Succession planning
Training	Trust	Tax planning
Work experience (outside firm)	Commitment	Use of outside board
Entry-level position	Loyalty	Use of family business consultants/advisors
Year working within firm (and/or industry)	Family turmoil	Creation of a family council
Motivation to join firm	Sibling rivalry	
Self-perception of preparation.	Jealous/resentment	
	Conflict	
	Shared values and traditions.	

These exclude other factors which are external by nature. Morris *et al.* (1996) acknowledge the inadequacy of their study, simply because they designed a cross-sectional design which is inadequate to capture the dynamics of family business. This study confirms that there is still a challenge in the research designs which lack adequate statistical analysis. The authors’ methodology still has many flaws because it relies on what the successors recall. Duh *et al.* (2009) adds their voice by identifying succession issues as originating from the following three sources of problems:

- Psychological and emotional problems
- Complexity of the succession process
- National legislation

But do these ensure the passing on of the entrepreneurial spirit? All these do not tell how the entrepreneurial spirit can be passed on to the next generations. There is no guarantee that the business will adopt the original entrepreneurial spirit as intended by the founder of the family business.

Hisrich *et al.* (2010) identify 6 critical factors that entrepreneurs should consider for a successful and effective succession plan:

- Role of the founder during the transition
- Family dynamics
- Income for working stakeholders
- The business context during the transition.
- How loyal employees are treated.
- Tax implications.

McGivern (2007) identified the following as the main variables influencing succession situations:

- The stage reached in the firm’s development
- The underlying motives of the owner
- Level of family domination

- The organisational climate within the firm
- The business environment.

Many authors have agreed on the importance of family business in the wealth creation. Most writers have also looked in depth at family business succession but few really answer how the entrepreneurial spirit is passed on.

ENTREPRENEURIAL SUCCESSION FACTORS

This research paper is about how the entrepreneurial spirit can be passed on to whoever becomes the successor in the family business. But are the people ready to pass on their experiences in running family businesses? How do people maintain the soft assets especially given the fact that the entrepreneurial spirit cannot be inherited?

Nieuwenhuizen (2004) argue that entrepreneurs possess particular characteristics which set them apart from other people who are not intent on starting their own enterprises. This does not mean that all entrepreneurs have the same characteristics or combination of characteristics. Dhliwayo and Vuuren (2007) in Neneh (2011) argue that entrepreneurial mind-set influences SMEs, a business form which may be comparable to family businesses.

Hamilton (2011) cites Aldrich and Cliff, (2003:575), who observed that there is need for further studies which connect family businesses with entrepreneurial studies. Zahra and Sharma (2004) in Hamilton (2011) indeed confirm that no proper examination has been done between entrepreneurial learning and family business context. Hamilton (2011) attempted to analyse this by using situational learning and he argues that this method illuminates the understanding of complex succession in family business.

Caspar *et al.* (2010) identified 5 attributes that endure family businesses. These attributes are:

- Harmonious relations within the family.
- Sufficient capital for growth while allowing the family to control key parts of the business.
- Strong corporate governance of the firm and a dynamic business portfolio.
- Effective maintenance of family resources.
- Promotion of values across generations by way of maintaining charitable foundations.

They argue that family business usually face performance and governance related challenges because successors may insist on running the business even if they are not qualified to do so.

TRANSMISSION OF ENTREPRENEURIAL SPIRIT

Arcand (2012) provides a rich analysis of the transmission of entrepreneurial spirit. He attributes the transmission to socio-economic contexts which act as an important force to people starting businesses in the first place. Discrimination can motivate people to start business and in the same vein it may explain why there is smooth succession in family businesses owned by foreigners compared to the locals. Other researchers have also seen relevance of this approach. Herring (2004) in Arcand (2012); Hussain *et al.* (2010) after drawing to various theories conclude that negative factors can push foreigners/discriminated against people to join family business. Studies done in minorities concerning the transmission of entrepreneurial spirit (Arcand, 2012), findings suggest that:

- Parents cannot directly influence the development of an entrepreneurial spirit among their offspring.
- Interviewees relate with others than with their specific culture.
- Interviewees are blind to discrimination but see opportunities.

This is contrary to other studies which have linked ethnicity to the role in successful succession. Therefore Arcand (2012) rejects this proposition that one’s ethnicity determines the passing on of entrepreneurial spirit. In fact he concludes that entrepreneurial ambition stems from one’s minority status but this can be enhanced by how parents raise their children. This is supported by Hussain *et al.* (2010), who conclude in the case of studies done in UK that first generation family owners usually tackle less profitable sectors, usually in declining industries and these may not be attractive to the second generation successors. In fact the successors are likely to be settling down and adapting to the environment. Kansikas *et al.* (2012) superimposes the fact that founders indeed have something to pass on to their successors. Neneh (2011) proposes more plausible factors that can be closely related to the identification of the factors affecting entrepreneurial spirit which are:

- Lifelong entrepreneurial learning
- Sustainable education should begin in the early childhood since the individual values, behaviours, attitudes and skills acquired during this period might have a lasting effect over the rest of their lives
- Previous experience, especially in the specific industry
- Risk taking/risk tolerance
- Creativity
- Motivation
- Growth mindset
- Awareness about SME support services
- Desire to continuously develop business skills and knowledge

Neneh (2011) says such factors have great influence on the entrepreneurial mindset and impliedly entrepreneurial spirit thus:

TABLE 2: RELATIONSHIP BETWEEN ENTREPRENEURIAL EDUCATION AND THE FACTORS INFLUENCING ENTREPRENEURIAL MINDSET

Variable	Risk	Motivation	Growth mindset	creativity	Awareness of SME support services
Entrepreneurial education (%)	53	66.7	70.3	77.3	85
Non entrepreneurial education (%)	36.4	42	38.4	45.5	31.8

Source: Neneh, 2011

TABLE 3: RELATIONSHIP BETWEEN TYPE OF MINDSET AND THE DESIRE TO CONTINUOUSLY DEVELOP BUSINESS SKILLS AND KNOWLEDGE

Type of mindset	Desire to continuously develop Business skills and knowledge	Do not desire to continuously develop business skills and knowledge
Growth mindset (%)	68.5	31.5
Fixed mindset (%)	38.75	61.25

Source: Neneh, 2011

FACTORS PREVENTING SUCCESSION

Massis *et al.* (2009) argue that not all factors are unique to the family business as they can be applied to all types of business, therefore their list include factors which might be considered less important by other researchers. In their model they identify three such factors:

1. Potential successors reject running and leading of the business;
2. The “dominant coalition” fail to accept all potential successors; or
3. The “dominant coalition” cannot work with the available and willing family successors.

The list ignores other factors such as the fact that the successor was not previously known to the family because their presence was concealed by the founder of the business. This factor should be considered since in most African societies people are not so sincere when it comes to their personal love matters. People marry privately and can keep these secrets for life.

Massis *et al.* (2009) also identified 5 factors which they consider as antecedent factors which when they interact with the above 3 factors will make succession not to take place.

TABLE 4: FACTORS THAT USUALLY CONTRIBUTE TO SUCCESSFUL ENTREPRENEURSHIP

Individual factors	Relation Factors	Financial factors	Context factors	Process factors
Successor- related	Conflicts/rivalries/competition in parent-child relationship	Inability to sustain the tax burden related to succession.	Change in business performance	Not clearly defining the roles of the incumbent and the potential successor(s)
Low ability of potential successor(s)	Conflicts/rivalries/completion among family business members	Inability to find the financial resources to liquidate the possible exit of heir(s)	Decreased business scale	Not communicating and sharing the decisions related to the succession process with family members and other stakeholders
Dissatisfaction/lack of motivation of potential successor(s)	Perils related to high "consensus sensitiveness" of the family business	Inadequate financial resources to absorb the costs of hiring professional management	Loss of key customers or suppliers, or deterioration in the relationship between potential successor(s) and customers or suppliers.	Incorrectly evaluating the gaps between the potential successor's needs and abilities
Unexpected loss of potential successor(s)	Lack of trust in the potential successor(s) by the family members			Failing to train potential successor(s)
Incumbent- related	Lack of commitment to the potential successor(s) by the family members			Late or insufficiently exposing potential successor(s) to the business.
Personal sense of attachment of the incumbent with the business	Conflicts between incumbent/potential successor(s) and nonfamily members			Not giving the potential successor(s) sufficient feedback about the succession.
Unexpected, premature loss of the incumbent	Lack of trust in the potential successor(s) by nonfamily members			Not formalizing rational and objective criteria for selection.
Incumbent's divorce, remarriage, or new children	Lack of commitment to the potential successor(s) by nonfamily members			Not defining the composition of the team in charge of the assessment of potential successor(s)

ENTREPRENEURSHIP IN BOTSWANA

Success stories have been recorded of successful family businesses in Botswana. Very few cases are cited from the indigenous businesses but a number of success stories are cited especially among the white commercial farmers in the Tuli Block. Mazonde (n.d.) gives one of the earliest accounts on how entrepreneurial spirit was passed across generations. He alludes to the success of businesses to the privileged position the white farmers had according to the favoured position that came about due to one's skin colour. Success in business was guaranteed due to superior marketing of the produce while the native farmers were restricted to relying on inadequate state resources and could not market outside the borders where there were lucrative markets in Johannesburg, South Africa.

Mazonde (n.d.) brings about the concept of familist/kinship ideology (undivided firm under the family head) and individualism (not operating a family business under one head collectively). These terms can be used to qualify what happens when family business disintegrates. These two also determine the nature of training that the-would be successors have to undergo. Mazonde (n.d.) contends that the familist principle dictates that the sons are trained not for their own benefit but are trained for the expansion of the business. This is valid if the son is to be trained for prestation. The training is done to avoid the sons from dispersing and joining other economic entity to avoid deserting the family business.

Mazonde (n.d.) also argues that the small nature of businesses owned by local Batswana are such that the children are not attracted to the businesses unlike in case of businesses owned by settlers who have actually managed to pass own business from one generation to another. In any case most of the businesses are run like "glorified cattlepost"

IMPORTANCE OF THE STUDY

The study will contribute immensely to the government of Botswana in terms of policy formulation. Several other stakeholders will benefit as it will chart the way forward in dealing with family businesses which constitute majority of businesses in Botswana. The following are some of the ways that this will add value:

- The businesses would add value to the economy.
- Build citizen entrepreneurship and empowerment through building entrepreneurial culture and increasing the level of entrepreneurial skills.
- Achieve economic diversification.
- Encourage the development of competitive and sustainable citizen enterprises by rewarding competitiveness and discouraging inefficiency.
- Create sustainable employment opportunities through development of sustainable citizen enterprises.

STATEMENT OF THE PROBLEM

Given the high prevalence of SMMEs in the country which the government is trying to promote so that they grow and they help in the diversification of the economy, this presents an opportunity to scholars to establish from all angles how this could be done. Given also the challenges that new businesses face, how best can they survive into the next generation? Statistics given elsewhere suggest that there is a high attrition rate amongst new family businesses, how can this be arrested? What guarantee does a family business have that entrepreneurial activity shall continue over generations? Many writers have written on many areas in an attempt to answer these questions. It is the intention of this study to proffer a solution in the area of passing on entrepreneurial spirit to the next generations so that the problem of collapsing of family businesses is arrested. We intend to ascertain how the momentum that would have been established by the founder is carried over into the next generation.

OBJECTIVES

The primary research objective is to establish if there is any better way of transmitting entrepreneurial skills from one generation to another.

RESEARCH QUESTIONS

1. What are the factors that drive intergenerational family members entrepreneurial and enhance smooth succession in family businesses?
2. What are the factors preventing succession?

PROPOSITIONS

- P1: There are quantifiable factors which smoothens intergenerational transition
 P2: Non-citizens are more inclined to go through successful transition than citizens.

SCOPE OF THE STUDY

This project is an ongoing project which will be conducted in two phases. The first phase attempts to study what the secondary sources say about the study. Subsequent studies will be done depending on the findings of the initial stages of this project. Therefore the current study is not an empirical study but an exploration study meant to seek an understanding of the area of succession in family businesses.

RESEARCH METHODOLOGY

This project is still at its infancy. Literature is still being consulted as to the best methods that can give the best results for a study of this nature. In the subsequent studies, the study will attempt to prove the following hypothesis.

H1: Most family businesses in Botswana lack continuity after the death of the founder because of lack of effective succession plans.

This study is interested in the area of entrepreneurship policy. The study recognises the relationship between entrepreneurship and economic growth. This is guided by Smallbone (2010) who identified the trends "as a shift from direct state intervention and ownership of enterprise to policies that focus on enabling start-up and growth of entrepreneurial firms". This prompted this study because academics must assist in this endeavour to be path finders for good and sound economic policies to be pursued by governments. Some of the successors fail to distinguish between leadership and ownership roles that can be assumed by different family members (Osnes, 2011). If the first child is a bastard, he may well occupy a leadership role without necessarily owning the business. This is especially so if there is a surviving spouse. If this is ignored, it can easily degenerate into conflict

H2: Family businesses are passed on to family members only.

This is against the trends that are now in Europe where family businesses can be passed on to any third parties (Freyman and Richomme-Huet, n.d.). The African practice has got its own consequences especially that most inheritors are not prepared for the takeover. Because the company is being passed on to others, the process requires adequate preparations so that costs and, jobs are sustainable. This makes the process a very demanding one. Is this how the Africans look at the process? Transregio (2006) in Freyman and Richomme-Huet (n.d.) established that most predecessors in Europe preferred their favourite successors in the following order "a family member, a takeover, another firm, personnel member and lastly a venture capital". Businesses in Europe sometimes fail to find successors, Wassmus et al. (n.d.), a situation which appears to be different to what happens in Africa. After the death of founder, the children fight over properties and mostly are willing to take over at any cost.

H3: In Botswana successors are always available to take over the business regardless of the state of the business.**SECONDARY DATA ANALYSIS (SDA)**

This study is an empirical study which heavily leans on literature review. According to Mouton (2008) secondary data analysis (SDA) mostly uses quantitative data which is already in existence. This method is used to validate models. It works well with descriptive questions and causal questions. It typically works with census data or secondary analysis of survey data, which is usually in quantitative mode. Mouton (2008) says the method forces the researcher to make explicit assumptions and theory that underlie the data. The method does not require the researcher to do any sampling. It employs the standard statistical techniques. The major advantage of this method is that it serves in terms of cost as it uses already existing data. However SDA has its own share of limitations. There are high chances of passing on errors that were made by the original sources of information and problems caused by misunderstanding of the original objects of the principal researcher.

The method attempts to find out what others have said about succession in family businesses. This will also answer the question of how they have done so. This will be extended to how they have theorised and conceptualised on issues, what they found empirically, what instrumentation they used and to what effect. So my research will proceed in the following manner:

- Definitions of family business; Succession issues; Entrepreneurial spirit
- Different theories, models and hypotheses in the field of family business succession research
- Existing data and empirical findings that have been produced by previous family business succession research
- Measuring instruments (questionnaires, scales and indices) that have been developed to measure the factors that are considered in succession in family business.

Various literature sources such as academic journals, books and articles were used to review any validation of the above mentioned propositions.

RESULTS & DISCUSSION

Accept proposition 1: There are quantifiable factors which smoothens intergenerational transition

P2: Non-citizens are more inclined to go through successful transition than a citizen is rejected.

Considering the literature reviewed there are a lot of important factors which need to be further investigated and be used in building theories in family business specifically in the succession literature.

Accept proposition: There are quantifiable factors which smoothens intergenerational transition.

Reject proposition: Non-citizens are more inclined to go through successful transition than citizens.

RECOMMENDATIONS/SUGGESTIONS

A quantitative study will constitute the next phase of this study. This is very important since most researchers are playing it safe and merely concentrate on the surface of this important phenomenon. There is so much work which needs to be done in order to build theory.

CONCLUSIONS

The literature is also showing that succession issues are far from being perfectly handled and as such they need a serious consideration. Some of these challenges can be handled if there is a blend of traditional methods. This is an area which needs further investigation. Some of the issues raised in the literature are farfetched from a basic small business would requirements. For instance, in the literature survey there are a handful of researchers who have demonstrated the importance of tax planning as an important consideration in succession. For tiny small family business, this is not the major issue. The Government of Botswana through CEDA and other organizations is attempting to build entrepreneurial culture amongst Batswana; more conclusive studies need to be done. A proper field study would help to answer a lot of these questions. Therefore there is need to build a study which specifically looks at the needs of Botswana and theorise about the Batswana succession issues and also ensure that the government contributes positively to real issues rather than abstract ones.

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A STUDY OF SIX SIGMA AND ITS IMPORTANCE

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ABSTRACT

The six sigma method is a project-driven management approach to improve the organization's products, services and processes by continually reducing defects in the organization. It is a business strategy that focuses on improving customer requirements understanding, business systems, productivity, and financial performance. Dating back to the mid 1980s, applications of the six sigma methods allowed many organizations to sustain their Competitive advantage by integrating their knowledge of the process with Statistics, Engineering, and project management. The benefits of applying six sigma concepts to technologically-driven and project-driven organizations are equally great. The objectives of this paper is to review and examine the evaluation benefits and challenges of six sigma practices and identify the key factors influencing successful six sigma project implementation.

KEYWORDS

Six Sigma, organisational performance, Productivity.

INTRODUCTION

Six Sigma is a set of techniques and tools for process improvement. It was developed by Motorola in mid 1986s as a result of recognizing that products with high first-pass yield rarely fail in use. Six Sigma seeks to improve the quality of process outputs by identifying and removing the causes of defects and minimizing variability in manufacturing and business processes. It uses a set of quality management methods, including statistical methods, and creates a special infrastructure of people within the organization, who are experts in the methods. Each Six Sigma project carried out within an organization follows a defined sequence of steps and has quantified value targets, for example: reduce process cycle time, reduce pollution, reduce costs, increase customer satisfaction, and increase profits.

The term Six Sigma originated from terminology associated with manufacturing, specifically terms associated with statistical modeling of manufacturing processes. The maturity of a manufacturing process can be described by a sigma rating indicating its yield or the percentage of defect-free products it creates. A six sigma process is one in which 99.9997% of the products manufactured are statistically expected to be free of defects.

Six Sigma, at many organizations, simply means a measure of quality that strives for near perfection. Six Sigma is a disciplined, data-driven approach and methodology for eliminating defects in any process- from manufacturing to transactional and from product to service.

DEFINITIONS

According to ukdept, Six sigma refers to "A data-driven method for achieving near perfect quality. Six Sigma analyses can focus on any element of production or service, and has a strong emphasis on statistical analysis in design, manufacturing and customer-oriented activities."

Acc to General Electronic, Six sigma is a highly disciplined process that helps us focus on developing and delivering near-perfect product and services.

SIX SIGMA – LEVELS

Six Sigma can be utilised at three different levels:

- As a metric
- As a methodology
- As a management system

As a metric

The term "Sigma" is often used as a scale for levels of 'goodness' or quality. Using this scale, 'Six Sigma' equates to 3.4 defects per one million opportunities (DPMO). Therefore, Six Sigma started as a defect reduction effort in manufacturing and was then applied to other business processes for the same purpose.

As a Methodology

As Six Sigma has evolved, there has been less emphasis on the literal definition of 3.4 DPMO, or counting defects in products and processes. Six Sigma is a business improvement methodology that focuses an organization.

As a management

This six sigma ensure that process metrics and structured methodology are applied to improve the opportunities that are directly linked to the organizational strategy. It is a high performance system for executing business strategy.

TWO PERSPECTIVES OF SIX SIGMA PROCESSES

• STATISTICAL VIEWPOINT

Six sigma methods have two major perspectives. The origin of six sigma comes from statistics and statisticians. If an organization is operating at three sigma level for quality control, this is interpreted as achieving a success rate of 93% or 66,800 defects per million opportunities. Therefore, the six sigma method is a very rigorous quality control concept where many organizations still performs at three sigma level.

BUSINESS VIEWPOINT

In the business world, six sigma is defined as a ‘business strategy used to improve business profitability, to improve the effectiveness and efficiency of all operations to meet or exceed customer’s needs and expectations. The six sigma approach was first applied in manufacturing operations and rapidly expanded to different functional areas such as marketing, engineering, purchasing, servicing, and administrative support, once organizations realized the benefits. Particularly, the widespread applications of six sigma were possible due to the fact that organizations were able to articulate the benefits of six sigma presented in financial returns by linking process improvement with cost savings.

UNDERSTANDING SIX SIGMA - STRATEGIES, TOOLS, TECHNIQUES AND PRINCIPLES

Six sigma is a systematic, data-driven approach using the Define, Measure, Analysis, Improve, and Control (DMAIC) process and utilizing Design For Six Sigma (DFSS) Method.

Anbari pointed out that six sigma is more comprehensive than prior quality initiatives such as Total Quality Management (TQM) and Continuous Quality Improvement (CQI). The six sigma method includes measured and reported financial results, uses additional, more advanced data analysis tools, focuses on customer concerns, and uses project management tools and methodology.

The fundamental principle of six sigma is ‘to take an organization to an improved level of sigma capability through the rigorous application of statistical tools and techniques’. It generally applies to problems common to production.

→ **DMAIC PROCESS**

The DMAIC is a closed-loop process that eliminates unproductive steps, often focuses on new measurements, and applies technology for continuous improvement. DMAIC is commonly used by Six Sigma project teams and is an acronym for:

- Define opportunity
- Measure performance
- Analyze opportunity
- Improve performance
- Control performance.

The following table summarizes six sigma business strategies, tools, techniques and principles.

TABLE 1

Define	Define the requirements and expectations of the customer Define the project boundaries Define the process by mapping the business flow
Measure	Measure the process to satisfy customer’s needs Develop a data collection plan Collect and compare data to determine issues and shortfalls
Analyze	Analyze the causes of defects and sources of variation Determine the variations in the process Prioritize opportunities for future improvement
Improve	Improve the process to eliminate variations Develop creative alternatives and implement enhanced plan
Control	Control process variations to meet customer requirements Develop a strategy to monitor and control the improved process Implement the improvements of systems and structures

→ **DFSS methodology**

The DFSS is a systematic methodology utilizing tools, training and measurements to enable the organization to design products and processes that meet customer expectations and can be produced at Six Sigma quality levels. The goal of DFSS is to achieve minimum defect rates, six sigma level, and maximize positive impact during the development stage of the products. It is used to develop new products or services with a six sigma criteria, capability, and performance. It utilizes variety of quality oriented tools and techniques to meet customer requirements and has shown an increase in life cycle profits. DFSS is ‘predicting design quality up front and driving quality measurement and predictability improvement during the early design phases’. Essentially, the DFSS process is focused on new or innovative designs that yield a higher level of performance.

De Feo and Bar-El summarizes even elements of DFSS as follows.

- † Drives the customer-oriented design process with six sigma capability.
- † Predicts design quality at the outset.
- † Matches top-down requirements flow down with capability flow up.
- † Integrates cross-functional design involvement.
- † Drives quality measurement and predictability improvement in early design phases.
- † Uses process capabilities in making final decisions.
- † Monitors process variances to verify that customer requirements are met.

REPORTED BENEFITS OF IMPLEMENTING SIX SIGMA

MANUFACTURING SECTOR

Motorola was the first organization to use the term six sigma in the 1980s as part of its quality performance measurement and improvement program. Six sigma has since been successfully applied in other manufacturing organizations.

FINANCIAL SECTOR

In recent years, finance and credit department are pressured to reduce cash collection cycle time and variation in collection performance to remain competitive. Typical six sigma projects in financial institutions include improving accuracy of allocation of cash to reduce bank charges, automatic payments, improving accuracy of reporting, reducing documentary credits defects, reducing check collection defects, and reducing variation in collector performance.

HEALTH CARE SECTOR

Six sigma principles and the health care sector are very well matched because of the health care nature of zero tolerance for mistakes and potential for reducing medical errors.

ENGINEERING AND CONSTRUCTION SECTOR

In 2002, Bechtel Corporation, one of the largest engineering and construction companies in the world, reported savings of \$200 million with an investment of \$30 million in its six sigma program to identify and prevent rework and defects in everything from design to construction to on-time delivery of employee payroll.

RESEARCH AND DEVELOPMENT SECTOR

The objectives of implementing six sigma in R & D organizations are to reduce cost, increase speed to market, and improve R&D processes. To measure the effectiveness of six sigma, organizations need to focus on data driven reviews, improved project success rate, and integration of R&D into regular work processes.

KEY FACTORS FOR IMPLEMENTING A SUCCESSFUL SIX SIGMA PROGRAM

- † Management commitment and involvement.
- † Understanding of six sigma methodology, tools, and techniques.
- † Linking six sigma to business strategy.
- † Linking six sigma to customers.
- † Project selection, reviews and tracking.
- † Organizational infrastructure.
- † Cultural change.
- † Project management skills.
- † Linking six sigma to suppliers.
- † Training.
- † Linking six sigma to human resources

OBSTACLES AND CHALLENGES OF SIX SIGMA METHOD

- **ISSUES IN STRATEGY**

Hammer and Goding argued that six sigma has been the target of criticism and controversy in the quality community characterizing it as 'Total Quality Management on Steroid'. One of the main criticisms is that six sigma is nothing new and simply repackages traditional principles and techniques related to quality. Organizations must realize that six sigma is not the universal answer to all business issues, and it may not be the most important management strategy that an organization feels a sense of urgency to understand and implement six sigma.

- **ISSUES IN ORGANIZATIONAL CULTURE**

Quality concepts need to be embedded into the process of designing rather than just monitoring the quality at the manufacturing level. The more important issue is the change in organizational culture that puts quality into planning. Addressing the problems and issues that are easy to correct and claiming that the six sigma method is a big success is simply deceiving.

- **ISSUES IN TRAINING (BELT PROGRAM)**

Training is a key success factor in implementing six sigma projects successfully and should be part of an integrated approach. The belt program should start from the top and be applied to the entire organization. The curriculum of the belt program should reflect the organization's needs and requirements. It has to be customized to incorporate economical and managerial benefits. Training should also cover both qualitative and quantitative measures and metrics, leadership, and project management practices and skills.

FUTURE OF SIX SIGMA

Six sigma is likely to remain as one of the key initiatives to improve the management process than just being remembered as one of the fads. The primary focus should be on improving overall management performance, not just pinpointing and counting defects. Researchers and practitioners are trying to integrate six sigma with other existing innovative management practices that have been around to make six sigma method even more attractive to different organizations that might have not started or fully implemented the six sigma method.

CONCLUSIONS

Successful implementation and growing organizational interest in six sigma method have been exploding in the last few years. It is rapidly becoming a major driving force for many technology-driven, project-driven organizations. Factors influencing successful six sigma projects include management involvement and organizational commitment, project management and control skills, cultural change, and continuous training. Understanding the key features, obstacles, and shortcomings of six sigma provides opportunities to practitioners for better implement six sigma projects. It allows them to better support their organizations' strategic direction, and increasing needs for coaching, mentoring, and training. The statistical aspects of six sigma must complement business perspectives and challenges to the organization to implement six sigma projects successfully. Various approaches to six sigma have been applied to increase the overall performance of different business sectors. However, integrating the data-driven, structured six sigma processes into organizations still has room for improvement. Cultural changes require time and commitment before they are strongly implanted into the organization. Effective six sigma principles and practices are more likely to succeed by refining the organizational culture continuously.

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FACTORS INFLUENCING FORMULATION OF EFFECTIVE EXPORT MARKETING STRATEGIES IN INDIAN AUTO COMPONENT INDUSTRY

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ABSTRACT

The study aimed at evaluating the impact of the factors influencing the formulation of an effective export marketing strategy in Indian Auto Component Industries. There has been a significant increase in the quantity and quality of international and export marketing research with respect to effective solutions towards export performance (Amit Banerji, Maulana Azad, 2012) However, an investigation on the impact of marketing strategy and export performance in a single industry is lacking. In addition, the influence of environmental factors to moderate the relationship between export marketing strategy and export performance has received little agreement. This research aims to investigate the relationship between export marketing strategy and export performance in auto component industry in India, as well as the influence of moderating role of environmental factors on the relationship between export marketing strategy and export performance. Personal interview, literature review methods were used to measure export marketing strategy. The objective of this study is to check the relationship between export marketing strategy and export performance. Uniquely, the moderating effect of certification appeared to moderate a few relationships between product and promotion adaptation, distribution strategy, design strategy and target market specification on export performance. Managerial implications and suggestions for future research were also discussed.

KEYWORDS

Export Marketing, Environmental Factors, Strategies, Export Performance.

INTRODUCTION

The Indian auto component industry started out small in the 1940, supplying components to Hindustan Motors and Premier Automobiles. In the 1950, the arrival of Telco, Bajaj, Mahindra and Mahindra led to steadily increasing production. In India, the vehicle industry till the 1980s was characterized by an oligopoly structure, small-scale operations, high cost of production, technological obsolescence and numerous government regulations. In these periods, there was a tendency for vehicle manufacturers to produce parts and components in-house and components manufacturers started mainly to cater to replacement demand. It was however in the 1980, with Maruti, that growth suddenly accelerated and the industry came of age. Before entry of Maruti, majority of the components were produced in house by vehicle manufacturers leaving uneconomic volumes and lower profits margins. But the entry of Maruti Udyog Ltd (MUL) in mid 80s led to a paradigm shift in the auto ancillary sector. Boon time for the auto components industry started with the arrival of India's people's car. This gave birth to a variety of new age auto components manufacturers who manufactured components that combined the best of technology with quality. With the success of Maruti, the paths of Indian auto component industry took an upswing with the climbing of export figures as a result of low cost of labour and material. The giant players in automobile industry encouraged and facilitated growth of auto component industry around their units.

The next turn in the auto and auto component industry came with the onset of liberalization policies. The growing urbanization and increasing purchasing power, coupled with liberalization process set in motion since 1991, has made industry circle, predict India is going to be the largest market in the automotive field in the Asian region. After liberalization and with the consequent opening up of the auto sector in 1992-93, the license raj ceased to exist. It has significantly changed the scenario in the automobile sector, particularly passenger vehicles sector. Similar developments have been taking place in the field of manufacturing of commercial vehicles including LCV sector, with most of the international names having some tie-ups in India. The entry of major internationals has caused new manufacturing capacities to come up in the Indian automobile components sector in collaboration with world leaders. Indian automotive component manufacturing industry in keeping itself fully in tune with the technological advances being made all over the world. This has helped them to develop their export base. Some of the automotive component manufacturers in India have already emerged as major global players by tying up with several well-known OEMs overseas as component suppliers. Indian auto component industry has entered into nearly 450 overseas technical collaborations and more than 50 component companies have already secured ISO 9000 accreditation. However the auto components industry went overboard with huge capacity expansion and modernization programs. Similarly, the global auto giants soon realized that the Indian market was not as big as it appeared to be. Their targets went haywire, inventories piled up and bookings were cancelled. This also coincided with a general slowdown in the Indian economy in the last one or two years. The auto component industry in India, which is driven by domestic demand, also faced sluggish growth. Following growth of around 20% between 1993-1997, the industry is now experiencing a slow down across almost all segments (except the two wheeler segment). This is due partly to the overall slowing down of the world economy but domestic fiscal policies have also added to this situation. However, the industry is still expected to grow at around 10% pa. The automotive industry currently accounts for around 5% of domestic industrial output. Some Indian companies have used the interim period to trim down by cutting costs and improving productivity. Several companies have entered into technological collaboration and equity partnership with world leaders in auto components. They have not only adopted their systems but also their work ethics and management practices. Strict quality controls, sound technology and high volumes will enable the Indian auto component industry to chart greater progress in the coming future. By global standards, there is a fairly well developed component and ancillary industry with some suppliers already meeting global technical and quality standards, particularly at Tier 1 level but many others lack such competence. Pressure is on suppliers to raise the quality of their products to remain competitive. Exports are expected to increase as a result of over capacity in the domestic car industry and the government's policy to bring in a more liberal regime on the foreign exchange front. The flood of new entrants into the car industry as a result of liberalization has led to a complete transformation of the sector. These far reaching changes will also leave a permanent mark on the auto component industry.

Since performance is better measured by multiple indicators, the relationship of the indicators to the underlying export performance construct has to be examined. In a reflective measurement perspective, the observed items are considered or assumed to be effects of an underlying latent construct, whereas in a formative measurement perspective, the items are assumed to cause, or determine a latent construct.

Research on export performance has discovered several influencing variables, but the type and magnitude of the impacts have not been determined. The picture gets more complex when considering that the impact of a given factor may depend on the specific measure of performance used, but none of the existing measures has reached universal acceptance. Moreover, there are probably many simultaneous relationships and feedback effects, not only between influencing factors and export performance but also among the influencing factors themselves. This paper aimed at presenting and testing an integrative model of the influence of variables of the external environment, firm characteristics and firm strategy on the export performance of Indian auto component manufacturers. After this brief introduction, a review of the literature on the determinants of export performance is presented. Next the conceptualization and operationalization of the focal construct are addressed, followed by the conceptual model of the study. Methods and data, as well as respective measures of the constructs of the study, are then exhibited. Results are then presented and discussed, with some conclusions given.

TABLE 1: INDIAN AUTO COMPONENTS INDUSTRY

Financial Year	Annual Sales (in US\$ Billions)	Exports (in US\$ Billions)	Investments (in US\$ Billions)
2004-2005	8.70	1.70	3.75
2005-2006	12.00	2.47	4.40
2006-2007	15.00	2.68	5.40
2007-2008	18.00	3.52	7.20
2008-2009	19.00	3.80	7.30
2009-2010	22.00	4.30	9.00
2010-2011	26.00 (estimated)	5.00 (estimated)	12.00 (estimated)

Source: <http://www.ibef.org/industry/autocomponents.aspx>, retrieved on March 07, 2011 and "Indian Auto Component Industry on Overview, Auto Component Manufacturers Association of India (2011). www.acmainfo.com, retrieved on March 07, 2011

FIRM CHARACTERISTICS

The characteristics of a firm's product have been identified as having a significant influence on export marketing performance (O'Cass, A & Julian, CC 2003). The product's attributes are argued to affect the positional (marketplace) competitive advantage of a firm, thereby influencing marketing performance (Luis Filipe Lages 2000). Product characteristics that have been argued to influence marketing performance include culture-specificity, strength of patent, and uniqueness (Rajesh K. Singh, Suresh K. Garg 2007). A unique product provides a firm with a differentiation advantage that other firms in a competitive market may find difficult to challenge or overcome resulting in higher performance than a standardized product. This differentiation advantage may result from better quality and reliability, or more durability, or they may be backed by better service, or have superior design or better performance (Giedre Dzemydaiten et al 2012). It is argued that in the context of firm-specific characteristics, a firm's capabilities and constraints (strengths & weaknesses) influence their choice of marketing strategy and ability to execute a chosen strategy (Leonidas C. Leonidou, Neil A. Morgan 2000). The resources of a firm constitute its sources of sustainable competitive advantage and in export marketing these resources include size advantages, international experience and resources available for export development (Edward E. Marandu 2009). Possession of such resources enables a firm to identify the idiosyncrasies in the export markets, develop the necessary marketing strategies and implement them effectively, thus achieving higher export marketing performance.

Maktoba Omar and Derick Boyd states that, in relation to the firm's international experience, the more internationally competent a firm is the more likely it is that standardization alone will not lead to optimal results. A competent firm, because of its international experience knows the differences in environmental conditions and is more likely to select the most attractive market for the venture and adapt the marketing strategy to accommodate the specific needs of the market (Demetris Vrontis, Alkis Thrassou 2007). An inexperienced firm seeks the closest match between its current offerings and foreign market conditions so that minimal adaptation is required (Shaoming Zou and David M 1997). When a product can meet universal needs, a standardized strategy is facilitated, however, if a product only meets unique needs, greater adaptation of product and promotion will be required to meet customers' product use conditions and to educate customers in using and maintaining the product (Jarma Larimo and Minnie Konthananen 2008).

In relation to resources, the export venture's distribution network is seen as a necessary resource for successful participation in foreign markets (Oyeniyi, Omotayo 2009). Therefore, when the export market is competitive, supporting the distributor/subsidiary is particularly important to ensure that the distributor/subsidiary performs adequate promotion, timely delivery, and proper maintenance and services enhances the firms export performance (John R. Darling & Hannu T. Seristo 2004). Furthermore, in technology-intensive industries, because of the inherent complexity of technology incorporated in the products, manufacturers must provide adequate training support to the foreign distributors/subsidiaries so that the product can be handled, marketed and serviced properly (Jorge Carneiro and Angela da Rocha 2011).

In relation to resource commitment of the firm, when managers are committed to an export venture, they carefully plan the entry and allocate sufficient managerial and financial resources to the venture (Henry F.L. Chung, (2012). With formal planning and resource commitment, uncertainty is reduced and marketing strategy can be implemented effectively (Christopher May 2006). Product uniqueness (patents), firm experience (in exporting), support (training provided to intermediaries and type of relationship formed with channels) and resource commitment (financial, time and physical) are all identified as elements of firm specific characteristics (Constantine S. Katsikeas, Leonidas C.2000). Competence in international operations enables firms to select better export markets, formulate suitable marketing strategy, and effectively implement the chosen strategy. As far as the legal and regulatory policies of host country governments are concerned, frequently when a developing country is involved, the host country government may exercise influence over the choice of suppliers and over marketing (Sachin Borgave and Chaudhari J.S.2010). Or it may impose exchange controls, which can have an important impact on reinvestment, financing and repatriation decisions. As a result, laws or pressure from the host government can play a significant role in the marketing performance of the venture by increasing or reducing firm capacity and effectiveness (DSRI Report 2008).

PRODUCTION COMPETENCIES

Production competencies entail a portfolio of skills relevant to new product development or modification of existing products (Dann R. Johnson and Yanli Rachman 2007). The scope of production competencies also extent to skills pertinent with adoption of new methods and ideas in the production and manufacturing processes (Maria Jesus Ruiz-Fuensanta 2010). In the perspective of exporting, production competencies enable the firm to develop, combine and transform resources into value creating offerings for the export market. It follows that production competencies are a precursor of a firm's capacity to meet export market demand and/or expand production quickly in order to meet export orders and opportunities as they unfold (Henry F.L. Chung, 2012).

The importance of production competencies particularly in conditions of increasing competition, fast changing consumer needs and wants, and shorter product life cycles (Samson Nip 2004). They argued that firms under such conditions need skills to modify products that meet market requirements.

The conceptualization of export marketing as a critical ingredient in the customer value-creation process of firms (IBEF Report 2010). Following this insight, it is logical to conjecture that growth in export sales, profitability, market share, and the like, largely depends on the ability of the exporter to conceive, plan, execute and control marketing and sales efforts better than the competition.

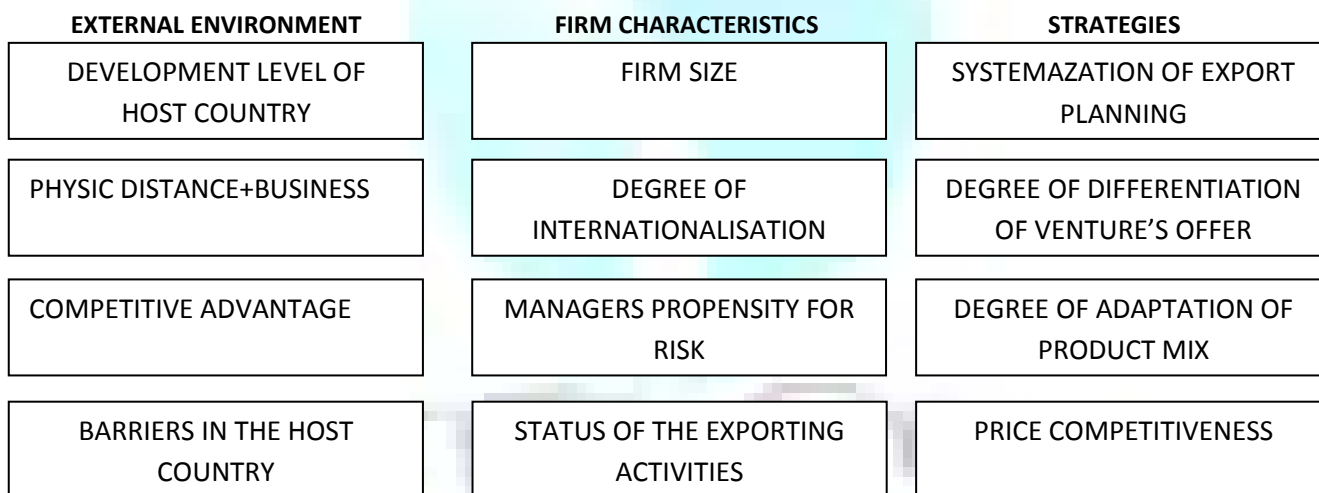
Cognizant of the above issue, prior studies have documented several abilities that comprise the marketing and sales competency domain (John R. Darling & Hannu T. Seristo 2004). Notable among them include marketing planning, market analysis, and niche marketing; the ability to acquire information, manage distribution and develop contacts in foreign markets; as well as research and monitoring, pricing, distribution and customized marketing practice (Rajesh K. Singh, Suresh K. Garg and S.G 2007). Due to limited availability of clear empirically demonstrated findings, it is considered appropriate to propose that.

INFORMATIONAL COMPETENCIES

Informational competencies comprise a portfolio of abilities that enable an exporter to collect, analyze and interpret significant market information. Market knowledge, whether objective (acquired through formal market research) or experiential (because of foreign market operations) is closely associated with export performance (Mehmet Haluk Koksall 2008). Thus, firms with enhanced knowledge on customers, competitors, marketing practices (including desired products, pricing systems, and promotion and distribution practices) and the general environment tend to develop a positive perception of export opportunities (Rajesh K. Pillania 2008). Conversely, inexperienced exporters often perceive considerable uncertainty, which in turn adversely affects their perceptions of potential risks and/or returns about overseas markets and most of the SMEs simply do not make the effort (Maktoba Omar et al, 19997), or are afraid of tackling international markets; but some of them limit their international activities because of their poor control of these activities, mainly as a result of a lack of information (Katsikeas, C. S 1994).

ENVIRONMENTAL CHARACTERISTICS

Along with firm characteristics such as resources, capabilities, commitment and specific product dimensions, environmental characteristics have also been argued to be important (Oyeniyi, Omotayo 2009). In this sense foreign markets pose both threats and opportunities for exporting firms which are argued to significantly affect marketing performance. As such, a firm must match its strengths with market opportunities to negate market threats, to ensure better marketing performance (Luis Filipe Lages 2000). Therefore, export marketing performance tends to be conditioned by environmental characteristics such as the extent of competition, the legal and regulatory policies of host country governments (Sylvie K. Chetty 1999), the availability of suitable distribution and communication channels and, customer familiarity with the product. Additionally, in a competitive export market, a high degree of product adaptation also is needed due to intense competitive pressure, because product adaptation can help gain a competitive superiority over rivals (Tallinn and Estonia 2008), As far as access to suitable distribution channels is concerned, inaccessibility to distribution channels has been widely cited as the reason behind the failure of many foreign market ventures (Christopher May 2006). Furthermore, success in export markets is often equated with the export venture’s ability to initiate and sustain strong and mutually beneficial relationships with their foreign partners (Noor Hasmini Abd. Ghani 2012). This is because market knowledge is likely to reside with the local partner or distributor. When an unstable political and economic environment is perceived to influence the export market, many export market ventures rely heavily on their local partners or distributors to help reduce the risk. In relation to customer familiarity with the product, export customers familiarity with a brand of a particular product can ease the entry of the product into the export market (Craig Julian and Aron O’Cass 2002). Therefore, a familiar brand requires a lower degree of promotion adaptation in the export market than an unfamiliar one, because familiarity can translate into a favorable attitude, which then forms brand equity ultimately enhancing performance (Nargundkar& Bajaj 2002). There are four environmental characteristics that are important. These include, firstly, competitive intensity, involving the extent of price competition and the number of competitors in the market. Secondly, the legal-political environment involving the legal, political and regulatory nature of the market and the extent of government intervention into the operation of the export market venture (Azizi H J. Abdul Adis 2008). Thirdly, channel accessibility, involving access to distribution channels, number of customers and the demand potential of the product in the market. Finally, customer exposure, involving access to customers, customer familiarity with the product and exposure of customers to the product in the market (Shailendra Kale et al 2011). The intensity of competition in the export market could force firms to seek a high degree of product and promotion adaptation to gain a competitive advantage over rivals, because adaptation of product and promotion can broaden the local market base and be geared to specific local preferences thereby enhancing marketing performance (Tatiana Lishchenko 2011). Similarly, a competent firm understands the idiosyncrasies of the export market and is able to respond to the local conditions by an adaptation strategy (Edward E. Marandu 2009). Finally, export customers’ familiarity with the brand can ease the entry of the product into the export market. Therefore, a familiar brand requires a lower degree of adaptation than an unfamiliar one.



EXTERNAL FACTORS

Just like a company’s internal factors can influence its activity abroad, a company’s macro environment has impact on its performance. The factors coming from outside the company include forces that can affect both the firm and its actors (Liin Huang et,al 2013). These forces are determined as political, economical, and technological factors. A firm can hardly influence them and sometimes even depend on the home country’s foreign politic and international agreements towards the host country. A number of researches have been conducted to find a connection between these forces, regarded as export barriers, and export performance. The bureaucracy and competition on a foreign market are regarded as obstacles for export. Companies, facing such barriers as tariffs have negative effect on export attitude and leads to low export activity. Russia is an attractive market for foreign enterprises whether it regards establishing business with Russian partners, export or import. Still, different factors, existing on the Russian market can have certain influence on the export.

POLITICAL ENVIRONMENT

Political environment in a host country is significant for the exporting company in that sense that the country can apply different means which lead to complicated import. Among such political factors there are tax regulations, tax rates, government stability, labor legislation or political interference in form of bureaucracy and corruption (Czinkota and Ronkainen, 2010). Political factors can influence import in that ways that they create a kind of regulation which foreign companies have to follow (Jobber, 2007). Political situation in a country can impact attitudes towards the country on the international market. Export of foreign companies to Russia can be influenced by a number of tariff and nontariff barriers, unfair and prohibitive charges and fees, discriminatory licensing and a system of registration and certification, applied by the host country. According to Wild et al. (2008) some non-tariff barriers are quotas, embargoes, local content requirement, currency control and administrative delays. The last ones imply different kinds of controls and bureaucratic rules that

foreign companies often have to face in connection to customs procedures. inconvenience and complicated customer procedures, regarded to that, lead to unnecessary expenditures for foreign exporters. Custom clearance for certain goods is possible only in ports or airports. Such ill-considered decisions with understaffed customs offices and absence of appropriate infrastructure cause logistical troubles. It happens that documents, required to export goods, are often interpreted in different ways. Contradictory requirements cause quite often astonishment at foreign firms. Such inconsistency is caused by differences between legislative framework, regulation of subsidiary companies and administrative rules (Your guide to cracking world markets, 2011). Overgrown bureaucracy can complicate foreign companies' export to Russia. The reason for that are a numerous papers, required from different government agencies. For exporting companies the main issue here is operations connected to custom clearance, how much time it will take and what documents are demanded. Still, bureaucracy will not be an obstacle to enter a foreign market if the company is compensated by possibility for large profit on that market (Wild et al, 2008).

ECONOMICAL ENVIRONMENT

The economic environment of the host country can influence pricing decisions in several ways, as it determines demand potentials for a particular product and has also a significant impact on a firm's cost structure. On the demand side, the overall level of economic and industrial development of a country determines customers' priorities in terms of the products they consider essential or desirable, in addition to the prices they can afford and are willing to pay for certain products (Whitelock and Pimblett 1997). For instance, a product considered essential in a developed country may be viewed as less necessary or even as a luxury item in a lesser developed country (Hill and Still 1984). Moreover, demand for a product at different price levels is a function of the purchasing power of targeted customers, determined by the level of economic development of the country (Jain 1989). On the cost side, the economic environment of the host country determines the cost of raw materials, labor, energy, and other resources which a firm needs to purchase or hire in order to be able to carry out its every day operations. Obviously, the level of such costs has a direct impact on the overall cost structure of local subsidiaries. Thus, the pricing policy pursued by an international firm in a particular foreign market should reflect these factors.

TECHNOLOGICAL ENVIRONMENT

Globalization is having a major impact on the automotive industry. A study of the automotive industry in emerging economics by Mukherjee and Sastry (1996) explains that in the case of Asia other than Japan, countries like South Korea, China and India adopted different paths for technology development in the automobile sector. In case of Korea, the technology development has focussed to become world class and global and the Korean companies invest heavily on R&D. The emphasis of Chinese policy has been to meet domestic demand and JV route has been widely adopted. On the other hand, facilitation of growth has been a key driver of technology policy in case of India. A benchmarking study of the auto component supply chain in India and China by Sutton (2004) reveals that the auto industry supply chain has proceeded very rapidly in both the countries at the level of auto manufacturers and tier-1 suppliers. The main weakness of the supply chain, however, lies in the fact that best practice techniques are transferred very slowly to the tier-2 suppliers. Collaborative strategies for innovation have proved to be beneficial and a framework has been suggested by Momaya (2008) taking into consideration the organizational boundary and the geographic scope. Case studies of technology management in the automobile and auto component industry in India explain the technology management practices in select organizations. It has been observed through the case studies that organizations have followed different approaches for technology capability building in India. Also, there is a linkage between OEM technology requirement and auto component manufacturer technology acquisition and development. Based on the requirement of automobile manufacturers, auto component manufacturers have acquired technology through international collaborations.

TABLE 2: ANNUAL CAR SALES AND AUTO PARTS EXPORTS

Financial Year	Annual Car Sales (Units)	Exports of Auto Parts (in US \$ billions)
1997-1998	401002	0.33
1998-1999	390355	0.35
1999-2000	574369	0.46
2000-2001	517907	0.63
2001-2002	564052	0.58
2002-2003	608851	0.76
2003-2004	843235	1.27
2004-2005	1027858	1.69
2005-2006	1112542	2.47
2006-2007	1322728	2.87
2007-2008	1521813	3.62
2008-2009	1516967	3.80
2009-2010	1926484	4.30

Source: Industry Statistics of vehicle and auto components, "Indian Auto Component Industry an Overview." Retrived from www.acmainfo.com on 09.03.2011

MARKETING STRATEGY

In response to such external forces and in recognition of internal forces firms develop and implement an export marketing strategy. Export marketing strategy is the means by which a firm responds to market forces to meet its objectives, via all aspects of the marketing mix, including, product, price, promotion and distribution, and in international marketing, the key determining factor affecting marketing strategy includes the decision to standardize or adapt to the conditions of foreign markets. The degree of adaptation versus standardization is a function of firm and environmental characteristics. Therefore, export marketing strategy can be seen as the degree of adaptation or standardization of the marketing mix required in the foreign market, thus, directly influencing marketing performance. The more internationally experienced a firm is, the more likely it is that standardization alone will not lead to optimal results. A competent firm, because of its international experience knows the differences in environmental conditions and is more likely to select the most attractive market for the venture and adapt the marketing strategy to accommodate the specific needs of the market. An inexperienced firm seeks the closest match between its current offerings and foreign market conditions so that minimal adaptation is required.

A systematic approach to foreign market entry translates in strategic planning and an effective organizational structure for the marketing function. Planning for international markets results in the identification of strategies that enhance export performance. Even more, high performing exporters have a "desire to capitalize on the firm's competitive advantages". Therefore, exporting companies will design their marketing strategy in order to build sustainable competitive advantages. These advantages are communicated to the customer through a low price (low cost) or a non-price differentiation implemented using specific marketing mix programs for the different segments and countries. Moreover, exporting companies following "pure differentiation strategies" have been found to outperform those with "cost leadership strategy", specially in the case of exporters in developed country markets. Firms following a differentiation strategy aim at creating a product or service that customers see as unique. This is usually accomplished through such means as a superior brand image, technology, customer service or innovative products. Presumably, high performing exporters confront and respond to the foreign country task environment more effectively. They do so through a strategic planning process that develops and implements unique strategies based on differentiating competitive advantages. In addition, export performance should also be related to the level of importance of the marketing variables. Firstly, high export performance has been found to be positively associated with export marketing budget allocations and export marketing. Additionally, product adaptation, selling force efficacy and service levels have been identified as determinants of exporting performance.

Four different groups of significant variables in determining exporting marketing activity:

1. Company offering: quality, image, and after-sale service.
2. Role of distributors and agents: incentives.
3. Promotional function: trade promotions, trade fairs, word of mouth.
4. Price / selling terms: competitive prices, credit lines, and warranties.

Product adaptation, promotion adaptation, channel development and competitive pricing strategies have been described as the means by which firm's efficiently responds to the idiosyncrasies of foreign markets. In terms of the product variable, product adaptation enhances performance both in initial market entry and subsequent penetration success. The product adaptation is heavily influenced by governmental regulations, infrastructure differences and local market characteristics. One of the main benefits of product adaptation is that it reflects a customer-orientation position because the exporter systematically evaluates buyer behavior and host market characteristics. Therefore, product adaptation becomes especially important for high performing exporters. Secondly, another key dimension that is expected to relate to the company's performance is export channel structure. Export channel structure refers to various structural characteristics such as alternative channels modes, administrative contracts and associated relationships, which arise from these channel arrangements. The relationship between exporting behavior and distribution depend on product nature, available resources, and type of intermediary. Previous research has found that distribution strategies, including the use of intermediaries and strategic partnerships, are related to export commitment. Committed exporting is dependent on ongoing distribution arrangements and frequent visits to foreign representatives. High performing exporters are better off with an export channel structure that emphasizes flexibility and collaborative efforts between the exporting firm and foreign intermediaries so that closer relationships with the final consumer can be established. Particularly, direct dealing with the end-user or final point of the distribution chain best explains high exporting performance. In other words, distribution agreements set the company's extent of internationalization. This has been defined as "microinternationalization". Finally, ownership of distribution channels assures access, increases control and reduces the cost of monitoring agent's behavior. Cooperation in the export channel also leads to more effective implementation of marketing strategy. Multiple studies have denoted a positive relationship between active exporting and price competitive offerings. Furthermore, being able to hold higher relative prices in international markets is highly correlated with positive returns. Pricing decisions are contingent on the level of product uniqueness, cultural specificity of the product, level of competition in the export market and the firm's international competence. Thus, higher relative exporting prices require either investing in increasing product differentiation or carefully prospecting markets to identify favorable competitive situations.

In differentiating a product, there are several variables that may influence customer perception and generate willingness to buy. These variables may be service quality or brand awareness among others. A positive correlation between brand value and large market shares in international markets (Nargundkar & Bajaj 2002). Core brand values may be standardized, the other components of the brand should be adapted locally. Again, investing in creating a brand adapted to the market conditions require a certain level of long-term business planning that passive exporters do not exercise. Pre and post-sale service quality (courtesy, communication, security, tangible considerations, responsiveness, etc.) is another differentiating component of an exporting company's marketing strategy. Past research showed that service orientation became more important with high performing exporting. Resources deployed on customer service require high involvement in the market. Furthermore, socioeconomic and cultural factors are the main determinants of the need of a high service level.

Programmed promotional campaigns are a natural consequence of marketing strategic planning and a long-term involvement in a particular country-market.

TABLE 3: INDIVIDUAL VEHICLE CATEGORY (NUMBERS) EXPORTS

Category	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Passenger Vehicles	129291	166402	175572	198452	218401	335729	446146
Commercial Vehicles	17432	29940	40600	49537	58994	42625	45007
Three Wheelers	68144	66795	76881	143896	141225	148066	173282
Two Wheelers	265052	366407	513169	619644	819713	1004174	1140184

Source: <http://www.siamindia.com/scripts/export-trend.aspx>, retrived on March 22, 2011

RESEARCH METHODOLOGY

Our investigation targeted studies examining environmental variables related to export performance. The bibliographic search covered all studies published from the inception of this stream of research up to the present. These were identified in 103 articles published in literature sources in the fields of marketing (16), general management (7), international business (5), and economics (5). Articles on export performance followed a geometric progression, with the 1990s comprising 70 percent of the total publication output. Articles were examined to identify and eliminate study duplication (use of same data set). Ten articles were excluded on this basis, leaving 93 studies fulfilling all eligibility criteria. A well-defined, theoretically sound framework was designed to evaluate export performance. This framework was based on a comprehensive review of the organizational effectiveness literatures, where business performance assessment has received focal research attention. Table 1 presents the major evaluation categories and specific criteria, as well as the literature sources from which these were extracted.

MEASUREMENT OF EXPORT PERFORMANCE

Export performance is considered the outcome of a firm's activities in export markets contends that a firm's export performance is a composite of its international sales, profitability and export growth. The construct of export performance is important to both firms and nations alike. At firm level, a better understanding of export performance is important because exporting improves utilization of productive capacity, improves financial performance and competitive edge as well as provides a foundation for future international expansion. At the national level, a better understanding of export performance is important because exporting enhances accumulation of foreign exchange reserves, improves employment levels and productivity in addition to driving economic growth. Although there is consensus on the importance of export performance, there is no unified framework for studying export performance particularly of SMEs. Some previous studies, however, have found support for the effect of firm factors, including competencies on export performance. The value embedded in firms determines their export capability, which in turn influences their conduct of exporting activities and ultimately export performance.

ECONOMIC MEASURES OF EXPORT PERFORMANCE

Sales-related measures were most often used to assess export performance, examined by two in every three studies. Fourteen different indicators were found to measure the volume, intensity, or growth of export sales, at either the corporate or product level. The most common measure in this category (as well as among all other categories) is export sales intensity, which, however, has been heavily criticized on the grounds that it can be affected by factors other than better exporting operations and does not reflect

The competitive dimensions of export success (Kirpalani and Balcome 1987). Another widely used and practically useful indicator is export sales growth, which may overstate performance because of price escalation and market growth, or understate performance because of experience curve effects and deteriorating demand (Kirpalani and Balcome 1987). Also important are profit-related measures, with export profitability and growth most researched and often cited as the export firm's ultimate goal (Aaby and Slater 1989). Export profit contribution (percentage of company profits due to exports) received some empirical attention, although this measure suffers from shortcomings similar to those of export sales intensity, while export profit margin and growth were rarely examined due to measuring difficulties. Broadly, this set of measures is open to criticism in that export-related profits may not be known with certainty, especially when firms utilize marginal cost pricing (Samiee and Ankar 1998).

Market share–related measures (export market share and growth) were rarely researched. Although these measures can indicate the firm's competitive prowess rather than increased export business due to a growing market (Kirpalani and Balcome 1987), they have been criticized on the ground that actual market share is often difficult to measure, especially among small companies operating in niche markets.

NON-ECONOMIC MEASURES OF EXPORT PERFORMANCE

Among noneconomic measures of export performance, market-related measures were widely examined, although overall they are seldom researched. Five performance measures were identified here, with the number of export countries/markets most widely studied. However, there is persisting debate on export market expansion, suggesting that the number of foreign markets is not an end in itself but is contingent on the specific company, product, market, and marketing factors (Piercy 1982). Product-related measures refer to the number of new products exported, the proportion of product groups exported, and the contribution of exports to product development (Jeen-Su Lim;Sharkey 2006). Although rarely employed, these measures are justified on the grounds that the product and its performance are key to any export marketing strategy.

Finally, several miscellaneous noneconomic measures were also used, each reported in a single study. These measures include the contribution of exporting to economies of scale and company reputation, the number of export transactions, and the projection of export involvement.

Generic Measures Some researchers chose more collective approaches to export performance measurement. One common measure is based on export managers' degree of satisfaction with overall export performance to determine the net outcome of their respective companies' export activities. Other generic measures are perceived export success and the degree to which export objectives have been fulfilled. Obviously, these are crude measures of export performance, as they cannot adequately capture the construct's domain. Analysis of export performance indicators yields two sets of studies: those using a single indicator and those employing multiple measures of performance, sometimes used for developing a composite index of the construct. Use of multiple measures was more popular, as different measures of export performance capture different facets of the strategic and operational phenomena that underlie it. Moreover, increasingly more export marketing academics and practitioners now believe that performance indicators are more complementary than mutually exclusive (Shoham 1998).

CONCLUSION

The objectives of the study is to understand the environmental factors affect on export marketing of Indian auto component manufacturers which further impact on framing export marketing strategies. The strategies in export marketing can be defined in terms of degree of standardization and the degree of adaptation in international marketing mix elements. Most of the researches reveal that there is an ambiguity in measuring the export performance. The effort has been put to bring out the possible variables of export marketing environment, marketing strategy components and the variables for export measurement in the study.

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CHALLENGES BEFORE SMALL SCALE & COTTAGE INDUSTRIES IN THE ERA OF GLOBALIZATION

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ABSTRACT

Cottage industry is the one which is run by an individual with the help of his family members with very little capital. Most of the cottage industries do not use power. The products produced in cottage industries are usually to satisfy the local demands. Number of hired-labour in this sector is very limited and the capital investment is also small. Despite government institutional and policies support to enhancing the capacity of small and medium scale enterprises, small and medium scale enterprises has fallen short of expectations. SMEs are faced with significant challenges that compromise their ability to function and to contribute optimally to the economy. This study examines the challenges and prospects of micro and small scale enterprises development in India particularly in the context of economic reforms introduced since 1991.

KEYWORDS

Small-scale sector, Cottage Industry, Economic Liberalization, Diversification

SUBJECT CLASSIFICATION

D04 & D80

INTRODUCTION

Since independence, SSI sector has played significant role in economic development of India. In terms of industrial production, exports, employment and creation of an atmosphere of entrepreneurial base in the country coupled with faster gestation period, it creates a better incentive for investment and production of non-durable consumer goods despite competition from the large-scale sector. In India, the first official criterion for small scale industry dates back to the second Five Year Plan when it was defined in terms of gross investment in land, building, plant and machinery and the strength of the labour force. The definition of small scale industries has undergone changes over the years in terms of investment limits to boost up the development of this sector. The role and importance of small scale, village and cottage industries has equally been felt even in countries which are classic examples of big business and industrial set-ups. Such industries are very common in Japan, U.S.A., Switzerland, Sweden and several other countries. In other words, this sector, undoubtedly, has tremendous importance in overall economic development because of the fact that it requires less capital investment and offers more employment opportunities to skilled, semi-skilled and unskilled labour. However, inspite of its role and importance, this sector is afflicted with a number of problems. Recognizing the important role that small scale industrial sector play in the national economy, both the central and state Governments have taken active steps to develop, promote and foster their growth.

REVIEW OF LITERATURE

Small-scale sector requires a multi-dimensional package of assistance. They can play their rightful role provided they are on sound lines. The Industrial Policy of 1991 was a landmark policy particularly for the small-scale industries (Government of India 2000) which emphasized on promotion and strengthening of this sector. There is no denying the fact that employment-output ratio is the lowest in small scale sector but employment generation capacity is eight times that of large scale sector.

The net capital-output ratio of small and medium sector worked out to be 4 & 3.2 times that of large scale sector despite low productivity of labour while the net capital-output ratio of large enterprises worked out to be three times that of small enterprises (Venkatraman, 2004). Mahalanobis quoting Myrdal (Asian Drama, 1963) said in view of meagerness of capital resources there is no possibility for creating much employment in the short-run through the factory industry..... now consider household or cottage industry, which require very little capital, with any given investment, employment possibilities would be 10 or 15 times greater in comparison with the corresponding factory industry.

The estimated relative total factor productivity of SSI during the period 1980-81 to 1994-95 was greater than one, suggesting that at the all-India level, this sector is far more efficient than large-scale sector (SIDBI & NCAER, 1999). This is despite the fact that government intervention did not contribute much to the growth of small scale sector and concessional credit induced efficiency (Patvardhan, 1988).

BACKGROUND (PRE-REFORM ERA)

Government in pursuance of its policies came out openly with various measures from time to time which include reservation, revision of investment ceiling, modernization, technological upgradation, marketing etc. Further, shifted the focus from 'protection' to 'promotion' in the post-reform period by changing the investment limits, partial dereservation, foreign participation, establishment of growth centres and so on. This led to a phenomenal growth in this sector, yet it manifested some of the maladies which can be enlisted as:

- a. Concentration of growth in few metropolitan cities and large towns;
- b. Small percentage of institutional credit going to this sector;
- c. Underutilization of capacity and sickness;
- d. Unorganized sector within SSI remained undeveloped

In addition to that the availability of power, communication and other infrastructural facilities which are external and beyond the control of this sector poses as external handicap. Moreover, the policies intended to favour SSI in terms of reservation and financial incentives, are neither favourable for employment nor improving the competitive base of this sector.

One of the measures taken to overcome this malady incorporated in 'Decentralization.' Basically it helps to tap local resources such as raw materials, idle savings which, in turn, improve the standard of living of the backward regions and helps to solve the congestion problem.

REFORM PERIOD

When India initiated economic reforms in 1991, measures were undertaken based on proper understanding of the problems faced by this sector and were well directed to mitigate these handicaps.

A policy package for small, tiny and village industries was announced in August 1991 with the primary objective of imparting more vitality and growth impetus to this sector. Other features of this policy were related to setting up of monetary agency to secure credit needs of this sector, review of all statutes, regulations, procedures and their modifications depending upon circumstances, quality counseling, testing facilities, entrepreneurship development programmes, Single Window Loan etc.

Despite all these measures there was deceleration in the growth of output of this sector during 1990s. It provided an opportunity to foreign companies seeking to invest in this sector. FDI in sectors reserved for SSI was permitted only if the company concerned agreed to export 50% of the production and investment had to come through FIPB. So if this obligation was scrapped, investment in this segment would have come through automatic route. Consequently government was planning to scrap the mandatory export obligation on such investment. Considering the NPA of the banking sector, RBI was of the view that this sector is at high-end risk and therefore, did not find favour of scrapping mandatory export obligation.

It is fact that despite deceleration during 1990s, the number of small scale units which stood at 6.79 million in 1990-91 rose to 12.34 million in 2005-06. According to the Fourth Census of SSI units conducted in 2006-07, there are about 260 lakh MSMEs in the country, contributing about 8% of GDP and about 45% of manufactured output.

In term of output of SSI, it was Rs. 78,802 Cr. in 1990-91 which increased to Rs. 4, 76,201 Cr. In terms of employment, it employed 15.84 million in 1990-91 rose to 29.4 million. In terms of total exports, it increased from Rs. 9664 Cr to Rs. 1, 24,417 Cr. during the same period. Thus small scale sector maintained a steady growth than the overall industrial sector, in fact, higher rate of growth. It has consistently registered a higher growth rate as compared to the overall manufacturing sector.

POST-REFORM PERIOD

It took quite some time for government to realize, as late as Ninth Plan that the biggest problem was the inadequate availability of credit facility and proposed a number of initiatives like strengthening the financial and managerial base of State Financial Corporations, State Industries Development Organization so as to enable them to provide better services. However, there has been lack of effective coordination among the support organizations. In addition to that, 67% of the firms were constrained by inadequate physical infrastructure and they had to depend upon State Electricity Boards for their power requirements which are erratic & far from being adequate. Added to that poor road condition and delays at the entry point have a lasting impact on the growth of this sector. Following import liberalization in 1990s, tariffs on materials like steel, plastic, non-ferrous metals remained high as compared to manufactured goods. This invariably affected this sector as these units are more labour-intensive and have high material-to-output ratio.

The economic reforms have brought in intense competition. This poses a threat to many obsolete and uncompetitive units & which led to closure of a number of units. With removal of quantitative restriction, the problem is further aggravated particularly in consumer goods sector which will find it extremely difficult to survive. Due to absence of marketing organizations, the terms of trade is highly unfavourable, in respect of quality of products from the multi-national companies and large scale sector. Poor infrastructural facilities and competitive strength, slow technological upgradation, ignorance of WTO provisions, lack of international exposure and flow of costly credit are the main factors responsible for low performance recorded in this sector.

Finance is the most crucial factor because all other parameters revolve around it. Hence the success of any industry depends mainly upon the quantum and quality of financial assistance available to it. The flow of credit to this sector from all the public sector banks since 2000 reveal that the share of SSI sector in net bank credit of public sector banks show a decline from 14.6 to 9.4 percent in 2005 though in absolute term it increased from Rs. 46,045 Cr to Rs. 67,634 Cr. However, though Banks are skeptical in respect of the SSI but are very liberal in providing credit to good entrepreneurs. This is obviously due to the fact that banks are profit seeking institutions and importantly, the credit-deposit ratio is falling which is a matter of concern.

Government had been following the policy of reservation of items for exclusive development of this sector. During the planning period there had been considerable increase of items reserved for this sector. When the reform programme introduced in 1991, around 800 items were reserved for this sector. But in recent years, government has been following a policy of dereservation as it feels that reservation is impeding the development. This has been corroborated by Rakesh Mohan, the former Dy Governor, RBI. Consequently, the number of items has been brought down to 239 upto January 2007 & further to 114 in March 2007. At present, only 14 items are reserved for the small scale sector.

POST-REFORM MEASURES

A number of measures have been initiated by the government for the growth and development small scale and cottage industries. Some of these measures include:

1. National Commission on Enterprises to suggest policies and programmes for addressing wide range of issues connected with the unorganized sector.
2. Setting up of Small Industry Development Organization (SIDO) way back in 1954 has served as a catalyst of growth of micro, small and medium industries, providing comprehensive range of common facilities, technology support services through its network of 30 SISIs, Regional Centres, Field Testing Centres, Small Entrepreneur Promotion & Training Institutes.
3. Entrepreneurship development and training is one of the key elements for the promotion of micro, small and medium enterprises. To undertake this task on regular basis the Ministry of MSM enterprises has set up three national level institutions: National Institute of Small Industry Extension Training at Hyderabad, National Institute of Entrepreneurship and Small Business Development at Noida and the Indian Institute of Entrepreneurship at Guwahati.
4. To enhance the competitive strength of this sector, the Government also introduced an incentive scheme for the quality improvement and environment management. The scheme provides incentives upto Rs.75,000 per unit to those units which acquire ISO 9000/ ISO 14001 certification since 1994 which has now been enlarged to include reimbursement of expenses for acquiring ISO 14001 certification w.e.f. October 2002.
5. In addition to that the Government announced the National Manufacturing Competitiveness Programme in 2005-06 to enhance the competitive strength of small & medium enterprises. It also announced a promotional package under the said programme for development of manufacturing sector enterprises by providing full support in areas of credit, marketing, technological and infrastructural upgradation.
6. In July 2007, the Ministry of Micro, Small and Medium Enterprises laid special emphasis on skill development through technical and vocational education to ensure growth. It has been found that percentage of population undergoing vocational training is much low compared to other developing countries. So the objective was to increase skilled workforce from five to 50% by 2010-11. This objective was in tune with skill development being made market-driven and relevant to emerging market opportunities.
7. The other implicit objective of this task is encouraging self-employment among the youth since job opportunities in both government and private sector is less.

CHALLENGES

The process of economic liberalization has, however, brought about enormous challenges before the small scale and cottage industries both at the domestic front as well as internationally. The enormity and intensity of these challenges is complex. Some of these challenges are: -

1. Reforms have opened up the Indian small scale sector to global competition.
2. They need to upgrade their technology and adapt to modern marketing practices.
3. It is necessary that competitive strength and viability of this sector must increase to overcome problem of sickness.
4. They must select technology from among the available alternatives which is cost-effective and better in terms of quality. There is lack of expertise, professionalism and planning and the dealings are informal.
5. The emphasis is on short term gain even at the cost of quality.
6. To improve the quality of the products, these industries have to conduct market research by all means either on their own endeavour or through engaging some agency.
7. Wherever and whenever opportunities arise, they should be given chance to participate in international trade fairs including access to overseas markets.
8. Inventory planning has been a perennial issue connected with this sector which needs to be looked into seriously as in many cases, industries have stocks of certain raw materials, but due to shortage of certain other materials the production has been held up.

CONCLUSION

Indian small scale entrepreneurs still face a wide range of obstacles, many of which are the products of bad policies. In the light of these challenges, it is necessary that competitive strength and viability of this sector must increase to overcome problem of sickness. The support to SSI sector needs to shift emphasis from 'protectionism' to 'promotional policies' so that it enables this sector to face challenges from domestic market. They must select technology from among the available alternatives which is cost-effective and better in terms of quality. To improve competitiveness, schemes for establishment of mini tool rooms, setting up design clinics, providing marketing support, sensitization to IPR requirements, use of IT & ITES should be evolved through PPP basis.

Provision must be made by the government to take essential steps to educate and create consciousness among the stakeholders the importance of modern management practices. Institutes imparting management education should provide easy access in terms of admission to the prospective and existing entrepreneurs for training through short-term, tailor-made and need-based management courses with a provision to upgrade the courses as frequently as possible so that much of precious time is not wasted. The government can accord priority in allocation of raw materials, extend market assistance and grant rebate and concessions with those units having a better performance record.

Suitable provision in the MSME Development Act 2006 may take care of the cost under promotional programmes. Taxes and import duties are obstructing the productivity and the cascading effect of indirect taxes will continue to burden the entrepreneurs until GST is fully implemented.

Stringent labour laws continue to deter entrepreneurs from hiring labour services. Demand for higher wages has forced many entrepreneurs to close down their units in West Bengal and Assam.

The September surge announced by the Prime Minister in 2012 allowing FDI in retail trade, followed by the report of the Vijay Kelkar committee recommending lowering excise duty, subsidy cut, stepping up disinvestment will pose more challenges before this sector.

Thus diversification, leaning towards service oriented production such as mobile repairing, mending electronic gadgets etc. are the new avenues due to which this sector will be able to bear and sustain.

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IMPACT OF MANAGEMENT CONTROL SYSTEMS ON YEAR ON THE YEAR GROWTH OF OPERATING PROFITS OF MANUFACTURING COMPANIES IN SRI LANKA

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ABSTRACT

Management Control Systems are essential mechanisms supporting organization, organizational learning, and innovation, as the main premise of Management Control Systems is to ensure the attainment of organizational objectives. The manufacturing industry in Sri Lanka is the biggest contributor to the industry sector, which in turn is the second largest contributor to the country's GDP, has continuously shown improved financial results. This study analyzes the influence of Management Control Systems on the year on year growth in operating profit of manufacturing companies in Sri Lanka. A structured questionnaire was developed and sent to a sample population of 83 manufacturing companies in Sri Lanka. 71 of the companies responded to the questionnaire. Structured interviews were subsequently conducted with selected personnel in these 71 companies to ensure proper completion of questionnaire and to validate the data provided. Based on analysis of data it was found that there is a statistically significant relationship between Management Control Systems and year on year growth in the operating profits of manufacturing companies in Sri Lanka

KEYWORDS

Manufacturing Companies, Management Controls, Management Control Systems, Year on Year Growth in Operating Profit.

1. INTRODUCTION

The manufacturing sector in Sri Lanka, which is the main contributor to the industry sector of the country's economy has developed significantly since the country's independence in 1948. Before its independence and in the immediate post independent period the sector was primarily involved in the manufacture of agricultural produce for export and domestic consumption. A majority of the dominant firms in the industry were engaged in the manufacture and packaging of the primary commodities of the country, namely, coconut, rubber and tea for export. The manufacturing of these primary produce during this period was typified by moderate investments in machinery, limited technological knowledge and basic sequential processes and procedures. A decline in the country's foreign exchange reserves and a change in the economic policies of the country, to socialist economic policies in 1960, resulted in a majority of the foreign owned companies which dominated key sectors such as banking, education, finance, health, plantations and transport exiting the economy.

A reintroduction of open economic policies and the liberalization of the economy in 1978 resulted in significant changes in all sectors of the economy, including the manufacturing sector. The replacement of inward focused protectionist policies with market oriented policies resulted in a rapid increase in private sector participation and investment in the manufacturing sector in the late 1970s and throughout the 1980s. Participation and confidence of the private sector in the local economy during this period was enhanced further via the creation of Free Trade Zones and the Greater Colombo Economic Commission, which made possible foreign participation in most sectors of the economy including the manufacturing sector. As a result of these open economic policies manufacturing output which had averaged approximately 1.7% per annum during the 1970 to 1978 period, increased exponentially to 5.6% per annum during the period 1978 to 1990, whilst capacity utilization in the manufacturing sector also increased significantly from 63% to 75% during this same period. These open economic policies also contributed to an increase in manufacturing output from 15% of GDP in 1990 to 17.5% of GDP in 2010.

Given the significant improvement in the performance of the manufacturing sector of the country since the opening up of the economy in 1978, it is vital to analyze the influence and contribution of Management Control Systems (MCS) to this increase in organizational efficiency. MCS are integral for the control and management of all organizations regardless of their size or ownership structure. MCSs include a range of mechanisms and tools created to ensure that a company performs according to expectations, i.e., that all policy decisions of the company are implemented accordingly, ensure effective utilization of resources, eliminate or at the very least minimize instances of fraud mismanagement and waste within the organization, and ensure that performance data is obtained and used effectively in the decision making process. Whilst MCS have traditionally been identified as formal feedback and control systems to measure organizational performance and rectify any deviations in performance vis-a-vis established standards, in recent times, they have been recognized as vital mechanisms supporting the organization, organizational learning, and innovation (Simons, 1990; Knights & Willmott, 1993; Bisbe & Otely, 2004). The reason for this importance of MCS for organizational success can be attributed to the fact that the key theme of MCS entails ensuring that a company achieves its goals (Otley, 2003). The main objective in this study is to measure the influence and contribution of MCS to year on year growth in the operating profit of manufacturing companies in Sri Lanka.

2. LITERATURE REVIEW

Management Controls (MCs) are a vital component of management in today's vibrant business environment. MCs include a wide variety of mechanisms and tools. The usage of MCs enables companies to measure the extent to which objectives are achieved; identify divergences in performance for which corrective

measures need to be implemented. MCs Also help ensure more effective and efficient use of resources in an organization. This chapter presents the most appropriate findings from previous research on this subject.

2.1 DEFINITION OF MANAGEMENT CONTROL SYSTEMS

Anthony (1965) defines MCSs as the processes which managers use to make certain that resources are obtained and utilized effectively and efficiently in the achievement of organizational goals and objectives. According to Merchant and Otley (2007), the main goal of MCSs is to generate information that can be used by organizations for planning, evaluation and decision making in a company. Simon (1995) defines MCSs as formal information based processes and procedures that management utilizes to evaluate and change patterns in organizational performance. These process and procedures include a range of mechanisms and tools developed to ensure that policy decisions of the company are implemented accordingly, ensure optimal utilization of resources, eliminate if not at best reduce the instances of fraud, mismanagement and waste, and generate information that can be utilized by management for decision making. As per Chow, Shields and Wu (1990) MCSs are intended to assist organizations to motivate employees to make informed decisions and to implement appropriate practices that are in the best interest of the company.

2.2 IMPORTANCE OF MANAGEMENT CONTROL SYSTEMS

MCSs are a vital management mechanism enabling organizational learning and innovation (Bisbe and Otley, 2004; Chenhall and Langfield, 2003; Knights and Willmott, 1993; Simons, 1990). The principal premise of MCSs entail supporting an organization achieves its stated objectives (Otley, 2003). MCSs can therefore be described as management activity that connects strategic planning and operational control (Otley, Broadbent and Berry, 1995). In today's dynamic business environment, where the likelihood of companies encountering complex business challenges is extremely high, given the nature of today's the global economy, exponential development in technology, intense globalized nature of rivalry and the increasing diffusion of information across the globe (Drucker, 1997), management's ability to foresee and successfully respond to challenges and opportunities influenced by change is vital for organizational survival and success (Abernethy and Brownell, 1999). Management accounting systems and data generated by these systems are vital in supporting management decision making, which is turn is crucial in enabling the organization to develop comparative advantages (Chenhall and Langfield-Smith, 1998). As per Argyis (1990) MCSs process of measuring performance and correcting divergences in performance has resulted in MCSs becoming a key influencer in organizational transformation.

MCSs are not utilized to their potential in Sri Lanka (Abesinghe, 2009; Fonseka, Manawaduge and Senaratne, (2005). As per Abesinghe (2009) MCSs are mere rituals in Sri Lankan public companies, as political interest supersedes all other interests including financial interest in the management of these companies. According to Fonseka et al (2005), MCSs are mostly used in listed companies in Sri Lanka for planning, control and internal control purposes only. The most common MCs used in these listed companies include budgetary control, cash flow planning, capital budgeting techniques, management costing, internal audits, performance evaluation, ratio analysis, re-order levels, absorption costing, variable costing, standard costing & variance analysis. Ekanayake (2004) in his research "Agency Theory, National Culture and Management Control Systems" defines MCs as the structured facet of management that is the formal vehicle by which the management process is implemented with the main goal of accomplishing corporate objectives. According to Ekanayake (ibid) MCs are important because employees are not always motivated to perform optimally, necessitating MCSs to align organizational (principal) objectives with the objectives of the employee (agent).

2.3 MANAGEMENT CONTROLS: IMPACT ON ORGANIZATIONAL PERFORMANCE

Sandino (2004) classified the initial MCS used in an organization into four distinct categories i.e., "Basic MCSs", such as budgets, pricing and inventory systems; "Cost MCSs", whose main objectives are to enhance operational efficiencies, establish control and minimize cost; "Revenue MCSs", which concentrate on collecting non-financial data and responding to consumers; and "Risk MCSs", which are a set of process and procedures designed to minimize risk and protect asset integrity. According to Sandino (ibid) "Basic MCS" are utilized by all organizations, whilst the use of the other categories of MCSs is subject to the specific requirements of the particular organization, its strategy and organizational structure. In addition, as per this researcher, organizations implementing differentiation strategies adopt revenue MCSs with an emphasis on sales productivity controls and marketing databases; whilst decentralized firms and firms offering a more diverse assortment of products and services are inclined to place more emphasis on risk MCSs. Akroyd and Kober (2010) in their investigation on the emergence and utilization of MCSs in growth firms concluded that belief systems are the first MCs to be implemented in a firm and that these organizational belief systems are constantly reinforced, and developed throughout the start-up and growth stages of the firm. The conclusions from this study are in contrast to the findings of other researchers (Simons, 1994; Sandino, 2004) whose research identified diagnostic financial controls and internal controls as the initial control systems implemented in young companies. As per Ho, Huang and Wu (2011) organizations with tight MCSs exhibit better quality and higher efficiency as opposed to institutions with loose MCSs. As per Bloom et al (2011) who investigated the impact of management controls on selected companies in the textile industry in India, management controls have a positive impact on organizational performance, in addition, according to these researchers in organization with multiple plants or subsidiaries, there is a distinct transfer of expertise from subsidiaries or plants with superior MCs to subsidiaries with weak MCs. According to Jankala (2007), whilst MCSs are used by all types of organizations, the impact of MCSs on the performance of small organizations is extremely limited.

2.4 USE OF MANAGEMENT CONTROLS IN SRI LANKAN COMPANIES

In the Sri Lankan context two notable studies are available on management controls and their impact on companies. Samudrage (2007) in her study analyzed the relationship between strategy and management control systems in Sri Lankan companies. However, the scope of this research is limited as it is based on the analysis of one semi-private telecommunication company. Wickremasinghe (2003) in his study analyzed the state of management control systems in Sri Lankan companies post independence, this study is also limited in scope as it is based on the analysis of two companies; a semi-private telecommunication company and a privatized textile mill in Sri Lanka. These two studies are limited in depth, as they focus on only one company (the Samudrage study) and two companies (the Wickremasinghe study) in sectors which are not as economically significant as the manufacturing sector.

3. IMPORTANCE OF THE STUDY

Research on the use and impact of MCSs on Sri Lankan companies is extremely limited. In addition, as mentioned in the previous section, the scope of existing research is limited and highlights the need for further comprehensive studies on this subject. This research undertaking will address this gap in research on the use and impact of MCSs on Sri Lankan companies. In addition, companies in the manufacturing sector of the country will significantly benefit from this study as its findings could be used by sector companies to modify existing MCSs and introduce new MCSs which will have a positive impact on the financial performance of these companies.

4. STATEMENT OF THE PROBLEM

MCSs have developed from basic control and feedback systems to vital mechanisms supporting organization, organizational learning, and innovation. Although MCS have traditionally been recognized as vital mechanisms for organizational success from an academic perspective, the actual usage of MCS among organizations, according to Otley (2003), is rather limited. In addition, review of literature indicates that the use of MCS in organizations is in most cases is limited to traditional mechanisms such as budgetary controls. This is also factual from a Sri Lankan context, where the use and implementation of traditional MCSs is a common practice in most organizations (Fonseka et al., 2005). Inappropriate and weak MCS have a damaging impact on organizational performance, whilst strong effective MCSs have a positive impact on organizational performance and profitability. Given this importance of MCSs in organizational performance and profitability, the problem statement can be presented as "what impact do MCSs have on the year on year growth in the operating profit of manufacturing companies in Sri Lanka?"

5. OBJECTIVES OF THE STUDY

The main objective of this study is to identify and understand the impact of MCSs on the Year on Year Growth in the Operating Profit of manufacturing companies in Sri Lanka.

6. HYPOTHESIS

H₁₀: MCSs have no statistically significant impact on the year on year growth in the operating profit of manufacturing companies in Sri Lanka

H_{1A} - MCS have a statistically significant impact on the year on year growth in the operating profit of manufacturing companies in Sri Lanka.

The hypothesis will be tested against the **significance of 0.05**

7. RESEARCH METHODOLOGY

7.1 POPULATION SAMPLE

Population is the total collection of elements about which the researcher wishes to make some inferences (Cooper & Schindler, 2006). The research population for this study consist of 83 companies in the manufacturing sector in Sri Lanka. The composition of the population for this study is indicated in Table 1. Based on the results of the pilot study, it was decided to consider 71 companies or 85.5% of the population as the research sample for the study.

TABLE 1: MANUFACTURING COMPANIES IN SRI LANKA SELECTED FOR THE STUDY

Industry	No. of companies
Manufacturing	39
Beverage, food and tobacco	21
Chemicals and pharmaceuticals	12
Footwear and textile	07
Construction and engineering	04
Total	83

7.2 DATA COLLECTION METHODS

Both primary and secondary data collection instruments were used to collect data for this study. The unit of analysis for this research was at company level. Primary data for the study were collected from Chief Operating Officers of the companies studied.

For primary data collection, the study used both questionnaire and interview methods. A questionnaire was developed and forwarded to the respective Chief Operating Officers of the selected companies. The questions were framed to collect data on MCSs used in the sample companies, the financial objectives of the sample companies and the achievement of these financial objectives. The MCSs for primary data collection were identified by referring to recently published textbooks on management controls. In addition, one open ended question was used to identify those MCSs used by the companies, which were not in the list of MCS provided to them. Subsequent to the completion of the questionnaire, interviews were conducted with the respondents to authenticate the information provided.

Secondary data was collected through the Central Bank of Sri Lanka and the annual reports of the companies studied. The information collected through secondary sources was used to analyze the performance of individual companies and the manufacturing sector as a whole. In addition, company reports were used to measure the extent to which the companies had achieved their financial objectives identified through the primary data collected.

7.3 DATA ANALYSIS

The hypothesis was tested using Analysis of Variance (ANOVA), Correlation Test and Regression Analysis. In order to present summaries of data, case summaries and descriptive analysis were used. Analysis of mean, range, standard deviation and the variance in data were carried out to identify how clustered or dispersed the variables are and to understand how well the questions were framed for tapping the concept questioned in the survey instrument.

Pearson correlation test was applied to **test the strength of association** between MCSs which are identified as the independent variables and year on year growth in operating profit which is the dependent variable. The dependent variable; year on year growth in operating profit is recognized through the aggregate average value over a five year period.

Scatter plots were utilized to identify if the relationship between two variables is linear or not. According to the constructed scatter plots, all the MCSs are **approximately linear** with year on year growth in operating profit. Thus, Pearson Correlation test was used to test the strength of association between variables. **Statistically Pearson Correlation Coefficient lies between -1 and +1**. If the value of correlation coefficient is close to -1, it signifies that there is a strong negative correlation between variables. Similarly if the value of correlation coefficient is close to +1, it can be interpreted as a strong positive correlation between variables. If the correlation coefficient value is close to -0.5 or +0.5, there exists a moderate negative or moderate positive association among variables. Finally, if the coefficient value is very close to 0, it signifies that the relationship between variables is weak.

The sig. (2-tailed) value which is the p-value was used to determine the significance of the relationship among variables in the study. As the alternative hypothesis (H₁) is non-directional, a 2-tailed test was applied. The used confidence interval was 965% and therefore the desired level of significance was 0.05 in the analysis. A sig. (2-tailed) value less than 0.05, is recognized as a statistically significant relationship, if not (sig. > 0.05) the relationship is recognized as statistically insignificant.

8. RESULTS AND DISCUSSION

Results from the data analysis indicate a **moderate positive correlation** between MCSs and Year on Year growth in operating profit in the selected domain. That relationship is also statistically significant, as sig. (2-tailed) value is less than the significant level. Hence, the alternative hypothesis i.e., there is a significant moderate relationship between MCSs and Year on Y growth in operating profit is accepted.

TABLE 2: CORRELATIONS – CAPITAL EXPENDITURE TO SALES RATIO AND MCS

		Management Controls	Y to Y growth in Operating Profit
Management Controls	Pearson Correlation	1	.515
	Sig. (2-tailed)		.001
	N	71	71
Y to Y growth in Operating Profit	Pearson Correlation	.515	1
	Sig. (2-tailed)	.001	
	N	71	71

9. FINDINGS

Basic MCSs such as budgeting and inventory management are used in all the sample manufacturing companies. In addition, a majority of companies (75%) implement some forms of Cost MCSs, whilst Risk MCSs are also used by a large number of the surveyed manufacturing companies (68%). Revenue MCSs were evident in only 4 of the companies surveyed. Findings from the data analysis also reveal that firm size has a significant influence on the number and types of MCSs used. Large firms (firms with more than 500 employees) implement a variety of management controls ranging from basic MCS, to cost and risk MCSs, whilst in small companies (companies with less than 100 employees) the use of MCSs was limited to basic MCSs. In terms of MCSs impact on organizational performance, data analysis indicated a distinct relationship between MCS and organizational performance, with the financial performance of organizations having tight management controls being clearly superior to firms with loose MCSs. Of the categories of MCS identified by Sandino (2004), findings indicate that cost and risk MCSs have a significantly higher positive influence on organizational performance in comparison to basic MCSs.

10. RECOMMENDATIONS/SUGGESTIONS

MCSs have a distinct impact on the performance of manufacturing companies in Sri Lanka. Companies in this sector of the Sri Lankan economy particularly the smaller companies should focus on introducing more MCSs in order to improve performance. In addition, companies should focus on implementing more risk and cost MCS, as these MCSs have a positive influence on organizational performance.

11. CONCLUSIONS

The present study was conducted with a view to assessing the impact of MCS on the year on year growth in the operating profit of manufacturing companies in Sri Lanka. The data obtained from the questionnaires, interviews with the sample population have been analyzed and interpreted using various financial ratios as well as applied statistical tools. Findings from the analysis of the data indicate that MCSs have a statistically significant impact on the year on year growth in operating profit of manufacturing companies in Sri Lanka. The findings of this study support the research carried out by Ho, Huang, & Wu (2011) and Bloom et al (2011) which found MCSs have a positive influence on an organization's performance, and contradict the findings of Jankala (2007) whose research founded that MCSs have little impact on the financial performance of an organization.

12. LIMITATIONS OF THE STUDY

Management controls used by the companies can be broadly categorized as quantitative and qualitative. However, taking into consideration that the bottom-line of a profit oriented company is to operate profitably and achieve its financial objectives; the study limits its concentration to the financial controls adopted by manufacturing companies in Sri Lanka. Furthermore, although the study considered the entire population consisting of 83 companies for this study, reluctance and unwillingness of some companies to participate in the study and to divulge correct information, limited the ability of the study to arrive at accurate conclusion for the sector as a whole. In addition, given that this study only focuses on the public quoted manufacturing companies in the country, research needs to be conducted on other companies in the sector, such as state owned enterprises and private manufacturing firms in order to develop a comprehensive understanding on the use and impact of MCSs on the manufacturing sector of the country.

13. SCOPE FOR FURTHER RESEARCH

This study focused on the impact of MCSs on the financial performance of manufacturing companies in the Sri Lanka. Further research needs to be carried on the impact of MCSs on other aspects of these companies, such as employee performance, achievement of overall goals and objectives, impact on the strategies of these organizations, etc. In addition, studies needs to be conducted on other manufacturing companies in the country such as state owned companies and privately owned firms particularly small and medium scale manufacturing enterprises to understand the use and impact of MCSs on these organizations and compare the findings of these studies with the findings of this study. This will provide a comprehensive understanding on the use and influence of MCS on the manufacturing sector of the country and will also enable companies to implement effective MCSs which will have a positive influence on the entire industry.

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AGRICULTURAL DEVELOPMENT AND OUT MIGRATION IN BIHAR

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ABSTRACT

The economy of Bihar is totally dependent on cultivation and its most of the population is not only engaged in farming but also completely linked to the agriculture and its associated activities. The approach paper of 12th five year plan indicates that agricultural development is an important component of an approach of faster, more inclusive and sustainable growth. The share of agriculture in GSDP has declined notably in Bihar, but the share of agriculture in employment is still high. Even though migration has been significant in determining lives, happiness and socio-economic development of common people during entire human history until now the development society has usually been uncertain to integrate it as a parameter in development policies. In view of the fact that agricultural development is in a dire need to transformation and re-establishment in a backward state as Bihar. A cascading observation on prevailing out migration is an earlier requirement of policy formulations. So, now the problem is to find out the process of either to develop agriculture and its related activities to employ youths on their concerned farms or to develop other than agricultural sector like; industry, services and manufacturing to employ these extra manpower in nearby urban/ suburban area. This paper is aimed to address mainly the troubles of cultivation, relationship between inhabitants and agriculture, causes of out migration, positive and negative impacts of out migration and strategies for agricultural development and out migration in Bihar. This paper is based on the accessible secondary facts and primary views of general people associated with agriculture and migration in Bihar. Data are collected from books, magazines, newspapers, journals, research papers, websites and television. Opinions and views of intellectuals are taken to analyse facts under the objective of study. Significant recommendations are made on the basis of the results found after persistent analysis and discussion. The status of cultivation and people associated with it is not totally satisfactory in Bihar. There a positive correlation between rural backwardness and out migration. A lot of push and pull factors are responsible for out migration in Bihar. Out migration have positive and negative impacts on agricultural development. Hence, there is an urgent need to examine, to re evaluate and to analyse all the aspects of agricultural development and out migration in Bihar otherwise policies formulated for vulnerable rural people would have adverse effects on agriculture and human settlement.

KEYWORDS

agriculture development, migration in Bihar.

INTRODUCTION

The economy of Bihar is totally dependent on cultivation and its most of the population is not only engaged in farming but also completely linked to the agriculture and its associated activities. The approach paper of The 12th five year plan indicates that agricultural development is an important component of an approach of faster, more inclusive and sustainable growth. The share of agriculture in GSDP has declined notably in Bihar, but the share of agriculture in employment is still high. Even though migration has been significant in determining lives, happiness and socio-economic development of common people during entire human history until now the development society has usually been uncertain to integrate it as a parameter in development policies. In view of the fact that agricultural development is in a dire need to transformation and re-establishment in a backward state as Bihar. A cascading observation on prevailing out migration is an earlier requirement of policy formulations. So, now the problem is to find out the process of either to develop agriculture and its related activities to employ youths on their concerned farms or to develop other than agricultural sector like; industry, services and manufacturing to employ these extra manpower in nearby urban/ suburban area.

OBJECTIVE

This paper is aimed to address mainly the following aspects of agricultural development and migration in Bihar.

1. Troubles of cultivation in Bihar,
2. Relationship between inhabitants and agriculture ,
3. Causes of out migration in Bihar,
4. Positive and negative impacts of out migration on agricultural development in Bihar and
5. Well thought-out necessary additional strategies under above mentioned aspects.

METHODOLOGY

This paper is based on the accessible secondary facts and primary views of general people associated with agriculture and migration in Bihar. Data and information are collected from books, magazines, newspapers, journals, research papers, websites and television. Opinions and views of intellectuals are taken to analyse facts under the objective of the study. Significant recommendations are made on the basis of the results found after persistent analysis and discussion.

PROBLEMS OF AGRICULTURE IN BIHAR

The growth rate of agriculture and animal husbandry during the last 5 years has been 3.20 percent. It is 2.40 percent in previous 5 years and secondary and tertiary sectors have recorded tremendous growth in the last decade. Despite agriculture based economy, agriculture and people associated with it are breathing under troubles in Bihar.

TABLE 1: SECT-ORAL COMPOSITION OF GSDP AT CONSTANT (2004-05) PRICES

No.	Sector	2000-03 (TA)	2005-08 (TA)	2008-11 (TA)
1	Agriculture/Animal Husbandry	32.9	24.4	19.2
2	Forestry / Logging	1.7	2.9	1.9
3	Fishing	1.6	1.3	1.0
4	Mining/Quarrying	0.3	0.1	0.1
	Sub-Total (Primary)	36.5	28.6	22.1
5	Manufacturing	5.6	5.2	5.1
6	Construction	3.8	8.8	10.1
7	Electricity / Water Supply / Gas	1.1	1.4	1.3
	Sub-Total (Secondary)	10.5	15.4	16.5
8	Transport/Storage/Communication	7.1	6.4	6.9
9	Trade / Hotel / Restaurant	16.8	22.6	29.3
10	Banking / Insurance	3.9	3.8	4.2
11	Real Estate/ Ownership of Dwelling/Business Services	3.9	5.4	5.0
12	Public Administration	7.1	5.7	5.8
13	Other Services	14.2	12.1	10.0
	Sub-Total (Tertiary)	53.0	56.0	61.3
	Total GSDP	100.0	100.0	100.0

Source - Directorate of Economics and Statistics, GOB

Note:

(1) TA - Triennium Average

(2) Figures for 2000 – 03 are at constant (1999 – 00) prices

Above data demonstrate that though the share of secondary and tertiary sector is on the raise, the significance of primary sector has declined gradually over the years. The cause is that agriculture sector in Bihar has more challenges than services sector has. The strategy of Green Revolution mainly benefited high potential irrigated areas. It had less impact on dry land and rain fed areas as Bihar has. With urbanisation and globalisation in Bihar, Supply of commodities like pulses, edible oils, fruits, vegetables, dairy, meat, and fish is lagging compared to demand due to shift in consumption patterns. Limited capacity to increase in net sown area, land degradation, low per capita land availability and declining farm size are also liable to the slow performance of agriculture in Bihar. So, there is a critical need for a second green revolution to revitalize agricultural growth as the govt of Bihar is attempting for in recent days. Since agricultural development ultimately affects human happiness, human beings are honestly a central factor of agricultural production; the policies that improve agricultural development have first task to take into account migrations.

EXCEEDING DEPENDENCE ON AGRICULTURE

In spite of cultivation is the central source of means in Bihar and more than seventy five percent of its population is engaged in agricultural pursuits, the average operational holding size is only 0.75 ha, which is further crack into three to four packages. This makes cultivations complicated and economically unsustainable for farmers.

CURSE OF FLOOD/DROUGHTS

Natural disasters, particularly flood in north Bihar and drought in south Bihar dangerously affecting agriculture. Every year different bodies of government make exhaustive planning and recklessly use money to address droughts and flood in Bihar, but most of the efforts go in vain due to lack of permanent solutions like rain water harvesting in drought prone areas and removing mud from the inside of river and control of oversupply of water specially from Nepal in season of rain for flood prone areas.

POOR TECHNIQUE AND KNOWLEDGE

Seed and fertilisers are the most critical input in modern cultivation. Green revolution was possible due to high yielding varieties of seeds (HYVs) and adequate use of chemical fertilisers. Non availability of requisite amount of quality seeds and fertilisers presents a severe picture of the status of agricultural structure of Bihar. Still farmers see modern technique with suspicion and uncertainty particularly after failure of maize production in last year.

FINANCIAL EXCLUSION OF FARMERS

As per an estimate, nearly three quarters of the households of farmers in Bihar still do not have access to the formal credit system and have no means to insure themselves against income shocks. This leaves them vulnerable to the informal money lenders.

DEPENDENCE ON MONSOON

Monsoon tends to cause upswing and downswing in the development of agriculture and the remaining sectors of the economy of Bihar. Huge dependence of farmers upon irrigation by raining creates hazards on bad monsoon especially in the case of drought and floods.

LACK OF IRRIGATION AMENITIES

Created and utilised irrigation potential in farm played vital role to boost the food production and socio-economic status of farmers in agriculture lead developed areas. The situation in Bihar is relatively different since the meagre number of irrigation conveniences associated with reduced technique are under utilised in many areas. Studies have shown that groundwater plays an important role in meeting water demands with limitation of overexploitation of groundwater resources, but ground water development is low in Bihar.

SHORT AND IRRATIONAL UTILIZATION OF FERTILISERS AND QUALITY SEEDS

Adequate and quality seeds and optimum use of fertilizers in rational proportion is very essential for the increase in the production and productivity. The story is different for Bihar; there is a bias towards the use of nitrogenous fertilizer. The NPK (Nitrogen, Phosphorous and Potassium) ratio for the last two years has been 5:1:1 (2009-10) and 7:2:1 (2010-11).

TABLE 2: CONSUMPTION OF FERTILIZER IN BIHAR (2009-10 and 2010-11) ('000 tonnes)

Type of Fertilizer	2009-10			2010-11		
	Kharif	Rabi	Total	Kharif	Rabi	Total
(N)Nitrogen	391.92	502.53	894.45	366.23	541.67	907.91
(P)Phosphorous	96.41	151.19	247.60	138.26	150.67	288.93
(K)Potassium	48.72	119.16	167.88	48.75	106.77	155.51
Grand Total	1614.45	2293.64	3908.09	1649.81	2385.79	4035.60
Consumption of fertilizer (kg/ha.)	180.8	181.3	181.1	177.8	187.4	183.4

Source: Department of Agriculture, GOB

LACK OF MECHANISATION

Capital intensity and use of labour force to the highest degree emphasise productivity in farming. The following rate of return of agricultural operations is also influenced by it. Since many agricultural labourers are now prone to out migrate, the timely completion of farming operations are now only possible with the optimum level of mechanisation. The level of mechanisation is poor and slowly improving due a lot of people still under employed in rural areas of Bihar. Through mechanisation, hard work associated with traditional farming operations also gets narrowed. It reduces per hectare cost of cultivation and promotes quality of agricultural production.

LAND REFORMS

In Bihar, the distribution of the land of 'Bhoodan' during last several decades was a failure. Now, land available above ceiling is inadequate for distribution among all the landless households. Some estimates states that during the last decades, the number of households increased by more than three fold in Bihar, hence available surplus land declined to very low level due to division of families. If the surplus land is distributed among landless households in Bihar, Each benefited farmer will get less than an economically viable unit for agricultural production. There are evidences of small farmers leasing out their land to big farmers in Bihar. That is a case of reverse tenancy. There is a trend in Bihar that a large number of marginal farmers (owning land < 1 ha) migrated to other states for employment and large farmers migrated to other states for education, health and better life and they leased out their lands. There are a large number of women headed families (mainly widows and whose husbands are already migrated) who generally leased out their land and rent of land is the main source of their livelihood.

POPULATION AND AGRICULTURAL DEVELOPMENT

Agriculture is the key to the overall development and the backbone of the economy of Bihar. The eighty one percentage of working population employed in agriculture production system (including forestry and fishing) in Bihar, i.e. higher than the national average, is generating nearly forty two percentage of the State Domestic Product. The state has attained self sufficiency in food grains production. Excluding maize and pulses, productivity of various farm produce in Bihar is much below the national average. Although the area under cultivation is shrinking, there is remarkable possibility for income generation by improving productivity in Bihar. Draught and floods like adverse climatic conditions play a part in falling products of agriculture. But these adverse conditions can be overcome to some extent by irrigation, flood control and drainage schemes. Through enhanced cropping intensity, change in cropping pattern, improvement in seeds of high yielding varieties, cultivation practices and with the availability of better post harvest technology etc. the agriculture production can only be increased to some extent in Bihar.

MIGRATION IN BIHAR

PUSH AND PULL FACTORS OF OUT MIGRATION IN BIHAR

- EMPLOYMENT-** Since backwardness of the economy and huge population with rapid growth is a long existing situation in Bihar; the employment opportunities are meagre in quantity and quality. Therefore, marginalised farmers, labourers and people dependent on handicrafts are prone to migrate primarily for employment.
- OPPORTUNITY FOR HIGHER INCOME-** There is two important realities that make marginalised people prone to migration. *Firstly* whosoever has the courage to live in Bihar, generally, under employed since, here, the wage rate is comparably low associated with the high level of competition. *Secondly* people, who migrate from Bihar, earn more monetary income.
- EDUCATION, SKILL, HEALTH AND HABITATIONS FACILITIES-**It is not imaginary that education, skill, health and habitations facilities, especially, in rural areas are not only in shortage but also in unable to considerably serve all with minimum standard. Youngsters, the power generated with positive demographic changes, migrate to acquire better education and skill amenities moreover people those have surplus income migrate to catch better health and habitations services.
- ENTERTAINMENT AND POWER CONVENIENCES-** Entertainment and power conveniences are now an essential requirement of modern life style. People now know the positive effects of continuous and standard power supply and entertainment amenities, which are in dire need in rural areas. These factors set some additional stress to move about in favour of superior places.
- ADVANCED URBAN LIFE -** Mostly for young people, the attractions of urban life have become a major factor in determining migration decisions. Every next generation has more attraction towards modern urban life than earlier one has for it. The same is true for Bihar. Here, every next generation hopes to live a modern life.
- LITTLE INCOME -** Over the years, there has been a sharp rise in the costs of cultivation and gradual decrease in employment in agriculture. Marginal and small farmers, who comprise more than ninety percent of all farmers and operate two-thirds of the land cultivated in Bihar, are at a disadvantage corner in accessing inputs at rational prices. The situation is grimmer for land less labourers who are prone to out migrate.
- INADEQUATE ENTERTAINMENT AND POWER FACILITIES -** Irregular and unpredictable power supply destroys whatever attempts for progress is made by different bodies of government. Now, entertainment and information and communication facilities are dependent on power supply, the old practices of entertainment and communication are not enough and old-fashioned.
- NAXALITES -** The incidences of naxalite violence are gradually increasing particularly in backward regions of Bihar. Since naxalites are against developmental activities as they showed their aggression against school buildings, community blocks and government funded programmes, people of naxalite affected areas are now determined to out migrate in dearth of development.
- RELATIVES-** On the basis of the above mentioned factors, Migration of one person attracts another a few persons particularly relatives due to globalisation and improved information and communication technology (ICT).
- OTHERS -** In the present time of globalisation, marriages, scarcity of employment and rising cost of cultivation, social boycott and discrimination caused by politics, cast, gender and religion leave some additional stress on vulnerable people to migrate before a healthy cost benefit analysis of the impacts of out migration.

ANALYSIS

Although it is realistic that employment among males and marriage among females are the foremost reasons for migration yet other factors have significantly contributed to increase migration in Bihar. A realistic relationship between agricultural development and out migration in Bihar is found. In the last ten years, deteriorating employment scenario locally and promising and rising opportunities elsewhere is the root cause of the out migration of rural people in Bihar. The discussions and interviews conducted for this paper show that except the poorest of the poor, the major landowners and flourishing businessmen, nearly all

others including average farmers and the people belongs to forward caste are out migrating. While the most educated and prosperous people migrate for secure and well paid jobs on a more permanent basis, the vast majority of migrants go to another place for a few months on a temporary basis.

According to census 2001, Bihar (-1.7 million) was the second state with largest number of net migrants migrating out of the state in the decade of 1991-2001.

TABLE 3: VARIATION IN MIGRATION PROFILE, 1991 – 2001, BASED ON MIGRANTS BY LAST RESIDENCE (Duration 0-9 years)

STATE	2001 census	1991 census	Variation (%)
Bihar(including Jharkhand)	persons	Persons	(1991-2001)
In-migrants (from other states)	963,546	319,927	201.2
In-migrants (from abroad)	60,033	43,190	39.0
Total in-migrants	1,023,579	363,117	181.9
Out-migrants	2,857,573	1,226,839	132.9
Net migrants (+/-)	(1,833,994)	(863,722)	112.3
States, which were bifurcated after 1991 Census, would show rise in number of interstate migrants			

According to the 2001 Census data on inter-state migration based on last residence (0-9), The population of Bihar in 1991 was 64,530,554, In-migrants from other states (2001) was 460,782, Out-migrants (2001) was 2,241,413, In-migrants from other countries (2001) was 57,724, Net in-migrants (2001) was -1,722,907, Migration rate (per 100)1991-2001 was 2.7, Growth rate of population 1991-2001 was 28.62.

MIGRATION AS AN ADVANTAGE

Without doubt one can say that migration and remittances people got from migrants have improved the pattern of living of thousands of families in the poorest areas of Bihar. Migration helps to raise incomes and improve food security for the poorest unskilled labourers. Surplus money earned due to migration is an important way of financing agriculture. The accumulation of assets for the better educated and connected migrants working in industries is now possible in Bihar. Skill and education levels are strongly positively associated with wages. Many migrants have brought back skills and modern technologies. There are evidences that show the income from remittances is disproportionately spent on education and health rather than everyday consumption. The result is human development of rural people. There are limited opportunities for utilising locally out migration led remittances and skills due to poor infrastructure and marketing links in Bihar.

MIGRATION AS A CURSE

Since demographic profile of Bihar skewed towards young, child migration is also on raise especially from the backward areas and this has many exploitative aspects. In social and health terms, the costs of out migration may be far above the ground such as isolation due to long periods of separation from family and numerous health hazards due to working in industries with poor labour standards. Vulnerable out migrated people, who are mostly unaware of the health risks at work and often are not in a position to demand protection easily get serious health complaints. These people unawareness of the risks of exposure to STDs, HIV/AIDS and other diseases and loneliness made more risky sexual behaviour at the destination give them fatal diseases. In a festival session, the poorest migrants carry their earnings by hand and generally in overcrowded general compartment of train or bus face considerable risk of theft while travelling. The future of migrants from Bihar is uncertain. Most of the migrants and their families agree that they feel that destination areas have become less friendly and would like to secure a future for their children at home. The ban of rickshaw pullers from parts of New Delhi and the ban on child labour in eateries have adverse impacts on out migrated people.

CONCLUSIONS

The status of cultivation and people associated with it is not totally satisfactory in Bihar. There a positive correlation between rural backwardness and out migration. A lot of push and pull factors are responsible for out migration in Bihar. Out migration have positive and negative impacts on agricultural development. Hence, there is an urgent need to examine, to re-evaluate and to assess all the aspects of agricultural development and out migration in Bihar otherwise policies formulated for vulnerable rural people would have adverse effects on agriculture and human settlement.

RECOMMENDATIONS

1. Stabilization of the rate of growth of agriculture through introduction of new techniques and expansion of irrigation to abolish the negative impact of monsoon.
2. Use of appropriate crop technology and extending crop insurance to all farmers, Insurance cover to horticultural and cash crops, seed bank and human resource management are very important solutions in case of flood and drought in Bihar.
3. There is a need to move away from simplistic negative analyses that view migration mainly as a symptom of distress and to start developing ways of maximising its benefits for poverty reduction.
4. Sufficient support in creating the conditions for better investment of remittances in agriculture.
5. Improvement of the implementation of existing labour laws to facilitate migrants in betterment of their life so that they can positively contribute in agricultural development.
6. Improvement of the flow of agricultural credit by effort from all the three institutional segments - commercial banks, RRBs and cooperatives.
7. Consolidation of land to improve land man relationship for healthy agricultural practices.
8. Improvement of health, road, electricity and education amenities in rural areas.
9. People's participation in development process with materialistic outcome of efforts.
10. Persistence lion order to fight against Naxalites and unsocial people.
11. Better implementation of existing plans such as MGNREGS .

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A STUDY ON CUSTOMER PERCEPTION TOWARDS BRAND AND BRAND EXTENSION OF SELECTED CONSUMER DURABLES IN COIMBATORE CITY

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ABSTRACT

Marketers engaged in branding seek to develop or align the expectations behind the brand experience, creating the impression that a brand associated with a product or service has certain qualities or characteristics that make it special or unique. A brand image may be developed by attributing a "personality" to or associating an "image" with a product or service, whereby the personality or image is "branded" into the consciousness of consumers. A brand is therefore one of the most valuable elements in an advertising theme. The art of creating and maintaining a brand is called brand management. The term marketing concept holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions. It proposes that in order to satisfy its organizational objectives, an organization should anticipate the needs and wants of consumers and satisfy these more effectively than competitors. This article Aims to explore the major problems of Brand And Brand Extension And Strategy etc.,

KEYWORDS

B2B, Brand, Brand Equity, Brand Extension, Brand Image.

INTRODUCTION

Marketers engaged in branding seek to develop or align the expectations behind the brand experience, creating the impression that a brand associated with a product or service has certain qualities or characteristics that make it special or unique. A brand image may be developed by attributing a "personality" to or associating an "image" with a product or service, whereby the personality or image is "branded" into the consciousness of consumers. A brand is therefore one of the most valuable elements in an advertising theme. The art of creating and maintaining a brand is called brand management. The term marketing concept holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions. It proposes that in order to satisfy its organizational objectives, an organization should anticipate the needs and wants of consumers and satisfy these more effectively than competitors.

PRODUCT

Product could be define as "everything the purchaser gets in exchange for his money from a strictly technical or manufacturing point of view, a product consists of a number of raw materials put together that the end result serves a useful purpose of consumption. The products for easy identify will have a descriptive name also (brand name). Thus, a consumer is buying what is expressed economically as "want satisfaction".

BRANDS AND BRAND NAME

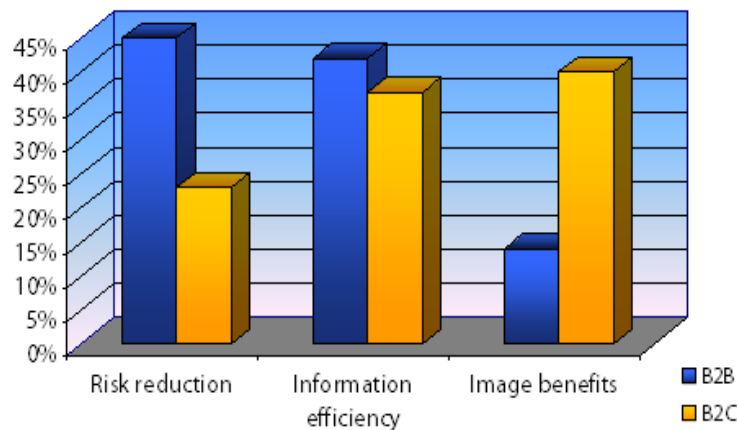
A brand is a name, symbol, or other feature that distinguishes a seller's goods or services in the marketplace. More than 5, 00,000 brands are registered globally with pertinent regulatory bodies in different countries. Brands serve their owners by allowing them to cultivate customer recognition of, and loyalty toward, their offerings. Brands also serve the consumer by supplying information about the quality, origin, and value of goods and services. Without brands to guide buying decisions, the free market would become a confusing, faceless crowd of consumables. An established and respected brand can be the most valuable asset a company possesses.

BRAND FUNCTIONS

It is imperative to understand the most important brand functions in B2B environments. McKinsey and MCM have performed an empirical survey of more than 750 deciders in 18 representative German business markets. Despite of the German impact the approach and general implications can be applied on international level. Apparently risk reduction is the most important brand function (45%), closely followed by information efficiency (41%) and image benefit will close the group with a minor 14% (Kotler & Pfoertsch, 2006:46-47).

IMPORTANCE OF BRAND FUNCTIONS IN B2B VERSUS B2C

FIGURE 1



Source: Kotler & Pfoertsch, 2006:47.

Brands reduce risk involved in the buying process and increase information efficiency for the purchase of (very) complex and capital intensive products. Image benefits become important as soon as the purchase involves publicly visible products and services.

BRAND AWARENESS

Brand awareness refers to customers' ability to recall and recognize the brand under different conditions and link to the brand name, logo, and jingles and so on to certain associations in memory. It helps the customers to understand to which product or service category the particular brand belongs to and what products and services are sold under the brand name. It also ensures that customers know which of their needs are satisfied by the brand through its products. (Keller) 'Brand love', or love of a brand, is an emerging term encompassing the perceived value of the brand image. Brand love levels are measured through social media posts about a brand, or tweets of a brand on sites such as Twitter. Becoming a Face book fan of a particular brand is also a measurement of the level of 'brand love'.

BRAND EXTENSION

Brand extension enjoyed a great deal of popularity during the late 1990s. As product development and advertising costs increased, many companies sought to leverage the equity in their existing brands rather than attempting to launch new brands. In fact, a 1998 Ernst and Young study showed that 78 percent of product launches in that year were line extensions. But businesses must be careful not to go too far with line extensions, at the risk of damaging their brand name or diluting its meaning in the eyes of customers. The Ernst and Young study showed that 47 percent of new brand launches were successful compared with only 28 percent of line extensions. Simms noted that a brand extension is more likely to be successful when the mother brand is strong, the extension supports and adds value to mother brand, and the extension is valuable to consumers. She recommended that companies considering a launch gauge consumer response by developing new ideas in three ways: as a brand extension; as a new brand; and as a halfway measure, using such language as "from the makers of...."

STEPS IN BRAND EXTENSION STRATEGY

"Innovation is the creation of the new or the Re-arranging of the old in a new way"

- Michael Vance

1. DETERMINE BRAND AND CATEGORY ASSOCIATIONS

The first step in determining brand relevance is to begin with a comprehensive assessment of what your brand and those of key competitors in the category currently stand for the minds of customers. Even an outstanding new product concept, satisfying a significant unmet customer need, will not succeed in the market if it is launched under a brand identity for which it is a poor fit. The foundation of this assessment is qualitative customer research (e.g., focus groups and in-depth interviews), which provides the richness and depth of response needed to construct an accurate portrait of your brand and the category. The research should focus on uncovering the key association's customer's link to the brand and competitive brands in the categories (e.g., product or service features, functional, emotional, and self-expressive benefits, and personality).

2. DEVELOP BRAND EXTENDIBILITY PROXIES

Once the six to eight key associations have been identified for the brand and category, proxies should be carefully chosen for each one. To accomplish this, turn each association into a continuous of attributes and benefits that range from "close in" to "far out" relative to where customers perceive the brand to be today. This continuous begins with a proxy that's relatively close in and ends with one that is a significant stretch from how customers perceive the brand today, with several points in between. It's important to remember that these proxies were strategically chosen to represent the distinct points. The proxies chosen may or may not represent good new product opportunities for the brand (i.e., customer unmet needs). What's more important at this point is that they provide the basis for rich conversations with customers as to how the brand can and cannot be extended in the future (i.e., brand relevance).

3. CONDUCT BRAND EXTENDIBILITY RESEARCH

Once brand and category associations have been determined and representative proxies selected, it is imperative to go back to customers to solicit their input. A variety of stimuli can be used for the chosen proxies to facilitate brand extendibility research discussions, including white paper concepts, representative images, and actual products or prototypes. During focus group customers are asked for their opinion as to how well each product, service, feature, or benefit fits with the brand in question. Once again, it's important to remember that we are mostly interested in understanding customer rationales for why something does or does not fit with the brand.

4. CREATE BRAND EXTENDIBILITY GUIDELINES

The final step of this approach is to take the insights obtained in the previous step's customer research and develop guidelines detailing how the brand can and cannot be effectively extended. Customer feedback (i.e., which proxies are in, which are out, and the reasons why) needs to be interpreted and translated into guidelines for extendibility. Once an adequate number of guidelines have been established, it's helpful to prioritize them because they won't all be of equal importance. One way to think about this is to establish several guidelines that are imperatives. What this means is that unless a potential new product or service opportunity satisfies these guidelines, it should not be considered for marketplace introduction. Other guidelines would be deemed important but not mandatory. In other words, if a potential new product or service opportunity satisfies this guideline, it should be considered favorable.

BRAND EQUITY

Besides offering ways to enter new markets, product line and brand franchise extension are two ways in which a company can capitalize on a brand's "equity," or its intangible value. Three major uses of brand equity include family branding, individual branding, and combination branding.

- ❖ Family branding entails using a brand for an entire product mix.
- ❖ Individual branding occurs when the name is applied to a single product.
- ❖ Combination branding means that individual brand names are associated with a company name.

Brand equity involves both the component value of a brand and brand value. Brand equity enhances the value of a product and creates a positive environment for the company to increase prices.

Brand Equity is defined as the aggregation of **two** aspects of a product.

- ❖ The **first** being the component value of a Brand.
- ❖ The **second** is brand value.

Branding has been shown to transform the perceived value of a product by making it well known to customers through aggressive promotion and marketing. It has been observed that this transformation infuses a value into the name and consequently increases its price.

The Brand Equity of a branded product can measured in terms as per following:

Brand Equity = "Market Price of the branded product - Market price of the comparable unbranded product - Advertisement and sale Promotion expenses"

MEASUREMENT OF THE BRAND EQUITY

There are many ways to measure a brand. Some measurements approaches are at the firm level, some at the product level and still others are at the consumer level.

FIRM LEVEL

Firm level approaches measure the brand as a financial asset. In short, a calculation is made regarding how much the brand is worth as an intangible asset. For example, if you were to take the value of the firm, as derived by its market capitalization - and then subtract tangible assets and "measurable" intangible assets- the residual would be the brand equity. One high profile firm level approach is by the consulting firm Interbrand. To do its calculation, Interbrand estimates brand value on the basis of projected profits discounted to a present value. The discount rate is a subjective rate determined by Interbrand and Wall Street equity specialists and reflects the risk profile, market leadership, stability and global reach of the brand.

PRODUCT LEVEL

The classic product level brand measurement example is to compare the price of a no-name or private label product to an "equivalent" branded product. The difference in price, assuming all things equal, is due to the brand. More recently a revenue premium approach has been advocated.

CONSUMER LEVEL

This approach seeks to map the mind of the consumer to find out what associations with the brand the consumer has. This approach seeks to measure the awareness (recall and recognition) and brand image (the overall associations that the brand has). Free association tests and projective techniques are commonly used to uncover the tangible and intangible attributes, attitudes, and intentions about a brand. Brands with high levels of awareness and strong, favorable and unique associations are high equity brands.

All of these calculations are, at best, approximations. A more complete understanding of the brand can occur if multiple measures are used.

PROFILE OF THE DURABLE GOODS

Durable goods or hard goods are products which are intended to hold up through extended use, rather than being rapidly consumed. These are long term purchases, and some durable goods can be very costly. There are generally long intervals between purchases of durable goods because people don't need to replace them on a regular basis.

Durable consumer goods are manufactured by a number of companies which aim to produce products which deliver utility and service over time. Durable goods data is usually readily available from government agencies which track the sale and movement of goods and services. It is also usually included in economic reports in the news because it can be a valuable indicator.

India in its 62 years of journey seen manifold increase in the income of its denizens(Rs.38,084 as on 2009) and this has led to paradigm shift in the purchasing behavior of the people here. There is a discernible shift in the consumer's preference in favors of higher end, technologically superior branded products, the demand being spurred by increasing consumer awareness and preference for new models.

India being the second fastest growing economy with a huge consumer class has resulted in consumer durables as one of the fastest growing industries in India. LG, Samsung, onida, Panasonic and Videocon the Korean companies have been maintaining the lead in the industry with LG being the leader in almost all the categories.

This shift is also because of the increase in manufacture of branded product and narrowing down of price between branded and non-branded goods. Competition has forced the companies to offer efficient after sales service and support and this, in turn, has swayed customer preference for branded products. Post liberalization there has been in nation of goods transcending the borders and the customer has a wider choice, breaking the shackles of the consumers regarding limitations of choices. Indian consumer durables market used to be dominated by a few domestic players like Godrej, kelvinator, Voltas. But post liberalization many foreign companies have entered into India, dethroning the Indian players and dominating the market like LG, Videocon, Samsung, Onida, Panasonic. The major categories of the market are TVs, Refrigerators, Air-conditioners, washing machines and Mobile Phone.

Durable goods categories as two types:

- 🚩 The **WHITEGOODS** are categorized as Refrigerators, Washing Machines and Air Conditioner.
- 🚩 The **CONSUMER ELECTRONICS** are categorized as TV and mobile phone.

WHITE GOODS	CONSUMER ELECTRONICS
Refrigerators 18-22%	Colour TVs 25-30%
Washing Machines 15-20%	Others (mobile and electronic goods)
Air Conditioners 32-35%	35-40%

Making Consumer Durable one of the fastest growing industries in India. The Industry sales was estimated to be about 5.1 billion in value in 2008-09, a growth of more than 12 per cent over 2007-08. A strong growth is expected across all key segments.

The Indian consumer remains one of the most update globally. The Nielsen global consumer confidence study, conducted by Nielsen a market research company revealed that Indians are "the most optimistic lot globally who think that their country will be out of the economic recession in the next twelve months".

In fact it is widely believed that the Indian market will fuel the growth of multinational companies in the coming years. While most leading companies are cutting costs in the US and Europe, they see India as a strategic market, which can fuel their growth.

The rural market is growing faster than the urban markets, although the penetration level in rural area is much lower. The CTV segment is expected to the largest contributing segment to the overall growth of the industry. The rising income levels, double-income families and increasing consumer awareness are the main growth drivers of this industry.

This report highlights the significance of industry has for the Indian economy, throwing light on the pre and post liberalization scenario. It discusses the important segments of this brand and the growth patterns, trends and the demand drivers. The report also profiles the key players of this industry, with a discussion of their business strategies.

OBJECTIVES OF THE STUDY

The objective of research is to analysis how the brand affects the customer purchasing durable goods and choice of branded or non-branded goods..

1. To study the factors that influenced the customers in the purchase of selected brands of consumer durables.
2. To study the customer satisfaction towards the selected branded consumer durables.
3. To study the level of perception towards brand extension of consumer durables.
4. To offer suggestions on the basis of results of the study.

STATEMENT OF THE PROBLEM

In an increasingly competitive world market, a key component of a healthy product is the brand that accompanies it. The brand spells out the plight of brand management in today's competitive environment. A Brand name and its associated brand equity is one of the most valuable assets of firm has markets must create competitive advantage by constantly adapting and instigating change. An innovative brand loses its competitive edge and the ability to command price. Brand are in crisis because of the difficulty in competing for the consumers attention among new brands launched each year but because it is difficult for the consumer to perceive the difference between a certain brand and that of the competition. Understanding how consumers relate to brand names has been important for marketing. Existing brands increasingly have been relied on by marketing manager to introduce new products. Eight out of ten new products are introduced as an extension of an existing brand name. This is a growing universal trend for companies to opt for brand extension strategy when introducing new products into the market. Brand extension has become a popular strategy to capitalize on brand equity.

The effectiveness of brand extension depends on at least two factors;

1. The perceived quality of the original brand.
2. The similarity between the extension and the original brand.

The purpose of this research is to investigate the customer response to brand and brand extension.

METHODOLOGY USED IN THE STUDY

SOURCE OF DATA

The study is based on both primary and secondary data. Primary data have been collected by interview schedule to brand customer and the secondary data collected from dealers.

PERIOD OF THE STUDY

The present study aims at measuring the customers towards brand extension product. The primary data were collect from the respondents by interview schedule during the months from May-July 2013. The secondary data relating to the business of brand products extended the customer were collected for a limited period.

SAMPLING PROCEDURE

The data has been collected from three hundred respondents using branded consumer durable goods in our daily life. Due to the difficulty in determining the number of durable customer. In this study convenient sampling method is used.

AREA OF THE STUDY

The study area is limited to Coimbatore city. Coimbatore, the second biggest city of the southern state of Tamil Nadu, is identified as one of the fast developing metros of India. There are about 50,000 small, medium and large scale industries. It is well known for its textile, hosiery, motor and pump, foundry, automobile and engineering products. It is poised for a spectacular growth in the near future. It also remains as Education and Health care hub. Coimbatore, being an industrial area, public and private sector insurance companies has established its branches over here.

STATISTICAL TOOLS USED FOR ANALYSIS

The formats statistical tools are used at 5%level of significance level.

1. Simple Percentage Analysis
2. Chi-square Analysis
3. Garret Ranking Method

REVIEW OF LITERATURE

Allan Shocker, Rajendra Srivastava and Robert Ruckert (1994) attempted to find out the major environmental forces affecting market behavior of a brand. The study observed that brand manager should have acknowledged the evolving needs of the buyers, global competitors and the opening of territorial markets, technological changes, growing power and independence of the channels of distribution, pressure from the investors to produce more predictable growth in the revenues, profits and cash flows and thus benefit from cost reduction.

Balaji (2007) in his study examined the ways in which consumers evaluate brand extensions based on factors like parent brand reputation, similarity or far between the parent brand extension, consumer innovativeness and perceived risk or uncertainty. More importantly the study explored the differences in the consumer's evaluation of FMCG, services and consumer durables, brand extension and looked at the overall evaluation of the brand extension. The study has established that perceived similarity and it between the parent brand and extension increased the evaluation of FMCG, services and consumer durables brand extension. Perceived similarity or fit between the parent brand and brand extension appeared to be the most important factor for evaluation of the brand extension. The extension evaluations are higher for well established FMCG parent brands but for service and consumer durables, the consumers evaluate extensions more on attributed and benefits of the extension.

Steve Hoeffler and Kevin Lane Keller (2002)³⁰ made an attempt to study why marketers have shown an increasing interest in the use of corporate social marketing(CSM) and they gave six means by which CSM programs can build brand equity. They are building brand awareness, enhancing brand image, establishing brand credibility, evoking brand feelings, creating a sense of brand community and eliciting brand engagement.

ANALYSIS AND INTERPRETATION

TWO WAY TABULATION BETWEEN OPINIONS ON SOURCE OF BRANDS

TABLE – 1: PINION ON CHOICE OF THE PRODUCT TO BRAND EXTENSION

BRAND \ OPINION		Very High	High	Normal	Low	Very Low	Total
	LG	NO	66	162	42	27	3
%		22	54	14	9	1	100
VIDEOCON	NO	126	78	42	48	6	300
	%	42	26	14	16	2	100
SAMSUNG	NO	90	105	63	12	30	300
	%	30	35	21	4	10	100
ONIDA	NO	117	69	51	36	27	300
	%	39	23	17	12	9	100
PANASONIC	NO	93	63	54	45	45	300
	%	31	21	18	15	15	100

Source: Primary data

From the above table which implies that 54 percent of the respondents' opinions are highly aware in LG brand only 1 percent of the respondents are very low. 42 percent of them are very highly aware in Videocon only 2 percent of them very low. 35 percent of the respondents' opinions are aware Samsung brand only 4 percent of them are low. 39 percent of the respondent opinions are having very high awareness in onida only 9 percent are very low. 31 percent of the respondent opinion are very high in Panasonic brand only 15 percent are low awareness of the product.

TABLE - 2: IDENTIFICATION OF THE BRAND

BRAND \ ITEMS		Symbol	Logo	Trade mark	design	Special features	Total
	LG	NO	51	36	27	84	102
%		17	12	9	28	34	100
VIDEOCON	NO	17	33	27	5	18	300
	%	57	11	9	17	6	100
SAMSUNG	NO	72	45	45	81	57	300
	%	24	15	15	27	19	100
ONIDA	NO	132	18	45	39	66	300
	%	44	6	15	13	22	100
PANASONIC	NO	183	24	33	21	39	300
	%	61	8	11	7	13	100

Source: Primary data

From the above table it reveals that 34 percent of the respondent are identify the LG brand with special reference only 9 percent of them are in trade mark. 57 percent of the respondent are highly identify in Videocon brand only 6 percent of them are in special features. 27 percent of the respondent are identify design of brand in Samsung only 15 percent of them are identifying with logo. 44 percent of the respondent is identifying the brand with symbol only 6 percent of the respondent are identify onida brand in logo. 61 percent of the Panasonic respondents are identify with symbol where only 7 percent of them are choosing design in their opinion.

TWO WAY TABULATION BETWEEN LEVELS OF SATISFACTION OF THE BRANDED PRODUCTS

TABLE - 3: LEVEL OF SATISFACTION OF THE BRANDED PRODUCTS

BRAND \ SATISFACTION		HS	S	M	DS	HDS	Total
	LG	NO	168	54	27	27	24
%		56	18	9	9	8	100
VIDEOCON	NO	171	72	48	6	3	300
	%	57	24	16	2	1	100
SAMSUNG	NO	75	96	75	33	21	300
	%	25	32	25	11	7	100
ONIDA	NO	135	78	51	15	21	300
	%	45	26	17	5	7	100
PANASONIC	NO	183	51	24	33	9	300
	%	61	17	8	11	3	100

Source: Primary data

From the above table reveals that 56 percent of the respondents are highly satisfied in LG brand product only 8 percent of them are highly dissatisfied the brand does not have quality product. 57 percent of the respondent are highly satisfied in Videocon brand where only 2 percent of the respondent are does not satisfied. 32 percent of the respondent are satisfied in Samsung brand product only 7 percent of them are highly dissatisfied. 45 percent of the respondents are highly satisfied in onida quality brand product. Whereas only 5 percent of the respondent are does not satisfied. 61 percent of the respondents are highly satisfied in Panasonic brand product and only 3 percent of them are highly dissatisfied in brand product.

TABLE – 4: LEVEL OF OPINION IN BRAND EXTENSION PRODUCT

OPINION		Very Good	Good	Normal	Poor	Very Poor	Total
BRAND	NO						
	%						
LG	NO	54	132	63	36	15	300
	%	18	44	21	12	5	100
VIDEOCON	NO	174	54	54	12	6	300
	%	58	18	18	4	2	100
SAMSUNG	NO	111	78	63	42	6	300
	%	37	26	21	14	2	100
ONIDA	NO	60	63	123	42	12	300
	%	20	21	41	14	4	100
PANASONIC	NO	42	186	36	18	18	300
	%	14	62	12	6	6	100

Source: Primary data

The above table it is clear that 44 percent of the respondents opinion on LG brand extension product is good, 5 percent of the respondents opinion was very poor. 58 per cent of the respondents opinion on Videocon brand was very good, only 2 percent of the respondents are very poor in their opinion. 37 percent of the respondents opinion on Samsung the extension of brand product is very good, only 2 percent of them are very poor. 41 percent of the respondent opinion on onida brand extension is Normal, 4 percent of them are very poor regarding brand extension. 62 percent of the respondents' opinions on Panasonic brand extension is good, only 6 percent of them are poor regarding brand extension.

GARRETT'S RANKING METHOD

Garrett has suggested a technique to convert the rates in to scores in order to find or assign ranks to the items under the study to find out awareness about the following brand, state the source of awareness and to find duration and brand of product customer having at present.

To find the satisfaction of the brand extension product they were asked to give their opinion in rating method. The rates given by them were converted in to percentile scores using.

$P = 100 (R - 0.5) / N$ P: Percentile score R: Rank N: Number of items

From Garrett's table percentile scores (x) were obtained and the following tables was constructed.

A brand is the set of expectations, memories, stories and relationships that, taken together, account for a consumer's decision to choose one product or service over another. If the consumer (whether it's a business, a buyer, a voter or a donor) doesn't pay a premium, make a selection or spread the word, then no brand value exists for that consumer. A brand's value is merely the sum total of how much extra people will pay, or how often they choose, the expectations, memories, stories and relationships of one brand over the alternatives. A brand used to be something else. It used to be a logo or a design or a wrapper. Today, that's a shadow of the brand, something that might mark the brand's existence. The factors that influenced the customers to select the particular brand. In this study the following features are considered quality, price, and durability brand image and so on. Respondents are asked to rate them. To find out which is the primary factor that influence, Garret's ranking method has been applied.

TABLE NO 5: FACTORS THAT INFLUENCED THE CUSTOMERS TO SELECT THE PARTICULAR BRAND

INFLUENCE	Score	LG	VIDEOCON	SAMSUNG	ONIDA	PANASONIC	Total	Mean score	Rank
		75	60	50	40	24			
Quality	F	81	122	44	51	2	17683	58.94	II
	X1*f1	6075	7320	2200	2040	48			
Price	F	42	60	75	117	6	15324	51.08	IV
	X2*f2	3150	3600	3750	4680	144			
Durability	F	39	81	126	51	3	16197	53.99	III
	X3*f3	2925	4860	6300	2040	72			
Brand image	f	133	45	51	69	2	18033	60.11	I
	X4*f4	9975	2700	2550	2760	48			
Others specify	f	3	3	9	280	5	12175	40.58	V
	X5*f5	225	180	450	11200	120			

Source: Primary data

From the above table, it's understood that the respondent's ranked factors the brand image first, quality as rank two, durability as third, and price as four and so on. So the brand images are mainly acquired by the customers to influence the particular brand.

REASON FOR BRAND EXTENSION

From Garrett's table percentile scores (x) were obtained and the following tables was constructed, To find the reason for brand extension. The reason for shifting the brand to another brand or product its state the following reasons. In this study the following reasons are considered the brand is superior to other brands, feel prestigious to use the brand, brand is user friendly, customer don't want to change the old brand, and so on. Respondents are asked to rate them.

TABLE 6: REASON FOR BRAND EXTENSION

Rank		1	2	3	4	5	Total	Mean score	Rank
Reason for brand extension	Score	75	60	50	40	24			
Brand is superior to other brand	F	3	204	60	21	12	16593	55.31	II
	X1*f1	225	12240	3000	840	288			
Feel prestigious to use the brand	F	48	158	78	12	4	17556	58.52	I
	X2*f2	3600	9480	3900	480	96			
Brand is user friendly	F	39	42	122	22	75	14225	47.42	III
	X3*f3	2925	2520	6100	880	1800			
Don't want to change the old brand	F	9	36	51	201	3	13497	44.99	IV
	X4*f4	675	2160	2550	8040	72			
Others specify	F	27	17	6	12	238	9537	31.79	V
	X5*f5	2025	1020	300	480	5712			

Source: Primary data

From the above table, it's understood that the respondent's ranked the brand as feel prestigious to use the brand first, a Brand is superior to other brand as rank two, Brand is user friendly as third and so on. So the brand extension improves the product categories and development in future sales. The customers give a suggestion about the shifting of the brand.

SUMMARY OF FINDINGS, RECOMMENDATION AND CONCLUSION

- ❖ Majority of the respondents are (54.0%) are female category.
- ❖ Majority of respondents are (47.0%) are belonging to the age group of 25-40 years
- ❖ Majority of respondents (62.0%) are married category.
- ❖ Majority of the respondents (38.0%) are belonging to college level
- ❖ Majority of the respondents (34.0%) are belonging to students
- ❖ Majority of the respondents (62.0%) are belong to 3-5 members in their family
- ❖ Majority of the respondents (41.0%) are belong to family monthly income level of Rs.10,000 - Rs.20,000
- ❖ "Brand image" was ranked **first** by the selected sample respondents with the total score of 18033 and mean score of 60.11
- ❖ "Quality" was ranked **second** by the selected sample respondents with the total score of 17683 and mean score of 58.94
- ❖ "Durability" was ranked **three** by the selected sample respondents with the total score of 16197 and mean score of 53.99
- ❖ "price" was ranked **fourth** by the selected sample respondents with the total score of 15324 and mean score of 51.08
- ❖ "others specify" was ranked **fifth** by the selected sample respondents with the total score of 12175 and mean score of 40.58
- ❖ "Feel prestigious to use the brand" was ranked **first** by the selected sample respondents with the total score of 17556 and mean score of 58.52
- ❖ "Brand is superior to other brand" was ranked **second** by the selected sample respondents with the total score of 16593 and mean score of 55.31
- ❖ "Brand is user friendly" was ranked **third** by the selected sample respondents with the total score of 14225 and mean score of 47.42
- ❖ "Don't want to change the old brand" was ranked **fourth** by the selected sample respondents with the total score of 13497 and mean score of 44.99
- ❖ "Others specify" was ranked **fifth** by the selected sample respondents with the total score of 9537 and mean score of 31.79

RECOMMENDATIONS

BRAND INFLUENCE

Unbranded goods are least considered by the customers, and thus the study revealed that brand has influence on the purchase decision of customers. Branding facilitate the business to market their products by helping the customers to identify the products that might benefit them. Hence, the manufacturer should understand the value and power of brand so that confidence can be created in the minds of the customers.

CUSTOMER AWARENESS

The awareness being the first element of purchase process, the manufactures need to focus on the customer awareness in a better way for achieving the results. Among different brands considered in the study, customers have high awareness about the product of Videocon brand than others. The study also revealed that among different media available Tv played a significant role in increasing high awareness about the product Samsung than other media.

IDENTIFICATION OF BRAND

The customers showing positive response to a brand might react to its extension more positively than those who do not respond. The study revealed that majority of the customers gave a positive note to identify the product by symbol and special features. A part from quality, price, availability etc., invention of different models in brand extension play an important role in the customer purchase as they have more choice in the selection.

CONCLUSION

Branding has become so strong that today hardly anything goes unbranded particularly the consumers durables, for the reason that branding helps buying in many ways. Brand names help the consumers to identify products that might benefit them, and for familiarizing brand names advertisements play key role. Brands also tell the buyer something about product quality. Buyers who always buy the some brands know that they will get same features, benefits and quality each time they buy. In this way it is found that a powerful brand has high brand equity. It was also observed in many cases that the brands have higher brand equity to the extent that they have higher brand loyalty, name awareness, perceived quality, strong brand associations and other assets such as patents, trademarks to channel relationship. However, it is important to note that the fundamental asset underlying brand equity is customer equity and hence proper focus of marketing planning is required to extend life value to the loyal customers. All these aspects facilitate the business to go for brand extension where the successful brand name helps the launching of new products. The brand extension not only gives a new product instant recognition and faster acceptance but also saves the high advertising costs usually required to build new brand name. The very important point to be considered is that if a brand extension fails, it may harm customer attitude towards the other products carrying the same brand name. It is worth to note that a brand name may lose its special positioning in the consumer's mind through over use and hence the companies intend to use the old name must research how well the brand associations fit the new products.

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IMPACT OF MNREGP ON INCLUSIVE GROWTH: A STUDY OF PRAKASAM DISTRICT IN ANDHRA PRADESH**DR. N.VENKATESWARA RAO****ASST. PROFESSOR****DEPARTMENT OF COMMERCE & BUSINESS ADMINISTRATION****ACHARYA NAGARJUNA UNIVERSITY****ONGOLE****B.PADMAJA****ASST. PROFESSOR****DEPARTMENT OF COMMERCE & BUSINESS ADMINISTRATION****ACHARYA NAGARJUNA UNIVERSITY****ONGOLE****ABSTRACT**

The present study is on the MNREGP impact on the growth with special reference of Prakasam District in Andhra Pradesh and it is established that the programme is still in fancy and it has a long way to go but that does not take away from what it has achieved in its infancy. Today many families are happier because of MNREGP. If targeted and implemented effectively the MNREGP could decrease poverty in the deprived areas. This can be hastened by taking up works that rejuvenate the natural resource base of the livelihood of poor communities. Later its scope can be enlarged skilled work by artisans. All that is being hoped right now is that the MNREGP should be able to mitigate the hard times and increase the abysmal household earnings for the poorest. Hopefully the small and heartening gains will spur the other parts of the nation. With the launch of the MNREGP, which provides the country with a potential social safety net, there is need to revisit the multiplicity of poverty alleviation schemes. The effective implementation of MNREGP is critical for improving inclusiveness. It should reduce poverty and improve rural infrastructure; and any failure to do so will be an indicator of its ineffective implementation.

KEYWORDS

MNREGP, Prakasam district.

INTRODUCTION

A majority of the poor in the rural areas of the country depend mainly on the wages they earn through unskilled, casual manual labour. Inadequate labour demands or unpredictable crises adversely impact their employment opportunities. Unemployment and poverty are strongly related, and hinder the economic growth and development of the country. The concept of inclusive growth is increasingly being embraced by most of the developing countries; it emphasizes ensuring that the economic opportunities created by growth are available to all particularly the poor.

The agriculture sector is passing through a complex crisis of low productivity, poor competitiveness and adverse climatic conditions. The compound annual growth rate of agriculture and the allied sector from 2000-01 to 2004-05 was 2.02%, the lowest annual growth record in the sector since 1980-81 have also shown this decline in agriculture, putting the dates slightly earlier, and starting from 1997-98. They have also shown the widespread decline in the sector, covering all subsectors.

How does employment growth pick up when output growth is stagnant? Under normal circumstances, this trend should have further reduced the employment in the rural economy. However, further probing reveals that the acceleration in rural employment growth is probably a response to the crisis that is gripping the sector. Under conditions of distress, when levels fall below sustenance, then that part of the normally non-working population is forced to enter the labour market to supplement household income.¹

The government has launched various programs such as CRASH(1961), Antyodaya Programme (1977-78), NREP (1980), TRYSEM(1979), RLEGP(1983), JRY(1989), EAS(1993), SGSY(1999), SGRY(2001), Food for work(2001), and MNREGA (2005) for poverty alleviation by providing employment to its citizens. Among these programs, Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) is the largest rural employment programme ever undertaken in India. It guarantees the right to work for 100 days in a year for any rural household. There is no limit of APL (Above Poverty Line) or BPL (Below Poverty Line). If on demand, work is not given to eligible persons, they are given unemployment allowances. For getting work under MNREGS, the villagers have to apply to the Gram Panchayat for registration. Gram Panchayat issues a job card within 15 days after the villagers' registration. After having undertaken the work, the villagers are supposed to get cash amount for the work done every week.

Under the MNREGP (Mahatma Gandhi National Rural Employment Guarantee Programme) men and women are given equal minimum wages and Gram Sabha selects the types of rural works such as water shed, plantation, rural connectivity, land-leveling, soil conservation, etc., under the MNREGP 2005, Gram Panchayats are given more importance than Block Samithis and Zilla Parishads as 50% works under MNREGS are implemented through Panchayats.²

There are several provisions of the act which are of special interest to women workers. First the Act mandates that at least one-third of the workers should be women. This combined with the fact that the Act places no restrictions on how each household's quota of 100 days is shared within the household, means that there is an ample scope for women's participation in MNREGP works. Second, the wage earned is equal for both men and women. Besides this the MNREGP also provides for childcare facilities at the worksite when more than five children under six years of age are present at the worksite. This is an important provision given that, in large parts of the country, there are no childcare arrangements for working women.³

The Mahatma Gandhi National Rural Employment Guarantee Programme (MNREGP) has been made an integrated part of BHARAT NIRMAN programme. This programme will involve an annual expenditure of Rs. 40,000 for the creation of permanent assets. The MNREGP is a demand driven scheme and has its focus on works relating to water conservation, drought proofing, land development, flood control and rural connectivity in terms of all weather roads.⁴

PERFORMANCE OF MNREGP IN INDIA

The pioneering programmes saw its budget outlay increase to Rs.30, 100 crore in the interim budget for 2009-10. In the last fiscal, the same stood at Rs.16,000 crore. The MNREGP aimed at generating jobs in the rural areas, provided employment to over 4.47 crore households in the previous fiscal. During the first year of implementation (FY 2006-07) in 200 districts, more than 2.10 crore households were generated and 90.5 crore persondays were employed. In 2007-08, 3.39 crore households were provided employment and 143.59 crore persondays were generated in 330 districts. In 2008-09, 4.5 crore households have been provided employment and 215.63 crore persondays have been generated across the country.

MNREGP already created half a million assets and provided jobs around 3% of India's population. About 4.5 crore households in the country benefited from the pioneering Mahatma Gandhi National Rural Employment Guarantee Scheme in the financial year 2008-09. It was an increase of 32% over the previous year. This is a significant jump over the 3.39 crore households covered under the scheme during 2007-08.

At the National Level, average wage paid under MNREGA has increased from Rs.65 in 2006-07 to Rs. 84 in 2008-09. The enhanced wage earnings have led to strengthening of the livelihood resource base of the rural poor in India. In 2007-08, more than 68% of funds utilized (Rs.10, 738.47 crore as wage expenditure) were in the form of wages paid to the labourers. In 2008-2009, 67% of the funds have been utilized in the form of wages (Rs.18, 146.63 crore as wage expenditure in 2008-09). The Central Government has been encouraging the state governments to make wage payment through bank and post office accounts of wage seekers and over 7 crore accounts have been opened in banks and post offices throughout the country to disburse the wages.⁵

OBJECTIVES

The present study is carried out for the following objectives:

1. To know the impact of MNREGP on distribution of beneficiaries.
2. To find out the income and expenditure and net savings levels of beneficiaries before and after joining the MNREGP.

METHODOLOGY

A study has been made in the year 2010-11 in Ongole Mandal, Prakasam District of Andhra Pradesh, by selecting 300 beneficiaries of the programme randomly to assess the impact of the MNREGP as a facet of inclusive growth. The Present Study also covers emphasizing the economic conditions like income and expenditure levels along with the deficit and saving pattern of the families, community, age wise particulars, occupational pattern and also evaluated the impact of the programme before and after it is launched.

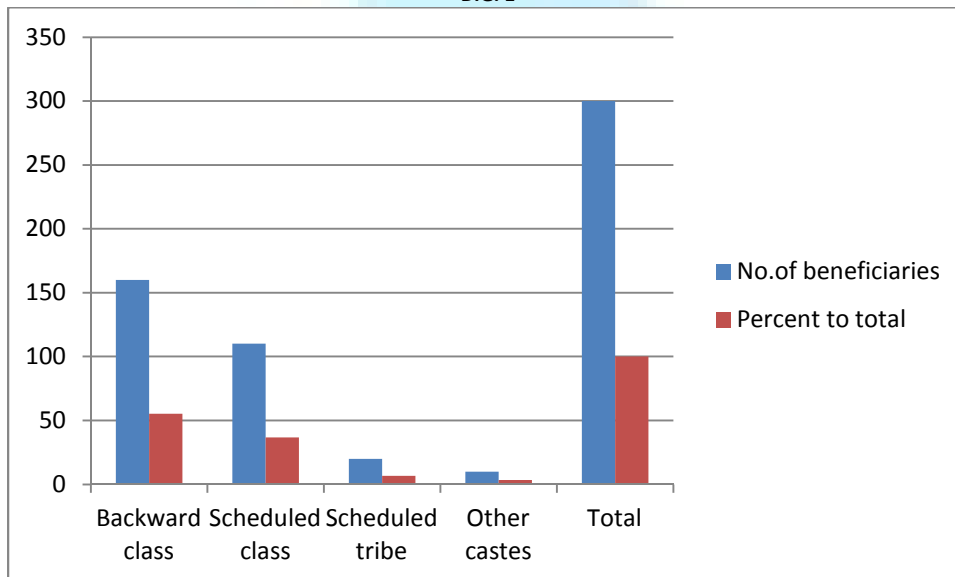
Out of 300 MNREGP workers, 71% are women, and the rest of the workers are men. This programme helped a lot in reducing the seasonal unemployment in the agriculture sector, and also contributed to empower the women folk in the rural areas. Further this also reduced the wage dissimilarity between men and women workers by increasing the minimum wages.

TABLE 1: CASTE –CATEGORY OF BENEFICIARIES

Caste	No.of beneficiaries	Percent to total
Backward class	160	55.33
Scheduled class	110	36.66
Scheduled tribe	20	6.66
Other castes	10	3.33
Total	300	100

Source: field data

DIG. 1

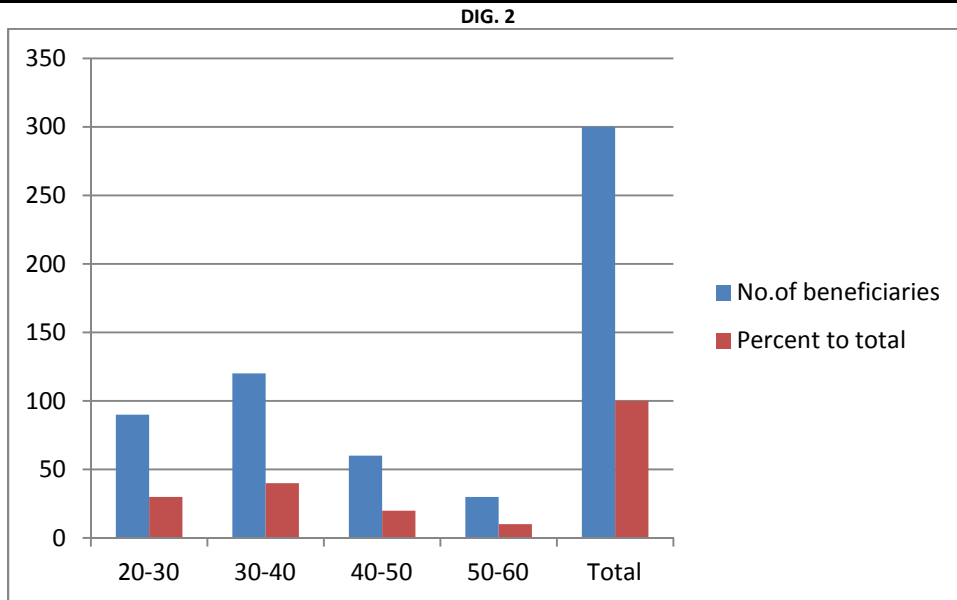


The study reveals that 53.33% of the workers are from backward class communities and 36.66% of workers are from Scheduled caste category and the rest are from ST and OC communities.

TABLE 2: AGE WISE DISTRIBUTION OF BENEFICIARIES

Age	No.of beneficiaries	Percent to total
20-30	90	30
30-40	120	40
40-50	60	20
50-60	30	10
Total	300	100

Source: field data

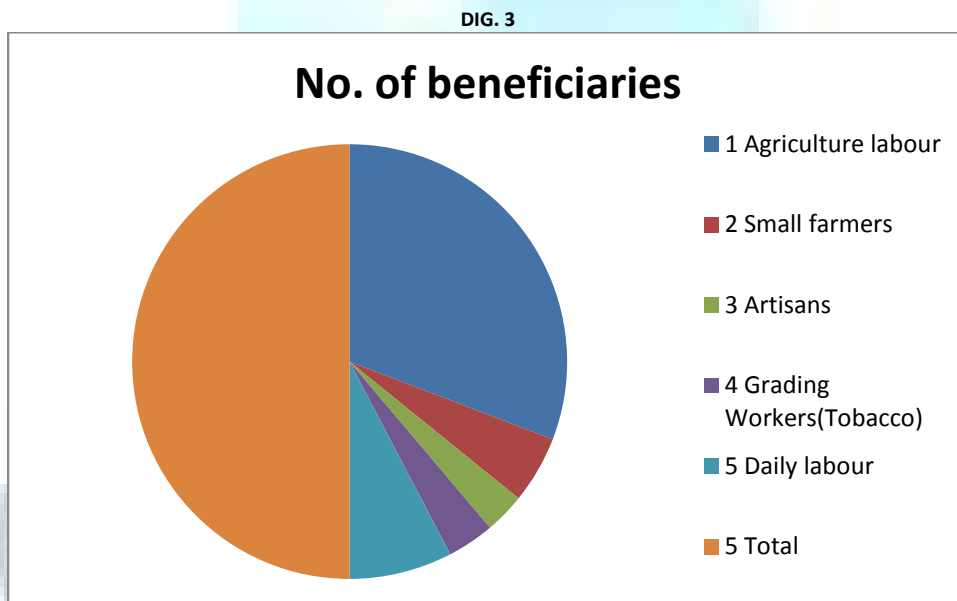


As far as age-wise distribution of beneficiary workers in the programme is concerned 40% of the workers are from the age group of 30-40 years, 30% are from 20-30 years of age, 20% are from 40-50 years of age. Only 10% of beneficiaries are between 50 and 60 years of age. This shows that majority are below 40 years of age, the programme is very useful for rural youth force.

TABLE 3: OCCUPATION DETAILS/DISTRIBUTION OF BENEFICIARIES

S.No.	Name of the occupation	No. of beneficiaries	Percent to total
1	Agriculture labour	185	61.66
2	Small farmers	30	10.00
3	Artisans	18	6.00
4	Grading Workers(Tobacco)	21	7.00
5	Daily labour	46	15.34
	Total	300	100

Source: field data

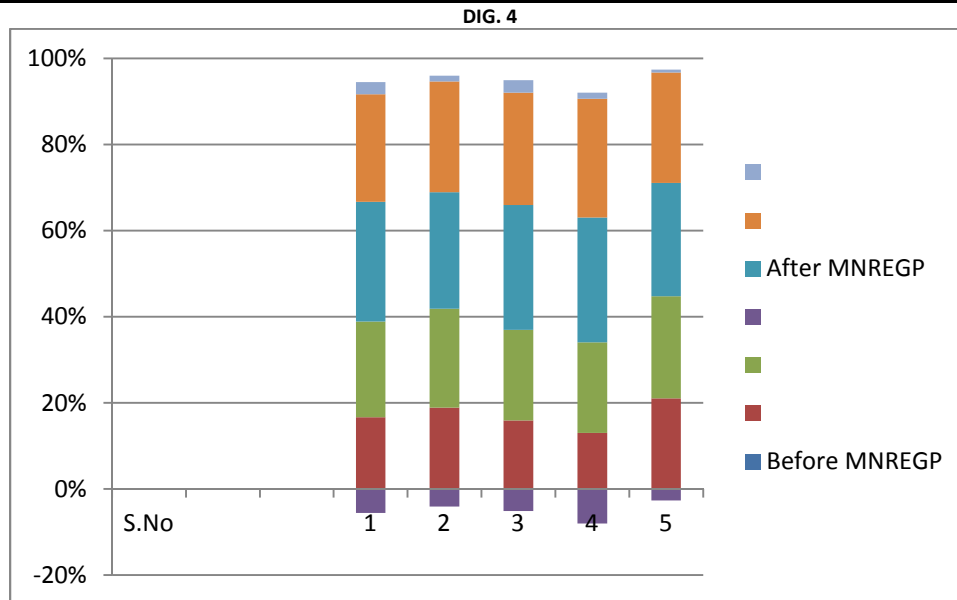


Out of the participant workers 61.66% of workers from the agricultural labourers, and 10% are from small farmers' category and 15.34% are from daily labourers and rest of them belongs to the Grading (Tobacco) workers and artisans. This evidently speaks that it is providing opportunities to all the skilled and unskilled professions. Further the observation explains that this programme has helped in reducing the wage discriminations among the different occupations in the area.

TABLE 4: NET SAVINGS PER BENEFICIARIES

S.No	Occupation	Before MNREGP			After MNREGP		
		Monthly income	Monthly expenditure	Net Surplus/deficit	Monthly income	Monthly expenditure	Net Surplus/deficit
1	Agriculture labour	1200	1600	-400	2000	1800	200
2	Small farmers	1400	1700	-300	2000	1900	100
3	Artisans	1100	1450	-350	2000	1800	200
4	Grading Workers(Tobacco)	900	1450	-550	2000	1900	100
5	Daily labour	1600	1800	-200	2000	1950	50

Source: field data



The study reveals that the expenditure levels before implementation of this programme was met by the workers by indulging debts to meet their minimum needs expenditure. Further they expressed that this programme helped in easing out the debt burden to some extent after the implementation of the MNREGP. Table4. Shows that the saving levels of the workers increased substantially, and this also helped in paying the debts they made before implementation of the programme. The light thrown on one aspect in this study is that it enhanced the affordability of the MNREGP workers in the changing circumstances, and contributed the reduction of migration from the rural areas to urban for searching petty jobs.

SUMMARY OF FINDINGS

- The study reveals that most of the beneficiaries belongs to the age group ranging from 30 to 40 years
- The study reveals that 53.33% of the beneficiaries belongs to backward class community
- There is reduction of wage difference in various works by creating equal wages to male and female workers
- There is increase in living and economic conditions
- The study reveals that majority of the beneficiaries have savings in the post office

CONCLUSION

The programme is still in fancy and it has a long way to go but that does not take away from what it has achieved in its infancy. Today many families are happier because of MNREGP. If targeted and implemented effectively the MNREGP could decrease poverty in the deprived areas. This can be harsened by taking up works that rejuvenate the natural resource base of the livelihood of poor communities. Later its scope can be enlarged skilled work by artisans. All that is being hoped right now is that the MNREGP should be able to mitigate the hard times and increase the abysmal household earnings for the poorest. Hopefully the small and heartening gains will spur to the other parts of the nation. With the launch of the MNREGP, which provides the country with a potential social safety net, there is need to revisit the multiplicity of poverty alleviation schemes. The effective implementation of MNREGP is critical for improving inclusiveness. It should reduce poverty and improve rural infrastructure; and any failure to do so will be an indicator of its ineffective implementation.

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INDIAN RETAIL INDUSTRY: AN ANALYSIS

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ABSTRACT

The Indian Retail Industry is the fifth largest in the world. Comprising of organized and unorganized sectors, Indian retail industry is one of the fastest growing industries in India, especially over the last few years. Though initially the retail industry in India was mostly unorganized, however with the change of taste and preferences of consumers, the Industry is getting more popular these days and getting organized as well. The Indian retail industry has expanded by 10.6 per cent between 2010 and 2012 and is expected to increase to US\$ 750-850 billion by 2015, according to the report by Deloitte. Food and Grocery is the largest category within the retail sector with 60 per cent share followed by the Apparel and Mobile segment. This paper includes growth of retail sector in India, Expected Future Trends, Retail Formats in India, recent trends, opportunities of retail stores, and future of this sector. It also highlights the challenges faced by the industry in near future.

KEYWORDS

Indian retail industry, organized Sector, unorganized Sector.

INTRODUCTION

India has witnessed a revolution in the last two decades owing to rapid urbanization and changing consumption. This has led retailers to concentrate their energies and leverage their capacities to harness the potential. The entry of the leading corporate houses into retail created a surge into the growth of the industry including some renowned business groups like Bharti, Future, Reliance, and Aditya Birla to establish hold, showing the future growth in times to come. In addition, organized retail sector has also grabbed the attention of foreign companies, showing their interest to enter India. Retailing is one of the largest industry in India and one of the biggest sources of employment in the country. Retailing is one of the pillars of the Indian economy. Over the past few years, the retail sale in India is hovering around 33-35% of GDP as compare to 20% in the US. The Indian retail industry is the fifth largest in the world. Comprising of organized and unorganized sectors, Indian retail industry is one of the fastest growing industries in India. Though initially, the retail industry in India was mostly unorganized, however with the tastes and preferences of the consumers, the industry is getting more popular these days and getting organized as well. Now with growing market demand, the industry is expected to grow at pace of 25-30% annually. The Indian retail industry is currently growing at a great pace and is expected to go up to US \$ 833 billion by the year 2013. In the last four years consumer spending in India has climbed up to 75%. In India though, organized retail accounts for app. 5-6% of total retail revenues, however, with a young population, increasing disposable income, changing life styles and a robust economy India is set to emerge as one of the fastest growing organized retail markets in the world.

Organized retailing refers to trading activities undertaken by licensed retailers, i.e. those who are registered for sales tax, income tax, etc. These include the corporate backed hypermarkets and retail chains and also the privately owned large retail businesses. Unorganized retailing, on the other hand, refers to the traditional formats of low cost retailing, for example, the local kirana shops, owner manned general stores, convenience stores, hand cart and pavement vendors etc.

GROWTH OF RETAIL INDUSTRY IN INDIA

An increasing number of people in India are turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors. The organized retail market is growing at 3.5 percent annually while growth of unorganized retail sector is pegged at 6 percent. The Retail Business in India is currently at the point of inflection. Rapid change with investments to the tune of US \$ 25 billion is being planned by several Indian and multinational companies in the next 5 years. It is a huge industry in terms of size and according to management consulting firm Techno Park Advisors Pvt. Ltd., it is valued at about US \$ 350 billion. Organized retail is expected to garner about 16-18 percent of the total retail market (US \$ 65-75 billion) in the next 5 years. According to the tenth report of GRDI of AT Kearney, India is having a very favorable retail environment and it is placed at 4th spot in the GRDI. The main reasons behind that is the 9% real GDP growth in 2010, forecasted yearly growth of 8.7% through 2016, high saving and investment rate and increased consumer spending. According to report, organized retail accounts for 7% of India's roughly \$435 billion retail market and is expected to reach 20% by 2020. Food accounts for 70% of Indian retail, but it remains under penetrated by organized retail. Organized retail has a 31% share in clothing and apparel and continues to see growth in this sector. A report by Boston Consulting Group has revealed that the country's organized retail is estimated at US \$ 28 billion with around 7% penetration. It is projected to become a US \$ 260 billion business over the next decade with around 21% penetration. The analysts believe that the sector is likely to show significant growth of over 9% over the next ten years and also see rapid development in organized retail format with proportion likely to reach more respectable 25% by 2018. The BMI India Report for the first quarter of 2012 released forecasts that total retail sales with growth from US \$ 422.09 billion in 2011 to US \$ 825.46 billion by 2015. The report highlights strongly underlying economic growth, population expansion, increasing disposable income and rapid emergence of organized retail infrastructure as major factors behind the forecast growth. According to department of Industry Policy and Promotion Cumulative, FDI inflows in single brand retail trading stood at US\$ 44.45 million during April 2000 to September 2011. Indian retail sector is wearing new clothes and with a three year compounded annual growth rate of 46-64%, retail is the fastest growing sector in the Indian economy. The sector is the second largest employer after agriculture, employing more than 35 million people with wholesale trade generating an additional employment to 5.5 million crore. The enormous growth of retail industry has created a huge demand for real estate. Property developers are creating retail real estate at an aggressive pace.

According to report titled "India Organized Retail Market 2010", published by Knight Frank, during 2010-12, around 55 million square feet of retail space will be ready in Mumbai, NCR, Bangalore, Kolkata, Chennai, Hyderabad and Pune. Besides between 2010 and 2012 the organized retail real estate will be grown from existing 41 million square feet to 95 million square feet. The total no. of shopping mall is expected to expand at CAGR of 18.9% by 2015. Hypermarket, currently accounting for 14% of mall space is expected to witness high growth. Industry experts predict that the next phase of growth in the retail sector will emerge from the rural market. By 2012, the rural retail market is projected to have a total of more than 50% market share. India's retail market is expected to be worth about

US\$ 410 billion, with 5 per cent of sales through organized retail, meaning that the opportunity in India remains immense. Retail should continue to grow rapidly—up to US\$ 535 billion in 2013, with 10 per cent coming from organized retail, reflecting a fast-growing middle class, demanding higher quality shopping environments and stronger brands, according to the report 'Expanding Opportunities for Global Retailers', released by A T Kearney

TABLE – I: SHARE OF RETAIL TRADE IN GROSS DOMESTIC PRODUCT (G.D.P.)

Year	% share of Retail Sector
2007	8%
2009	12%
2011	22%

Some of The Key Players in The Indian Retail Market, With A Dominant Share are:

1. Pantaloon Retail Ltd, a Future group venture: Over 12 mn sq. ft. of retail space spread over 1,000 stores, across 71 cities in India.
2. Shoppers Stop Ltd: Over 1.82 mn sq. ft. of retail space spread over 35 stores, in 15 cities.
3. Spencer's Retail, RPG Enterprises: Retail footage of over 1.1 mn sq. ft. with approx. 250 stores, across 66 cities.
4. Lifestyle Retail, Landmark group venture: Has approximately 15 lifestyle stores and 8 Home centres.

Other major domestic players in India are Bharti Retail, Tata Trent, Globus, Aditya Birla 'More', and Reliance retail. Some of the major foreign players who have entered the segment in India are:-

- Carrefour which opened its first cash-and-carry store in India in New Delhi.
- Germany-based Metro Cash & Carry which opened six wholesale centres in the country.
- Walmart in a JV with Bharti Retail, owner of Easy Day store—plans to invest about US\$ 2.5 billion over the next five years to add about 10 million sq. ft. of retail space in the country.
- British retailer Tesco Plc (TSCO) in 2008 signed an agreement with Trent Ltd. (TRENT), the retail arm of India's Tata Group, to set up cash-and-carry stores.
- Marks & Spencer's have a JV with Reliance retail.

TRENDS IN THE RETAIL INDUSTRY

- Emergence of organized retail: Real estate development in the country, for example, the construction of mega malls and shopping malls, is augmenting the growth of the organized retail business.
- Spending capacity of youth of India: India has a large youth population, which is a conducive environment to growth of this sector.
- Raising incomes and purchasing power: The per capita income in India has doubled between 2000-01 and 2009-10 resulting in improved purchasing power.
- Changing mindset of customers: The customer mind set is gradually shifting from low price to better convenience, high value and a better shopping experience.
- Easy customer credit: Emergence of concepts such as quick and easy loans, EMIs, loan through credit cards, has made purchasing possible for Indian consumers, for products such as consumer durables.
- Higher brand consciousness: There is high brand consciousness among the youth; 60% of India's population is below the age of 30 leading to popularization of brands and products.

RETAIL FORMATS IN INDIA

1. *Hyper Marts/Supermarkets*: large self-servicing outlets offering products from a variety of categories.
2. *Mom-And-Pop Stores*: they are family owned business catering to small sections; they are individually handled retail outlets and have a personal touch.
3. *Departmental Stores*: are general retail merchandisers offering quality products and services.
4. *Convenience Stores*: are located in residential areas with slightly higher prices goods due to the convenience offered.
5. *Shopping Malls*: the biggest form of retail in India, malls offers customers a mix of all types of products and services including entertainment and food under a single roof.
6. *E-Trailers*: are retailers providing online buying and selling of products and services.
7. *Discount Stores*: these are factory outlets that give discount on the MRP.
8. *Vending*: it is a relatively new entry, in the retail sector. Here beverages, snacks and other small items can be bought via vending machines.
9. *Category Killers*: small specialty stores that offer a variety of categories. They are known as category killers as they focus on specific categories, such as electronics and sporting goods. This is also known as Multi Brand Outlets or MBO's.
10. *Specialty Stores*: are retail chains dealing in specific categories and provide deep assortment. Mumbai's Crossword Book Store and RPG's Music World are few examples.

THE FUTURE OF RETAIL SEGMENT IN INDIA

Organized retail is a new phenomenon in India and despite the downturns, the market is growing exponentially, as economic growth brings more of India's people into the consuming classes and organized retail lures more and more existing shoppers into its open doors. By 2015, more than 300 million shoppers are likely to patronize organized retail chains. The growing middle class is an important factor contributing to the growth of retail in India. By 2030, it is estimated that 91 million households will be 'middle class', up from 21 million today. Also by 2030, 570 million people are expected to live in cities, nearly twice the population of the United States today.

Consumer markets in emerging market economies like India are growing rapidly owing to robust economic growth. India's modern consumption level is set to double within five years to US\$ 1.5 trillion from the present level of US\$ 750 billion. Thus, with tremendous potential and huge population, India is set for high growth in consumer expenditure. With India's large 'young' population and high domestic consumption, the macro trends for the sector look favorable.

Online retail business is another format which has high potential for growth in the near future. The online retail segment in India is growing at an annual rate of 35 per cent, which would take its value from Rs 2,000 crore (US\$ 429.5 million) in 2011 to Rs. 7,000 crore (US\$ 1.5 billion) by 2015. For instance the Tata Group firm Infiniti Retail, that operates its consumer durables and electronics chain of stores under the 'Croma' brand, is in the process of tapping net savvy consumers. Similarly, the Future Group, that operates a dedicated portal 'Futurebazaar.com' for online sales, has revealed that it is targeting at least 10 per cent of the company's total retail sales through the digital medium.

EXPECTED FUTURE TRENDS IN THE RETAIL SEGMENT IN INDIA

- A. *FDI in Specialty Stores*: Multi-brand organized retail in specialty stores such as Consumer Electronics, Footwear, Furniture and Furnishing etc. are expected to expand and mature in the next few years. However the policy condition on sourcing will continue to be a major bottleneck for FDI in many of these segments.
- B. *Dominance of Unorganized Retail*: Flexible credit options and convenient shopping locations will help traditional retail to continue its dominance in the retail sector.
- C. *Growth in Small Cities and Towns*: Stiff competition and saturation of urban markets is expected to drive domestic retail players to tap the potential in small cities.

OPPORTUNITIES

Retail marketing gets various opportunities to grow up in the Indian market. Not only retailing but Manufacturers as well as suppliers, and buyers have various opportunities, some of which are mentioned below-

- *What is in Store*- Organized retail provides brands much needed visibility and platform for customer interaction. It also helps in launching of new product or product variant and in market penetration. It has wider product range and more frequent, speedier deliveries.
- *Urbanization* – Increased urbanization has shifted consumers to one place and thus a single retail can catch more customers.
- *Nuclear Family*- As the time passed away joint families came in a new form i.e. nuclear family. Again the income level of these nuclear families increases because both members started earning. This results into increased power of purchase and lack of time. Now they want everything under one roof. This brought the concept of organized retailing.
- *Plastic Revolution* – Increased use of credit cards is in favor of retail marketing. It creates requirement even when it is not necessary.
- *Employment* - Retail marketing is one of the largest employments generating industry. It provides employment to skilled, semi-skilled as well as to unskilled persons. Thus it helps in the socio- economic development of the society.
- *Price War* – Increase in the no of retail outlets increases competition among these retailers. To attract customers they give various promotional schemes as various discounts, buy one get one free, another product with any particular product, festival special, etc.
- *Contract Farming* – The retail marketers directly purchase from farmers and reducing middlemen, thus provide proper cost to farmers and also set proper price for consumers. They also make contract with farmers to get proper amount of crops and vegetables.
- *Reduces Supply Chain Management* - The big players of retail marketing and the manufacturing companies directly come in contact thus reducing many intermediary chains. Manufacturers also give many promotional schemes for their product that is beneficial for consumers.

CHALLENGES

Some of the key challenges faced by the sector are:

- 1) Shortage of skilled manpower - Front-end/retail assistant profiles in stores form a major proportion of the employment in the retail sector while store operations account for 75-80% of the total manpower employed in the organized retail sector. Unfortunately, there are very few courses specific to the retail sector and graduates/post graduates from other streams are recruited. Further, retail training opportunities such as niche courses for areas like merchandising, supply chain and so on are limited. The condition is more alarming in the unorganized sector where the manpower is not equipped with even the basic level of retail specific and customer service skills, which adds to their incompetence vis-à-vis the organized sector. A cohesive effort to develop skills within the sector can have a significant potential impact on productivity and competitiveness, both within the sector and on the wider economy.
- 2) Lack of industry status - Due to the absence of 'industry status', organized retail in India faces difficulties in procurement of organized financing and fiscal incentives. The Government should grant the much needed 'industry status' to the sector so that the sops that come with it helps promote both big & small retailers.
- 3) Policy induced barriers – Organized retail in India is managed by both the Ministries of Commerce & Consumer Affairs. While the Ministry of Commerce takes care of the retail policy, the Ministry of Consumer Affairs regulates retailing in terms of licenses and legislations. There is a need to govern retail operations through a single apex body. A single agency can take care of retail operations more effectively, especially with regard to addressing the grievances of retailers. The development of the retail sector can take place at a faster pace if a comprehensive legislation is enacted.
- 4) Real estate - Lack of sophisticated retail planning is another major challenge the sector faces. Available space is easily interchangeable between commercial and retail use. In most cities, it is difficult to find suitable properties in central locations for retail, primarily due to fragmented private holdings, infrequent auctioning of large government owned vacant lands and litigation disputes between owners.
- 5) International Standards: Even though India has well over 5 million retail outlets of different sizes and styles, it still has a long way to go before it can truly have a retail industry at par with International standards. This is where Indian companies and International brands have a huge role to play.

SWOT ANALYSIS**Strength**

- Demographic favor
- Rising disposable income
- Increase in number of people in earner category.
- Urbanization
- Shopping convenience
- Low labor cost of skilled ones.
- Changing Consumer habits and Lifestyles.
- Plastic card revolution.
- Greater availability of quality retail space.

Weakness

- Policy related issues- lack of industry status for retail:- numerous license, permits and registration requirement.-farmer and retailer unfriendly APMC act.
- Limited consumer insight-lack of detailed region specific customer data.-less data on spending pattern.
- inadequate human resources-lack of trained personnel at all level.-stringent employment and industry laws.-fragment approach to human resources
- Taxation hurdle-inconsistent octroi and entry tax structure.-vat and multiple taxation issues.-large grey market presence.
- Underdeveloped supply chain-underdeveloped logistics infrastructure.-absence of national cold chain networks.-lack of national distribution networks and hubs
- Lack of adequate utilities- lack of basic infrastructure like power, transport and communication creates difficulty in sustaining retail operations across the large geographical spread of country.

Opportunities

- Potential for investment.
- Locational advantage.
- Sectors with high growth potential.
- Fastest growing formats.
- Rural retail.
- Wholesale trading.
- Falling real estate cost
- E-retailing
- Retail franchising

Threats

- Political issues.
- Social issues.
- Inflation.

- Nostalgia
- Lack of differentiation among the malls that are coming.
- Poor inventory turns and stock availability measures.

CONCLUSION

Retailing is one of the largest industry in India and one of the biggest sources of employment in the country. Numerous business groups are attracted in the past few years, including some renowned business groups like Bharti, Future, Reliance, and Aditya Birla to establish hold, showing the future growth in times to come. In addition, organized retail sector has also grabbed the attention of foreign companies, showing their interest to enter India. After looking up these facts, the paper strategically analyzed the Indian retail Industry. The results of the study depict that infrastructure, economic growth and changing demographics of consumers are the major driver of organized retail in India. The location of the retail store, management style and adequate salaries to personnel enhance the effectiveness of retail business and are important factors for retailers' success. The paper further reveals on the basis of SWOT analysis that emerging retail formats, increasing awareness and innovation in new products are the strengths and opportunities of organized retail in India. On the other hand, inadequate human resources, taxation hurdle, underdeveloped supply chain, Political issues, Social issues and Inflation are some of the threats and weaknesses of Indian retail Industry. Hence, there is an urgent need to overcome the threats and weaknesses and grab the opportunities by retailers for the success of retail sector in India.

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PERSONALITY DEVELOPMENT

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ABSTRACT

Personality development occupies a dominant role in the current competitive era. Along with the sound subject knowledge of a person it is necessary to inculcate certain kinds of skills. As a whole these skills are called as personality developmental skills. In this globalized era every institution looks a person with ample of knowledge and a positive personality. As a result the present paper entitled 'Personality Development' portrays the basic elements of personality development. The paper elucidates the meaning and importance of personality development and what features one has to adopt to develop a good personality in one self. As there is a saying, 'time and tide wait for none', the current paper throws light on the elemental or fundamental skills so as to mould his own personality as architecture of his personality.

KEYWORDS

Personality, Personality Development and Importance of Personality Development.

INTRODUCTION

Dou are the creator of your own destiny”

Swami Vivekananda

The above words are all true as the great sage firmly makes an impression to the mankind to feel positive and self-motivated. It is possible to achieve success, if one has self-confidence. Personality development is the key to all these who wish to reach their goals. Hence, it is essential that personality development process should start early in one's career to that when one can positively face the competitive world, wherein ample of opportunities are available with a sound competition.

The present paper on personality development aimed at portraying the basic concept of personality development. Personality is the sum total of certain dynamic interactive, and interrelated set of physical, social, intellectual, and ethical attributes and behavior of a person in relation to his/her environment, which contributes to his/her power, status and success in the society.

Thoroughout the centuries, personality development has been regarded as a practical tool in determining the success or failure of an individual. In every culture stock traditional beliefs about the very "mysterious aspect" of the individual have become embedded in the folklore. It has been transformed from one generation to the other.

The traditional belief that physical and personality features go hand in hand, as a result personality can be judged.

THE IMPORTANCE OF PERSONALITY

The importance of personality gains more value as a social life becomes more complex. A "pleasing" personality has a "precious value/ making value".

THE MEANING OF PERSONALITY

The term personality is derived from the Latin word "persona". It means "mask". Among the Greeks actors used to make to hide their identity on stage. This kind of dramatic technique was later adopted by the Roman to whom persona denoted "as one appears to others", not as one actually is.

The scientific conception of personality has emphasized the manifest aspects of personality. It stresses the motivational and behavioral aspects of personality. This concept emphasizes not only how the individual appears to others but what he actually is and where he is as he is. According to Allport personality is the "dynamic organization within the person of the psychophysical systems that determine his characteristic behavior and thoughts".

Character and personality are not synonymous words. Because character is the moral aspect of person and behavior is controlled or regulated by conscience" Individuality refers to the uniqueness of person which makes each person a "a never repeated phenomenon". It is observable in the appearance and behavior patterns of the newborn infant and becomes more pronounced with each passing years. Personality consciousness shows itself in two outstanding ways, the person's desire to create favorable impression on others and his desire to judge the personality of other people.

THE CONCEPT OF PERSONALITY HAS THREE IMPORTANT ASPECTS

- (i) Characteristics and qualities of a person seen as a whole
- (ii) Socially attractive qualities
- (iii) Image of an individual.

A student's career planning begins from knowing his/her personality. Personality is a complex, multidimensional construct that is beyond a simple description. It is an inner psychological characteristic of a person, which determines and reflects by the actions and reactions to various situations in the environment of an individual.

PERSONALITY OF A PERSON CENTERS AROUND THREE COMPONENTS

- (i) Character traits - integrity, acceptance, discipline and dedication
- (ii) Behavioral traits - interpersonal skills, communication skills; and
- (iii) Attitudinal change - positive attitude, win-win situation, etc.

Personality is amenable to significant development through the process of conscious self direct efforts and will, also helps in the form of training and guidance. It helps an individual to focus on developing their internal and external features and qualities. It depends on their perception of what they should look like and what they would like to be.

Personality is accompanied by attitudes. These attitudes are formed early in life and guiding people throughout their career. It enhances the self-confidence of a person. In the present era, the attitude of self-confidence plays a vital role. As a result attitude and behavior of an individual plays a significant role. It is the attitude; a person's enduring position such as positive as well as negative feelings, evaluated towards a particular object, event or idea.

THE FOLLOWING ARE THE FIVE ANCHORS WHICH HELP IN CAREER DEVELOPMENT

- **Managerial Competence:** It is the art of reaching the goal. The Managerial Competence of an individual is nothing but the capacity to take considerable responsibility. The capacity to influence and control others, problem solving skills and decision making.
- **Technical Competence:** It is the individual's interest, capacity to manage technical work, etc.

- **Security:** As security is part and parcel of a job holder. As a result they live in a particular location and prefer to take up certain jobs only.
- **Innovative and Distinctive:** Every individual has a desire for creating and developing something new and thereby get recognition. By this kind of attitudinal anchor an individual prefers to be well versed in all the areas.
- **Autonomy:** The concept of autonomy is centered on freedom. By the concept of freedom an individual choose their own profession and formulate career planning accordingly.

INTRA-PERSONAL SKILLS

The basic traits, skills, experiences are restricted to individual's one's own self and the ability to interact within, constitutes the intra-personal skills. These intra-personal skills comprise independent thinking, self-orientation to goals, to reach goal, etc. Orientation to goals is as important as formulation of goals. Therefore an individual has to understand the dynamics of intra-personal skills as these from the backdrop for development of good inter-personal skills also.

INTER-PERSONAL SKILLS

Inter-personal relationship means the relationship between the person and other members in a group. Every individual has to interact with others in society. Meanwhile inter-personal skills determine effectiveness in this connection. Abilities to listen and communicate so as to become an effective team player constitute the nature and scope of inter-personal skills. A person with this skill achieves a lot in his career. The effectiveness of a person is assessed on the basis of the inter-personal relations whom he maintains. The essence of inter-personal skills revolves around one's capacity of developing a sense of 'winning' attitude.

In order to develop, one has to know the personality mixes, which are a skill-set comprising communication, time management, and problem solving and leadership qualities. Along with this the dynamics of intra and inter personal skills are to be well understood and managed for the needed synergy. For this purpose the roles played by communication skills, consist of expressions spoken (written, non-verbal), and listening skills, time management, creativity, leadership, problem solving, and strategic planning. The individuals are advised to make a self assessment of their standing compared to each component of personalities. They should improve the required skills, to be successful in life and career.

Communication plays a vital role in the functioning of an organization. Executives have to participate in business presentations. Employees, who can focus the message and prepare clear documents, will have a definite advantage over others. The corporate sectors prefer candidates having proper communication skills along with good accent of the spoken words. A candidate should understand the accent of others, particularly the foreigner and also possess the proper accent which can be understood by others. Communication with good accent plays crucial role in getting through the campus interviews.

SPOKEN SKILLS

Spoken of oral communication is a composite of speaking and listening skills. To impress the interviewer it is absolutely essential for the job seeker to have command over spoken language, especially in English. The essence of effective verbal communication lies in communicative styles. Such as

- (i) The delivery emphasizing the importance of the message
- (ii) Projection of the idea in a clear view
- (iii) The pitch, ensuring clarity of sound
- (iv) Articulation, comprising linguistic skills and phonetics with the quality of the message.

WRITING SKILLS

Good writing skills are also essential for one to gain fluency over the language. It is nothing but the presentations of conveying things through words. It helps in the preparation of reports, letters, documents, etc.

Command over grammar, basic idioms and sentence formation are the prerequisites for effective writing. The concepts command over the language and fluency in language has different meaning. Fluency in language means the spoken as well as writing abilities or which one has to essentially concentrate on the fundamentals of the language.

NON-VERBAL SKILLS (BODY LANGUAGE)

BBC, Brain Body Communication plays a dominant role in modern day communication. A body is the frame of a human being with all the parts of it. Body language means the actions and postures of a person used as a medium or mean of expressing the thoughts or feelings. What is being said is important, but how it is being said is more important. The body language, expressions and gestures are most imperative in perfect delivery of communication. Through a body language a person can communicate thoughts or motions more effectively than words.

Body language also includes postures i.e. the way one holds his/her body while standing, sitting, walking, talking, listening, etc, bearing a particular position or outside of the body. As Shiv Khera says in his book entitled "You Can Win", 'A smile can create anything', it is the body language which can make an individual's personality as a perfect one.

LISTENING SKILLS

Listening skill is an accurate understanding of the oral message communicated. Successful individuals are always good listeners. Before one begins to communicate, listening attentively to what others say is useful for effective processing and formulating a reply. The matching results of some of the parameters of good listening are- body language, attention, positive attitude acceptance, concentration-receptivity, eye-to-eye-rapport, etc. As a result every individual has to consciously practice listening to others to make it a habit.

TIME MANAGEMENT

As the saying 'time is money', the wise will spend their time with wisdom. Every individual should know the value of time as 'time and tide wait for none'. It is essential for the student to realize the value of time and its management by systematic analysis, which is known as scheduling the time effective time management. Efforts should be concentrated so as not to waste time but to save time, which can be better utilized for activities such as writing of assignments, preparation or examinations, discussions with resource persons for enhancement of subject knowledge and clarifications of related doubts.

CONCLUSION

Personality development plays a vital role in the present world. Through the process of personality development one can inculcate the essential fundamental qualities and can mould his personality. In the current paper entitled 'Personality Development' the basic elements are discussed. The fundamental skills are elucidated in detail. As there is difficult competition for one to occupy job, one has to have a good personality skills like reading, writing, communicating, etc. As Swamy Vivekananda says, 'every man is an architect of his own personality', one should have a positive sound personality. The imbalance of skills in a person makes him as an imbalanced man. Henceforth, a person has to focus on the skills of personality development.

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AGRICULTURAL GROWTH AND INEQUALITY IN SOUTH ASIA

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ABSTRACT

Agriculture is the backbone Sector of South Asian country which provides adequate food to prevent widespread hunger and starvation. However, food insecurity is aggravating day by day, resulting in more number of undernourished/malnourished persons in the world. In the present study discussed about growth performance and inequality of agriculture sector in South Asia.

KEYWORDS

Agriculture growth and Inequality.

INTRODUCTION

The antecedents of the modern level of Agricultural development in South Asia can be traced back several centuries. According to William Moreland, an erudite British agricultural officer the "idea of agricultural development was already present in the fourteenth century". There is considerable evidence to show that ancient and medieval rulers in South Asia invested to increase productivity, especially in organizing irrigation. However, that time, most contrary of the region under the British rule and it's unfavorable to rapid growth of the region. The commercialization of agriculture along with higher land revenue imposed by the colonial administration had a fissiparous effect on rural society and sowed the seeds of dualism in agriculture. On the one hand, it created a need for more working capital funds, which compelled the subsistence farmers to fall into debt. In consequence, widespread impoverishment and recurring famines in poorly endowed and un-irrigated areas became a feature of the British period owing to increasing cultivation of cash crops in preference to food crops and the needs of the growing population.

The huge gap between the South Asia's rich and its poor has made trends in South Asia inequality a matter of much interest. South Asia is without comparison the region in the world where most poor people live. Despite massive progress, the range remains great in South Asia – from fast-growing economies to some of the poorest countries in the world with weak states. The number of people in South Asia living on less than USD 1 a day has fallen from 34 per cent in 1990 to 19 per cent today¹. Economic growth has lifted hundreds of millions of people out of poverty. But behind the impressive results in the large growth economies – in particular to India and the growth countries in South Asia - great inequality still exists between poor and rich. Massive poverty and growing inequality – both between the countries and within the countries – can halt development in South Asia. Social tensions, increased instability in the region and in the individual countries are also among the possible scenarios. Failure to act to reduce poverty could prove to be Asia's Achilles heel.

In the recently generalized historical coincidence of neoliberal free-market policy trends with accelerating global economic growth and inequality, South Asia stand out as world regions with distinctive histories of imperial inequity. The rise of South Asia shows that globalization does not work the same way everywhere. In South Asia historical dynamics of imperial territorialism generate inequities that fit global patterns through their absorption and mediation of capitalism. Economic reforms that brought Asia into global leadership ranks express imperial forms of power, authority, and inequity whose long histories need to be understood to make sense of South Asia and global capitalism today. The pace of development in agricultural sector has been miserably low as compared to GDP growth rates². The South Asian region is highly sensitive to the consequences of climate change and is known to be the most disaster prone region in the world³. Rising global temperatures are likely to lead an eastward shift in monsoon circulation which could result in more rainfall over the Indian Ocean, Myanmar and Bangladesh but less over Pakistan, India and Nepal. With unstable natural behavior, agricultural sector is more intensive sector and development and living standard of the people directly depend on the sector.

OBJECTIVE OF THE PRESENT STUDY

- (1) To analysis agriculture development in South Asian countries
- (2) To analysis the agriculture growth trend and inter country variation in South Asian Countries

AGRICULTURE ECONOMY IN SOUTH ASIAN COUNTRIES

South Asia region is covering 5137190 sq. km. area, 1653 million population and 450 Million US \$ of GDP. India is a big country which covered 64 percent of geographical area, 74.8 percent of population and 81.3 percent of the share of GDP of the region. Maldives and Bhutan are very smallest countries which covered less the 1 percent of geographical area, population and GDP of the region. About 23.24 percent population of the world is living in South Asia region and occupied only 2.62 percent of the world GDP. The economic development of the region based on agriculture sector because about 20 percent of GDP of the region added by the scoter and Majority population in South Asia lives in rural areas, depending on agricultural activities as their principal source of income and employment⁴. Share of rural population in total population varies between 66% in Pakistan to 86% in Nepal. Except for Maldives, share of agriculture in total GDP varies between 16.5% - 40% (approx.). In Maldives, less than 3% of total GDP is contributed by agriculture. Due to low productivity of agriculture, per worker income in agriculture is low and, as a consequence, the proportion of population living under poverty is quite high⁵. Agriculture farming in South Asia is dominated by small holdings i.e. average size of holding is below 0.5 hectare in Bangladesh, below 1.0 hectare in Sri Lanka and Nepal. In India, average farm size is 1.41 hectare. Pakistan is much better endowed with land resources (average farm size is 3.0 hectare). Except Pakistan, holdings below one hectare account for more than 60% of total farm holdings. Cereal and pulses are the main staple region-wide. Per hectare yield of main staples in all the countries is however lower

than world average. Growth rate in productivity is also low. Agricultural output growth has slowed down in most of the countries and, in other countries where growth is still at reasonably high level, it is becoming increasingly difficult to maintain that. Despite the high potential, agricultural productivity is getting stuck at low level and increase in productivity requires increased use of inputs. This is lowering efficiency of production and diminishing profit margins.

TABLE 1: AREA, POPULATION AND GDP IN SOUTH ASIAN COUNTRIES (2010-11)

Name of the country	Area km ²	Share of area	Population in million	Share of population	GDP million US \$	Share of GDP
Afganistan	652,225	12.7	29.82	1.8	16,631	0.9
Bangladesh	147,570	2.9	154.7	9.4	105,402	5.6
Bhutan	47,000	0.9	0.74	0.0	1,397	0.1
India	3,287,590	64.0	1237	74.8	1,537,966	81.3
Maldives	300	0.0	3.384	0.2	1,433	0.1
Nepal	140,800	2.7	27.47	1.7	15,108	0.8
Pakistan	796,095	15.5	179.2	10.8	164,792	8.7
Sri lanka	65,610	1.3	20.33	1.2	48,241	2.6
Total	5,137,190	100.0	1,653	100.0	1,890,970	100.0

Source: World Bank data book, 2012

DATA BASE AND METHODOLOGY

The study is based on secondary data which is collected from published source such as World Bank meta data book and Agricultural Statistic at a glance India. The time period of study is 1980-81 to 2011-0-11. The conglomeration of variables are rural population, population density, cereal yield (kg/hect.), Agricultural machinery, tractor per 100 sq. km arable land, agricultural land percentage of land area and Agricultural irrigated land (per cent of total agricultural land). The study used Compound growth rate for observed the performance of selected indicators.

Annual compound growth rate computed by using the following formula:

$$Y_t = AB^t$$

Where,

Y_t = variables under the study in tth period,

t = time variable,

A = constant (intercept)

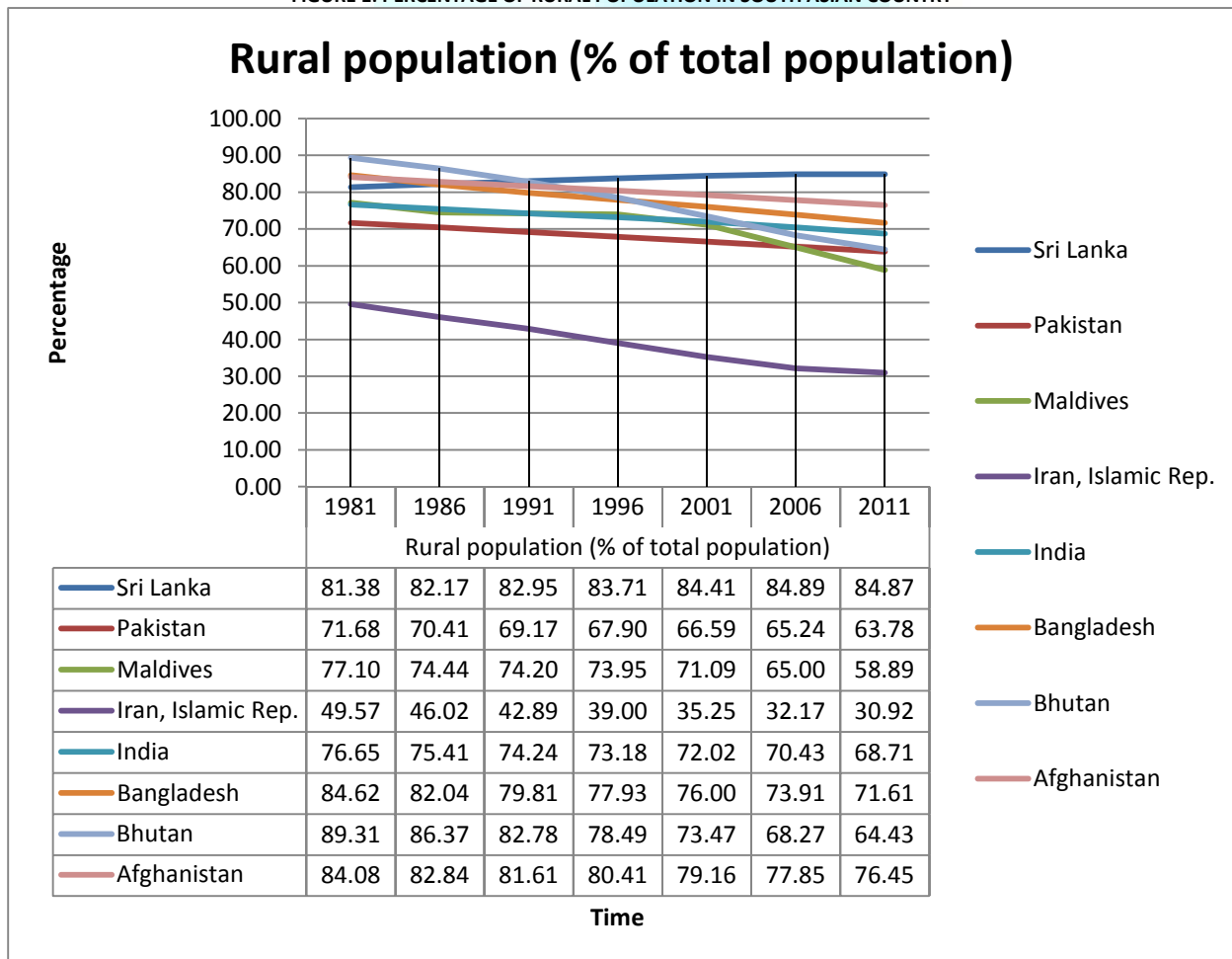
B = (1+r) = constant and

r = compound growth rate.

RESULTS AND DISCUSSION

Figure 1 reveals that the percentage of rural population to total population for the South Asian countries of the region. It can be seen from the figure that highest percentage of population living in rural areas of Bhutan and followed by Bangladesh in the year 1981. On the other hand, Iran, Islamic rep. and Pakistan are comparative high urbanized countries in same year. During the study period all countries moving toward urbanized except Sri Lanka which increase rural population percentage 81.38 from 1981 to 84.87 in 2011.

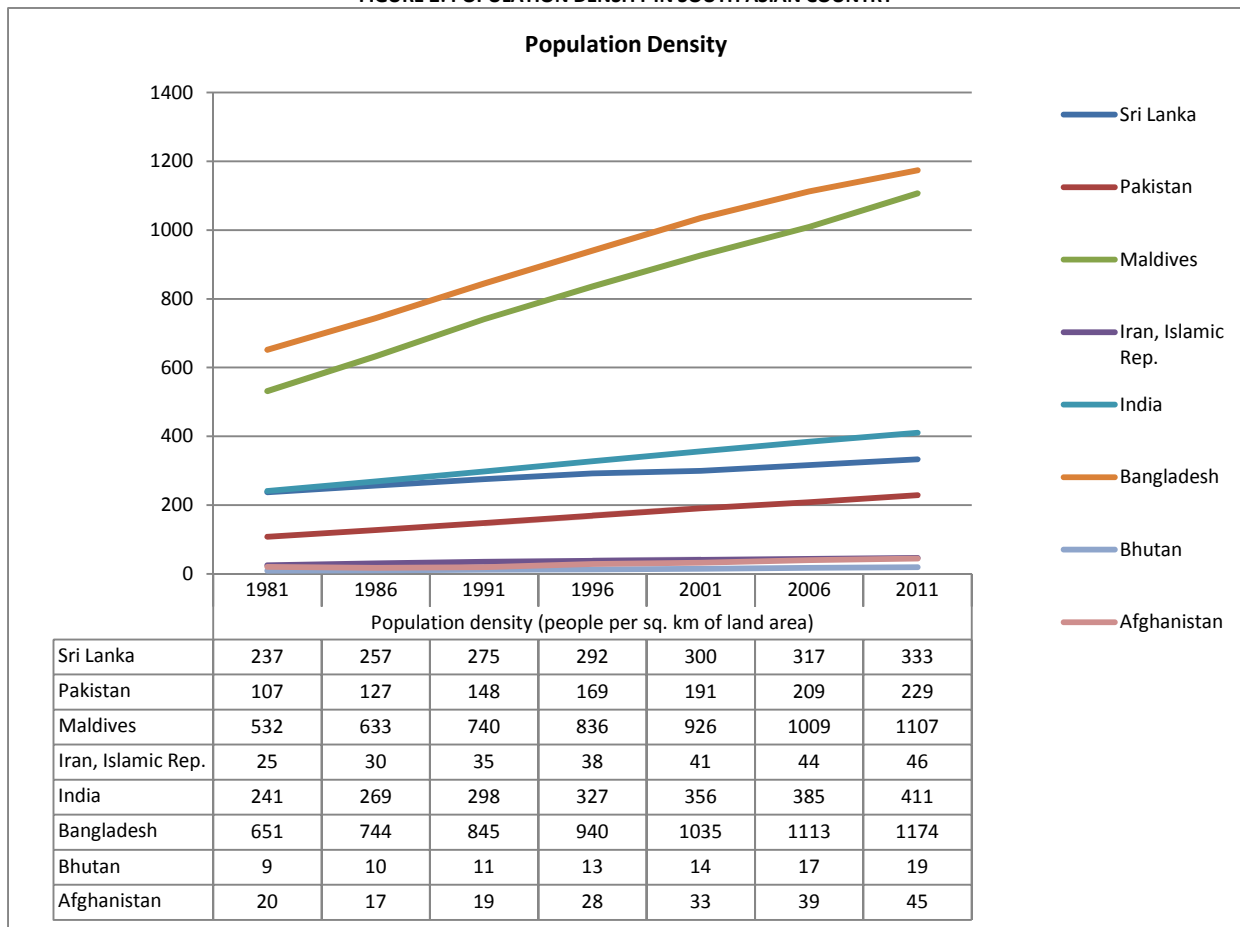
FIGURE 1: PERCENTAGE OF RURAL POPULATION IN SOUTH ASIAN COUNTRY



Source: Data collected from World Bank Meta data and computed by authors.

Population density is presented in Fig. 2 at selected points of time for South Asian countries. Bangladesh and Maldives were high population density countries with the statistics 651 and 532 persons per sq. km. area in 1981 and 1174 and 1107 person in the year 2011 respectively. On the other hand, Bhutan, Afghanistan and Iran was very low population density ie. 9, 20 and 25 persons per sq. km. area in 1981 and also low (19, 45 and 46 persons per sq. km. a rea) in the year 2011.

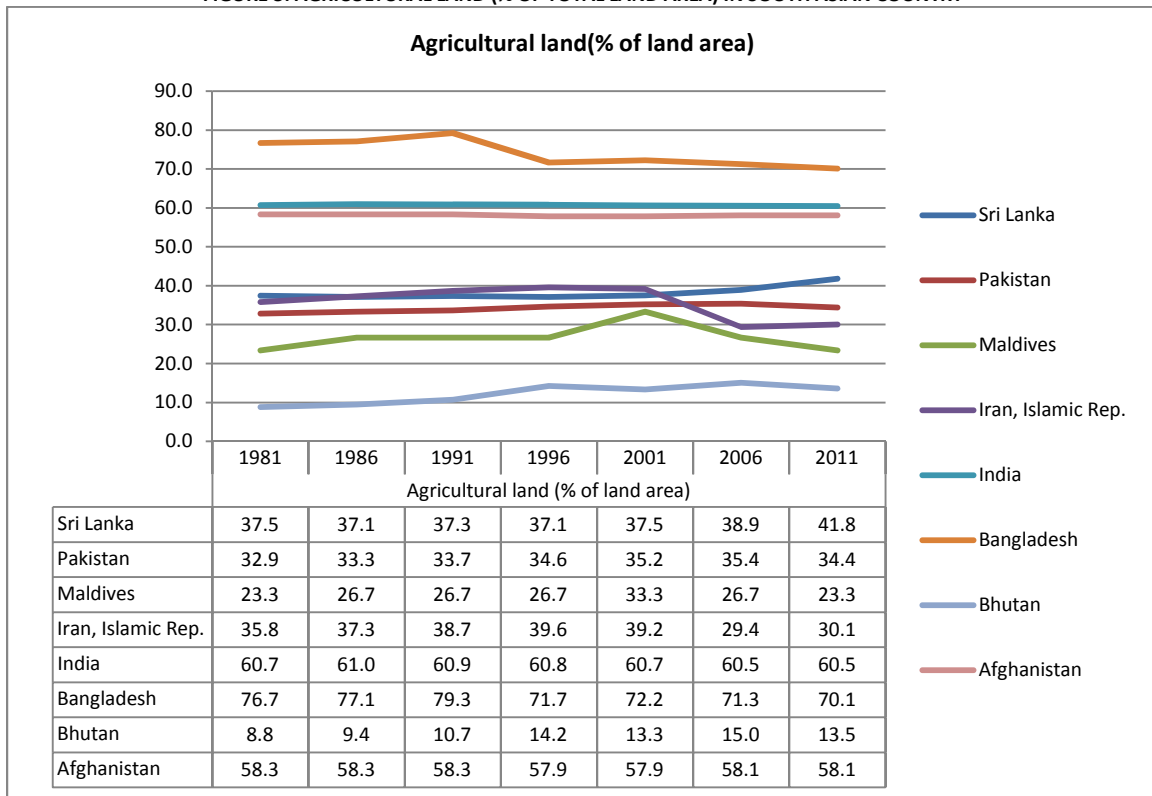
FIGURE 2: POPULATION DENSITY IN SOUTH ASIAN COUNTRY



Source: Data collected from World Bank Meta data and computed by authors.

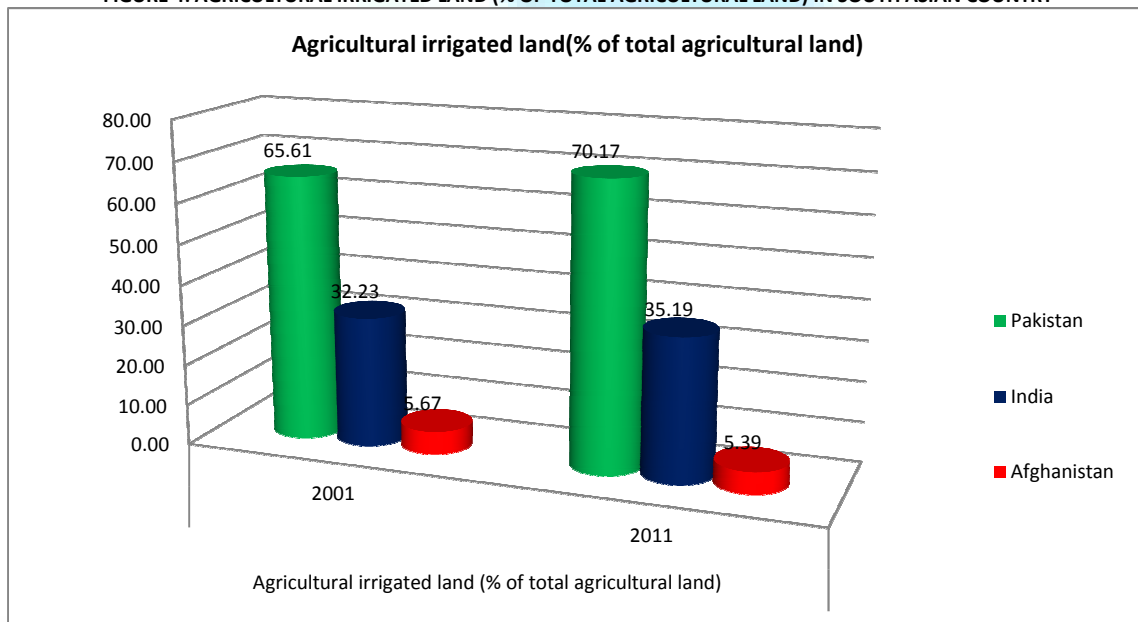
Figure 3 reveals that the area under agriculture is 76.7, 60.7 and 58.3 per cent of Bangladesh, India and Afghanistan respectively in the year 1981 and it is important to mention that the almost same statistics were found in the year 2011 except Bangladesh. On the other hand, increasing trend found of agriculture area for the country of Bhutan which were just 8.8 per cent in 1980 and raised 13.5 per cent in 2011. Sri Lanka, Pakistan, Iran and Maldives are the countries which covered about 23 percent to 40 percent area under agriculture and almost same result found during time period 1980 to 2011.

FIGURE 3: AGRICULTURAL LAND (% OF TOTAL LAND AREA) IN SOUTH ASIAN COUNTRY



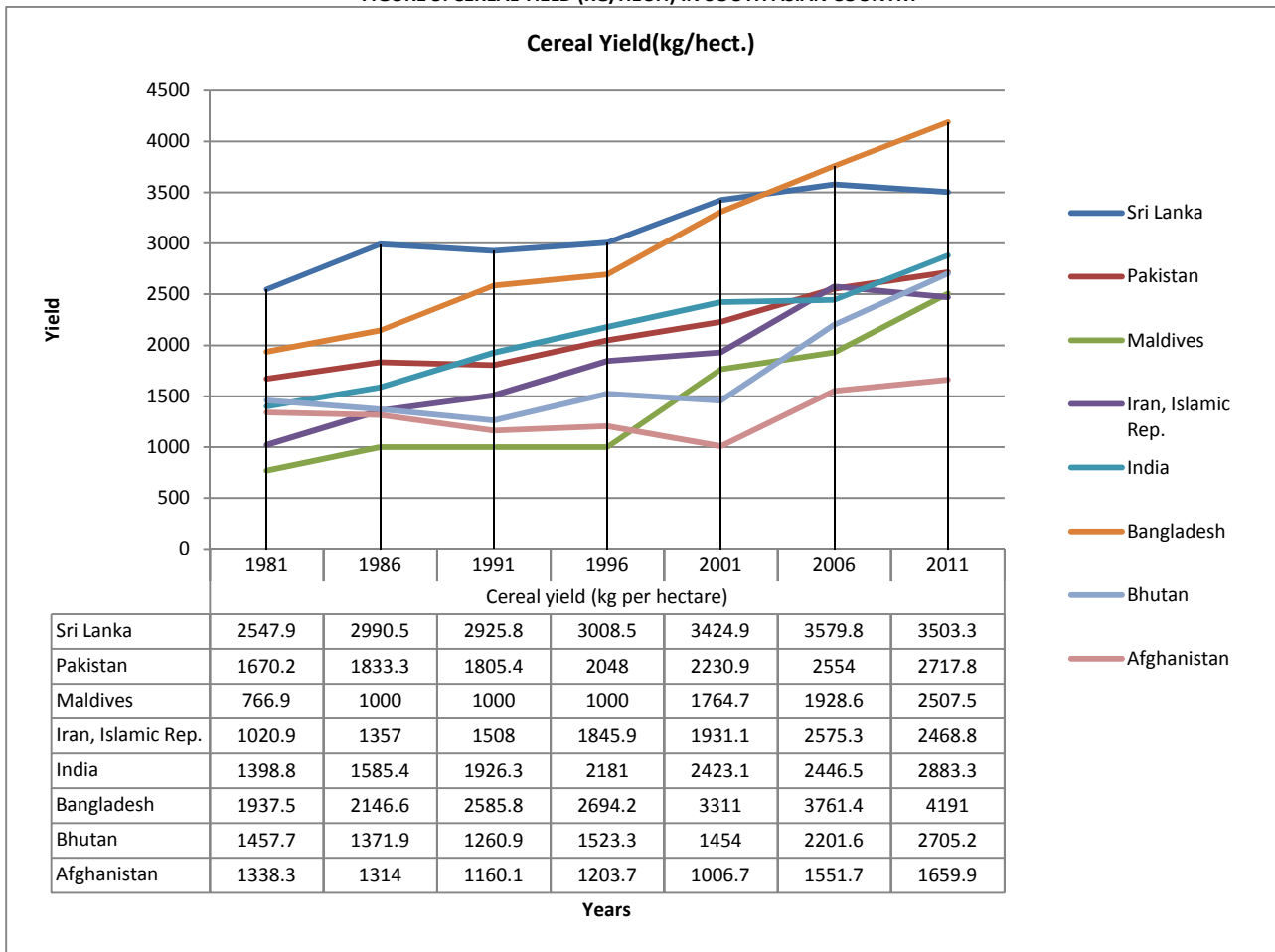
Source: Data collected from World Bank Meta data and computed by authors.

FIGURE 4: AGRICULTURAL IRRIGATED LAND (% OF TOTAL AGRICULTURAL LAND) IN SOUTH ASIAN COUNTRY



Source: Data collected from World Bank Meta data and computed by authors.

FIGURE 5: CEREAL YIELD (KG/HECT.) IN SOUTH ASIAN COUNTRY



Source: Data collected from World Bank Meta data and computed by authors.

It is not unimportant to mention that yield of agriculture crops dependent upon land elements, availability of good quality of soil and water, favorable climate circumstances and R&D. It has been observed the increasing trend of cereal productivity per hectare in south Asian Countries during 1981 to 2011. It is clear from figure 5 that the Sri Lanka on the top in cereal productivity with the statistics 2547 kg/hectare in the year 1981. In 2010 Bangladesh leads to the top rank in cereal productivity with 4191 kg/hectare in 2011. On the contrary, lowest productivity was observed in Maldives' in 1980. Nevertheless, miracle jump of cereal productivity is recorded which rose from 766 kg/hectare to 2505 kg/hectare from 1981 to 2011 in Maldives. It is not fatuous that inter country variation in cereals yield was decreased from 38.5 percent to 26.5 percent from 1980 to 2011.

Mechanized penetration is generally found in Pakistan, Iran and India. On the contrary, it is observed that lowest number of tractors per square kilometer in Afghanistan. Surprised results were observed that the highest productivity of cereal with only 1.2 tractor/100 sq km in Bangladesh.

FIGURE 6: TRACTOR PER 100 SQ. KM. AREA OF ARABLE LANDS IN SOUTH ASIAN COUNTRY

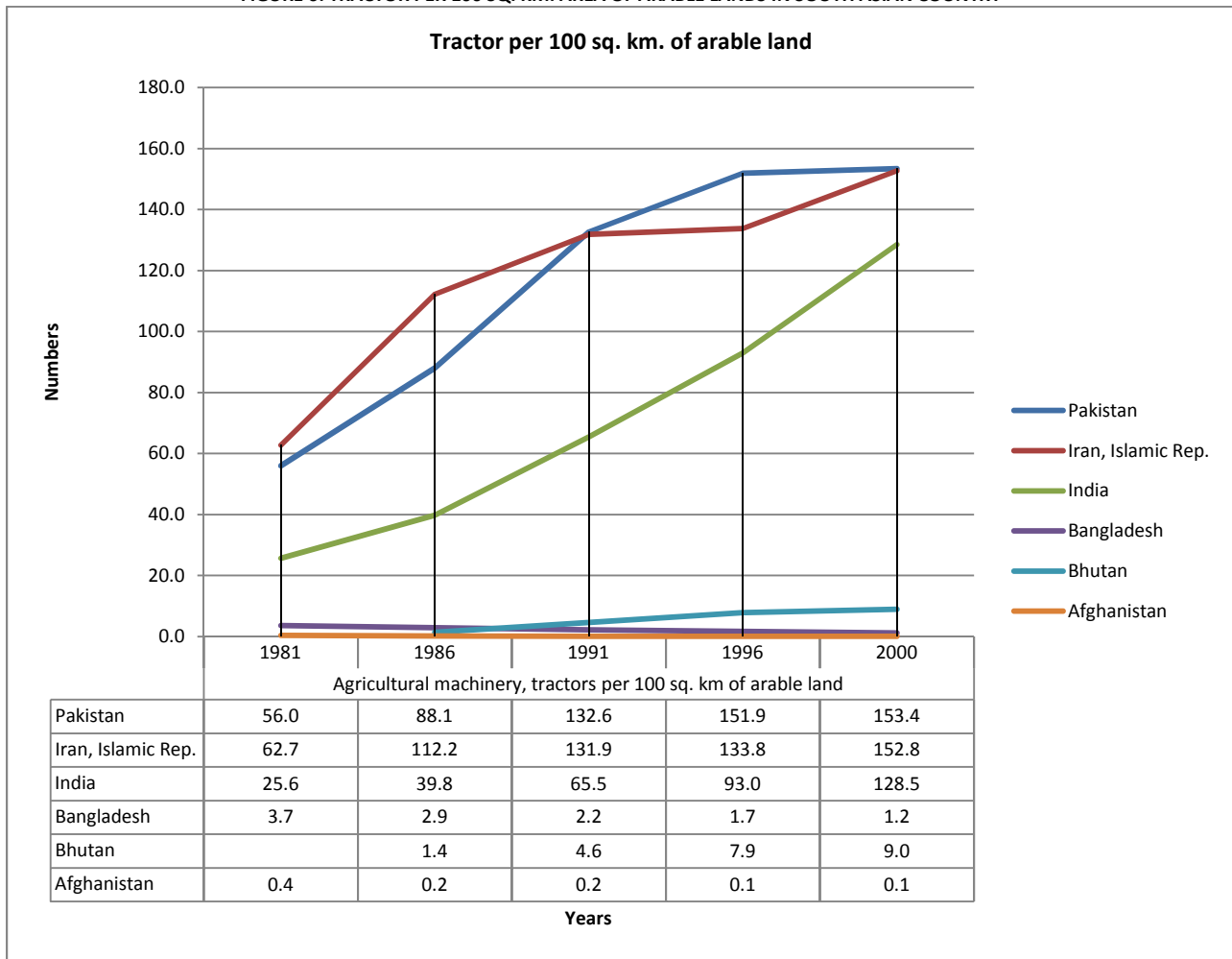


TABLE 2: ANNUAL COMPOUND GROWTH RATES OF SELECTED VARIABLES OF SOUTH ASIAN COUNTRIES FOR SELECTED PERIOD OF TIME

Indecator/ Country	CAGR time period	Sri Lanka	Pakistan	Maldives	Iran, Islamic Rep.	India	Bangladesh	Bhutan	Afghanistan
Rural population (% of total population)	1981-90	0.21	-0.39	-0.47	-1.58	-0.35	-0.65	-0.82	-0.33
	1991-2000	0.17	-0.38	-0.43	-1.94	-0.30	-0.49	-1.19	-0.30
	2001-11	0.06	-0.43	-1.87	-1.30	-0.47	-0.59	-1.30	-0.35
Population density (people per sq. km of land area)	1981-90	1.59	3.63	3.70	3.98	2.40	2.91	2.63	-0.44
	1991-2000	0.85	2.54	2.27	1.52	1.80	2.05	2.45	5.40
	2001-11	1.05	1.84	1.80	1.21	1.43	1.27	2.74	3.15
Area under cereal production (hectares)	1981-90	-0.44	1.01	-14.87	1.76	-0.37	0.13	-1.91	-2.48
	1991-2000	-0.42	0.35	32.75	-2.11	0.00	0.47	-1.54	-1.14
	2001-11	3.71	0.93	-0.15	2.18	-0.12	0.90	-3.32	3.02
Cereal yield (kg per hectare)	1981-90	1.58	1.13	1.64	3.52	3.62	2.57	-1.22	-1.50
	1991-2000	1.59	2.14	5.84	2.50	2.32	2.50	1.44	-1.41
	2001-11	0.23	1.99	3.58	2.49	1.75	2.38	6.41	5.13
Cereal production (metric tons)	1981-90	1.14	2.16	-13.47	5.35	3.23	2.70	-3.10	-3.94
	1991-2000	1.16	2.50	40.51	0.34	2.32	2.99	-0.12	-2.53
	2001-11	3.95	2.95	3.42	4.72	1.63	3.31	2.88	8.30
Agricultural machinery, tractors per 100 sq. km of arable land	1981-90	na	10.29	na	8.95	9.96	-4.97	na	-11.34
	1991-2000	na	1.69	na	0.77	7.79	-6.37	8.87	-0.58
	2001-11	na	0.67	na	6.10	0.98	1.23	-1.18	-0.50
Agricultural land (% of land area)	1981-90	-0.03	0.26	1.34	0.88	0.04	0.33	2.01	0.00
	1991-2000	0.04	0.45	2.26	0.13	-0.04	-0.93	2.21	-0.07
	2001-11	1.09	-0.23	-3.50	-2.62	-0.03	-0.30	0.14	0.04
Agricultural irrigated land (% of total agricultural land)	2001-11	na	0.67	Na	6.10	0.98	1.23	-1.18	-0.50

Source: Data collected from World Bank Meta data and computed by authors.

Table 2 reveals that the annual Compound Growth rate of selected variables in South Asian countries for period of 1981-90, 1991-2000 and 2001-2011. Growth of percentage of rural population is decreased in all countries except Sri Lanka where it found positive growth rate during all selected periods of time. Again, it is notices the density of population were increased during all selected time periods except in Afghanistan where it decreased at 0.44 rates during 1981-90, nevertheless, it again sharply increased the growth 5.40 rate during 1991-2000. Furthermore, area under cereal production is decreased in Sri Lanka during 1981-90 to 1991-2000; in the next decade growth rate is 3.71 per cent. Area under cereals is decreased in first period at 14.87 growth rates, it increased at 32.75 rates during 1991-2000 Maldives. In the case of Bhutan the area under cereals growth rate is decreased during all periods of time. The next indicator is yield of cereals, the growth rate of said indicator is increased of all the countries except Bhutan and Afghanistan during the three sub period of time. Again, it is found that the yield of cereals growth rate is 6.41 and 5.13 per cent in Bhutan and Afghanistan respectively during 2001-2011. Moreover, the production of cereals is increased in Sri Lanka, Pakistan, India, Iran and Bangladesh during all selected decade. On the contrary, growth of production of cereals decreased at 13.47 in first decade in Maldives due to decreased the. Cereals production is decreased in Bhutan and Sri Lanka due to decreasing the yield during 1981-90 and 1991-

2000. Again, increased growth rate were recorded in last decade due to yield. Percentage area under agriculture to total area is increased in India, Pakistan, Iran, Bangladesh and Maldives, while the positive growth recorded for the countries Sri Lanka, Afghanistan and Bhutan in the last decade. Moreover, the percentage area under Irrigation to total area under agriculture growth rates is positive for the Pakistan, Iran, India and Bangladesh, on the contrary, the negative growth rate were observed of Bhutan and Afghanistan in during 2001-211.

CONCLUSION

With augment of population the study found that density of population is increasing in Asian countries. Still low density was found in Bhutan, Afghanistan and Iran. At the same time countries moving towered urbanized except Sri Lanka. Area under agriculture is 76.7, 60.7 and 58.3 per cent in Bangladesh, India and Afghanistan respectively in the year 1981 and same statistics were found in the year 2011 except Bangladesh. Pakistan on the top rank in irrigation, while one third area irrigated has been observed in the case of India furthermore it is observed that meager percentage (5.57) in Afghanistan during 1980 to 2010. Again, it has been observed the increasing trend of cereal productivity per hectare in south Asian Countries during 1981 to 2011. Although, increasing the trend of machinery in all countries, however surprised results were found that Bangladesh lead to top rank in cereal production with 1.2 tractor/100 sq km in Bangladesh. It is not fatuous that inter country variation in cereals yield was decreased from 38.5 percent to 26.5 percent from 1980 to 2011.

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IMPACT OF SOCIAL NETWORKING WEBSITES ON THE STUDENTS OF HIMACHAL PRADESH UNIVERSITY, SHIMLA

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ABSTRACT

The present study focuses on the perception, beliefs, benefits, feature or characteristics knowledge and preference of students toward Social networking websites. Social networking websites like Orkut, face book, MySpace, twitter and YouTube are becoming more popular and has become part of daily life for an increasing number of people. The purpose of this research paper is to explore the impact of social networking websites on students. A research questionnaire was designed to determine the factors of social networking websites that have impact on students. Variable identified age, rural, urban, male, female, education, stream, social influence and academic performances and effects on student's health. 100 respondents that were only students randomly selected. The study concluded that students whose age range 18 to 26 mostly use social networking websites for knowledge. This study determines that most of students use social networking websites due to their friends. The main objective of this research is to analyze the usage of social networking websites by the students and to study the student's attitude toward social; networking websites. With view to suggest framework for effective utilization of social networking websites and creation of desirable relationship among the students of H.P.University Shimla. This study is based on simple random selection method. Social interaction was the only significant motive discovered in the usage of Facebook's chat feature. Finally, the usage of groups on the site was positively influenced by expressive information sharing, and negatively by social interaction.

KEYWORDS

Social Networking Websites, Motivation, Students Education, Entertainment

INTRODUCTION

 Online social networking websites facilitate connections between people based on shared interests, values, and membership in particular groups, etc. They make it easier for people to find and communicate with individuals who are in their networks using the Web as the interface. If you hear the term social networking sites you probably immediately think of sites like Facebook and Twitter. These are the most popular sites but there are in fact hundreds of social networking sites online. The top sites like Facebook, Twitter, whatsapp and YouTube dominate the social networking market. If you have a business, either online or offline, there's no doubt that you can benefit from a presence on social networking sites. There are several different online social networking websites, but for our purposes, we will focus on the three that tend to be used the most by teach professionals—Facebook, Twitter and LinkedIn. Each of these networks has its own unique style, functionality and patterns of usage. You will also find that different people are active in these different networks. There are also many people that now use Facebook and other social networking sites to build their business. You can reach out to millions of people worldwide with social networking.

Facebook is by far the most popular social networking site with millions of members. With Facebook, members can connect with friends, find old friends or family that they have lost contact with and even meet new friends. People can upload photos and videos to share with their friends and family. You can even connect with people that live on the other side of the world. You can set up a group for your business or interests and find other people with the same interest to join your group.

Twitter is also a very popular social networking website that people use to give a brief updates of what they are doing. Twitter is quite unique in what it offers and has fast become one of the most popular sites online. Twitter is a form of 'micro blogging' where you give a very short update. People can follow you on Twitter and then they see your status every time you update. This is great for businesses who spend time to follow other people within their niche; many will end up following you back. You can build a good following of people that are interested in your niche and possibly your business. By building a following of people in your niche you also have a targeted audience.

Facebook and Twitter are both very popular, but they aren't the only sites that you can benefit from. Let's take a brief look at some other helpful social networking websites:

Live journal is a social networking site that uses blogging as a primary tool of engagement. You have your own blog within the live journal website and you can join communities and you can leave comments on other member's blogs. This way you can connect with people that have similar interests and build a good relationship with them. These are the top social networking sites but there are many more if you browse around. You can find sites that are focused solely on a particular niche which gives you an instant targeted customer base. If you use social networking sites in the correct way, you can share in the many benefits they offer.

LinkedIn is primarily a professional network, designed to facilitate linkages between people who want to connect for work-related purposes. It is more "buttoned-down" than Facebook with a more formal culture of relationships and connections. It is also the network of choice for most professionals. Because LinkedIn is designed for professional networking, there's a greater emphasis on building a reputation and connecting to employment and business opportunities. LinkedIn Questions and Answers is a way for people to ask questions and receive expert advice. Answers can be rated and people who do this well can improve their LinkedIn reputation. There are also employment listings and an ability to receive recommendations from your connections that then become part of your profile. You can also create and join groups.

We have focused our set of learning on the theme "The future of Entertainment and leisure on the Internet" and whilst doing so we have also evaluated the success factor of Social Networking as one of our main sub themes and analyzed the same from a user review point. A broader understanding of the perspectives of the wide user base contributing to Social networking concept will help us understand what makes networking sites a hit on the internet domain and also understand and correlate the reciprocation of future concepts and technologies to come in the future.

REVIEW OF LITERATURE

Levin's study (2002) outlines students' use of the internet out-of-school and their dissatisfaction and digital disconnect with their school learning environment. It makes evident that access to the Internet is pertinent to the lives of young people, particularly when they tend to their homework tasks.

Knight, (2006) in his articles is social networking websites losing clout with youth? Explains that according to ratings, 2003, teens were most likely to visit icon sites for instant messaging. The most popular sites then were original icons.com (77%) and blunt truth.com (76 percent). Today (in 2006) the most popular sites are plyrics.com (68%) and snap Vine.com (67%). Both of these sites offer social networking tools.

Lenhart and Madden, (2007) reveals that in the past five year's social networking has "rocketed from a niche activity into a phenomenon that engages tens of millions of internet users. The study proposes that online social networking profiles posted by adolescents contains intimate, candid, and observable self-disclosure and peer interaction that can be analyzed creating an overall picture of adolescent behaviour, highlighting specific areas needing additional research and addressing implication for parental monitoring and intervention.

The study of Larsen, (2009) is based on empirical data, he says that both genders seek the acknowledgement they get from having their looks commented on, but the girls are more preoccupied with what kind of comments they get and whom they come from. This indicates that photo comments are not just about having ones looks valued and acknowledged, but also about practising and maintaining friendships.

However, examining these findings in relation to the benefits of social networking and mobile learning in tertiary education, which secondary school leavers need to successfully transition into (**Cochrane, 2010**), states that there is a need for secondary schools to consider ways in which social networking can act as a means for engaging the learner, effective time management, as well as considering reliable mechanisms to ensure cyber safety awareness and practice.

In (**2011**), **Smock et al.** revealed that social interaction was the only significant motive discovered in the usage of Facebook's chat feature. Finally, the usage of groups on the site was positively influenced by expressive information sharing, and negatively by social interaction.

Papp et al. (2012) concluded that the use of Facebook has altered the way people interact and develop relationships, finding "we can no longer disregard the potential connections between Facebook and intimate relationships, which serve as one of the most important contexts of individual growth and development".

Marshall et al. (2012) revealed that modern day online surveillance is easier and takes less effort than traditional offline surveillance. For an individual who has insecurities, they may find their partner's online actions to be a flaw, which could be a diminishing satisfaction factor. Surveillance of Facebook pages may cause higher anxiety, mistrust, and jealousy, which will threaten the romantic relationship's existence.

POSITIVE AND NEGATIVE ASPECTS OF SOCIAL NETWORKING WEBSITES

Social networking is a topic that divides opinion - some people think it is an amazing tool but others are worried about the impact it has on people's lives. Students from The Crest Girls' Academy in London are also interested in the topic and recently polled parents, carers and teachers at their school to get their views on social networking. The survey found that 37% of those questioned had been left sleep-deprived as a result of social networking and 75% didn't like the idea of phones being kept close by while they slept. Other School Reporters have also looked into the issue of technology and its effects on teenager's sleeping habits. The students decided to explore the issue further and have been taking a closer look at the benefits - and potential risks - of using social networks.

POSITIVE ASPECTS

- You can express yourself, showing off your favourite song lyrics or posting pictures of your new outfit. It is a lot harder to feel embarrassment over the internet than in person, so people find it easier to vent their feelings on sites like Facebook.
- In fact, it has become so much a part of people's lives that you can learn someone's life story just by checking their page. Their friends, likes and dislikes, relationship status, phone number, address...everything.
- You can share your feelings and your mental stresses - and it is a great way to entertain yourself after a busy daily routine.
- It also makes it a lot easier to keep in touch with family and friends, especially if they live far away. But you can also make new friends by connecting with friends of friends that you might not know.

NEGATIVE ASPECTS

- Not everyone in the 21st century thinks about the negative effects of having social networking accounts - but simple things like not setting your privacy settings properly or liking someone's photo can have bad results.
- Cyberbullying can be a problem as people can take advantage of the fact that there is no one who can effectively stop the bullying when it happens, due to everything being performed behind a screen. The only way for a bully to be stopped is if they are reported and victims may be too intimidated to do it.
- Social networking can also ruin relationships as people may get jealous if they find out their boyfriend or girlfriend is exchanging messages with other people.
- It can also be a waste of time as people can visit a site to check on thing and end up spending the whole day 'behind the screen' and as a result, not doing anything useful with their lives.

NEED OF THE STUDY

The present study focuses on the perception, beliefs, benefits, knowledge and preference of students of H.P.University Shimla towards social networking sites. The main objective of this study is to analyze the usage of social networking sites use by the students; the presents study has given special attention in to student's attitude, towards social networking websites. With view to suggest framework for effective utilization of social networking websites and creation of desirable relationship among the students of H.P.University Shimla.

SCOPE OF THE STUDY

The scope of the study was to find out the perception of students towards the social networking websites. This study will reveal the facts, which are important to analyze the usage of social networking websites use by the students of H.P. University Shimla. The scope of social networking websites in H.P. University Shimla is limited due to remote locations, but the students are aware of social networking websites. For this purpose every efforts will be made to make the study exhaustive for the stipulated time period, subject to the availability of the information and data concerning to various aspects. The study could also focus on the suggestions made by students for future promotion of social networking websites in H.P. University Shimla.

STATEMENT OF PROBLEM

Our research is more of a study than an attempt to find a solution to a particular problem. The main question we are trying to answer is "How much time do H.P. University Students spend daily on social networking sites? "How the students use social networking website". The statement of the problem is "Impact of social networking websites on the student's of H.P.University Shimla." The Present Study designed to investigate the difference among classification of students in time spent on social networking websites.

OBJECTIVES OF THE STUDY

1. To study the students attitudes toward social networking websites.
2. To analyze the usage of social networking websites use by the students.
3. To study the impact of social networking websites on students health.
4. To compare the usage of social networking websites by rural and urban students.

HYPOTHESES

1. The students use more social networking websites.
2. The urban student's use social networking websites more than rural students.
3. The students adversely are affected by social Networking websites.

RESEARCH METHODOLOGY

The study was carried out to see the impact of social networking websites on student's behaviour. The study works on the features and benefits of social networking websites and will be based on primary as well as secondary sources. This research employs the method of qualitative through quantitative analysis to-gather an in-depth understanding of the behavioural changes caused by the social networking sites like orkut, twitter and Facebook on youth and the reasons that govern such behaviour.

SAMPLING DESIGN

The Present study was based on sampling methods and study conducted on samples of 100 students on random basis, there will be equal number of rural and urban students in the sample from different streams of H.P.University Shimla. Samples were randomly selected from different departments of H.P.University Shimla who are active members of social networking websites

TOOLS AND TECHNIQUES

Following tools was used to collect data and interpretation the data. Interview, Questionnaires, Survey Method, Scaling techniques, f-test and regression coefficient was used to analysis the collected data.

DATA ANALYSIS AND INTERPRETATION

TABLE 1.1: ANOVA (ANALYSIS OF VARIANCE)

Model	Sum of Squares	df	Mean Square	F	Sig.	5% F-Limit from F- table
Between Groups	1.480	1	1.480	1.052	0.308	3.02
Within Groups	137.910	98	1.407			
Total	139.390	99				

a. Predictors: Sex (b) Dependent Variable: Social networking websites

The above table shows that the calculated value of F is 1.052 which is less than the table value 3.02 at 5% level with being $V_1 = 1$ and $V_2 = 98$ (which assume as ∞) and hence could have arisen due to chance. This analysis supports the null hypothesis of no difference in sample means. It may therefore be concluded that difference in different age groups due to their satisfaction level on the social networking websites is insignificant and it concluded that student's satisfaction is important but depending upon the social networking websites for different age groups. However, social networking websites, in study area, is rated well by varied age groups of selected study area.

TABLE 1.2: COEFFICIENTS'

Model	Unstandardized Coefficients		Standardized Coefficient	t	Sig.
	B	Std. Error	Beta		
1 Constant (SNW)	1.965	0.356	0.103	5.514	0.000
Sex	0.253	0.247		1.026	0.308

a. Dependent Variable Social Networking Websites (SNW)

R= 0.103 R Square=0.011

The alternative hypothesis assumes that there is a positive relationship between sex and social networking websites In order to test the hypothesis sex has been taken as independent variable and social networking websites as dependent variable. It is stated that independent variable is significant at 1 per cent level of significance. It shows that there is clear impact of social networking websites on sex and some other unknown factors also plays significant role. In Table 1.2, the 'B' value is 0.253 which indicate that elasticity between sex and social networking websites is 0.253. It resulted that 1 increase in sex leads to 0.253 increase in social networking websites that helps in boosting social networking websites of India. Therefore hypothesis is accepted as there is significant impact of sex on social networking websites.

TABLE 1.3: COEFFICIENTS'

Model	Unstandardized Coefficients		Standardized Coefficient	t	Sig.
	B	Std. Error	Beta		
1 Constant (SNW)	2.565	0.334		7.669	.000
Education Level	0.124	0.152	0.082	0.815	.417

a. Dependent Variable Social Networking Websites (SNW)

R= 0.082 R Square=0.007

The alternative hypothesis assumes that there is a positive relationship between education level and social networking websites In order to test the hypothesis education level been taken as independent variable and social networking websites as dependent variable. It is Stated that independent variable is significant at 1 per cent level of significance. It shows that there is clear impact of social networking websites on education level and some other unknown factors also plays significant role. In Table 4, the 'B' value is 0.124 which indicate that elasticity between education level and social networking websites is 0.124. It resulted that 1 increase in education level leads to be 0.124 increases in social networking websites that is helps in boosting social networking websites of India. Therefore hypothesis is accepted and there is significant impact of education level on social networking websites.

TABLE 1.4: RURAL AND URBAN STUDENTS USING SOCIAL NETWORKING WEBSITES

Use social networking websites	Area		Total
	Rural	Urban	
Regular	11	12	23
Frequently	13	22	35
Often	10	11	21
Occasionally	8	13	21
Total	42	58	100

Source Field Survey 2014

Table 1.4 revealed that the urban students use social networking websites is 58 % and rural students use social networking websites is 42%.which shows that the urban students use more social networking websites as compare to rural students.

TABLE 1.5: MALE AND FEMALE STUDENTS USING SOCIAL NETWORKING WEBSITES

Use SNW	Sex		Total
	Male	female	
Regular	25	11	36
Frequently	15	10	25
Often	12	8	20
Occasionally	11	8	19
Total	63	37	100

Source Field Survey 2014

Table 1.5 revealed that the male students use social networking websites is 63 % and female students use social networking websites is 37%. Which shows that the male students use more social networking websites as compare to female students.

TABLE 1.6: STUDENTS PERCEPTION TOWARDS SOCIAL NETWORKING WEBSITES IN H.P.U. SHIMLA

Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Limited Scope for personal advise	6	41	24	16	13	100
No direct communication with person	8	40	23	22	7	100
Wastage of time	15	31	32	17	5	100
Misuse of information and Photo	27	51	9	9	4	100
False Statement and status	20	50	14	13	3	100
Effect the study timing	11	38	27	22	2	100
Harmful effect on eyes and behaviour	28	48	11	12	1	100

Source Field Survey 2014

Table 1.6 given above, shows that respondents bend forward positively in terms of strongly agree Harmful effect on eyes and behaviour, towards Misuse of information and Photo and False Statement and status (28%, 27% and 20%). and Misuse of information and Photo, False Statement and status and Harmful effect on eyes and behaviour (51%, 50% and 48%) respondents bend forward in term of agree. Wastage of time and Effect the study timing (32% and 27%) respondents bend forwards in term of Neutral. No direct communication with person with 22% bends forwards in term of Disagree. Limited Scope for personal advice with 13 % bend forwards in term of strongly disagree. It can also be observed from the results presented above that the highest degree of strongly agreement was for Harmful effect on eyes and behaviour with 28% of respondents. This indicates that majority of the respondents (51%) feel that SNW will choose misuse of information and Photo. This also badly effect the study of students due to overnight or whole day using face book or other social sites. 33% of respondents were neutral in case of wastage of time it means they are in favour of Social networking websites.

There is no empirical evidence to prove that the Social Sites would affect the study, wasted times and also responsible for false statement every time. This also indicates the respondents are still not clear about SNWs and they are divided in their opinions.

LIMITATIONS OF THE STUDY

- The study was conducted at only in the H.P. University Shimla and the results may not be generalized to the larger population of H.P. University students.
- The survey had four time frames (e.g., 1 hour, 2 hours, 3 hours, and 4 hours). The time frames may not indicate the exact time that participants spent on each activity.

CONCLUSION

Social networking websites is revolutionary idea with a very bright future with further scope for advancement. The opportunities provided from this medium are immense and many organizations are making use of this medium to better their practices. Organizations are no longer at the mercy of the media to advertise or convey their message. With the help of social networking websites they can advertise or communicate in a more efficient way. For example, People don't have to rely on newspaper or TV to get their daily dose of news it can all be obtained from social networking websites. People can follow or get information from any part of the world. For examples, twitter allows a user to follow anything from airline timing to the next breaking news from china. It is even used by politicians to get their message across. The social networks can be extended to other media, for example, television now integrates twitter feeds. In terms of Personal relationship to the social networking is connecting people. Social networking websites, unlike the common media, do not have a pattern as to how much information has to be conveyed and where to draw the line. Too much of information may confuse users; security might be another area of concern where people can get illegal access to user information. The study concluded male students use social networking websites is 63 percent and female students use social networking websites is 37 percent. Which shows that the male students use more social networking websites as compare to female students. An interesting conclusion has been drawn on the basis of the findings of current study that students are managing their time efficiently and hence, use of Social Networking Sites does not harm their academic performance. The study revealed that the urban students use social networking websites is 58 percent and rural students use social networking websites is 42 percent. This shows that the urban students use more social networking websites as compare to rural students.

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DOES EDUCATION EXPENDITURE IMPACT INDIA'S ECONOMIC GROWTH: A TIME SERIES ANALYSIS

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ABSTRACT

The paper empirically estimated the relationship between education expenditure of government and economic growth in India using annual data over the period 1981 to 2011. The unit root properties of the data were examined using the Augmented Dickey Fuller test (ADF) after which the co integration and causality tests were conducted. The estimation shows the following findings: (1) the empirical analysis on basis of ordinary Least Square Method suggests that there is positive relationship between EDU and GDP and vice versa and also there is positive relationship between GDP and GDCF and vice versa. (2) The unit root test clarified that economic growth; education and gross domestic formation are non-stationary at the level data but found stationary at the first differences. Therefore, the series of the variables of our consideration-EDU, GDP and GDCF, namely, education economic growth and gross domestic capital formation were found to be integrated of order one using the ADF tests for unit root. (3) The Granger causality test finally confirmed that there exist no causality that can run from economic growth to education and GDCF. The causality can run from education to economic growth. Finally, it can be suggested that concerted effort should be made by policy makers to increase the level of human capital in India through which productivity can be enhanced in order to boost growth (GDP). Moreover, quality assurance in education should be given utmost priority in order to make it growth enhancing.

KEYWORDS

education expenditure, economic growth.

1. INTRODUCTION

It is well known and widely accepted that investment in education is critical for economic growth and social cohesiveness of society. Many of the potential payoffs to society from various types of public investment in education are not immediately apparent but are nevertheless important. One of the best examples relevant to the Indian context is the much hyped software boom that itself reflects at least partly the earlier public investment in Indian Institutes of Technology (IITs). Further, there are huge advantages to society in improving the general level of education, not only because the quality of workforce improves, but because various other aspects such as health, nutrition and sanitation are positively affected, and also because educated citizens can be more effective participants in a democratic civil society. Expenditure on education is supposed to bring into the economic system the externalities and other indirect effects such as higher education attainment and achievement of children, better health and lower mortality of children, better individual health and lower number of birth which subsequently cause higher productivity in terms of increased earnings, more participation in the labour force i.e. increased labour force; all these coupled with lower population growth and better health of population tend to positively influence higher economic growth (Michaelowa, 2000). One of the fundamental ways of generating sustainable economic growth has been educational development. The crucial purpose of education is to assist individuals with knowledge to be better able to apply that knowledge. Therefore, it is important to mention that returns on investment in education convert to economic growth and of course extend to improvement in the quality of the society because education can affect children's attitudes and assist them to grow up with social values that are more beneficial to themselves and the nation at large (see Pradhan, 2009; Yogish, 2006; Babatunde & Adefabi, 2005). The conviction, that education promotes growth has led governments of many developing countries to invest in the education sector. Even the theoretical literature also provides support for such a policy. However, the empirical literature has failed to establish a strong relationship between education expenditures and growth. According to the economic theory, it is expected to have a positive causal relationship to exist between education expenditure and economic growth. But different empirical papers investigating the above mentioned relationship for India have come up with different results. Therefore, the paper is contribution to fill the gap existed in the literature in Indian context.

2. REVIEW OF LITERATURE

Quite a few empirical studies have tried to examine the relation between investment in human capital and economic growth. The relationship has been tested for countries such as USA (Jorgenson & Fraumeni, 1992), Pakistan (Aziz et al., 2008), Tanzania and Zambia (Jung & Thorbecke, 2001), Nigeria (Ogujiuba & Adeniyi, 2005) and India (Chandra, 2010). The results from the above mentioned papers indicate that education expenditures do affect growth positively. Fiszbein & Psacharopoulos, 1992 conducted a study to assess the effects of education investments in Venezuela and found that primary education investments have the highest effects on growth whereas higher education investments exhibits the lowest returns among the three levels of education. This is mainly due to the fact that high cost of university education offsets the benefits accrued from a university degree. Further, according to Becker, Murphy et al (1991), education expenditures since 1960 has been an important determinant of the subsequent growth in per capita incomes for around hundred countries since 1960. However, overall, the empirical evidence is quite mixed. Ansari and Singh (1997) use annual time series data from 1951 to 1987 to study the relationship between public spending on education and growth. They found that there is no long run relationship between the two. Bosworth, Collins and Virmani (2007) test that what are the major contributors to India's economic growth and conclude that education's contribution has been negligible. Pradhan (2009) investigates the causality between public education spending and economic growth in India during 1951 to 2001. The empirical investigation has been carried out by Error Correction Modelling. The findings suggest that there is unidirectional causality between education and economic growth in the Indian economy. The direction of causality is from economic growth to education spending and not vice versa. Chandra (2010) has tested for a causal relationship between education investments and economic growth for India for the time period 1951-2009 using linear and non-linear Granger causality methods. He found that there is bi-directional causality between education spending and GDP for India. Thus, it can be seen that overall, the empirical evidence regarding this relationship for India too is quite mixed.

3. DATA SOURCES AND METHODOLOGY

The objective of this paper is to investigate the dynamics of the relationship between educational expenditure of Govt. and economic growth in India using the annual data for the period 1980-81 to 2010-11 which includes the 31 annual observations. The three main variables of this study are economic growth, educational expenditure of Govt and gross domestic capital formation. The Gross Domestic Product (GDP) is used as the proxy for economic growth in India and represents the economic growth rate by using the constant value of Gross Domestic Product (GDP) measured in Indian rupee and gross domestic capital formation used as a proxy of physical capital. The data for the sample period are obtained from the Handbook of Statistics on Indian Economy, 2010-11 published by Reserve Bank of India. Expenditure on Education used as a proxy of human capital is taken from our publication titled 'Analysis of Budgeted Expenditure on Education' published by Dept. of Higher Education, Govt. of India. All the variables are taken in their natural logarithms to avoid the problems of heteroscedasticity. Using the time period 1980-81 to 2010-11 for India, this study aims to examine the long-term and causal dynamic relationships between the level of education expenditure and economic growth. The estimation methodology employed in this study is the co integration and error correction modelling technique. The entire estimation procedure consists of three steps: first, simple regression analysis by OLS technique, second, unit root test; and third, Granger causality test estimation (**steps explain in appendix**). The paper is based on the following hypotheses for testing the causality and co-integration between GDP

and education expenditure in India first whether there is bi-directional causality between GDP growth and EDU, second whether there is unidirectional causality between the two variables, and last whether there is no causality between GDP and EDU in India. Similar hypothesis is used for GDP and gross capital formation. The model specification draws inspiration from the earlier works of Pradhan (2009) and Babatunde and Adefabi (2005). The choice of the existing model is based on the fact that it allows for generation and estimation of all the parameters without resulting into unnecessary data mining. The growth model for the study takes the form:

$$GDP=f(EDU) \text{----- (1)}$$

Where, GDP and EDU are the gross domestic product and education expenditure respectively. Equation (1) is treated as a Cobb-Douglas function with investment in education, EDU, as the only explanatory variable. The link between Economic growth (measured in terms of GDP growth) and EDU in India can be described using the following model in linear form:

$$\ln GDP_t = \alpha + \beta \ln EDU_t + \epsilon_t \text{----- (1.1)}$$

α and $\beta > 0$

The variables remain as previously defined with the exception of being in their natural log form, ϵ_t is the error term assumed to be normally, identically and independently distributed.

GDP_t and EDU_t show the Gross Domestic Product annual growth rate and educational expenditure of govt. at a particular time respectively while ϵ_t represents the “noise” or error term; α and β represent the slope and coefficient of regression. The coefficient of regression, β indicates how a unit change in the independent variable (educational expenditure) affects the dependent variable (gross domestic product). The error, ϵ_t , is incorporated in the equation to cater for other factors that may influence GDP. The validity or strength of the Ordinary Least Squares method depends on the accuracy of assumptions. In this study, the Gauss-Markov assumptions are used and they include; that the dependent and independent variables (GDP and EDU) are linearly co-related, the estimators (α , β) are unbiased with an expected value of zero i.e., $E(\epsilon_t) = 0$, which implies that on average the errors cancel out each other. The procedure involves specifying the dependent and independent variables; in this case, GDP is the dependent variable while EDU the independent variable. But it depends on the assumptions that the results of the methods can be adversely affected by outliers. In addition, whereas the Ordinary Least squares regression analysis can establish the dependence of either GDP on EDU or vice versa; this does not necessarily imply direction of causation. Stuart Kendal noted that “a statistical relationship, however, strong and however suggestive, can never establish causal connection.” Thus, in this study, another method, the Granger causality test, is used to further test for the direction of causality.

4. RESULT

ORDINARY LEAST SQUARE TECHNIQUE

TABLE 1: RESULT OF OLS TECHNIQUE

Variable	Dependent variable is Ln GDP				
	Coefficient	SE	t ratio	R2	F Statistic
Ln EDU	3.412437	0.84184	4.05	0.3617	16.43
Ln GDP	Dependent variable is Ln EDU				
	0.1059865	0.02615	4.05	0.3617	16.43
Ln GDCF	Dependent variable is Ln GDP				
	0.7174564	0.01439	49.86	0.9885	2486.26
Ln GDP	Dependent variable is Ln GDCF				
	1.377743	0.02763	49.86	0.9885	2486.26

In Ordinary least Square Method, reject the hypothesis that there is no relationship between the variable and the results of the Ordinary Least Squares Regression are summarized in the Table 1. The empirical analysis on basis of ordinary Least Square Method suggests that there is positive relationship between EDU and GDP, GDCF and GDP and vice versa.

UNIT ROOT TEST

TABLE-2: UNIT ROOT TEST WITH LEVEL

variable	intercept	
Ln GDP	lag (0)	lag(1)
AIC	1.44006	-5.16596*
HQIC	1.45433	-5.13741*
SBIC	1.48805	-5.06997*
Ln EDU		
AIC	-2.65906	-3.23816*
HQIC	-2.64479	-3.20961*
SBIC	-2.61107	-3.14217*
Ln GDCF		
AIC	2.13463	-1.89745*
HQIC	2.1489	-1.86172*
SBIC	2.18263	-1.79427*

Ho: series has unit root; **H1:** series is trend stationary, *MacKinnon critical values for rejection of hypothesis of a unit root. AIC stands for Akaike info criterion SBC stands for Schwarz Bayesian criterion

Table 2 & 3 present the results of the unit root test. The results show that both variables of our interest, namely LnGD, LnEDU and LnGDCF attained stationary after first differencing, L (1). Table 2 presents the results of the unit root test for the three variables for their levels. The results indicate that the null hypothesis of a unit root cannot be rejected for the given variable and hence, one can conclude that the variables are not stationary at their levels. To determine the stationary property of the variable, the same test above was applied to the first differences. Results from Table 3 revealed that the ADF value is greater than the critical t-value at 1% level of significance for all variables. Based on these results, the null hypothesis that the series have unit roots in their differences is rejected, meaning that series are stationary at their first differences [they are integrated of the order one i.e. L (1)]. The AIC (Akaike Information criterion) and SBC (Schwarz Bayesian criterion) are shown in the tables to determine the number of lags that makes the error term a white noise, which is one lag, as can be seen from Table 2.

TABLE-3: UNIT ROOT TEST - THE RESULTS OF THE AUGMENTED DICKEY FULLER (ADF) TEST FOR THE FIRST DIFFERENCE WITH AN INTERCEPT & LINEAR TREND

Variable	test statistic	1 % critical	5 % critical	10 % critical
Ln GDP	-3.873	-3.723	-2.989	-2.625
Ln EDU	-6.335	-3.723	-2.989	-2.625
Ln GDCF	-6.472	-3.723	-2.989	-2.625

GRANGER CAUSALITY TEST

The results of Pair wise Granger Causality between economic growth (GDP) and investment in education (EDU) are contained in Table 4. The results reveal the existence of a bi-directional causality which runs from economic growth (GDP) to investment in education (EDU) and vice versa and runs from economic growth (GDP) to gross domestic capital formation (GDCF) and vice versa.

The null hypotheses of the Granger-Causality test are:

$$H_0: X \neq Y \text{ (X does not granger-cause Y)}$$

$$H_1: X = Y \text{ (X does Granger-cause Y)}$$

We have found that both for the Ho of “LNEDU does not Granger Cause LNGDP” and Ho of “LNGDP does not Granger Cause LNEDU”, we cannot reject the Ho since the probability values greater than 0.1. Therefore, we accept the Ho and conclude that LNGDP does not Granger Cause LNEDU. On the basis of probability, LNGDP does not Granger Cause LNGDCF and, LNGDCF does not Granger Cause LNGDP.

The below results generally show that there is only causal relationship between education expenditure indicators and economic growth in India. Because on the basis of probability value which is less than 0.1, we can reject the null hypothesis that is LNEDU does not Granger Cause LNGDP. There is unidirectional casual relationship between education expenditure and economic growth.

TABLE 4: GRANGER CAUSALITY TEST

Null hypothesis	chi2	P-value	Decision
LNGDP does not Granger Cause LNEDU	0.1003	0.951	Accept
LNEDU does not Granger Cause LNGDP	14.73	0.001	Reject
LNGDP does not Granger Cause LNGDCF	2.9542	0.228	Accept
LNGDCF does not Granger Cause LNGDP	0.76278	0.683	Accept

5. CONCLUSION

The paper empirically estimated the relationship between education expenditure of government and economic growth in India using annual data over the period 1981 to 2011. The unit root properties of the data were examined using the Augmented Dickey Fuller test (ADF) after which the co integration and causality tests were conducted. The estimation shows the following findings: (1) the empirical analysis on basis of ordinary Least Square Method suggests that there is positive relationship between EDU and GDP and vice versa and also there is positive relationship between GDP and GDCF and vice versa. (2) The unit root test clarified that economic growth; education and gross domestic formation are non-stationary at the level data but found stationary at the first differences. Therefore, the series of the variables of our consideration-EDU, GDP and GDCF, namely, education economic growth and gross domestic capital formation were found to be integrated of order one using the ADF tests for unit root. (3) The Granger causality test finally confirmed that there exist no causality that can runs from economic growth to education and GDCF. The causality can runs from education to economic growth. Finally, it can be suggested that concerted effort should be made by policy makers to increase the level of human capital in India through which productivity can be enhanced in order to boost growth (GDP). Moreover, quality assurance in education should be given utmost priority in order to make it growth enhancing.

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APPENDIX

STEP –I: ORDINARY LEAST SQUARE METHOD

Here it is assumed the hypothesis that there is no relationship between educational expenditure (EDU) and Economic Growth in terms of GDP. To confirm about our hypothesis, primarily, we have studied the effect of education expenditure on economic growth and vice versa by two simple regression equations:

$$EDU_t = a + b * GDP_t \text{----- (2)}$$

$$GDP_t = a_1 + b_1 * EDU_t \text{----- (3)}$$

GDP = Gross domestic product. EDU = Educational expenditure of government in India. t= time subscript .The same equation apply for other variable. The first step for an appropriate analysis is to determine if the data series are stationary or not. Time series data generally tend to be non-stationary, and thus they suffer from unit roots. Due to the non-stationarity, regressions with time series data are very likely to result in spurious results. The problems stemming from spurious regression have been described by Granger and New bold (1974). In order to ensure the condition of stationarity, a series ought to be integrated to the order of 0 [I (0)]. In this study, tests of stationarity, commonly known as unit root tests, were adopted from Dickey and Fuller (1979, 1981). As the data were analyzed, we discovered that error terms had been correlated in the time series data used in this study.

STEP –II: THE STATIONARITY TEST (UNIT ROOT TEST)

It is suggested that when dealing with time series data, a number of econometric issues can influence the estimation of parameters using OLS. Regressing a time series variable on another time series variable using the Ordinary Least Squares (OLS) estimation can obtain a very high R², although there is no meaningful relationship between the variables. This situation reflects the problem of spurious regression between totally unrelated variables generated by a non-stationary process. Therefore, prior to testing Co integration and implementing the Granger Causality test, econometric methodology needs to examine the stationarity; for each individual time series, most macro-economic data are non-stationary, i.e. they tend to exhibit a deterministic and/or stochastic trend. Therefore, it is recommended that a stationarity (unit root) test be carried out to test for the order of integration. A series is said to be stationary if the mean and variance are time-invariant. A non-stationary time series will have a time dependent mean or make sure that the variables are stationary, because if they are not, the standard assumptions for asymptotic analysis in the Granger test will not be valid. Therefore, a stochastic process that is said to be stationary simply implies that the mean [E (Yt)] and the variance [Var(Yt)] of Y remain constant over time for all t, and the covariance [covar(Yt, Ys)] and hence the correlation between any two values of Y taken from different time periods depends on the difference apart in time between the two values for all t≠s. Since standard regression analysis requires that data series be stationary, it is obviously important that we first test for this requirement to determine whether the series used in the regression process is a difference stationary or a trend stationary. The Augmented Dickey-Fuller (ADF) test is used. To test the stationary of variables, the Augmented Dickey Fuller (ADF) test is use, which is mostly used to test for unit root. Following equation checks the stationarity of time series data used in the study:

$$\Delta Y_t = \beta_1 + \beta_2 t + \alpha Y_{t-1} + \gamma \sum_{i=1}^p \Delta Y_{t-i} + \epsilon_t$$

Where ϵ_t is white noise error term in the model of unit root test, with a null hypothesis that variable has unit root. The ADF regression test for the existence of unit root of Y_t that represents all variables (in the natural logarithmic form) at time t. The test for a unit root is conducted on the coefficient of Y_{t-1} in the

regression. If the coefficient is significantly different from zero (less than zero) then the hypothesis that Y contains a unit root is rejected. The null and alternative hypothesis for the existence of unit root in variable Y_t is $H_0: \alpha = 0$ versus $H_1: \alpha < 0$. Rejection of the null hypothesis denotes stationarity in the series.

If the ADF test-statistic (t-statistic) is less (in the absolute value) than the Mackinnon critical t-values, the null hypothesis of a unit root cannot be rejected for the time series and hence, one can conclude that the series is non-stationary at their levels. The unit root test tests for the existence of a unit root in two cases: with intercept only and with intercept and trend to take into the account the impact of the trend on the series.

STEP-III: THE GRANGER CAUSALITY TEST

Causality is a kind of statistical feedback concept which is widely used in the building of forecasting models. Historically, Granger (1969) and Sim (1972) were the ones who formalized the application of causality in economics. Granger causality test is a technique for determining whether one time series is significant in forecasting another (Granger, 1969). The standard Granger causality test (Granger, 1988) seeks to determine whether past values of a variable helps to predict changes in another variable. The definition states that in the conditional distribution, lagged values of Y_t add no information to explanation of movements of X_t beyond that provided by lagged values of X_t itself (Green, 2003). We should take note of the fact that the Granger causality technique measures the information given by one variable in explaining the latest value of another variable. In addition, it also says that variable Y is Granger caused by variable X if variable X assists in predicting the value of variable Y. If this is the case, it means that the lagged values of variable X are statistically significant in explaining variable Y. The null hypothesis (H_0) that we test in this case is that the X variable does not Granger cause variable Y and variable Y does not Granger cause variable X. In summary, one variable (X_t) is said to granger cause another variable (Y_t) if the lagged values of X_t can predict Y_t and vice-versa.

EDU and GDP are, in fact, interlinked and co-related through various channel. There is no theoretical or empirical evidence that could conclusively indicate sequencing from either direction. For this reason, the Granger Causality test was carried out on EDU and GDP.

The spirit of Engle and Granger (1987) lies in the idea that if the two variables are integrated as order one, $I(1)$, and both residuals are $I(0)$; this indicates that the two variables are co integrated. The Granger theorem states that if this is the case, the two variables could be generated by a dynamic relationship from GDP to EDU and, vice versa.

Therefore, a time series X is said to Granger-cause Y if it can be shown through a series of F-tests on lagged values of X (and with lagged values of Y also known) that those X values predict statistically significant information about future values of Y. In the context of this analysis, the Granger method involves the estimation of the following equations:

$$dLn GDP_{it} = \sum \alpha_i dLn GDP_{t-i} + \sum \beta_j dLn EDU_{t-j} + \varepsilon_{1t} \text{-----} (4)$$

If causality (or causation) runs from GDP to EDU, it takes the form:

$$dLn EDU_{it} = \sum a_i dLn EDU_{t-i} + \sum b_j dLn GDP_{t-j} + \varepsilon_{2t} \text{-----} (5)$$

Where, GDP_t and EDU_t represent gross domestic product and educational expenditure respectively, ε_{it} is uncorrelated stationary random process, and subscript t denotes the time period. In equation (4), failing to reject: $H_0: \alpha_i = \beta_j = 0$ implies that educational expenditure does not Granger cause economic growth. On the other hand, in equation (5), failing to reject $H_0: a_i = b_j = 0$ implies that economic growth via GDP growth does not Granger cause educational expenditure. The decision rule:

From equation (4), $dLn EDU_{t-1}$ Granger causes $dLn GDP_{it}$ if the coefficient of the lagged values of EDU as a group (β_j) is significantly different from zero based on F-test (i.e., statistically significant). Similarly, from equation (5), $dLn GDP_{t-1}$ Granger causes $dLn EDU_{it}$ if b_j is statistically significant.



PRODUCTION AND MARKETING ARE THE STEPPING STONES OF ACCOUNTING: A QUIZZICAL STUDY

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ABSTRACT

Production and Marketing functions give birth to accounting. Production process of goods and services is the originating point followed by formulation of a successful marketing mix and strategy to win permanent ultimate customers, be it industrial or ultimate, for maximization of their satisfaction profitably. Without production and marketing operations, there is nothing to record, analyze and therefore there is no information to communicate and none to look for information for decision making. These two variables, thus, become the stepping stones of finance and accounting. Hence, the gateway of accounting opens up provided there is a flow of production and marketing activities. When the former (Production and Marketing) do not exist, the existence of the latter (Accounting) does not arise. There arises a need for creating and maintaining a good relationship among these three variables to ensure positive and healthy interactions within and outside an organization and thereby enhancing the profitability by satisfying the customers for its survival and growth. There is no doubt advanced technology in these three variables plays a key role for standardizing the output, enhancing the marketing efficiency and ensuring transparency in accounting. This paper attempts to conceptually analyze the interrelationship among the production, marketing and accounting process, to identify the pattern of interactions that exist among these three variables – Production, Marketing and Accounting and to contribute to the growing body of knowledge in the fields of production, marketing and accounting.

KEYWORDS

Production and Marketing, Accounting, Interrelationship, Interactions.

INTRODUCTION

Accounting is an old discipline which was conceptualized as a field of study. It is as old as money itself. It has existed long before the concept of 'finance' was developed. Records of accounting, in fact, can be traced as far 7000 years ago. It has developed to meet challenges and requirements of the ever growing society. Present day accounting is a social system. Changes occurred gradually in the science of accounting as the needs arose. In India, accounting was practiced twenty three centuries ago as it is clear from the book named 'Arthashastra' written by Kautilya, King Chandragupta's minister. The modern system of accounting based on the principles of double entry system owes, however, its origin to Luco Pacioli who first published the principles of Double Entry System in 1494 at Venice in Italy. The art of accounting has, thus, been practiced for centuries but it is only in the late thirties of 20th century that the study of the subject 'Accounting' has been taken up seriously. *In the recent years, large scale of production, cut throat competition, widening of the market and changes in technology have brought remarkable changes in the field of accounting.* The object of accounting is to record, classify, summarize, analyze and interpret the business transactions and to ascertain operating results and financial position and to communicate to various users. In other words, it aims at ascertaining whether the business operations have been profitable or not, ascertaining the financial position of the business, and generating information which may be helpful to various parties in planning, control and evaluation of performance and decision making.

OBJECTIVES OF THE STUDY

The main objectives of the study are;

- [1] to study the pattern of relationship among the production, marketing and accounting process in practice.
- [2] to examine the interactional process among these segments, and
- [3] to contribute and add new angle to the existing body of literature in the fields of production, marketing and accounting.

RESEARCH METHODOLOGY

This study is based on conceptual analysis which is *review, conceptual and evaluative* in nature. The concept available in literature – books, journals, newspapers, etc., - has been used for the study. Internet has also facilitated to collect the relevant data. Appropriate analysis, based on the concepts, has been made for interpretation and results.

HYPOTHESES

This study has the following hypotheses for testing;

1. Production and Marketing are the stepping stones of accounting.
2. There is a high interactional process among the processes of Production, Marketing and Accounting.
3. The variables – Production, Marketing and Accounting – are interrelated.

RELATIONSHIP AMONG THE VARIABLES

- **PRODUCTION AND MARKETING**

There is a curious relationship between production and marketing, especially in the realm of software development. Any software development team is putting their energy into planning the functionality, the features, the benefits, the user interfaces, code development etc., And they are doing this based on their knowledge of the market. Their commitment that yes, people will need and will use their software – they will buy it. And they may do a great job, using all the latest tools, testing, retesting, debugging, refining, build, and then they'll freeze it and roll it out. To some degree, though they have just created an asteroid floating in silent space. May be it's an impressive asteroid – huge... or small and beautiful, shining and spinning in cold silence. If they are smart, during the development process, they will have reached agreements with alpha and beta sites and other brand new customers to get testimonials, white papers and invitations for site visits and they will have started creating valuable content and engaging all channels of social media, including the press. Otherwise, they have created a beautiful shining spinning asteroid far out there in the solar system. They need to be aware that to find the right people that would potentially be buyers, and to communicate with them in such a way that they commit to the next buying phase... is actually just as difficult and demanding as it was to write the software in the first place.

- **ACCOUNTING AND MARKETING**

All businesses must keep some form of accounting system to monitor the financial results of a business. The financial statements help management gauge the profitability of a business concern within a given period. The accounting department is responsible for the preparation and analysis of the financial statements. It monitors the financial condition of a company based on financial statements that are compiled on a regular basis. They can monitor sales trends and expense

trends in the business that can provide management with the information it needs to make plans for expansion for cost reductions. The marketing department is responsible for managing and developing the sales of a business.

INTERACTIONAL PROCESS AMONG THE VARIABLES

Some of the most important expenditures a business can make are in the areas of marketing and advertising. A business must be able to market its goods and services; however they must also be able to manage the cost of the marketing and advertising efforts. Simultaneously, the accounting department must work closely with the marketing department to monitor trends in the business as well as manage the efficiency of sales promotions initiated by the marketing company. For instance, a marketing campaign might be successful in terms of gross sales, but the accounting department might determine that the cost of the campaign was too high.

The proximity in work is thus becoming essential between marketing and accounting to enable the management to sensitize the areas where the marketing campaigns are successful. Another very important reason for the coordination of these two variables is to prepare budgets for future expenditures for the marketing campaigns. *It is then the role of accounting department to measure the marketing departments adherence to budget limits and also the efficiency of the budgets that have been utilized.*

TABLE 1: ANALYSIS OF THE RELATIONSHIP AND INTERACTIONAL PROCESS AMONG THE VARIABLES

Sl.No.	ITEM OF ANALYSIS	PRODUCTION DEPARTMENT	MARKETING DEPARTMENT	FINANCE & ACCOUNTING DEPARTMENT
1.	Aim	To produce maximum goods	To sell Maximum Goods and satisfy the customers	To provide sufficient fund to Production and Marketing Departments.
2.	Dependence	Depends on Marketing and Finance Departments for sale of goods and financial support for efficient production respectively.	Depends on Production and Finance departments for procurement of goods for sale and financial assistance for successful marketing respectively.	Depends on Production and Marketing Departments for data to prepare the financial statements.
3.	Feedback on performance	Provides to Marketing and Finance Departments	Provides to Production and Finance Departments	Provides to Production and Marketing Departments
4.	Relationship	Reciprocal -mutually extends cooperation and exchanges information to Marketing and Finance Departments	Reciprocal - mutually extends cooperation and exchanges information to Production and Finance Departments	Reciprocal - mutually extends cooperation and exchanges information to Production and Finance Departments

Source: Data based on analysis of concepts under this study

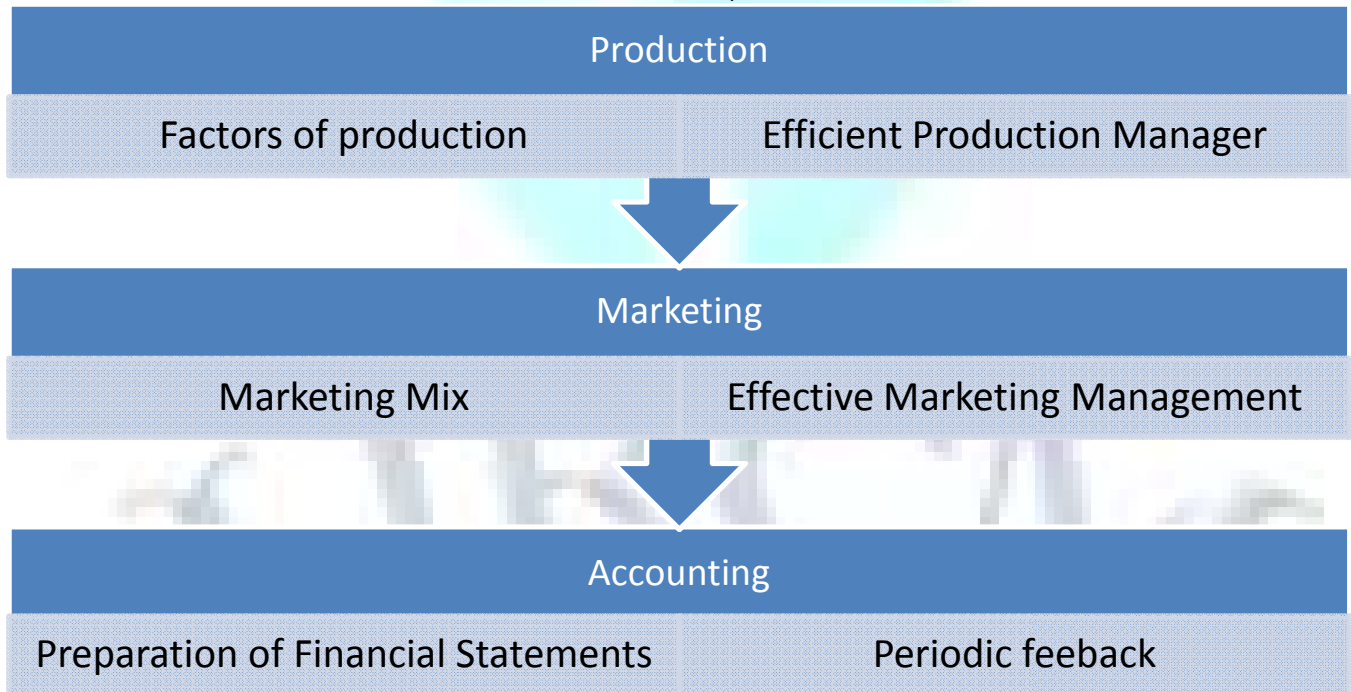
Therefore, from Table 1 – it is clear that the variables, production and marketing, are the stepping stones of accounting. There is an existence of high degree of interactions among all the three variables encircling the accounting. These variables are interrelated to each other.

Their interrelationship may be put it in the form of equation as under;

$$Production + Marketing = Accounting$$

The same relationship may also be depicted in the form of a chart/model as shown under:

FIG.1: RELATIONSHIP AMONG PRODUCTION, MARKETING AND ACCOUNTING



Source: Model developed under this study.

Fig.1 shows that production is the originating point for any transaction since products or services are required to satisfy the unlimited and ever growing human wants. At this stage, all the factors of production - land, labour, capital and organization – are efficiently coordinated and integrated by a prudent production manager for production of goods and services. When the production process ends, the marketing process begins. Therefore, when the products and services are available at the production point, the production process ends where the task of marketing begins.

At the stage of marketing, appropriate marketing mix – product, price, promotion and physical distribution – is designed and provided through suitable marketing programmes. This facilitates the process of movement of goods from the producers to ultimate consumers for consumption. Maximum satisfaction derived from consumers which lead to creation of more demand and more purchases resulting in augmentation of profits to the firm.

These two processes – Production and Marketing – creates the transactions of business – starting of business, purchase of assets, sale of goods, incurring expenditure/ loss etc., . This gives birth to accounting. Thus, the child of accounting is born to the parents of production and marketing. Accounting, thereafter,

systematically records these business transactions of financial character, classifies, analyzes, summarizes and interprets the results for periodical communication to the interested parties. This entails the preparation of various financial statements – Profit and Loss Account (Income Statement), Balance Sheet (Position statement) etc., in compliance with the accounting standards. Simultaneously, cost accounting assists the production manager to ascertain the cost of a product at the stage of production. Management accounting plays a significant role and influences all the three variables – production, marketing and accounting - at various levels of decision making. It is, thus, becomes a feedback to a business firm for sound decision making and revision and formulation of production and marketing strategies for effectiveness.

ACCOUNTABILITY OF MANAGERS

- **Production** – A production manager is expected to be creative and innovative while shouldering the responsibilities of production department. His efforts are the most crucial inputs for the subsequent stages – marketing and accounting processes. Setting standards, measuring the actual output, identifying the deviations and initiating remedial measures for corrections during the process of production brings out quality output with minimum cost. Efficient budgetary planning and control in production management will enhance the level of quality of output. He should ensure timely production of right products at the right time, at quality and at right affordable cost with the right use of advanced technology. He should facilitate smooth flow of goods and information to marketing and finance departments for proper planning and control. Simultaneously, he should also not fail to put the latest advanced technologies in production at use in order to face the acute global competition in the product/service markets. This will result in maximum production of quality products/services at minimum costs. Keeping in view the social responsibility of the business, it becomes the responsibility of a production manager to produce the quality output capable of satisfying the consumers with minimum costs.
- **Marketing** - A marketing manager shall have to design a strategy to provide an appropriate marketing mix for creation of demand and optimal satisfaction of the consumers. Marketing researches may be undertaken from time to time for his product positioning and adaptation of market in commensurate with volatile marketing environment. Constant study on consumer behavior will reflect the tastes and preferences of consumers that in turn facilitates the process of identifying and expanding the potential target markets for his products and services. These activities have therefore become the responsibility of a marketing manager to establish a link between production and consumption points in the process of satisfying the diverse needs of consumers by supplying the products and services at affordable prices.
- **Accounting** – This variable provides varied services through various branches of accounting at multifarious phases of operations of a business. For instance, cost accounting assists in ascertaining the unit cost of a product for cost control. Financial accounting is directed towards the preparation of financial statements whereas the management accounting supplies the required information for different levels of management for decision making. It is therefore the accountability of the accounting manager to prepare the relevant accounting records of his respective department, be it production, marketing or finance, and provide a useful information in time responsibly. By doing so, every executive is made accountable for his managerial action in a firm.
- Over and above, these three managers – Production, Marketing and Finance – should shoulder joint responsibilities and extend cooperation to each other in discharging the functions of their respective departments for attaining the common goals, apart from their individual departmental accountabilities.

RESULTS AND DISCUSSION

As termed and analyzed in this study, it is observed that the production and marketing processes give birth to accounting. As parents do care children initially and the children care them at old age, the production and marketing affairs provides a platform and basis for accounting. Without these processes, there requires no necessity of accounting as there is nothing to record or analyze. The parents in a family learn many attributes and qualities gradually even from children which shapes their character and personality. Likewise, the production and marketing programmes – budgets, marketing mix and so on - are revised and changed to adapt to the needs of target markets based on the information provided by the periodic financial statements. This is feasible because the accounting provides information to the management in time for formulating pertinent policies, decisions, planning and controlling activities. That is how the interactional process takes place among these fundamental segments – production, marketing and accounting. Thus, accounting becomes a source of document reflecting and representing the history of production and marketing activities of a firm as the children do in reality. The information among these three departments flows upward and downward for effective communication for sound decision and reviewing the policies and strategies for attaining the overall goals of the business.

From the above analysis of the interrelationship and interactional processes among the three variables – Production, Marketing and Accounting, it is obvious that all the hypotheses - Production and Marketing are the stepping stones of accounting, there is a high interactional process among these processes which are highly interrelated – are being proved.

FINDINGS OF THE STUDY

The findings of the study are;

- The variables, production and marketing, are the stepping stones of accounting.
- There is an existence of high degree of interactions among all the three variables encircling the accounting.
- The variables – Production, Marketing and Accounting – are interrelated.

CONCLUSION

Production and Marketing functions entail the production and distribution of the goods and services. These activities in turn give birth to business transactions such as purchase of materials, sale of goods, manufacturing and selling expenses, procurement of assets and so on. Besides, in each phase of these two functions, accounting plays a key role in planning and control of costs. Meanwhile, management accounting assists all the levels of management by providing the right information at right time to right managerial personnel for right and sound decisions to put all the activities of a concern in the right track.

Therefore, the production and marketing are the roots from which the plant of accounting stems out and begins its journey towards growth. Thus, these two variables act as the stepping stones of accounting to attain the overall goals of the business venture. This will result in enhancing the quality of the output, promoting the level of efficiency of marketing and ensuring the transparency in accounting for review of policies and strategies of a business concern. There is no doubt that the development of advanced technology and electronic media lays a fabric for smooth interactional processes among these three variables for survival and growth of a firm in the long run.

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